



Fiscal and Economic Updates

MAY 2021: **Maintaining The Momentum of Recovery**



BADAN KEBIJAKAN FISKAL

KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA

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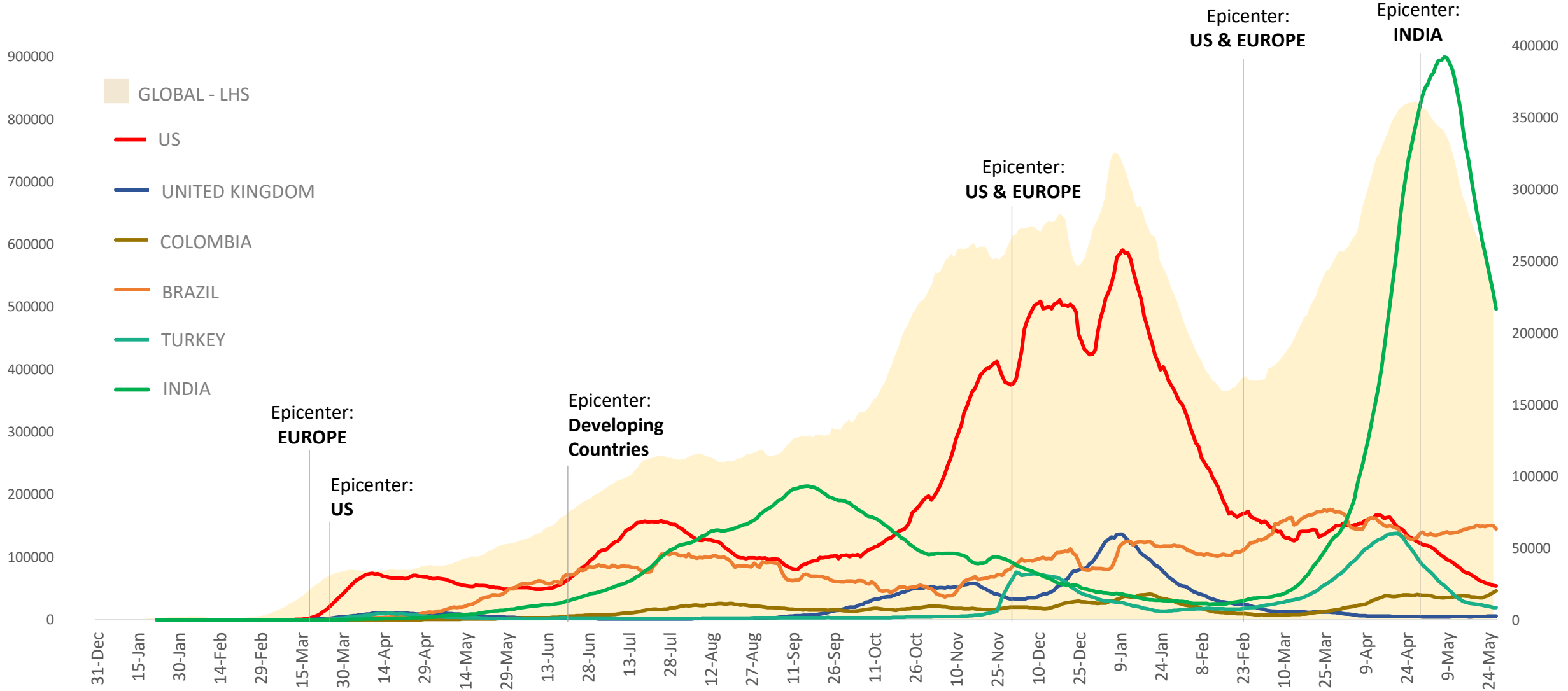
DEVELOPMENT OF THE COVID-19 PANDEMIC AND RECENT ECONOMIC UPDATES

THE UNCERTAINTY REMAINS HIGH DUE TO COVID-19 SPREAD

The epicenter keeps changing, currently India becomes the country with the highest daily cases



Covid-19 Global Cases (7 days moving average)



Source: worldmeters.info/coronavirus, as of May 27, 2021; processed

GLOBAL ECONOMY SNAPSHOT: THE RECOVERY TREND CONTINUES

The optimism remains high, while some factors has to be anticipated



POSITIVE DEVELOPMENT OF GLOBAL ECONOMIC CONTINUES

Some countries posted a positive growth in Q1-2021, e.g. China, US, Singapore, South Korea, France, Taiwan. The recovery in other countries also continues to strengthen even though still in the negative zone.

STABLE FINANCIAL MARKET

- VIX Index is in downward trend
- Positive trend of capital inflows to EMs

INTERNATIONAL TRADE IMPROVED

- Baltic Dry Index in the high level
- PMI Manufacture April is in the highest level since 2021
- Demand of machinery and electronic goods keep growing high

COMMODITY PRICE IS INCREASING

Oil price, CPO, coal as main commodity of Indonesia export booked a significant improvement

PROGRESIVE GOBAL VACCINATION & DOWNWARD TREND OF COVID-19 CASES in many countries after experiencing second waves

SOME RISKS THAT HAS TO BE ANTICIPATED

New waves of Covid-19 cases that lead to **RESTRICTION** and **NEW VARIANT OF COVID-19 VIRUS** that keeps spreading

Uneven **ACCESS AND SPEED OF VACCINATION**

PROTECTSIONISM

Most countries posted **NEGATIVE growth** in Q1-2021

THE US INFLATION IS INCREASING reached 4.2% in April 2021, disrupting the recovery and adding the potential risk of US normalization

Equitable vaccination have to be pushed

Global Solidarity to help some countries
with limited resources, to make sure
strong global recovery

Indonesia have to maintain the economic
recovery and strengthen the reforms

INDONESIA COVID-19 CASES IS IN A DOWNWARD TREND

However, we must keep vigilant due to the high uncertainty



COVID-19 CASES IN INDONESIA

As of May 28

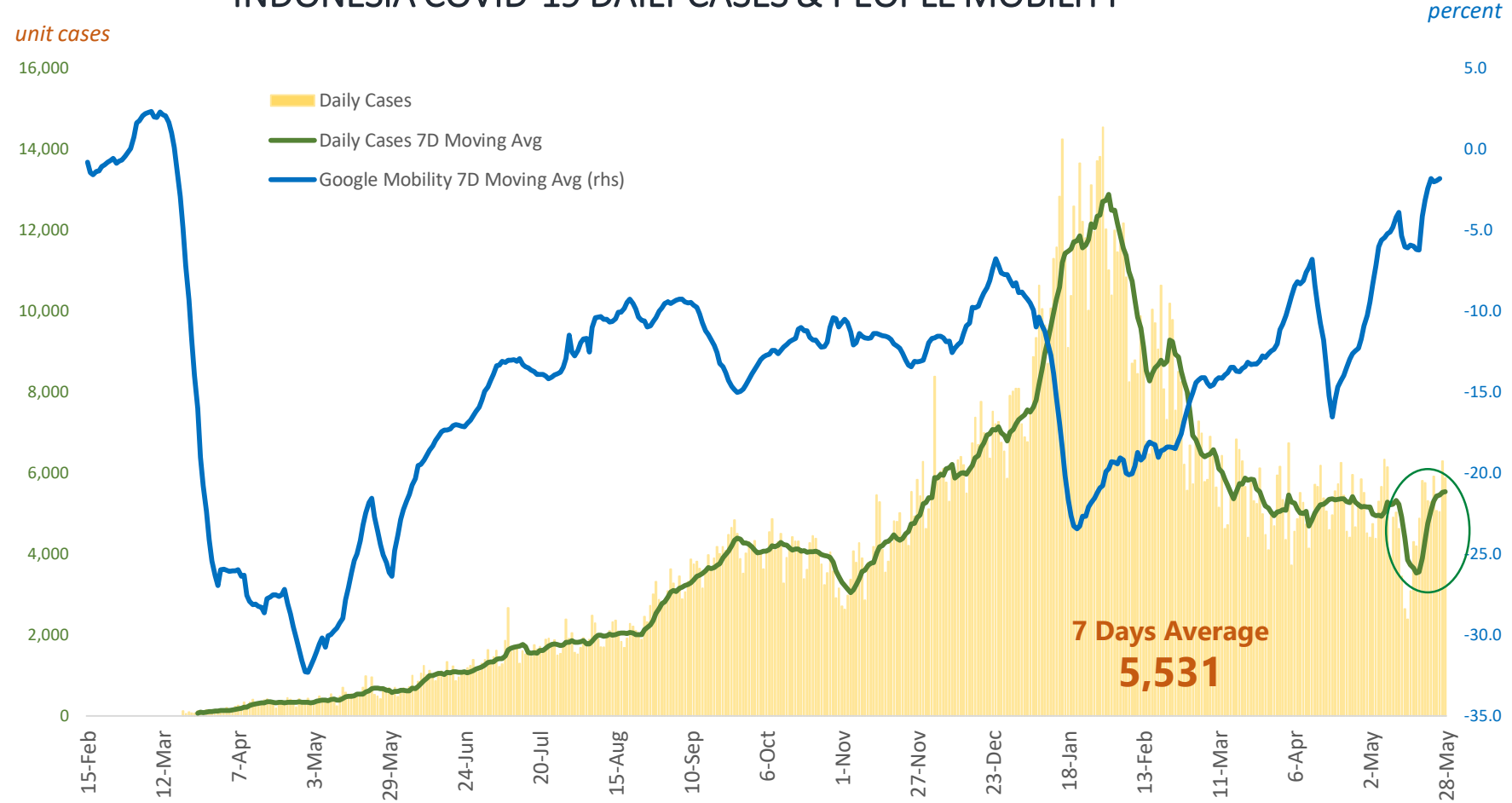
TOTAL CASES
1,803,361

RECOVERED
1,654,557
(91,9%)

ACTIVE CASES
98,704
(5.6%)

TOTAL DEATHS
50,100
(2.8%)

INDONESIA COVID-19 DAILY CASES & PEOPLE MOBILITY



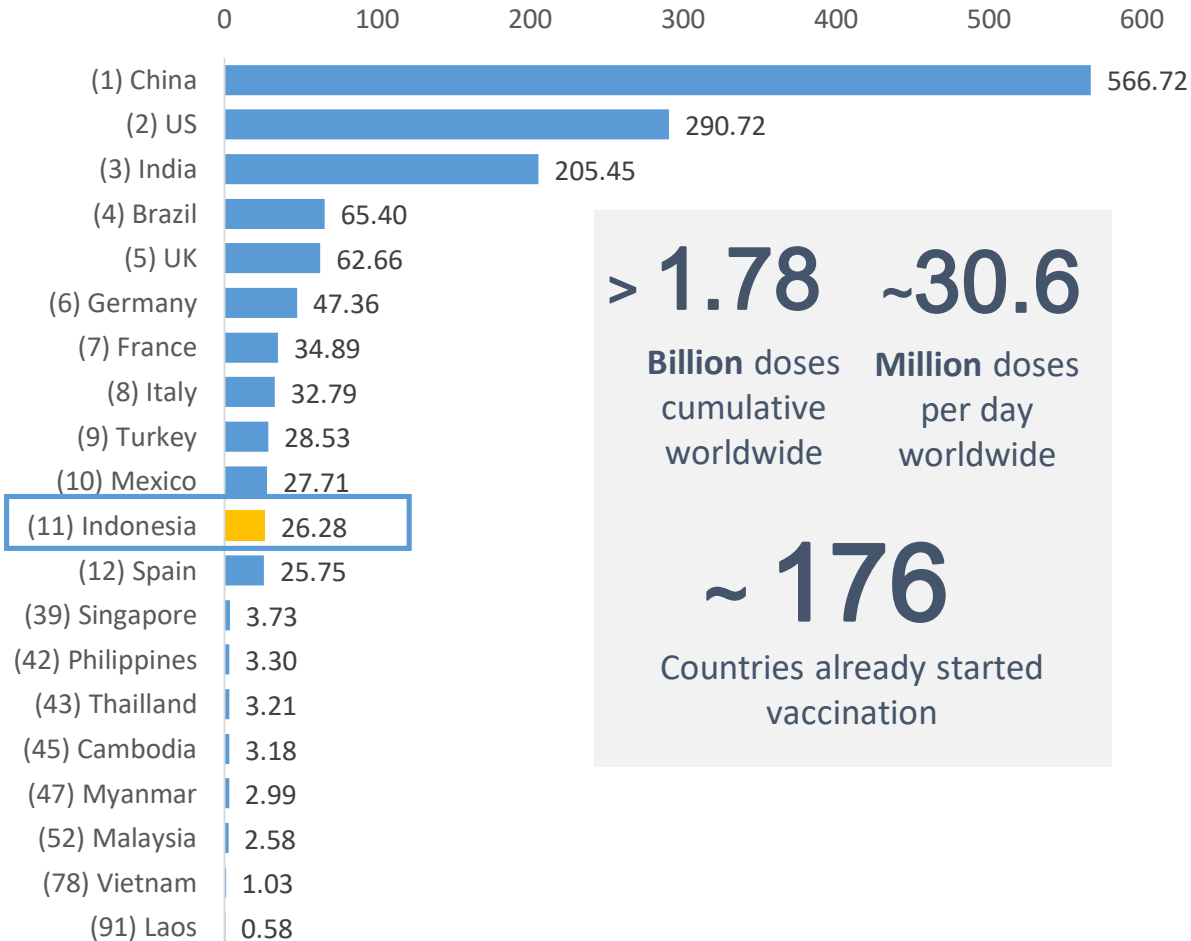
3M (Mask, Handwashing, & Distancing), 3T and Vaccination must be strengthened to maintain the downward trend of domestic case

VACCINES AS THE GAME CHANGER

Accelerated around the world, is expected to immediately end the pandemic and strengthen economic recovery



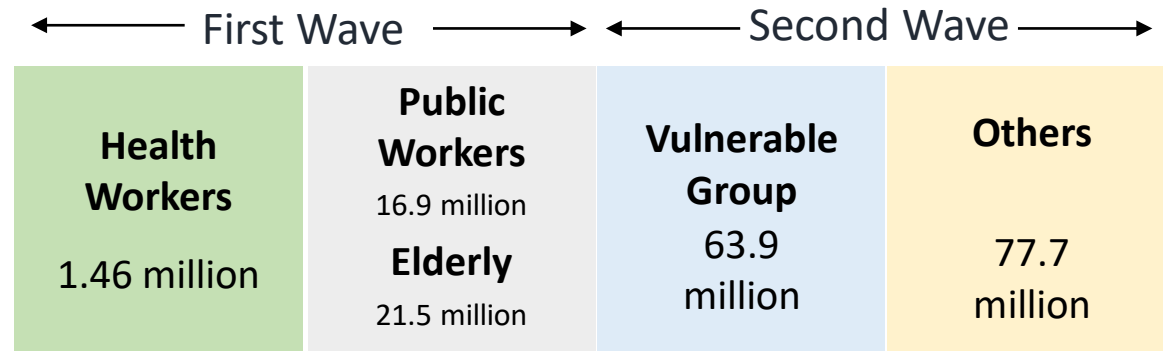
Vaccination Progress in Several Countries (million doses, as May 28th)



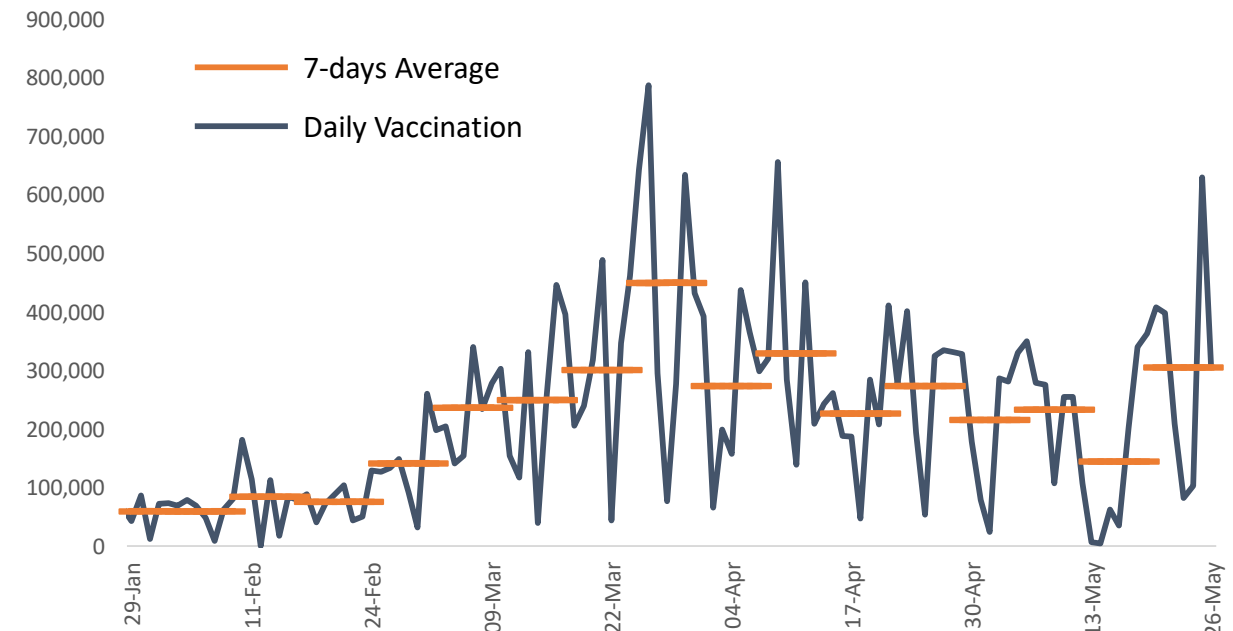
> **1.78** Billion doses cumulative worldwide
~ **30.6** Million doses per day worldwide
~ **176** Countries already started vaccination

Source: Bloomberg Vaccine Tracker

Indonesia is planning to complete vaccination until March 2022



Daily Vaccination in Indonesia (As May 26th)



THE TREND OF ECONOMIC RECOVERY CONTINUES

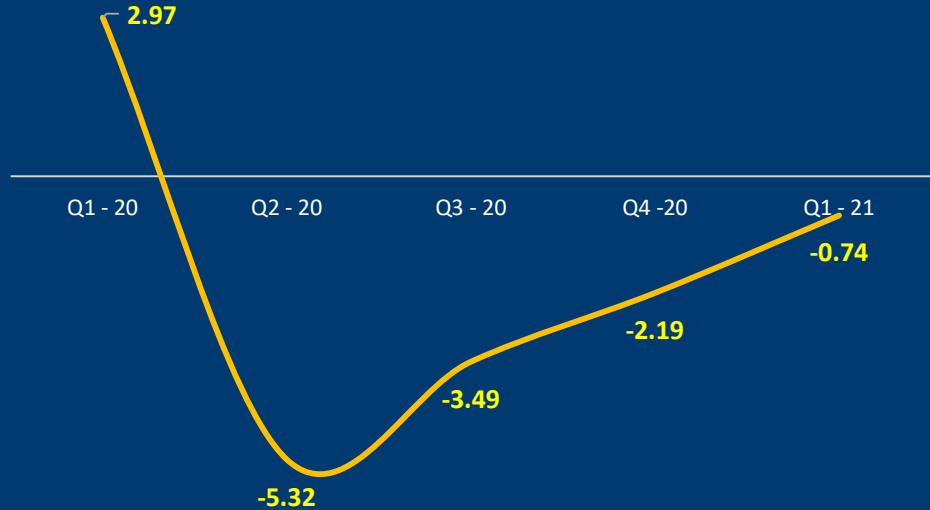
The state budget plays a main role in promoting economic recovery



Quarterly Economic Growth (% YoY)

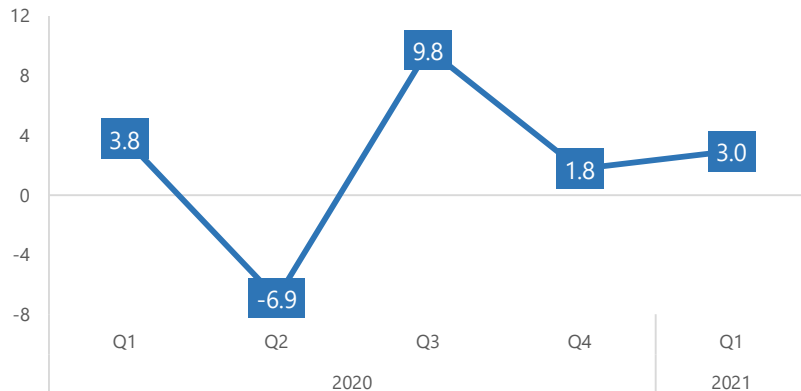
Source: Statistic Indonesia, Ministry of Finance (forecast)

Annual Growth 2020:
-2.07% (yoy)

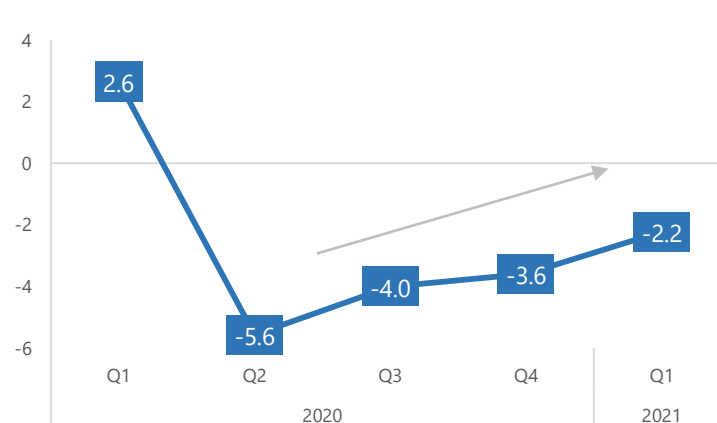


- **Economic growth has consistently improved since the shock caused by Covid-19 pandemic.** The improvement was in line with better pandemic handling measures.
- **State expenditure remains a key to stimulating the economy in Q1-2021.** Expansive fiscal strategy has been boosting not only government consumption but also household consumption through social protection program and public investment, particularly in infrastructure.
- **Government consumption continue posted positive growth at 2.96% (YoY) driven by an expansive and accelerative state budget.** Community services have begun to increase along with vaccination program for service worker in Q1-2021.
- **Household consumption continues to improve** in line with the increased of public confidence to resume economic activities and the effectiveness of PEN program which is able to maintain the purchasing power of the low and middle income class.
- **State budget has contributed to the improvement of the investment** through capital expenditure, particularly in basic infrastructure project and connectivity project, including the sustainability of PSN (national strategic project), which was delayed in 2020.

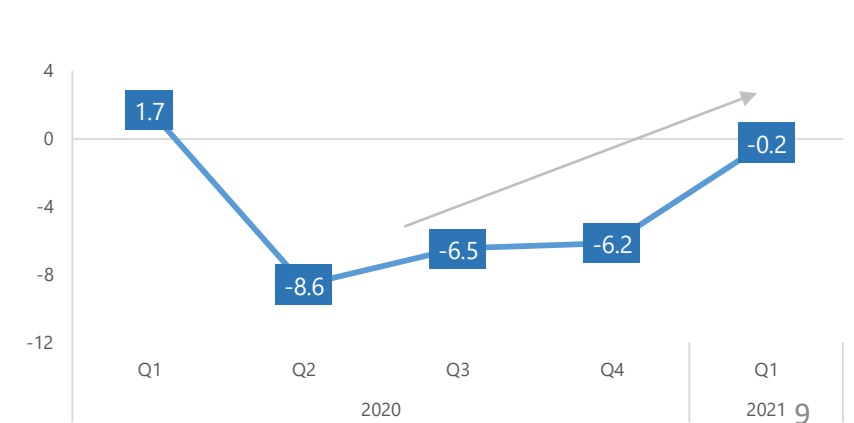
Government Consumption



Household Consumption



Investment

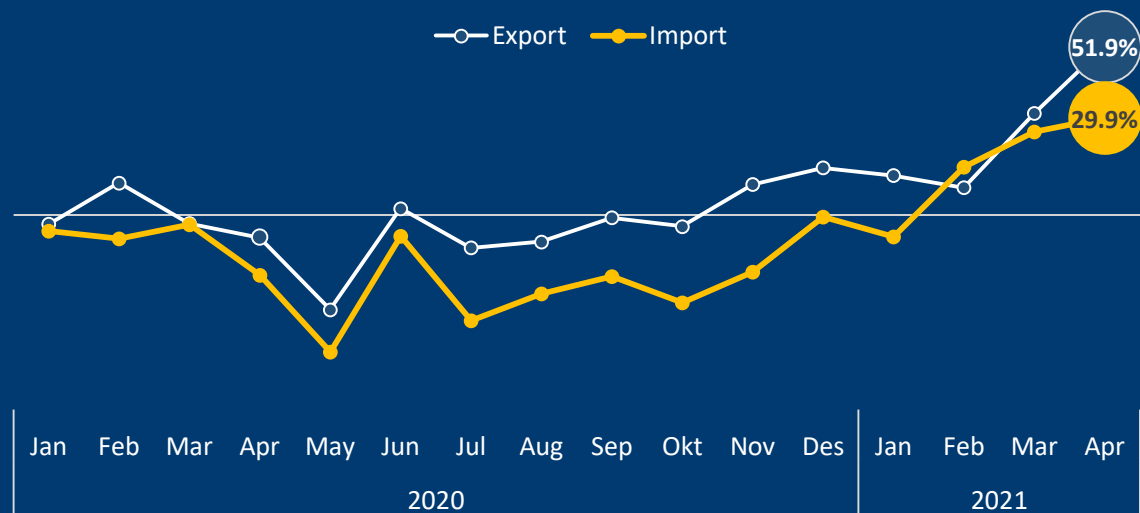


IMPROVEMENT OF GLOBAL COMMODITY PRICE TO BOOST EXPORT, WHILE IMPORT OF CAPITAL GOODS TO EXPAND DOMESTIC PRODUCTION



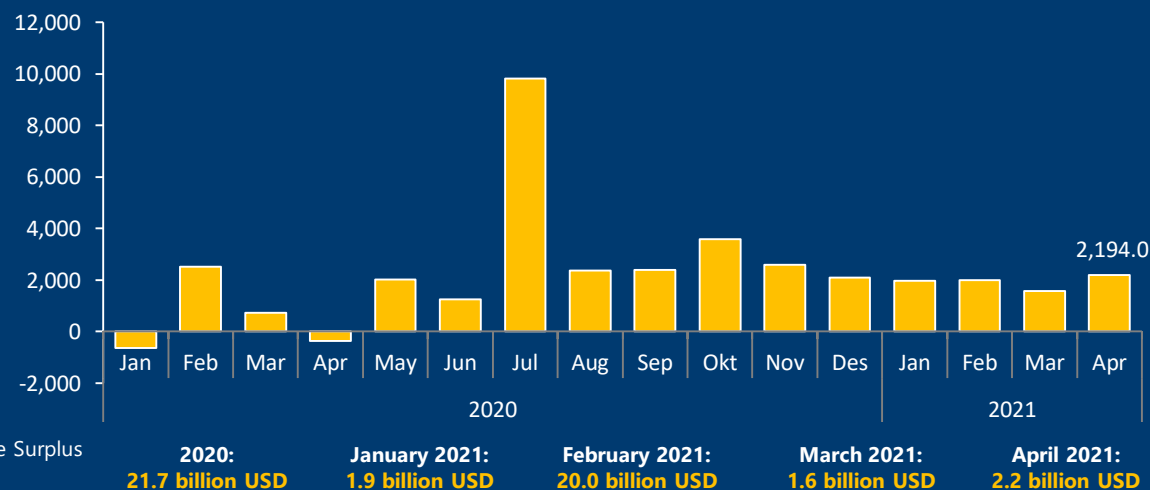
Export and Import Growth

Source: Statistics Indonesia, % yoy



Balance of Trade

Source: Statistics Indonesia, in Million USD



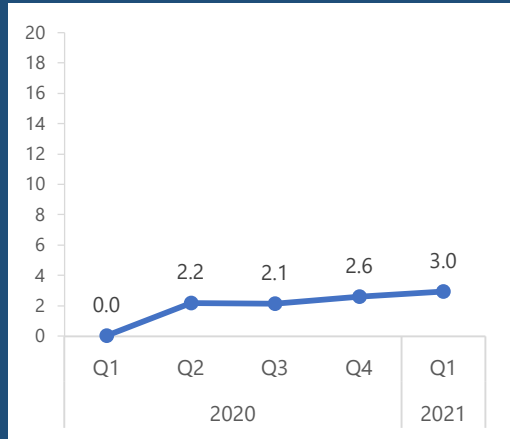
- The increasing trend in Indonesia's international trade performance also keeps continuing. **The export component grows strongly by 51.94% (YoY) in April 2021.**
- **The improvement in global commodity prices** has been a supporting factor in improving the performance of exports of key commodities. In April, export performance was driven by export of metal and steel, machine and electronics, rubbers, precious metal, tin, and copper
- **Import performance also returns to positive growth of 29.93% (YoY) in April 2021,** continuing the positive growth recorded in previous month.
- **This positive import performance shows the recovery in production activities and an increase in domestic demand,** in line with the increase in imports of raw materials and imports of capital goods.

THE RECOVERY TREND IS ALSO INDICATED FROM THE PRODUCTION SIDE

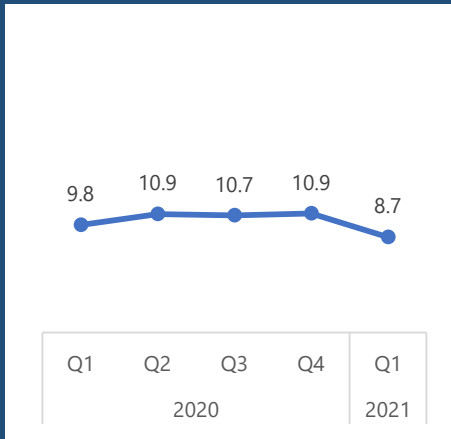
Some sectors have the resilience to keep growing positively during the pandemic



Agriculture (Share to GDP: 3.7%)



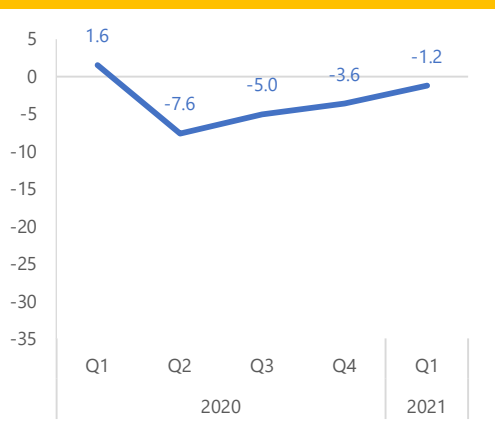
ICT (4.5%)



Health Services (1.3%)



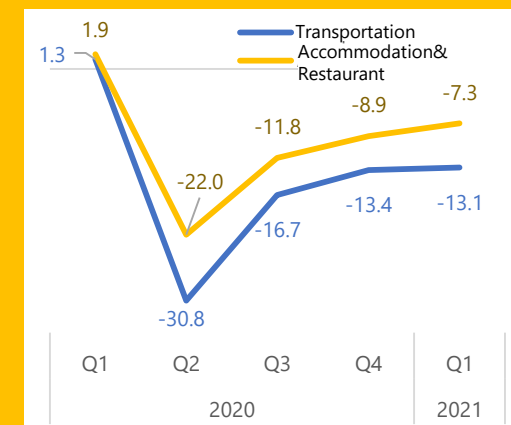
Trade (12.9%)



Construction (10.7%)



Hotels and Restaurants (7.0%)



- **Most sectors have shown an improving direction** of the economic growth trend since Q4 2020.
- Main sectors that have continued to maintain positive growth:
 - **Agricultural sector**, supported by conducive weather conditions and increased production of food crop groups.
 - **ICT Sector**, in line with the highly needs for daily online activities during the pandemic
 - **Health Services Sector**, in accordance with the needs of handling the COVID-19 pandemic.
- **The trade sector performance continues to move into positive territory**, in parallel with the improving level of private consumption
- **The performance of the construction sector continues to strengthen**, supported by the continuation of National Strategic Projects
- **The recovery of the tourism support sector is still limited, but shows a gradual recovery**
 - **The performances of Hotels, Restaurants, and Transportation** are relatively better along with the increase in people's mobility

DEMAND SIDE RECOVERY

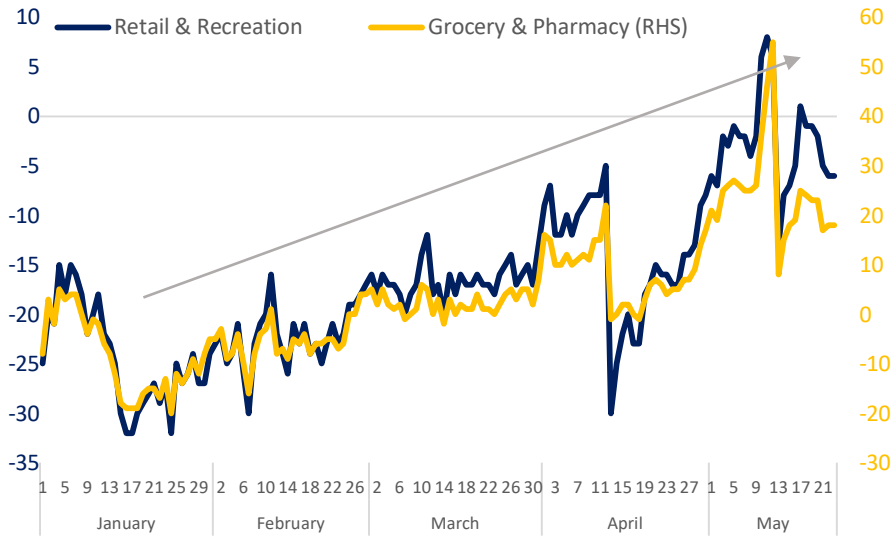
People mobility is increasing and other indicators show improvement



Public Activity

improve strongly in retail and recreation also grocery and pharmacy.

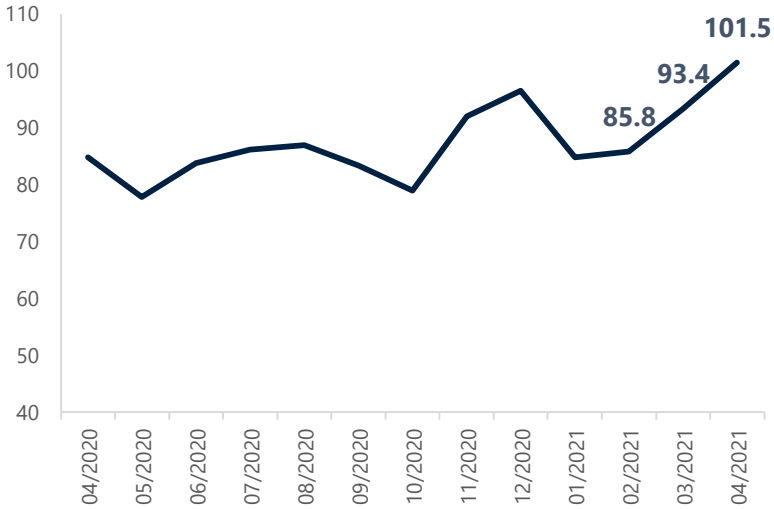
Source: Google



Consumer Confidence Index

back to optimist level and surpassed the beginning of pandemic

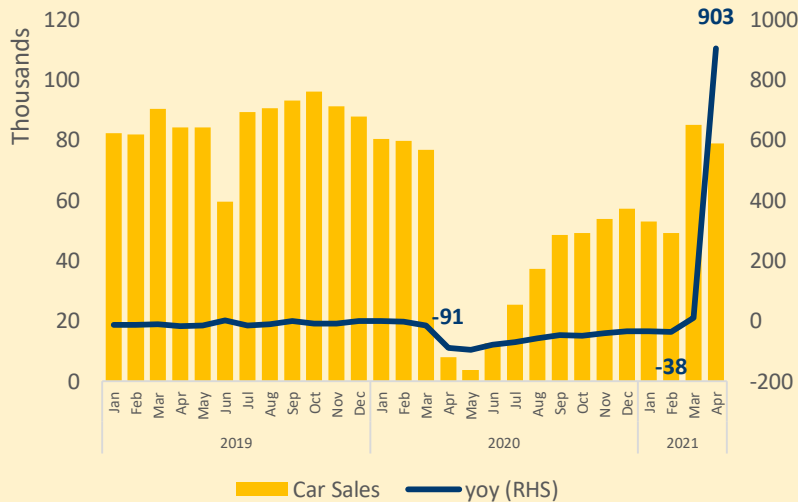
Source: Indonesia Central Bank



Retail Car Sales

grew by 227.6% (yoy) 2.5% (mom), indication of improvement in the level of consumption of the middle class

Source: Gaikindo

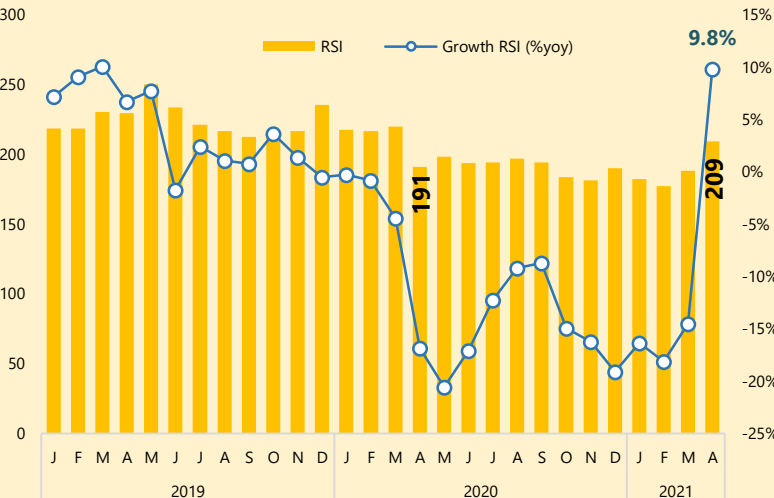


Retail Sales Index

March 188, Apr (F) 209

Supported by the increasing of F&B consumption, clothing, and HH equipment

Source: Indonesia Central Bank



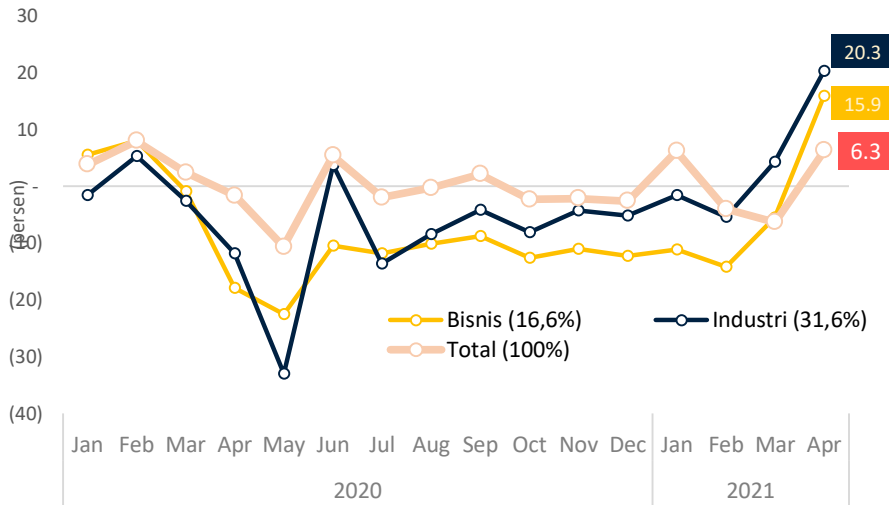
THE RECOVERY IS ALSO EVIDENT IN PRODUCTION SIDE

The firm start to expand their production

Electricity consumption in industry and business grew by15.9 dan 20.3% (yoy)

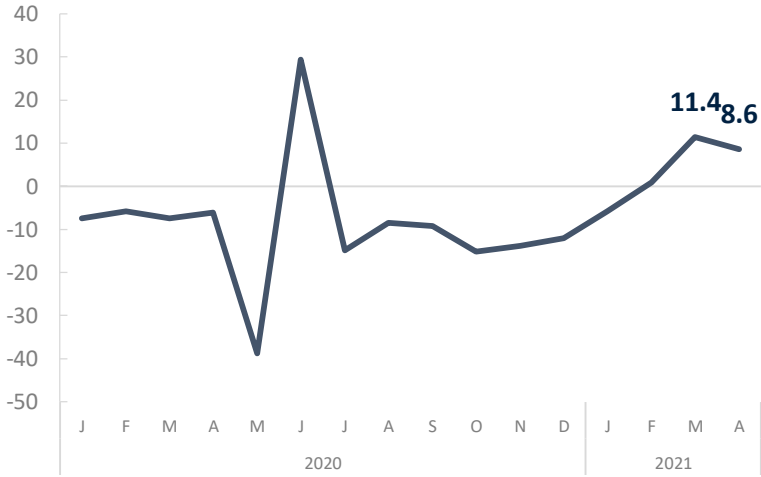
showing the increasing on production activity

Source: PT PLN



Domestic Cement Consumption continue posted a positive growth

Source: Indonesia Cement Association



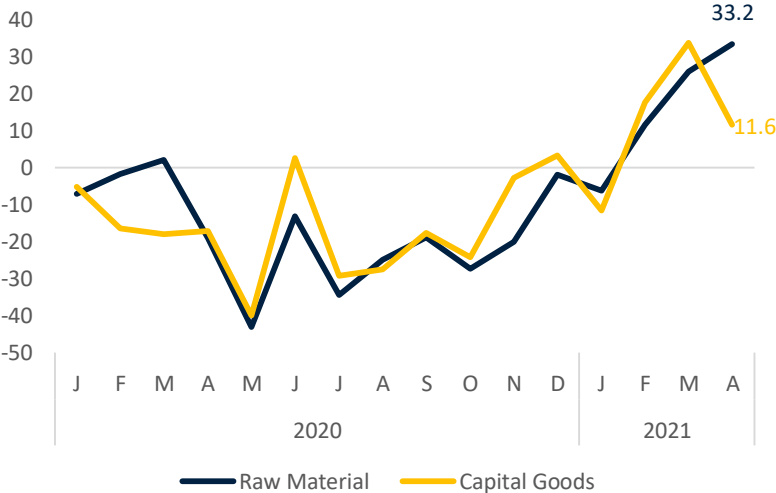
Indonesia Manufacturing PMI April 54,6 the highest level since 2011

Source: HIS Markit



Imports of raw materials and capital goods grew by 33.2 and 11.6% indicating the expansion of domestic production

Source: Indonesia Statistic

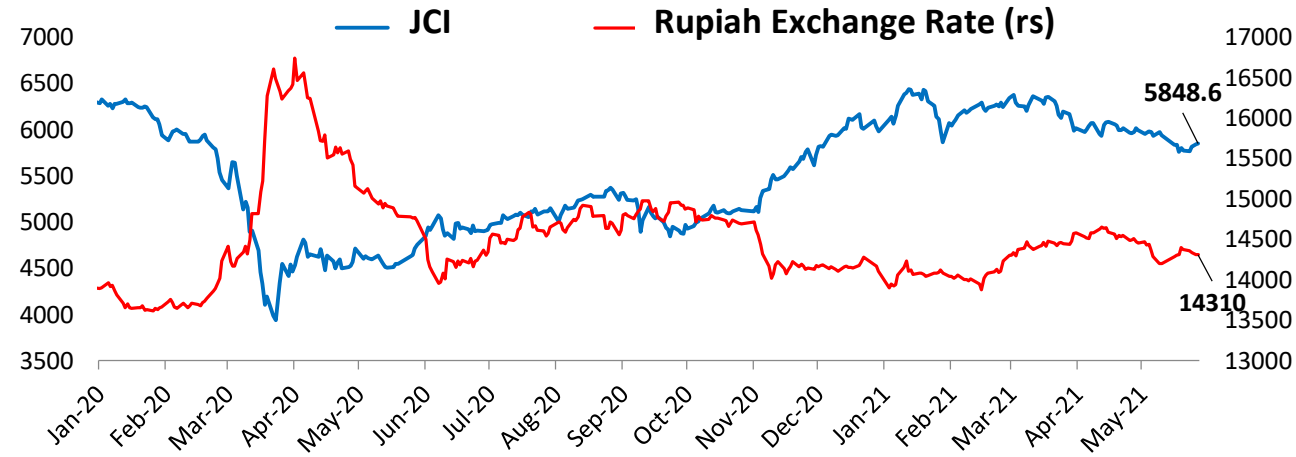


THE FINANCIAL MARKETS ARE IN REBOUND TREND AND CAPITAL FLOW BEGAN TO RETURN

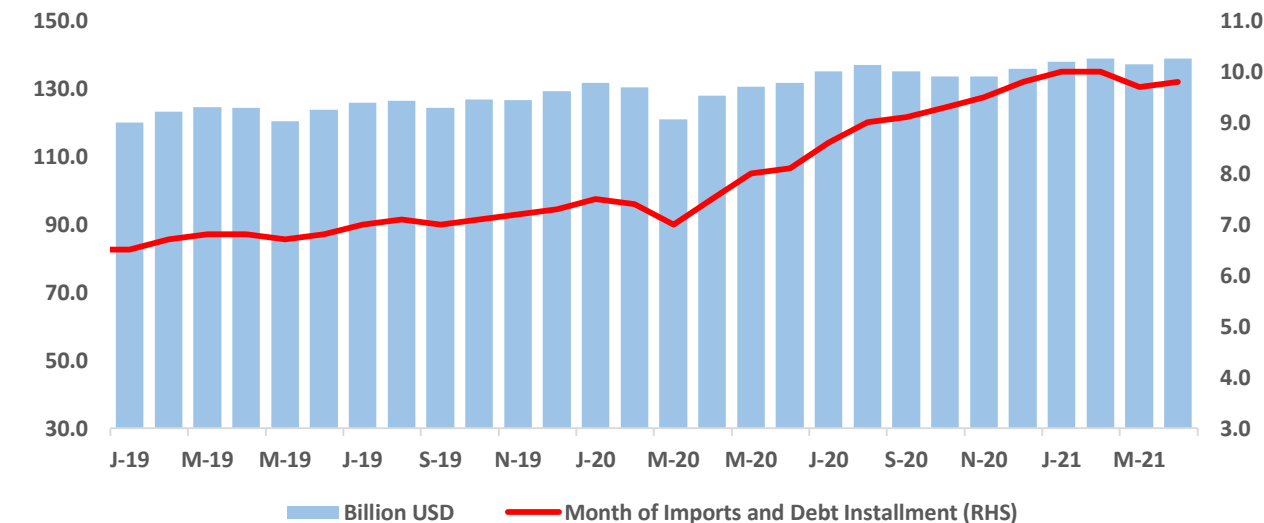
Underpinned by positive global sentiment



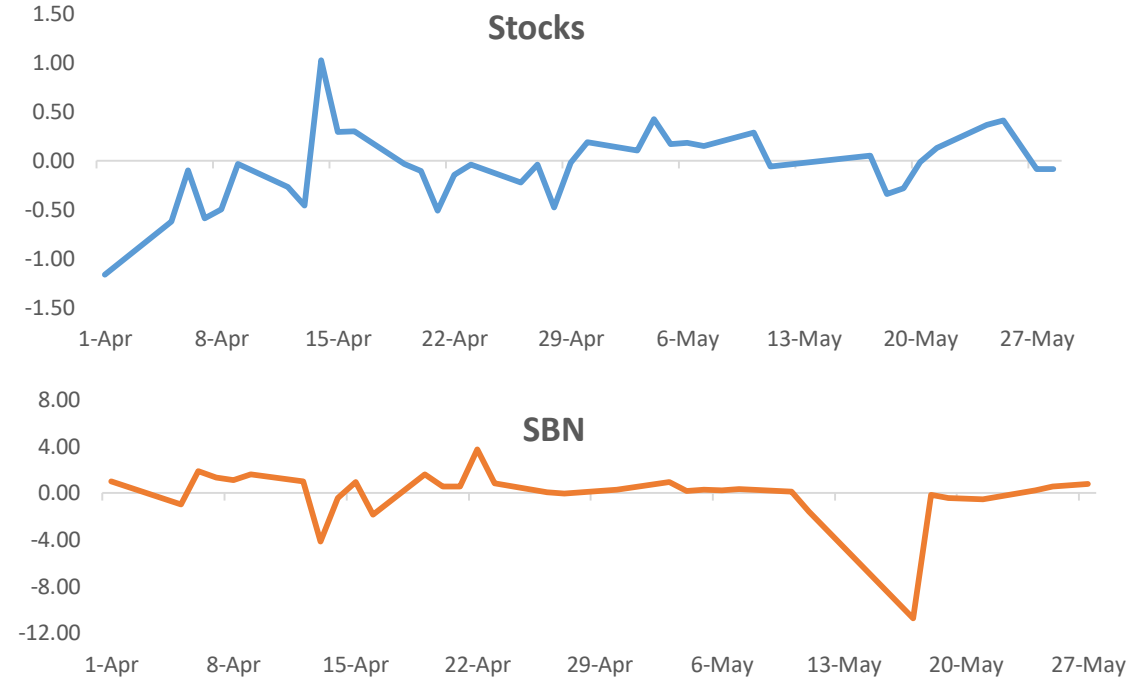
JCI Index and Rupiah Exchange Rate



Foreign Exchange Reserves



Net Foreign Buy / Sell (IDR T)



- Domestic financial market started to rebound influenced by Fed policy which will continue to maintain the easing of monetary policy and a temporary increase in US inflation.
- However, investor concerns about a new wave of positive cases of Covid-19 in Indonesia are still looming.
- The capital inflow the government securities market began to rise, while stocks were slightly under pressure due to sentiment on the rise in the domestic Covid-19 case.
- The Foreign exchange reserves in April amounted to USD138, 8 billion, the highest in history. The increase was supported by tax and service revenues and the withdrawal of government external debt.

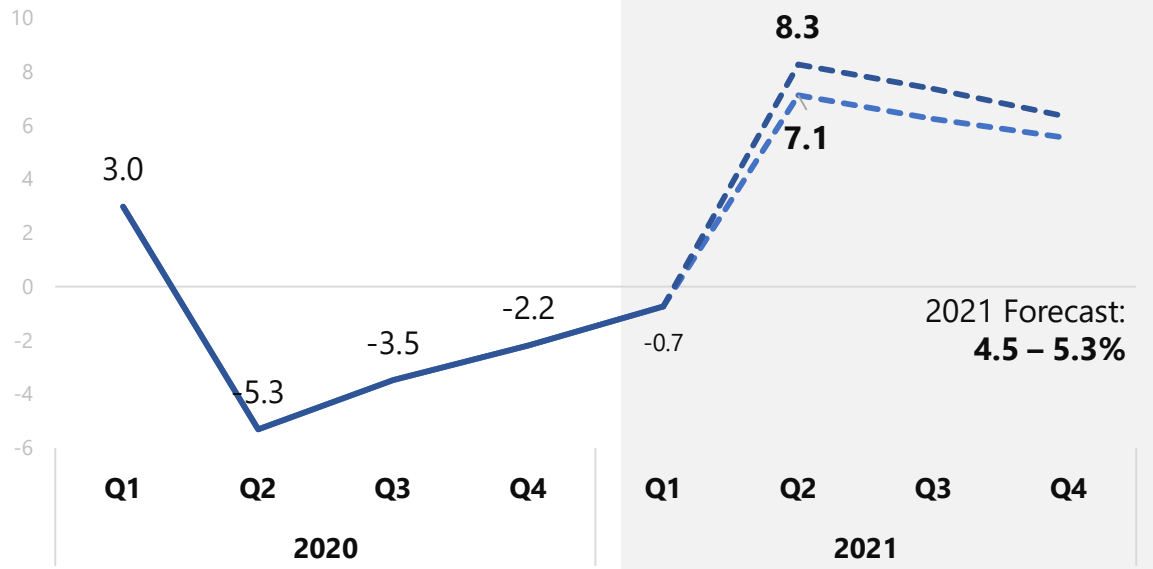
INDONESIA'S ECONOMY IS PREDICTED TO START GROWING POSITIVELY IN Q1 2021

Supported by a technical rebound and a more solid recovery in economic activities



Indonesia's economy growth (in %. YoY)

Source: Statistics Indonesia and MoF calculation



The economic performance in Q2 2021 is projected to grow by 7.1 - 8.3% (yoy), driven by a stronger recovery direction and base effect factors

Household consumption recovered along with the momentum of the holidays and the ongoing implementation of the PEN programs.

- **Government spending** grew substantially in line with the implementation of the PEN programs & an increase in governmental services compared to the previous year.
- **Investment** has experienced a very strong rebound, in line with the expansionary direction of the business world. Supported by the continuation of government infrastructure projects.
- **Exports** grew significantly on the back of the global economic recovery and increased demand for key commodities.
- The high growth in **imports** indicates a recovery in domestic demand that will support production and investment activities.

INDONESIA'S ECONOMIC GROWTH PROJECTION FOR 2021-2022

2020 Share	Expenditure Components	2020	Projection			
			2021		2022	
57.7	Household Consumption	-2.6	3.7	- 4.3	5.1	- 5.3
9.0	Government Spending	1.9	4.3	- 5.4	3.2	- 4.4
32.3	Investment	-4.9	5.7	- 7.0	5.4	- 6.9
17.2	Export	-7.7	7.3	- 11.5	4.3	- 6.8
16.0	Import	-14.7	8.6	- 14.2	3.6	- 7.8
GDP		-2.1	4.5	- 5.3	5.2	- 5.8

PROJECTIONS FROM INTERNASIONAL INSTITUTIONS

	World Bank	IMF	ADB	OECD	Consensus Forecast
2021	4.4	4.3	4.5	4.9	4.4
2022	5.0	5.8	5.0	5.4	5.6

Source: Latest publications of each Institution

S&P AND R&I AFFIRM THE INDONESIAN CREDIT RATINGS

Other rating agencies have also maintained Indonesia's credit rating amidst massive downgrades due to the impact of the Covid-19 pandemic



Affirmation of Indonesia's rating by S&P and R&I confirms that the recovery is on track: Handling COVID-19 & Vaccination, Macro Fiscal Stable, Structural Reform - Job Creation Law

S&P Global
Ratings

Affirms BBB negative

22 April 2021

The country's economy is stabilizing, and gradual fiscal consolidation and improved trade flows are likely over the next three to four years

R&I

Affirms BBB+ stable

22 April 2021

Indonesia's economy will likely return to a pre-coronavirus growth level in one to two years. The government's structural reform efforts are also expected to boost growth potential in the medium to long term.

FitchRatings

Affirms BBB stable

22 March 2021

Indonesia's rating balances a favorable medium-term growth outlook and a low debt to GDP ratio against dependence on external financing and lagging structural features compared with 'BBB' peers, such as GDP per capita

MOODY'S

Baa2 stable

Annual Credit Analysis, 16 February 2021

The credit profile of Indonesia is supported by its large economy, low fiscal deficits and modest debt burden, that counterbalance reliance on external funding and a degree of economic concentration to commodity cycles.

Rating Action during the 2020 Pandemic

 **124** Rating Downgrades **133** Revised Outlook Negative

51 by Fitch
35 by Moody's
38 by S&P

51 by Fitch
36 by Moody's
46 by S&P

- Covid-19 Pandemic has brought a significant pressure on sovereign rating → the pandemic had a major impact, especially on countries' fiscal conditions
- The rating action in 2020 is more than during the 2008 GFC crisis
- In 2021, the three rating agencies have taken **19 Rating Action Downgrades** and **9 Revised Negative Outlook**

Indonesia's Rating Position

Rating Agency	Sovereign Credit Rating	Outlook	Date of Rating Action
Moody's	Baa2	Stable	14 Feb 2020
JCR Agency	BBB+	Stable	1 Dec 2020
Fitch	BBB	Stable	22 March 2021
S&P	BBB	Negative	22 April 2021
R&I	BBB+	Stable	22 April 2021



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2021 BUDGET & STRUCTURAL REFORM FOR RECOVERY

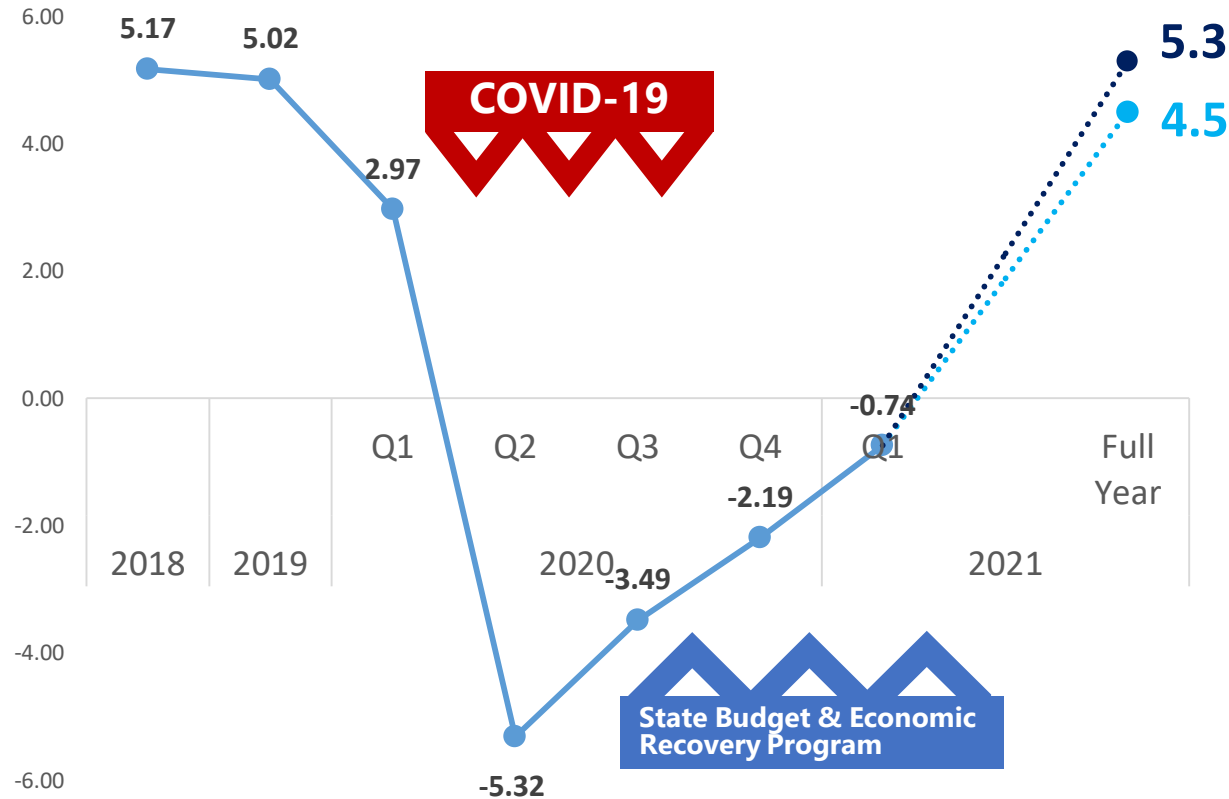
THE STATE BUDGET TO BE A CENTRAL ROLE IN PROMOTING ECONOMIC RECOVERY

Implementing a countercyclical policy prevents a deeper contraction in the economy



Indonesian economic growth (% , yoy)

Source: BPS, 2020 annual GDP growth of 2.07%



State budget continue to work hard in 2021

	2020 Realization (interim) (Rp trillion)	2021 Allocation (Rp trillion)	Growth (%)
State Budget	2,593,5	2,750,0	6,0
National Economic Recovery Program (PEN)	571,9	699,43	20,6
Health	62,7	172,8	175,6
Social Protection	215,6	148,3	-31,2
MSMEs Support & Corporation Financing	173,0	193,7	12,0
Business Incentives	55,3	56,7	2,5
Priority Program	65,2	127,8	96,0
Deficit (% to GDP)	6,13	5,70	

- **The economic growth has started to show an indication of improvement.** The government plays a role as the center of recovery, being the only component that grows positively. Other expenditures components shows the direction of improvement
- **The state budget has succeeded to prevent a deeper economic contraction due to the pressure of the Covid-19 pandemic.** Without The state budget & National Economic Recovery Program (PEN), the 2020 economic contraction would be deeper.
- **In 2021, the APBN and fiscal policy will continue to play their role in driving the recovery of Indonesian economy**

GOVERNMENT SUPPORTED MSMEs AND BUSINESS RESILIENCE



The government spends IDR112.44T to support the sustainability of 37million MSMEs through interest subsidies, credit distribution through fund placement, Micro Business President Assistance (BPUM), Final Income Tax exemption and investment financing through LPDB.



Fund Placement IDR66.75 T

Total Credit Rp315.51 T
For 4.7 million debtors



Interest subsidy IDR12.83 T

For 19.1 million Debtors



Banpres for Micro Business Actors (BPUM) IDR28.8 T

Grant IDR 2.4 million /
business for 12 million
businesses



Credit Guarantee IDR2.09 T

- Accumulated working capital credit: IDR19.32 T
- Total working capital credit debtors: 923.67 Th



Final Income Tax for UMKM IDR0.67 T

For 248,275 Tax Payers



Investment Financing LPDB IDR 1.29 T

For 63 cooperative partners
and 101,011 MSMEs

Tax incentives has been utilized and has supported 464,316 tax payers

Incentive to improve
people purchasing
power



Gov't borne income tax

131,889 Employers

Incentives to support
business liquidity and
continuity



14,941

Income Tax Exemption
on Import



66,682

Reduction on Tax
Installment



2,529

Accelerated Tax
Refund

Incentive to support
the MSMEs



Final Income Tax for
MSMEs

248,275 MSMEs

The tax payers most affected by pandemic has dominated the incentives utilization



47%

Trade



19%

Manufacturing



7%

Construction

**apart from MSME incentives (58% of trade sector)*

The Majority of eligible sectors have utilized the incentives

- Government-Borne
Income Tax
- Income Tax Exemption
on Import

90%

72%

- Reduction of Tax
Installment
- Accelerated Tax
Refund

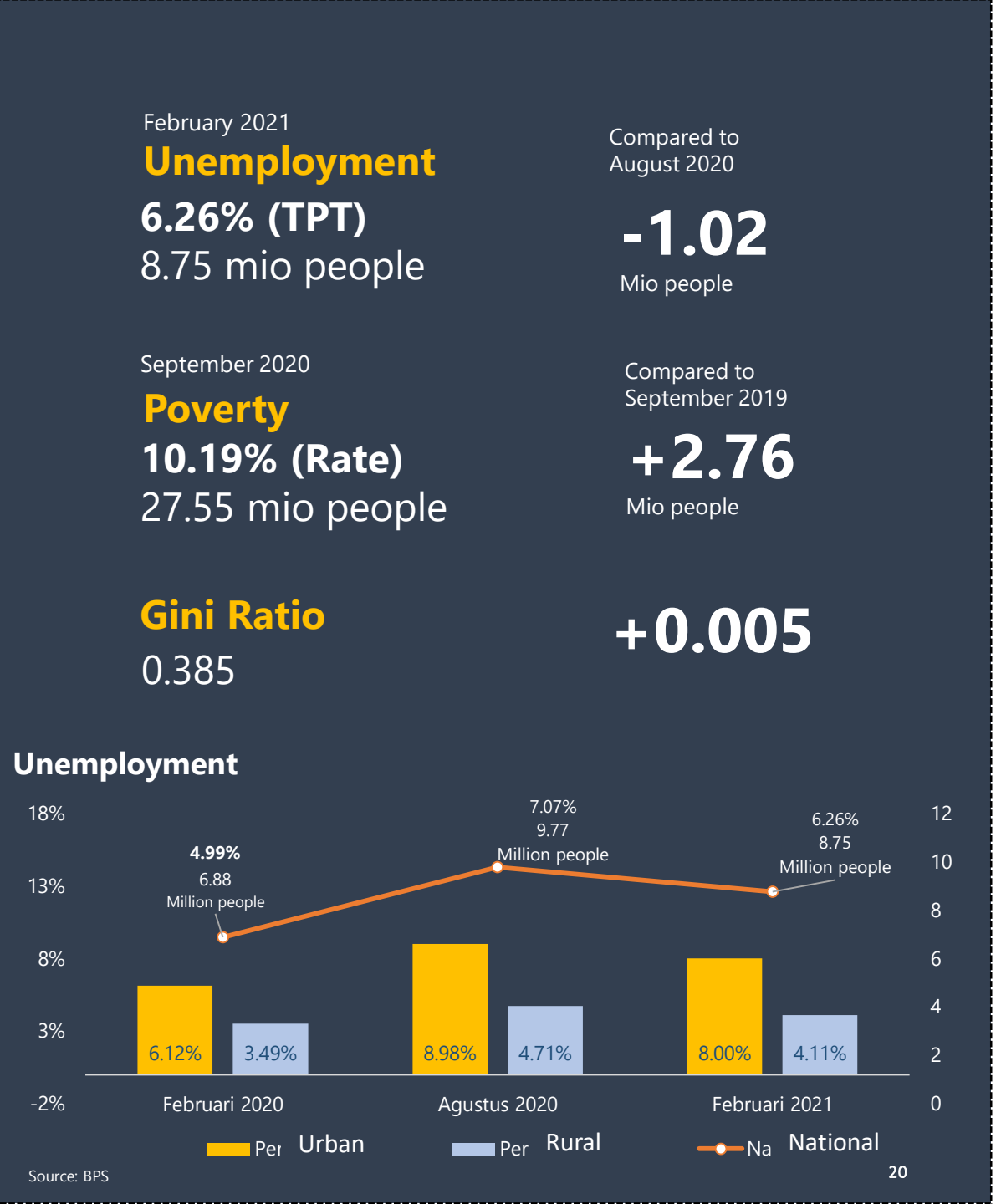
86%

43%

ECONOMIC RECOVERY AND COUNTERCYCLICAL MEASURES CONTRIBUTE IN JOB CREATION



- **Open unemployment rate (TPT) improves at 6.26% in February 2021, compared to August 2020 at 7.07%.** Some sectors create more jobs than August 2020:
 - Agricultural sector creates 0.6 million new jobs (1.4%)
 - Manufacturing creates 0.3 million new jobs (1.9%)
 - Trade sector creates 0.5 million new jobs (1.9%)
 - Accommodation, food and beverages sector creates 0.6 million new jobs (7,4%)
- The highest TPT was found in Riau Islands (10.2%), Banten (9.01%), West Java (8.92%), and DKI Jakarta (8.51%), but it is improved, lower than August 2020 number.
- In general, **there has been a decrease in the number of workers affected by the pandemic by 10 million people.**
- **Economic recovery needs to be maintained and strengthen to create more jobs and absorb more labor** since the increase in the number of people working in Q1 2021 is due to the harvest period of food crops.



2021 BUDGET IS A CRITICAL TOOL TO DRIVE THE ECONOMY AMIDST UNCERTAINTY

The acceleration of budget expenditure to support economic recovery is on track, will be continuously controlled and monitored



Account (IDR T)	2020			2021			
	Realizati on as of 30 April	% of Perpres 72/2020	YoY (%)	Budget	Realizati on as of 30 April	% of Budget	YoY (%)
Revenue	549.4	32.3	3.2	1,743.6	585.0	33.5	6.5
Tax Revenue	376.6	31.4	16.7	1,229.6	374.9	30.5	(0.5)
Customs & Excise	57.7	28.0	16.7	215.0	78.7	36.6	36.5
Non Tax Revenue	114.3	38.9	21.5	298.2	131.3	44.0	14.9
Grant	0.9	68.0	460.6	0.9	0.1	5.7	(94.2)
Expenditure	623.9	22.8	(1.4)	2,750.0	723.0	26.3	15.9
Central Government Expenditure	382.5	19.4	3.4	1,954.5	489.8	25.1	28.1
Regional Transfer & Village Funds	241.3	31.6	(8.1)	795.5	233.2	29.3	(3.4)
Primary Balance	(18.4)	(2.6)	(204.2)	(633.1)	(36.4)	5.7	(297.6)
Surplus (Deficit)	(74.4)	7.2	(25.8)	(1,006.4)	(138.1)	13.7	85.5
<i>% to GDP</i>	<i>(0.48)</i>			<i>(5.70)</i>	<i>(0.83)</i>		
Financing	225.2	21.7	55.9	1,006.4	392.2	39.0	74.2
Budget Surplus (Deficit)	150.7	-	-	-	254.2	-	-

STATE REVENUE POLICY

- Supporting national economic recovery by providing tax incentives selectively and prudently calculated
- Cutting the red tape to accelerate national economic recovery
- Improving public services to optimize non-tax revenue

EXPENDITURE FOCUS

- Handling COVID-19 and supporting health programs
- Continuing social safety net to lay a solid foundation of inclusive economic recovery
- Expanding access to capital for MSMEs and cooperatives through interest subsidy
- Supporting programs activities for impacted sectors (e.g. Tourism)

FINANCING STRATEGY

- Supporting the restructuring of SOEs, PSA, Sovereign Wealth Fund (SWF)
- Increasing access to financing for MSMEs and housing for low-income household
- Continuing to support higher education,, research and cultural activities

ECONOMIC RECOVERY POLICY FRAMEWORK 2021



Social Protection Programme For bottom 40 and the vulnerable group: PKH, Sembako card, BST, BLT DD, Pre employment, electricity discount, internet subsidy

SURVIVAL AND RECOVERY KIT

Maintaining Business Continuity

- Support for SMEs and cooperation
- Priority programs to support job creation



Through the Job Creation Law

to address various challenges of national development (providing employment opportunities, empowering MSMEs, regulatory reform, SWF development, Ease of Doing Business, etc.)



STRUCTURAL REFORM

GAME CHANGER 2021

NATIONAL ECONOMIC RECOVERY

HEALTH INTERVENTION

- **Free Vaccination** → for 181.5 million people to achieve herd immunity
- **Encouraging 3M 3T**
- **Other intervention** → Health facilities, Health Protective Equipment



THE PEN PROGRAM AS THE KEY INSTRUMENTS FOR COVID-19 HANDLING

Evidence of the government's commitment to accelerate the economic recovery



Projected Allocation for PEN 2021 IDR 699.43 T* (2020 PEN Realization at IDR 571.9 T)*

Health

IDR172.84 T

2020 : IDR62.7 T

1. The COVID-19 vaccine
2. Medical Facilities and Infrastructure
3. Health Care Claim Costs
4. Medical Personnel Incentives and death compensation
5. Reserve BPJS Contribution
6. Assistance for PBPB / BP
7. Health tax incentives (including VAT and import duty incentives for vaccine purchases)
8. Transfer to region and Village fund for health sector

Social Protection

IDR148.27 T

2020 : IDR215.6 T

1. PKH 10 million beneficiaries (KPM)
2. Basic Food/SEMBAGO Card
3. Pre-Employment Card
4. Cash Transfer - Village Fund
5. Cash Social Assistance 10 million KPM
6. Internet Subsidy
7. Electricity Discount
8. Job Loss Guarantee Contribution

The budget for Social Protection and Health Program in 2021 **increase by 17.5% in total**

Crucial programs to **maintain public health, stabilize of the purchasing power of the poor and vulnerable, and push community confidence**

Priority Programs

IDR127.85 T

2020 : IDR65.2 T

1. Tourism Supports
2. Food Security/Food Estate
3. ICT Development
4. Loan to Regions
5. Labor Intensive Program
6. Industrial Area
7. Other Priority Programs

MSMEs & Corporation Support

IDR193.74 T

2020 : IDR173.0 T

1. KUR and non- KUR interest subsidy
2. Micro business assistance (BPUM)
3. Loss Limit Guarantee for MSMEs & Corporation
4. Guarantee services (IJP) of MSMEs and cooperatives
5. Electrical Assistance
6. Other PEN Programs
7. Placement of Funds
8. PMN to SOEs carrying out assignments (HK, ITDC, Pelindo III, KIWI)

Business Incentives

IDR56.73 T

2020 : IDR55.3 T

1. Government-Borne Income Tax
2. Income Tax Exemption on Import
3. VAT Refund
4. Government-Borne Income Tax for MSMEs
5. Incentives on sales tax of luxurious good for motor vehicle
6. VAT Incentives for property sector
7. Reduction of Tax Installment
8. Corporate income tax tariff reduction
9. VAT not-collected/exempted (Bonded Zone/KITE)
10. Import duty incentives

- Increased support for business to **jump-start the economic activities and maintain the sustainability of strategic sectors**
- This support is also directed at **stimulating the demands of the people** who have been restrained during the pandemic, especially the middle class
- Sales Tax of Luxurious Goods (PPnBM) for motor vehicle borne by the government reaches at IDR 2.99T and VAT borne by the government for property sector reaches at IDR 5.0T

STRUCTURAL ECONOMIC REFORM STARTED WITH THE ENACTION OF LAW NO 11/2020 ON JOB CREATION

**Investment Growth
& Licensing
Simplification**

**SOEs Simplification
and Protection**

Human Resources

**Research and
Innovation Support**

**Ease of Doing
Business**

Land Management

**Special Economic
Zones (KEK)**

**Government
Administration**

**Government Investment
Authority & National
Strategic Program**

**Law Enforcement and
Protection**



Creating New Jobs



**Increasing EoDB and Business
Certainty**



**Regulation and Licensing
Simplification**



**Increasing Investment
Climate**

**Government already enacted several regulations as subsidiaries of Law No 11/2020, consist of 47 Government Regulation (PP) and 4 Presidential Decree (Perpres)*

INDONESIA INVESTMENT AUTHORITY (INA) AS INDONESIA'S SWF

Strong Institutions With Good Governance to earn Global Investors' trust

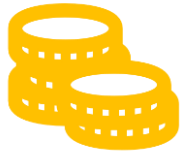
Government Investment Objectives (Pasal 154 ayat 2 UU Cipta Kerja)



Receive economic benefits, social benefits, and / or other benefits that are predetermined



Contribute to the development of the national economy in general and state revenues in particular



Receiving benefits; and / or



Carrying out public benefits (creating jobs).

Indonesia Investment Authority a form of implementing government investment

Characteristics and Advantages

Focus in Capital
Maximation

Governance
Following
International
Business Practices

Economic Goals
Balanced with
Commercial
Benefits

A Strong Legal
Foundation for
Certainty

Flexibility in
Investing

Strong support
from the State

Able to capture
Investors
Appetite

Strong
Independence and
Professional
Management

INA's Target



Optimization of Central
Government Investment
Value



Increase Foreign Direct
Investment (FDI)



Encouraging the
improvement of the
investment climate

*In "Pasal 154 ayat (3) UU Cipta Kerja", Central Government investment is carried out by the Minister of Finance and Investment Institutions (IIA)



KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA



2021 STATE BUDGET REALIZATION

THE STATE BUDGET IS WORKING HARD TO SUPPORT ECONOMIC RECOVERY

Until April 2021, State Expenditure and Investment Financing have grown significantly and positively affected to people



State Expenditure IDR723.0T (Grew by 15.9%)

- **Line Ministries Expenditure Grew by 37.2%**

Driven by capital expenditure (infrastructure, connectivity projects, and defense equipment), material expenditure (vaccination, assistance for micro businesses, disbursement of various protection programs)

- **Non-Line Ministries Expenditure Grew by 17.7%**

Driven by pension benefits, energy dan fertilizer subsidies, and pre-work cards.

- **Regional Transfer and Village Fund Grew by (3.4%)**

Revenue sharing fund (DBH), non physical Special Allocation Fund (DAK), special autonomy fund for DIY grew positively.



Investment Financing Grew by 552.0%

Including Investment to LMAN to support National Strategic Projects

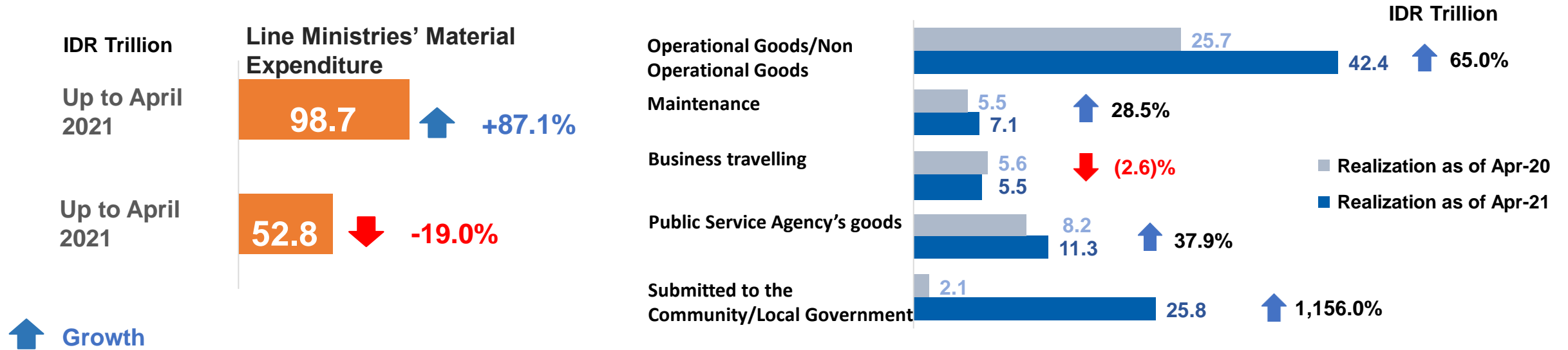
The hard work of the state budget was supported by an excellent performance of the Covid-19 handling and economic recovery programs

Realization of PEN as of May 2021 reached IDR183.98 T (26.3% of ceiling)

THE REALIZATION OF LINE MINISTRIES' MATERIAL EXPENDITURE UP TO APRIL GREW BY 87.1% YOY (2020:-19.0%)



Mainly supported by the implementation of vaccinations and assistance from business actors



2020 2021

Ministry of Health	3.9	22.2	↑	+474.9%
Ministry of Cooperative & SMEs	0.1	10.0	↑	+9435.7%
Ministry of Public Works and Housing Ministry	3.2	9.7	↑	+201.9%
Ministry of Defense	6.2	7.5	↑	+21.4%
Ministry of Religious Affairs	6.0	6.3	↑	+4.0%

Benefits to the community up to end of April 2021:



Vaccine shots to People
Vaccine 1 (12.4 Million)
Vaccine 2 (7.6 Million) IDR7.4T*
As of 20 May: total vaccine dose 23.9 million



159.7 thousand Covid-19 patients
who get treatment costs IDR10.7 T

*realization of Medicine / vaccine procurement up to end of April 2021



8.29 million Micro Business Actors receive assistance
IDR9.95 T



3.45 million private school students (MoRA) receive **School Operational Assistance IDR4.5 T**



Maintenance of road and network infrastructure IDR1.5 T

REALIZATION OF CAPITAL EXPENDITURE GREW SIGNIFICANTLY BY 132.4% YOY

Primarily for the payment of advanced basic infrastructure projects in 2020 and connectivity infrastructure



IDR Trillion

Up to April 2021

Up to April 2021

Line Ministries' Capital Expenditure

48.1

↑ +132.4%

20.7

↑ +30.5%

Machine Tools

5.5

18.5

↑ 233.6%

Buildings

2.3

4.0

↑ 68.9%

Roads, Irrigation, Internet networks

11.3

24.2

↑ 114.5%

IDR Trillion

■ Realization as of Apr-20

■ Realization as of Apr-21

↑ Growth

2020

2021

Ministry of Public Works and Housing Ministry

10.9

23.4



+114.7%

Indonesia National Police

3.1

10.4



+235.5%

Ministry of Defense

2.2

6.0



+172.7%

Ministry of Transportation

1.7

3.0



+76.5%

Benefits to the community up to end of March 2021:



Dam construction progress

reached 61.61% of the target of 10 new dams and 43 follow-ups valued at **IDR 7.82 T**



Railroad progress reached 66.58% from the target

236.66 km'sp, valued at **IDR 1.0 T**



Irrigation network

Progress reached 23.877% of the construction target of 600 km
Progress 24.23% of the target
Rehabilitation of 3,900 km
a total of **IDR1.56 T**



Road Construction Progress

reached 59.14 km valued at **IDR 0.5 T**

Road Preservation reached 17,999.07km valued at **IDR 7.3 T**



Bridge construction reached 3,315.0 m, valued at **IDR 0.2 T**

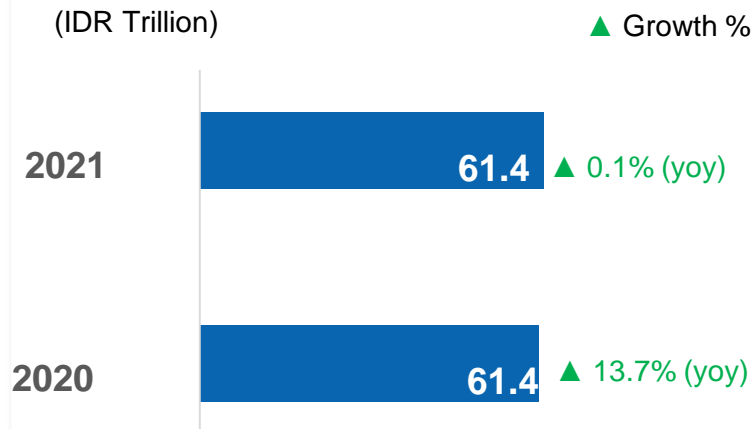
Bridge Preservation reached 138,859.3km valued at **IDR 0.6 T**



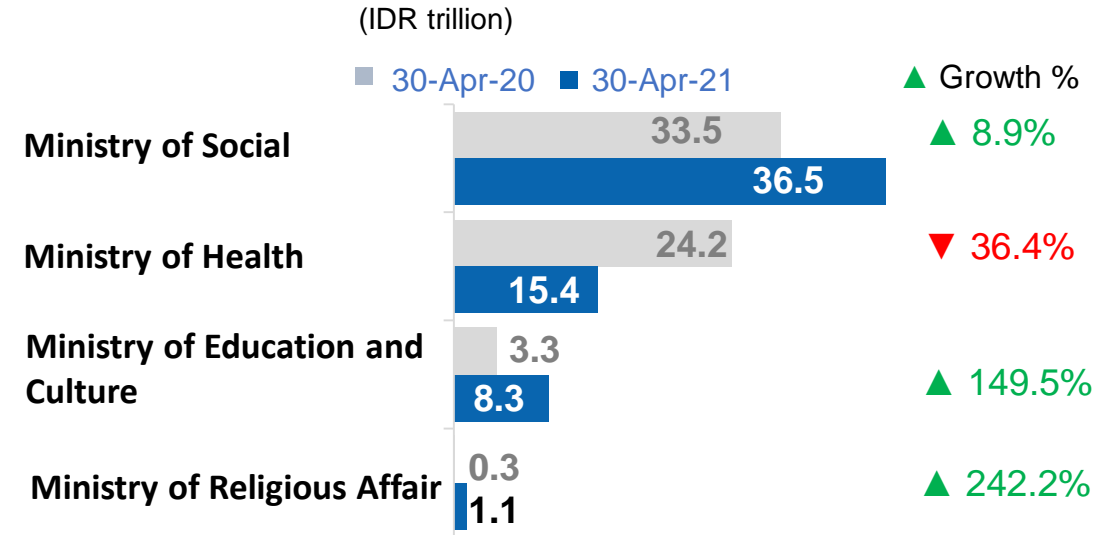
REALIZATION OF SOCIAL ASSISTANCE EXPENDITURE

The social Assistance is used for implementation of Family Hope Program (PKH), Cash Social Assistance and Food Stuff/Sembako Program in the framework of PEN, as well as implementation of JKN PBI contribution assistance and the increased realization of the Indonesia Smart Card (KIP) College program and the Smart Indonesia Program for school children.

Realization of Social Assistance Expenditure as of end April 2021



Realization of Social Assistance Expenditure as of end April 2021



Providing Health Insurance Contribution Assistance for 96.5 million poor people who participate in PBI JKN **IDR 15.4 T**



Providing basic foodstuffs/Sembako to 15.93 million KPM valued at **IDR 11.9T**



Distribution of Cash Assistance 9.6 million family beneficiaries worth **IDR 11.1T**



Providing Family Hope Program Assistance to 9.7 million family beneficiaries worth **IDR 13.7T**

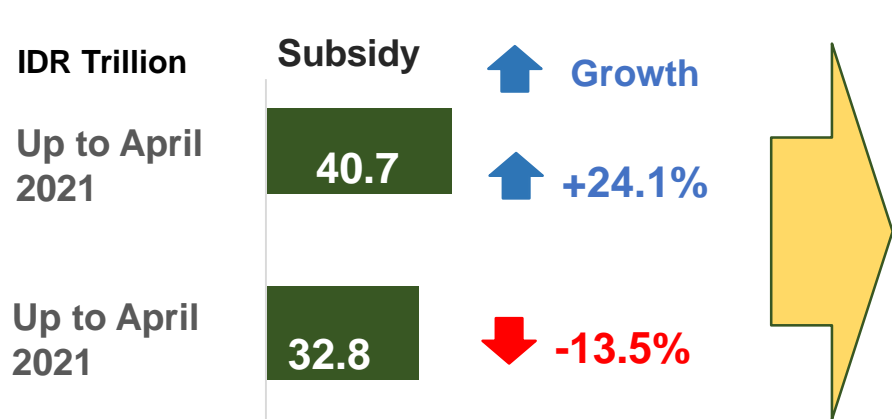


Indonesia Smart Program/PIP distribution to 9.9 million students in the amount of **IDR 5.2 T**

THE REALIZATION OF SUBSIDY AND MISCELLANEOUS EXPENDITURE ARE INCREASING



Primarily for the distribution of various types of subsidies and pre-employment programs



Realization of subsidies up to April 2021

Higher than 2020, mainly affected by:

- The increase in electricity subsidies is due to carryover sales from 2020 to Jan 2021.
- Increase in ICP and volume of LPG consumption

Benefits:



Solar volume *)
2021: 3,520.0 thousand KL
2020: 3,814.3 thousand KL



Kerosene volume *)
2021: 119.9 thousand KL
2020: 117.0 thousand KL



LPG Volume *)
2021: 1,795.4 million kg
2020: 1.717.4 million kg



Subsidized Electricity *)
2021: 16.9 tWh
2020: 14.3 tWh



Housing Interest Subsidy **)
SBUM 26.3 thousand house unit

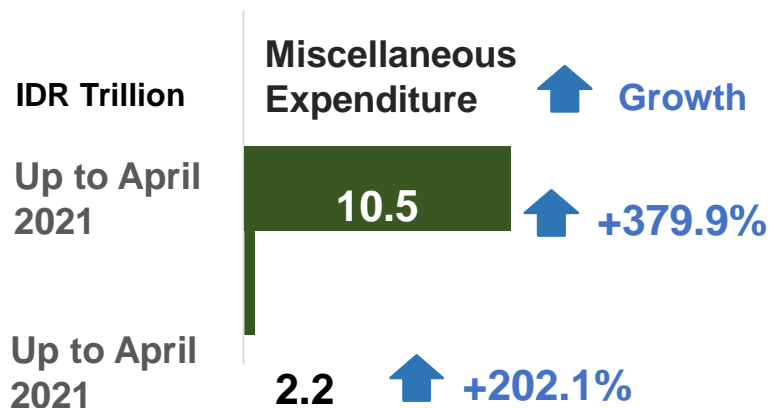


KUR Interest Subsidy **)
2021: 2.3 million debtors
2020: 1.7 million debtors
83.1 trillion credits
54.3 trillion credits



Fertilizer Subsidy **)
2.6 million tons

*) realization as of March 2021
**) realization of distribution up to April 2021, part of it has not been collected from the Government



Benefits:



19.15 million PBPU / BP people received JKN contribution assistance of IDR263 billion
2020: (the program run in semester 2)



2.8 million people participate in the Pre-Employment program with a budget of IDR9.75 T
2020: IDR1.6T)

TKDD REALIZATION 2020-2021 AS OF APRIL 30

TKDD 2021 disbursement is slightly lower than 2020



TKDD Realization and percentage to APBN				
2020: Perpres 72/2020 2021: Perpres 113/2020*		2020	2021	Growth
TKDD (Transfer to Region and Village Fund)	IDR	241.33 T	233.21 T	(3.4)
		31.6 %	29.3 %	
Revenue Sharing (DBH)	IDR	22.90 T	34.86 T	52.2
		26.5 %	34.2 %	
General Allocation Fund (DAU)	IDR	159.97 T	134.34 T	(16.0)
		41.6 %	34.4 %	
Physical Special Allocation Fund (DAK Physic)	IDR	1.41 T	0.90 T	(36.2)
		2.6 %	1.4 %	
Non-Physical Special Allocation Fund (DAK NF)	IDR	33.57 T	40.88 T	21.8
		26.1 %	31.2 %	
Regional Incentive Fund (DID)	IDR	2.30 T	0.54 T	(76.5)
		- %	4.0 %	
Special Autonomy & Privilege Fund for Yogyakarta	IDR	0.20 T	4.84 T	2,344
		0.9 %	22.7 %	
Village Fund	IDR	20.99 T	16.85 T	(19.7)
		29.5 %	23.4 %	

* Note: there is adjustment and refocusing for TKDD allocation (DAU and DAK) in 2021 budget

HIGHLIGHT

- TKDD disbursement as April 30, 2021 amounting to 29.3% of the total allocation which is slightly lower than FY 2020 by 31.6%.
- The realization of Dana Otsus (special autonomy fund) and DIY's Privilege Fund increased since the local government submitted proposal which had met the requirements earlier than last year
- The decline in DID disbursements due to the process of the regional government to meet the disbursement requirements.
- The disbursement of DBH was high due to the settlement of Underpayments in the previous year.
- The decline in Village Funds is due to the relaxation of Village Fund distribution in 2020.

LOCAL GOVERNMENT BUDGET AND THE EFFORT TO IMPROVE

Improving the quality of local budget needs to be a priority



01

Regional budget spending is still low

Expenditure realization until April 2021 by IDR 143.89 T (12.7% of APBD). In April 2020, 15.9% of the 2020 APBD was realized

02

Local government savings are still high

Regional government deposits are quite high (IDR 194.54 trillion) and have tended to increase since the beginning of 2021.

03

APBD is not optimal yet

Regional income, both from TKDD and other sources of income, has not been used optimally.

TKDD as the main source of income for local governments needs to be an instrument to encourage the improvements of the quality of regional management.

Currently, **the Government is drafting a Bill on Central and Regional Financial Relations (RUU HKPD)** which is an amendment of Law no. 33 of 2004 concerning Central and Regional Financial Balance.

The HKPD Bill aims to accelerate the improvement and distribution of public services through the allocation of national resources that are more efficient, transparent, equal and accountable.

The main provisions of the HKPD Bill include:

- Regional taxation that supports the ease of doing business,
- Transfers to regions based on performance,
- Management of regional expenditures in an efficient and disciplined manner,
- Controlled regional financing, and
- fiscal policy synergy between the government and local governments

GOVERNMENT INVESTMENT MANAGEMENT REALIZATION 2021 AS OF APRIL 30

Realization of Government investment management amounted to IDR 19.56 trillion or 10.45% of the budget



HIGHLIGHTS



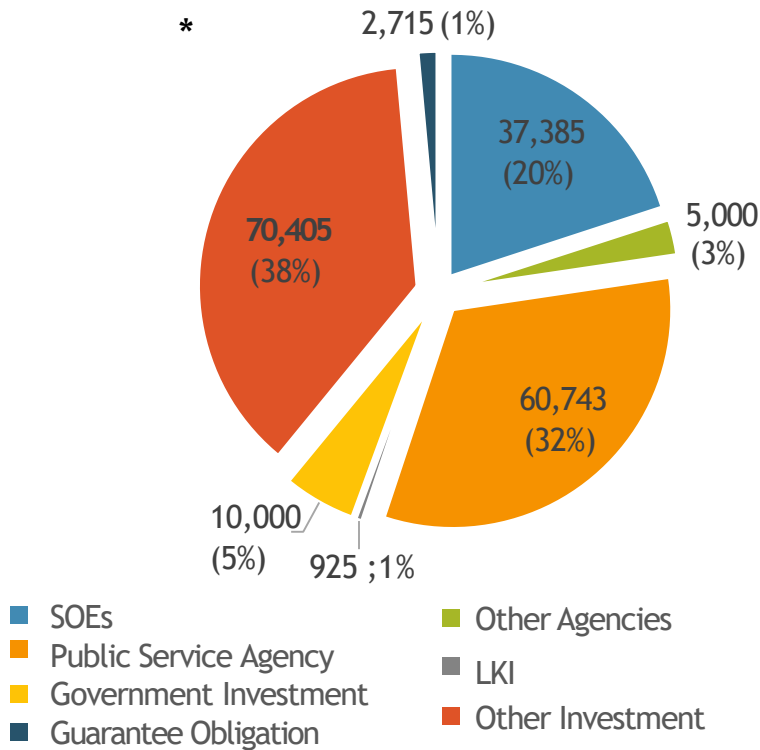
Disbursement of Government investment management as of April 30, 2021:

- 1. Regional PEN Loans IDR 10 trillion (100% of the 2021 allocation)
- 2. Investments in the State Asset Management Agency (LMAN) to fund land acquisition for the National Strategic Project PSN by IDR 5.56 trillion (50% of the 2021 allocation)
- 3. Investment in the Center of Housing Financing Fund Management was around IDR 4 trillion (24.06% of the 2021 allocation)



Disbursement of the government investment management allocations requires Government Regulations (PP), so it put lag time on the realization.

DETAILS OF GOVERNMENT INVESTMENT MANAGEMENT



The Government's investment management allocation consists of an investment financing allocation of IDR 184.46 trillion and a guarantee obligation of IDR 2.71 trillion.

INVESTMENT FINANCING SUPPORTS NATIONAL ECONOMIC RECOVERY

Government investment has been started to disburse for LMAN, PPDPP and regional loan



LMAN Realization IDR76.96T

- As of May 21, 2021, land acquisition funding has been carried out for 94 National Strategic Projects (PSN) amounting to IDR 76.96 T for 116,758 plots covering an area of 180,989,858 m2 for the allocation of funds for land acquisition funding for the 2016-2021 PSN.
- Until May 21, 2021, LMAN has made PSN land acquisition payments amounting to IDR10.195 trillion, of which IDR 8.149 T for the toll road sector and IDR 1.506 T for the dam sector.
- Funding for the PSN project land that has been carried out by LMAN, among others, has been able to assist in the operation of new 1,350 km toll roads in Indonesia



FLPP Realization IDR62.53 T

- The total realization of the Housing Financing Liquidity Facility (FLPP) for the 2010-2021 was IDR62.53 trillion for financing 828,631 units
- Realization of Disbursement of FLPP Financing in 2021 by PPDPP until May 24, 2021 amounting to IDR 6.93 trillion to finance 63,776 units (houses)



Regional PEN Loan Realization

- Realization of Regional PEN Loan Commitment 2020 was amounted for IDR19.13 trillion with disbursement until May 24, 2021 by IDR 9.60 trillion
- Distribution of Regional PEN Loans to Local Governments is carried out through PT Sarana Multi Infrastruktur-SMI (Persero) in the form of Program Loans / Activity Loans.
- Regional PEN loan with funding from the 2020 State Budget was IDR20 trillion and the 2021 APBN was IDR10T
- Regional Loans to Support the PEN Program funded by PT SMI in 2021 amounted by IDR 10 T



REALIZATION OF PEN 2021 AS OF MAY 21 REACHED IDR183.98 T OR 26.3% FROM IDR699.43 T BUDGET



Realization as of Q1 2021 reached IDR 123.26 T → increased IDR 60.72 T

HEALTH

Budget
IDR172.84 T



Realization
IDR31.64 T (18%)

Real Q1 2020: IDR- T
Real Q2 2020: IDR5.0 T
Real Q1 2021: IDR14.9 T

Benefits of PEN 2021 (until May 21)

- Diagnostics for Testing and Tracing
- Therapeutic for treatment costs for 177.76 thousand patients, health incentives, death benefits, as well as medicine and personal protective equipment
- Procurement of 32.86 million doses of vaccine
- National Health Insurance Contribution Assistance (JKN) for 19.15 million people
- Health tax incentives including VAT and Import Duties for vaccines

SOCIAL PROTECTION

Budget
IDR148.27 T



Realization
IDR57.40 T (39%)

Real Q1 2020: IDR33.4 T
Real Q2 2020: IDR70.7 T
Real Q1 2021: IDR44.0 T

Benefits of PEN 2021 (until May 21)

- Family Hope Program (PKH) for 9.9 million recipients
- Basic food cards for 15.93 million recipients
- Cash Social Assistance (BST) for 10 million recipients
- Village cash direct assistance for 4.13 million recipients
- Pre-Employment Cards for 2.77 M people
- Internet Quota Assistance for 27.67 million participants and students

PRIODITY PROGRAM

Budget
IDR127.85 T



Realization
IDR23.21 T (18%)

Real Q1 2020: IDR- T
Real Q2 2020: IDR5.2 T
Real Q1 2021: IDR12.6 T

Benefits of PEN 2021 (until May 21)

- Labor Intensive K / L for 567.1 thousand workers
- Tourism e.g. for the National Tourism Strategic Area (KSPN), Ecotourism, and HR training
- Food Resistance e.g. for the food estate and irrigation program
- ICT e.g. for the provision of ICT infrastructure as well as public broadcasting
- Industrial Area e.g. for the development of strategic areas and investment programs

PEN Program in 2021 starts in early 2021, while in 2020 was implemented starting in June (Q1 2020) which only PKH, basic food, and BST) → is expected to support Government consumption and Community Consumption in Q2 of 2021

REALIZATION OF PEN 2021 AS OF MAY 21 REACHED IDR183.98 T OR 26.3% FROM IDR699.43 T BUDGET

Realization as of Q1 2021 reached IDR 123.26 T → increased IDR 60.72 T



SUPPORT OF MSMEs AND CORPORATIONS

Budget
IDR193.74T



Realization
IDR42.23 T(22%)

Real sd Q1 2020: IDR- T

Real sd Q2 2020: IDR30.2 T

Real sd Q1 2021: IDR37.7 T

Benefits of PEN 2021 (until May 21)

- Government assistance for Micro Enterprises (BPUM) to 9.8 million businesses
- MSME Guarantee Fee for the accumulation of guaranteed Working Capital Credit is IDR 12.53 T
- The Corporate Guarantee Fee for accumulated guaranteed Working Capital Credit is IDR 514 billion
- Placement of Funds in banks with total credit disbursement since 2020 reaching IDR 380.05 T to 5.13 million debtors (as of May 7)

BUSINESS INCENTIVES

Budget
IDR56.73T



Realization
IDR29.51 T(52%)

Real sd Q1 2020: IDR- T

Real sd Q2 2020: IDR13.5 T

Real sd Q1 2021: IDR14.0 T

Benefits of PEN 2021 (until May 21)

- Government Borne Income Tax 21 for 89,608 Employers
- Government Borne Final Income Tax MSME for 124,736 MSME
- Exemption of Income Tax 22 Imports for 15,366 taxpayers
- Deduction of Income Tax installments 25 for 68,040 taxpayers
- VAT refunds for 1,102 taxpayers
- Reduction of corporate income tax rates that can be utilized by all corporate taxpayers
- Government Borne VAT Property for 375 Sellers
- Car sales tax on luxury goods for 5 sellers

PEN Program in 2021 starts in early 2021, while in 2020 was implemented starting in June (Q1 2020) which only PKH, basic food, and BST)
→ is expected to support Government consumption and Community Consumption in Q2 of 2021

THE STATE EXPENDITURE AND INVESTMENT FULLFILLED BY REVENUE AND FINANCING

The performance of state budget expenditure and investment keep accelerated, especially for Covid-19 handling and the economic recovery, supported by tax revenue, non-tax revenue and financing.



EXPENDITURE

Budget: IDR2,750.0T
Realization: IDR723.0T (26.3%)

▲15.9% YoY

CG Spending: IDR489.8T ▲(28.1%)
Regional Transfer: IDR233.2T ▼(3.4%)

INVESTMENT

Budget: IDR187.1T
Realization: IDR19.6T (10.5%)

▲553% YoY

Budget Deficit and Primary Balance
are decrease compare to March
Deficit: IDR138.1T (0.83% to GDP)
Primary Balance: IDR36.4T



FINANCING

Budget: IDR1,006.4T
Realization: IDR392.3T (39.0%)



TAX REVENUE

The contraction is eased to -0.5%,
compare to Jan-March contraction -5.6%

Budget: IDR1,229.6T
Realization: IDR374.9T (30.5%)

▼
0.5% YoY



CUSTOMS and EXCISE

Budget: IDR215.0T
Realization: IDR78.7T (36.6%)

▲
62.7% YoY



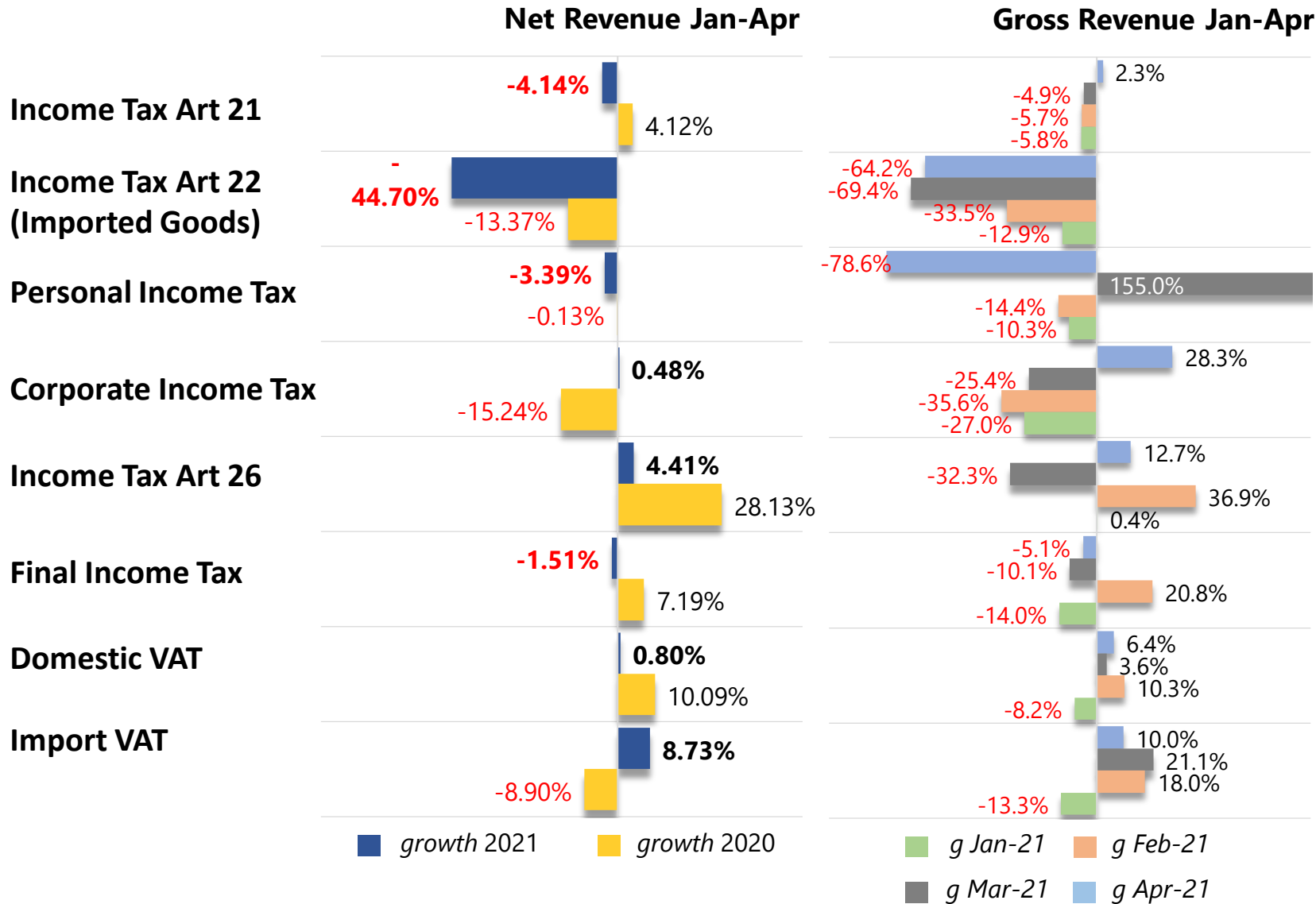
NON-TAX REVENUE

Budget: IDR229.1T
Realization: IDR131.4T (44.0%)

▲
14.9% YoY

REVENUE FROM MAJORITY OF THE TAXES IMPROVED

Corporate Income Tax and Import VAT were able to grow double digits in April

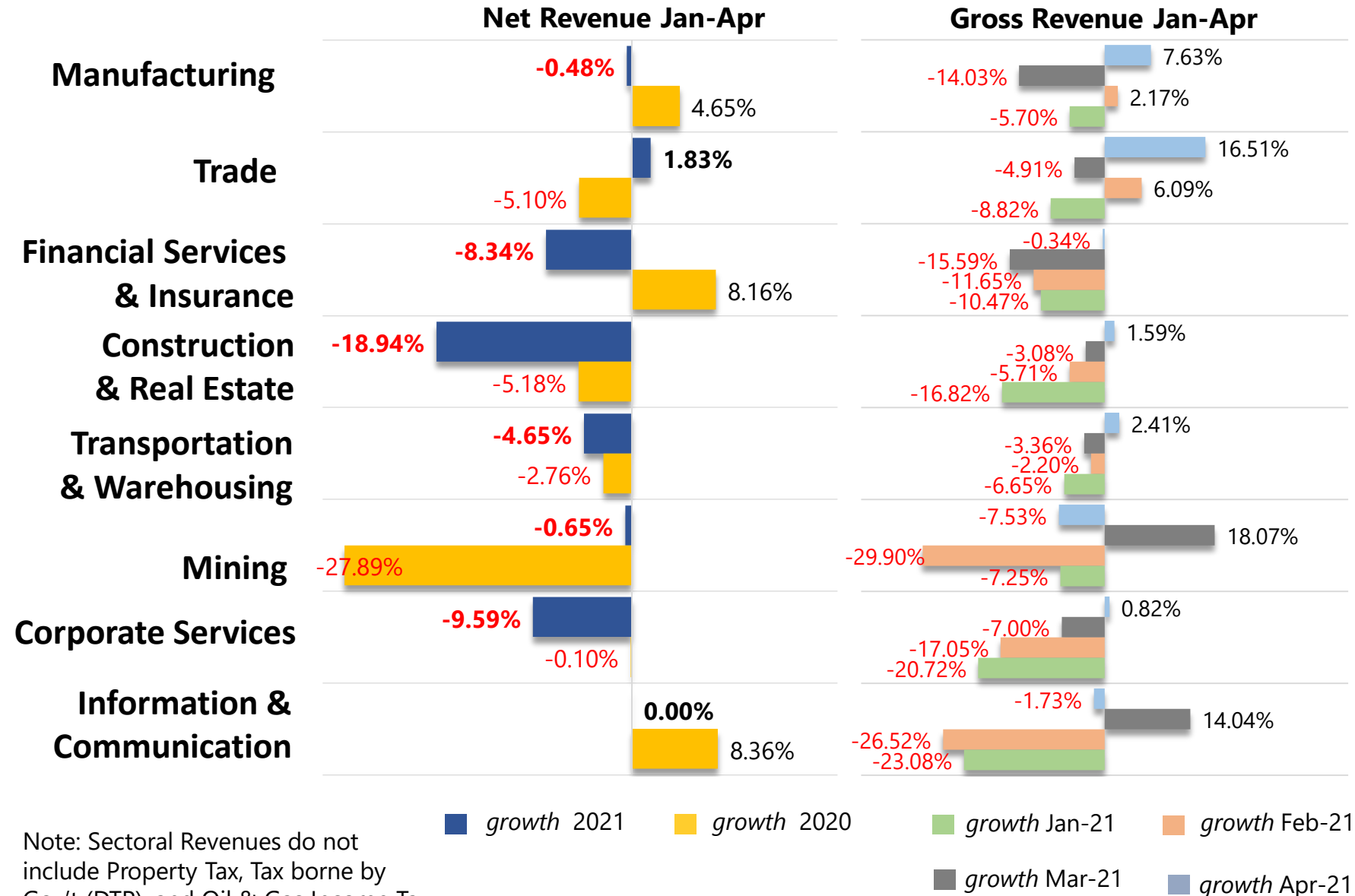


- Income Tax Article 21 improved, supported by an increase in payments for tax provision along with Teacher Professional Allowance, which is paid quarterly
- Income Tax Art Import still contracted in consequence use of its exemption incentive tax
- Corporate income tax has grown well, supported by the decrease in tax credit due to utilization of fiscal incentives exemption of Art 22 Imports and deduction of tax instalment (Art 25) in the previous year
- Income Tax Art 26 grew positively supported by the increased payment of the Tax Provision
- Domestic VAT has grown positively in line with the economic recovery and improved domestic consumption
- Despite slowing down, Import VAR grew in double digits in line with growing import activities

THE UTILIZATION OF TAX INCENTIVES DROVE THE DECLINE IN MOST OF THE TAX SECTORS



However, Mining and ICT sectors were able to grow positively in Q1 2021



In April, the majority of sectors recorded improved performance, mainly supported by the payment of Annual Corporate Income Tax, increased imports and improving domestic demand.

- The increase in annual corporate income tax payments was particularly from the manufacturing and trade sectors, the two greatest sectors which utilized the incentives
- The recovery in economic activity, especially domestic demand and consumption, is reflected in the performance of gross domestic VAT which grew positively in the majority of sectors, namely Trade (14%), Construction & Real Estate (9%), Transport & Warehousing (17%), Mining (53%), and Corporate Services (9%)
- The mining sector still experienced deep contraction due to the non-recurring tax provision (SKPKB)

Note: Sectoral Revenues do not include Property Tax, Tax borne by Gov't (DTP), and Oil & Gas Income Tax

TAX INCENTIVES UTILIZATION CONTINUE IN 2021

Until May 17th, around 300 thousand taxpayers has benefited from tax incentives



Tax incentives utilization has reached IDR 29.26 T

Incentive to improve people purchasing power



Income Tax
Article 21

89,608 Employers **IDR 1.01 T**

Incentives to support business liquidity and continuity



Income Tax
Exemption on
Import

15,366 Taxpayers **IDR 6.71 T**



Reduction on
Tax Installment

68,040 Taxpayers **IDR 11.85 T**



VAT Refund

1,102 Taxpayers **IDR 4.35 T**

Corporate tax tariff reduction incentive



Income Tax
Article 25

All of Corporate
Taxpayers **IDR 5.08 T**

Incentive to support the MSMEs



Final Income
Tax for MSMEs

124,736 MSMEs **IDR 0.26 T**

1,595 taxpayers has purchased property and has benefited from VAT incentives on property

Improving people purchasing power and supporting sector with high output multiplier effect



VAT **1,595 Buyers**
IDR 41.17 Billion
375 Sellers

Housing < 1 B 33.26 B

Housing 1 – 5 B 7.91 B

Incentives on Luxury Goods Tax for Car Sales utilization has reached IDR 203.81 Billion

Improving the utilization of automotive sector capacity and act as consumption driver instrument



Luxury
Goods Tax

5 Sellers
IDR 203.81 Billion

AS OF APRIL 2021, CUSTOM & EXCISE REVENUE REALIZATION GREW SIGNIFICANTLY

Driven by excises and export duty



**Custom & Excise revenue realization reached Rp78.7 Trillion
(36.6% of the target, grew by 36.5% yoy)**



Import Duty slightly grew by 0.13% yoy

Affected by increasing domestic import trend, particularly manufacturing industry.



Excises grew by 32.8% yoy

Driven by tobacco excise that is affected by 2020's credit payment of excise ribbon paid in 2021 (carryover).



Export Duty grew by 658.9% yoy

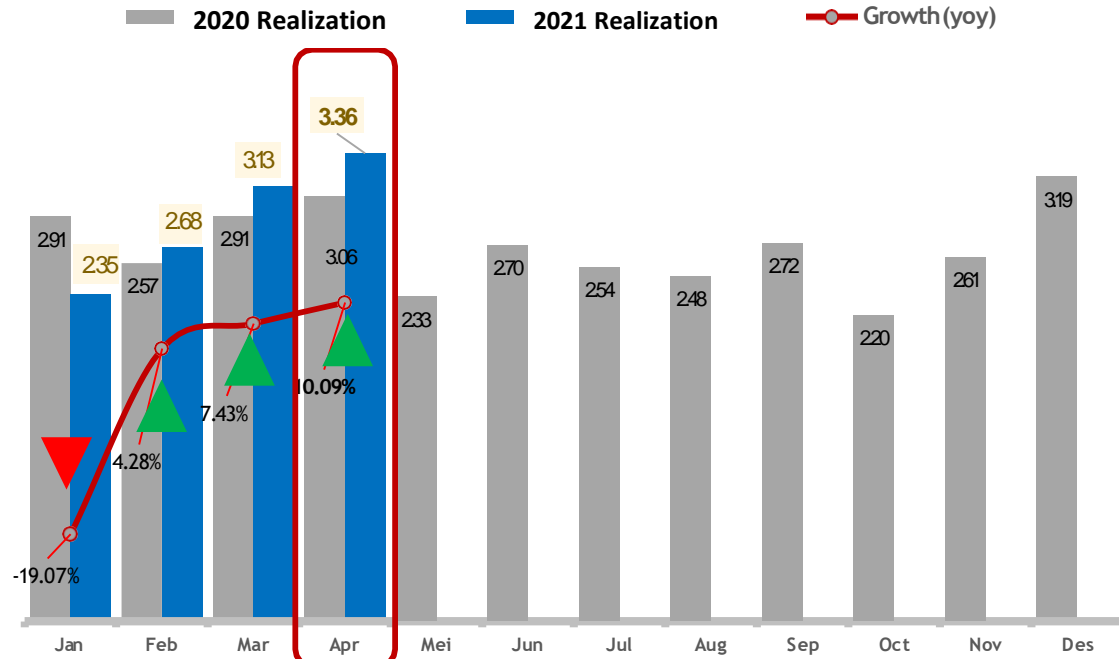
Driven by commodities of copper and high price of palm products

IMPORT AND EXPORT DUTY GREW POSITIVELY (YoY/MtM)

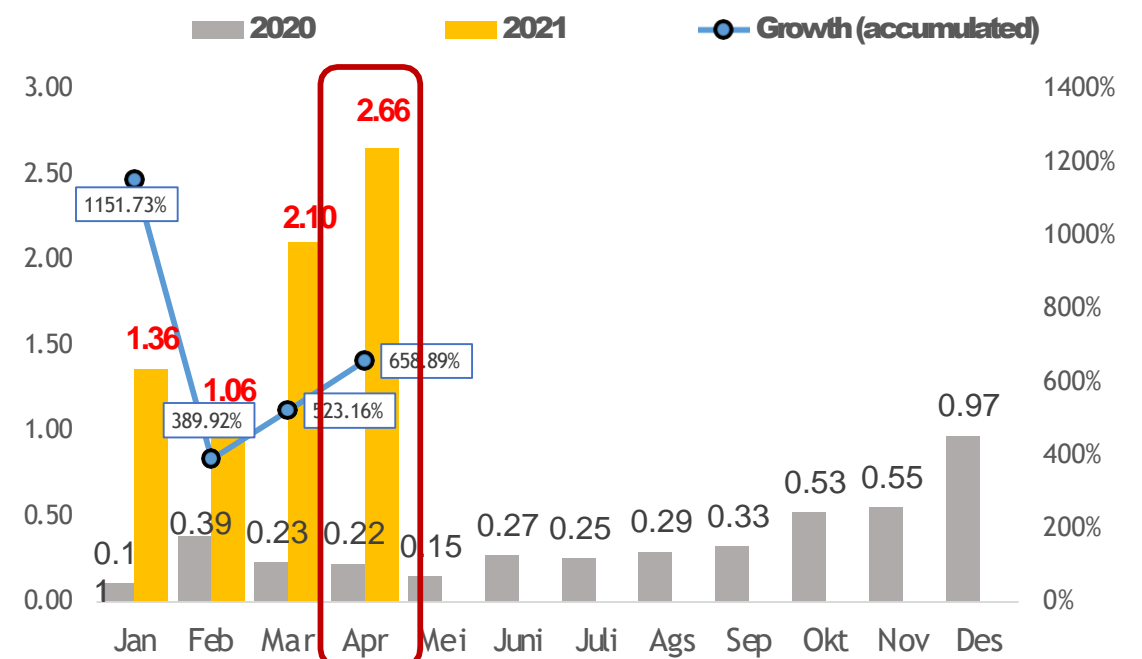
Import duty keeps increasing since the beginning of the year (mtm); export duty performance is driven by palm products and copper



IMPORT DUTY'S MONTHLY REALIZATION
(TRILLION RP)



EXPORT DUTY'S MONTHLY REALIZATION
(TRILLION RP)



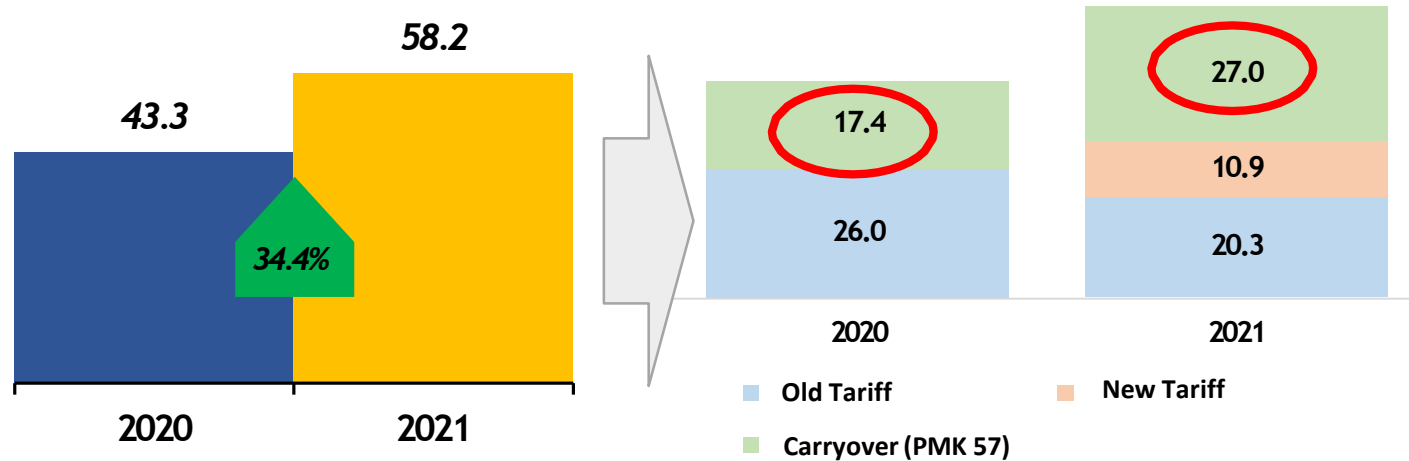
- **Import Duty as of April 2021:** IDR11.49 T, increased by 0.13% compared to April 2020.
- **Export Duty as of April 2021:** IDR7.18T, increased significantly by 658.9% (yoy), driven by commodities of copper and palm products.
 - Export duty of copper increased by 257.5% (yoy) → affected by export volume increase.
 - Palm products jumped by 1,638.2% (yoy), driven by CPO's export tariff increase (yoy) and high CPO reference price that affected cooking oil price (CPO's derivative).
 - Export duty on other commodities (Bauxite, Woods, dan Cacao) decreased.

TOBACCO EXCISE REVENUE INCREASED, YET TOBACCO PRODUCTION DECREASED

Mainly driven by carryover from the previous year (Minister of Finance Regulation (PMK) number 57 of 2017)

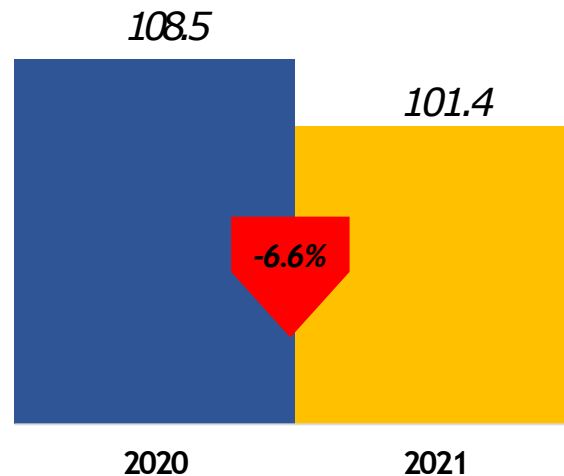


Tobacco Excise Revenue (IDR Trillion)



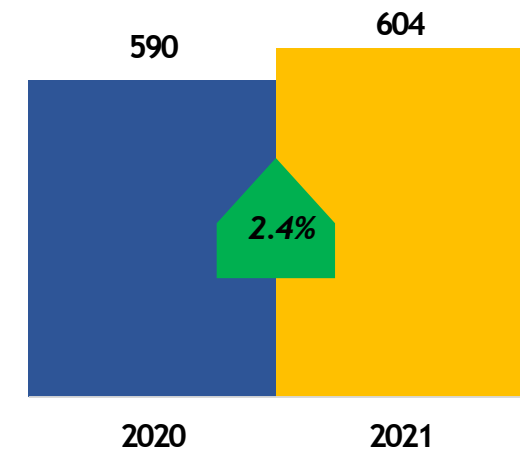
- Tobacco excise as of April 2021 grew by 34.4% (yoy), affected by carryover of excise ribbon payment from 2020 to 2021.
- The slowing growth is due to declining tobacco excise revenue in April 2021.
- The revenue without carryover is IDR31.2 T, in which IDR20.3 T still came from old tariff realization.

Production of Tobacco Products (CK-1) (Billion of Sticks)



- Production of Tobacco products (CK-1) as of April 2021 contracted by 6.6% (yoy)
- Production also decreased compared to the period as of March (-5.7%), driven by decline in April's production (-9.0%),
- Weighted Average Tariff increased by 2.4% (yoy) → pressure on tobacco production Tier-1 (higher tariff structure)

Weighted Average Tariff (IDR/stick)



NON-TAX REVENUE PERFORMANCE AS OF APRIL 2021 IMPROVED

With the increase in Public Service Agency (BLU) revenue, Line Ministries Non-Tax Revenue and Non-Oil and Gas of Natural Resources Revenue



Non-Tax Revenue recorded IDR131.3 T (44.0% of State Budget Target)



Non-Oil and Gas of Natural Resources Revenue grew 37.3%

- Increase in commodity price → price of coal, gold, silver, copper, lead, and nickel
- Support to promote forestry sector → increase in wood production, use of forest area, and payment of Non-Tax Revenue of Forest Area Use (PKH) receivables



Other Non-Tax Revenue grew 68.2%

- Increase in Sales of Coal Mining Products and service of Line Ministries Non-Tax Revenue



BLU revenue grew 84.2%

- Revenue increase came from Oil Palm Fund Management and education services

The potencial for an increase in **Non-Tax Revenue** from Non-Oil and Gas of Natural Resources Revenue shows an increasing trend in the average price of crude oil since the beginning of 2021.

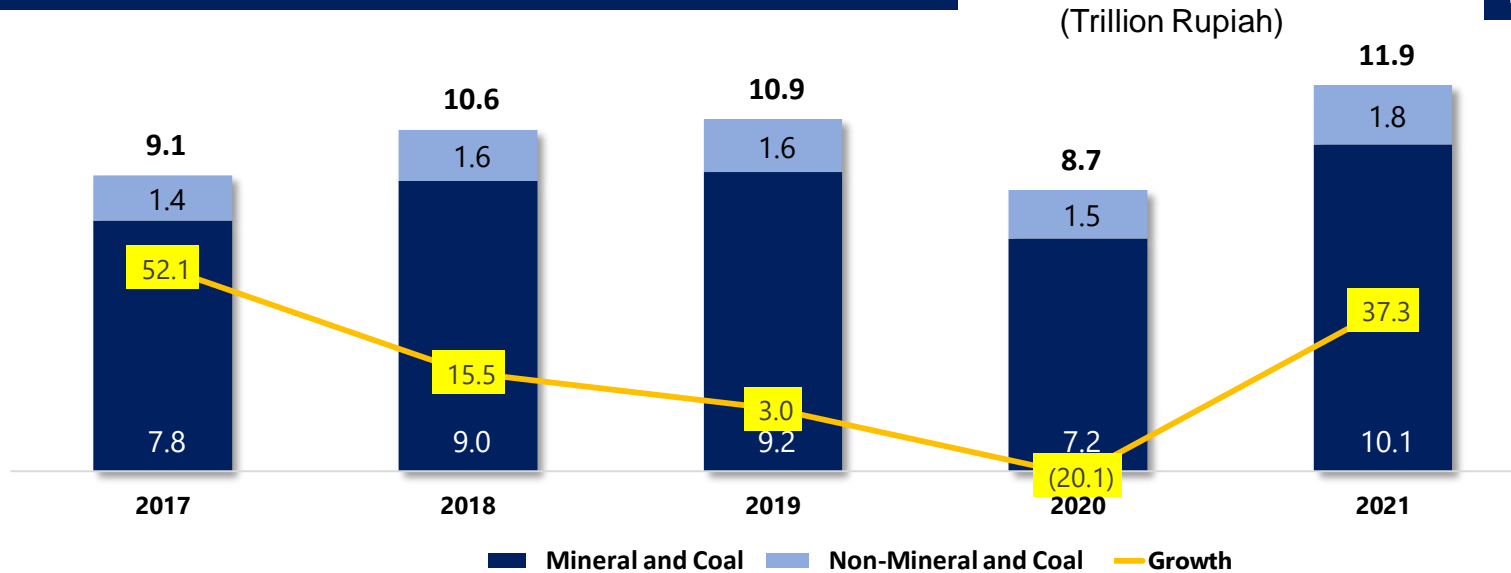
ICP realization in the last 4 months (Dec 2020 – Mar 2021) was USD56.20 per barrel (State Budget: USD45 per barrel)

REVENUE REALIZATION OF NON-OIL AND GAS OF NATURAL RESOURCES IS INCREASING

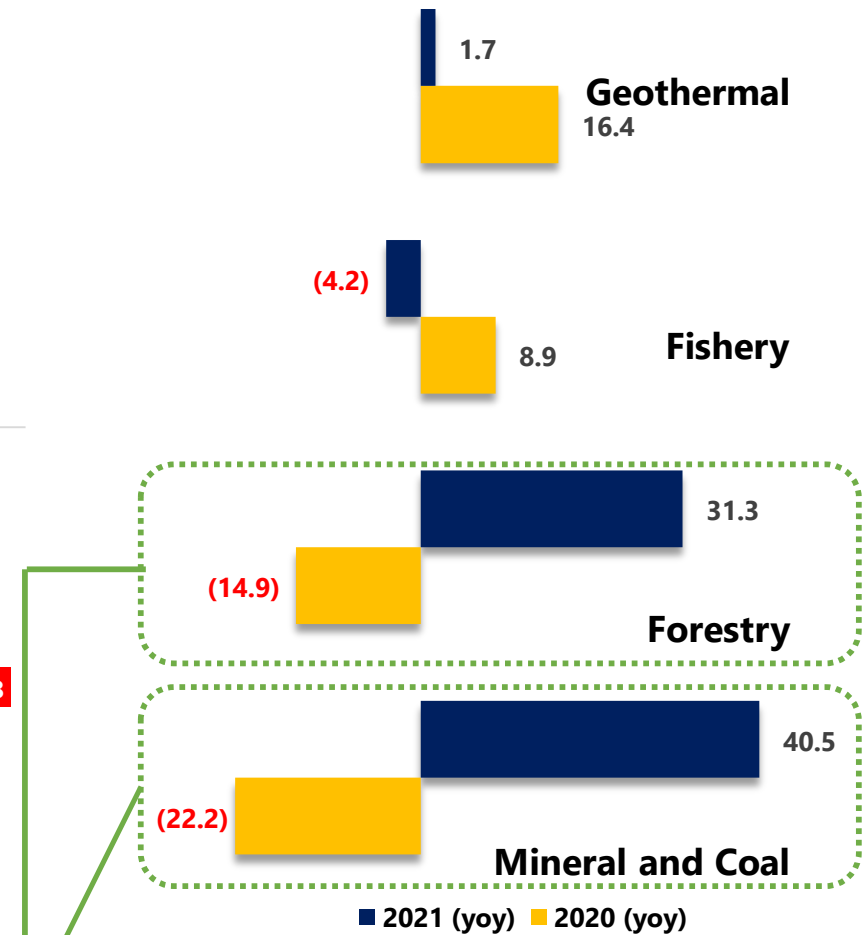


Driven by increase of Reference price for coal (HBA) and commodities price (e.g. price of copper)

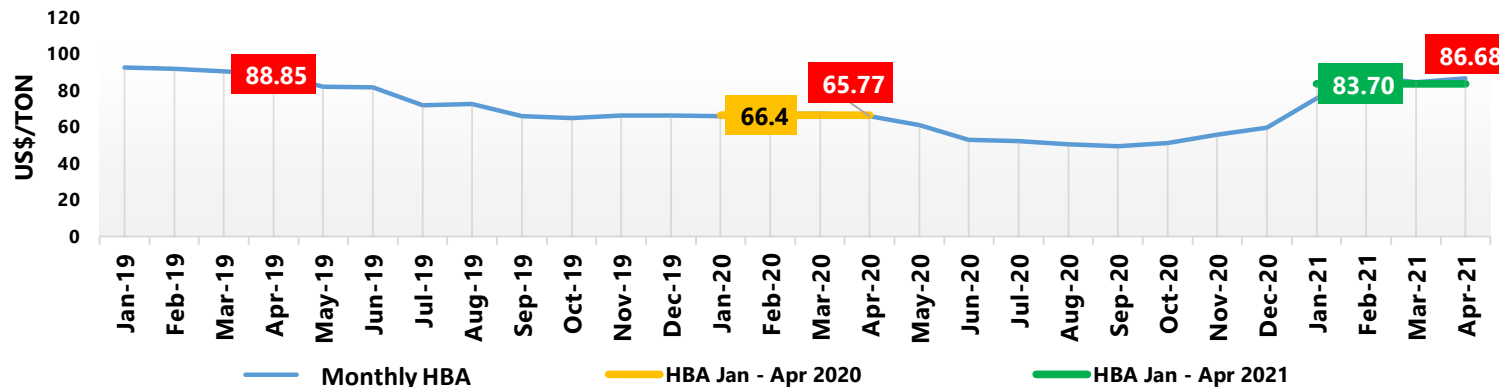
Realization of Non-Tax Revenue in Non-Oil and Gas up to 30 April



Non-Oil and Gas of Natural Resources Development, per sector



HBA Development 2019-2020



Increase in the price of coal, copper

Accounts receivable collection/payment

Copper price as of April 2021: USD9.099/ton (2020: USD5.493/ton)

THE BUDGET FINANCING IS STILL ON TRACK

Prudent and flexible financing strategies are maintained to anticipate financial market volatility



Budget Financing (IDR T)	2021			
	Budget	Realization as of 30 April	% of Budget	YoY (%)
Debt Financing	1,177.4	410.1	34.8	80.8
Government Bond (net)	1,207.3	416.7	34.5	79.9
Government Borrowing (net)	(29.9)	(6.6)	22.1	36.6
Investment Financing	(184.5)	(19.6)	10.6	552.0
Government Lending	0.4	1.7	317.8	2.3
Guarantee	(2.7)	-	-	(100.0)
Other Financing	15.8	0.1	0.3	(68.9)
Total	1,006.4	392.2	39.0	74.2

Budget Financing Realization:

IDR392.2T or 34.8% of its target in 2021

- Debt financing supports financing needs including for investment and closing the gap of deficit, in order to accelerate economic recovery.
- The financing target mainly fulfilled by government bonds issuance.
 - BI contribution on government bond purchasing based on SKB I reached IDR108.43T (SUN IDR68.83 T and SBSN IDR39.59 T)
- As of 30 April, budget surplus amounted IDR254.19 T used as a buffer to anticipate an increasing spending and financing needs in May.



INDICATOR	2020	2021	
	Realization	State Budget	Up to April
Economic Growth	-2.07	5.0	-0.74
(%, yoy)			
Inflation	1.68	3.0	0.58 (ytd)
(%, yoy)			1.42 (yoy)
Exchange Rates	14,578	14,600	14,375(eop)*
(Rp/US\$)			14,285(ytd)*
10-years treasury bond yield	n/a	7.2	6.47 (eop)**
(%)			6.41 (ytd)**
ICP (Oil Price)	40.5	45	61.96(eop)
(US\$/Barrel)			59.75 (ytd)
Oil Lifting	706	705	709.6 (eop)***
(thousand barrel per day)			676.2 (ytd)
Gas lifting	975	1,007	1,041.2 (eop)***
(thousand barrel – equal oil per day)			1,054.3 (ytd)

Economic Indicator Progress 2020

- **Economic Growth:** Economic growth in 2020 was at -2.1% (YoY). The outlook for economic growth in 2021 is in the range of 4.5-5.3%
- **Inflation:** Inflation was driven the increase of food price while the demand remain limited.
- **Exchange Rates:** Rupiah was strengthened in the middle of May. Rupiah (ytd) was depreciated by 3.4% compare to exchange rate in early 2021.
- **10-years treasury bond yield:** Weighted average yield for 10-years treasury bond was recorded at 6.41% (ytd). The latest auction in April 27th posted yield of 6.47%.
- **ICP :** Oil price slightly decreased compared to previous month due to possibility of increased production from OPEC+ countries, and due to reduction of production cuts from Saudi Arabia.
- **Oil and Gas Lifting:** Until March 2021, Oil and gas lifting was recorded at 676.2 bopd and 1,054.3 boepd

*as of May 21, 2021 **the latest auction was in April 27, 2021 *** as of March 2021



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INDONESIA 2022 BUDGET AND DEVELOPMENT STRATEGY: STRUCTURAL AND FISCAL REFORM

STRONG RECOVERY KEEP CONTINUE IN 2022








Reflected by macroeconomic assumptions for preliminary budget in 2022

MACROECONOMIC ASSUMPTIONS

2020

2021

2022

			Budget	Outlook	
	Economic Growth (%)	-2.07	5.0	4.5 – 5.3	5.2 – 5.8
	Inflation (%)	1.68	3.0	3.0±1	3.0±1
	3 month SPN Rate (%)	3.19	-	-	-
	10 year T-bonds Rate (%)	-	7.29	6.29 – 7.79	6.32 – 7.27
	Exchange Rate (IDR/USD)	14,577	14,600	14,200 – 14,800	13,900 – 15,000
	Indonesian Crude Price (USD/barrel)	40	45	55 – 65	55 – 65
	Oil Lifting (thousand barrel per day)	707	705	705	686 – 726
	Gas Lifting (thousand barrel of oil equivalent per day)	983	1,007	1,007	1,031 – 1,103

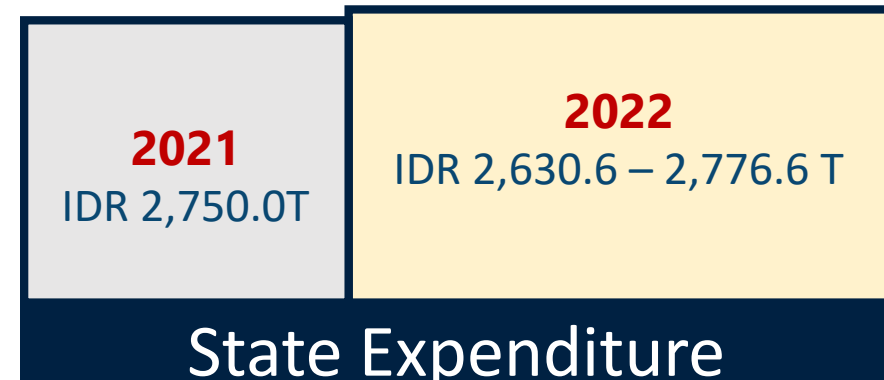
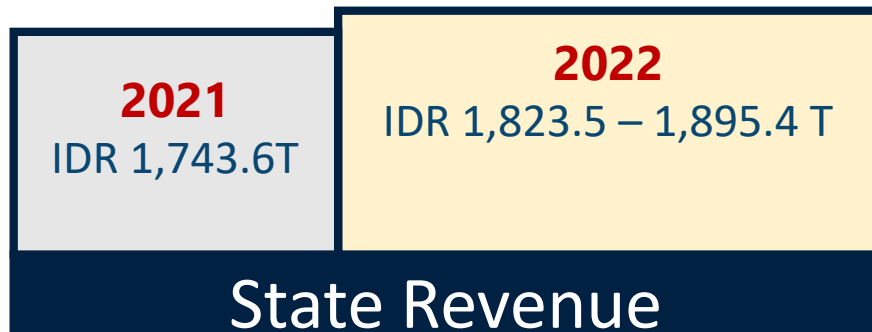
2022 BUDGET IS AIMED TO SUPPORT THE RECOVERY AND CONTINUE THE REFORM

The deficit decreases while the government spending is maintained increased



- **Expansion of the tax base** (e.g. e-commerce, plastic excise).
- **Strengthening the tax system** in line with the structure of the economy.
- **Providing measurable fiscal incentives** for strategic sector that have a strong multiplier.
- **Exploring the potential of non-tax revenue** and implementing supervision.
- **Technology adaptation** and developing digital-based services.

- **Focus on strengthening recovery and structural reform:** human resources (health, social protection, education) and economic transformation (infrastructure and bureaucracy).
- **Spending better:** result based spending; efficiency non-priority spending.
- **Anticipation of uncertainty:** adaptive social safety net program (automatic stabilizer); the effective, targeted and integrated social assistance and subsidies.
- **Strengthening fiscal decentralization and quality control of TKDD** to support recovery and structural reforms.



2022: BUILD THE FOUNDATION FOR CONSOLIDATION AND REFORM

STRUCTURAL REFORM

HUMAN CAPITAL

- Quality and competitive **education**
- Integrated and reliable **health system**
- Lifelong and adaptive **social protection**

ECONOMIC TRANSFORMATION

- Increasing production capacity & sustainable **growth** (infrastructure connectivity, mobility and productivity)
- **Institutional reform** (bureaucratic and regulatory reform)



FISCAL REFORM

- **Tax reform** (broadening the tax base and increasing compliance)
- **Spending reform** (zero based budgeting): focus on priority programs, efficient, synergistic and results-based;
- **Innovative, prudent, and sustainable financing** (Strengthening the SWF, PPP scheme, and efficient fiscal buffer)

FISCAL CONSOLIDATION BECOME A CRITICAL KEY TO ACHIEVE MEDIUM-TERM GOALS

The government will strengthen fiscal policy holistically to manage the deficit backs at 3% of GDP in 2023



OBJECTIVE



**Sustainable Economic
Growth Perspective**



**Macro Fiscal Risk
Perspective**



**Policy Consistency
Perspective**

HOLISTIC FISCAL REFORM

REFORM ON REVENUE



TAX REFORM

Administrative and Policy Reform
for Fair and Equitable Tax System



OPTIMIZING OF ASSET MANAGEMENT



INNOVATION TO INCREASE NON-TAX REVENUE

REFORM ON EXPENDITURE

Zero-Based Budgeting

Integrated & Targeted Subsidy and
Effective Social Protection Program

Strengthening Fiscal Decentralization
Function

Improving quality control of
intergovernmental transfers

INNOVATIVE AND SUSTAINABLE FINANCING

Prudent and Sustainable Debt
Management

Effective Investment Financing

Financial Deepening

Financing Innovation through SWF,
SMV and PPP

Strong Cash Management for
Realizable and efficient fiscal buffer

TAX REFORM: PURSUING A HEALTHY AND FAIR TAXATION SYSTEM

To anticipate social, economic and demographic dynamics and implementation of best-practices



CHALLENGE

- Anticipating medium to long term social economic dynamics
- Huge informal sector
- Limited tax base
- Data and information are not optimal
- Aligning with international best practice

REFORM ASPECTS

Administration

Strengthening institution and human resources

Administration simplification

Strengthening monitoring function for extensification and intensifications

Fair Law Enforcement

Policy

Widening tax base and finding new source of revenue

Improving VAT collection and reducing its regressivity

Strengthening personal income tax policy

HEALTHY

- Effective as policy instrument
- Optimum and sustainable source of revenue
- Adaptive with transforms in economic structure

FAIR

- Tax treatment certainty
- Encouraging taxpayer voluntary compliance
- Balancing tax burden between groups and between sectors

Going Forward

Growing middle income class – consumption increasing rapidly – **consumption tax** potentially to become main source of revenue.

[Noted: currently, VAT is not optimum yet – administration support is not optimum as there are lot of exemption]

Corporate Income Tax – tariff reduction – as an incentives instrument for business (industrialization and value-added creation) including various facilities, tax holiday, and tax allowance.

Personal Income Tax – potentially become source of revenue from income tax, in line with improvement of data and administration, and increasing of income per capita. The PIT also could play as instrument for income redistribution, which is not optimum yet.

FISCAL POLICY AS THE TOOLS TO MAINTAIN ENVIRONMENTAL SUSTAINABILITY



Through the Ratification of the Paris Agreement and the Submission of NDC to the UNFCCC

Indonesia is committed to reducing GHG emissions by:

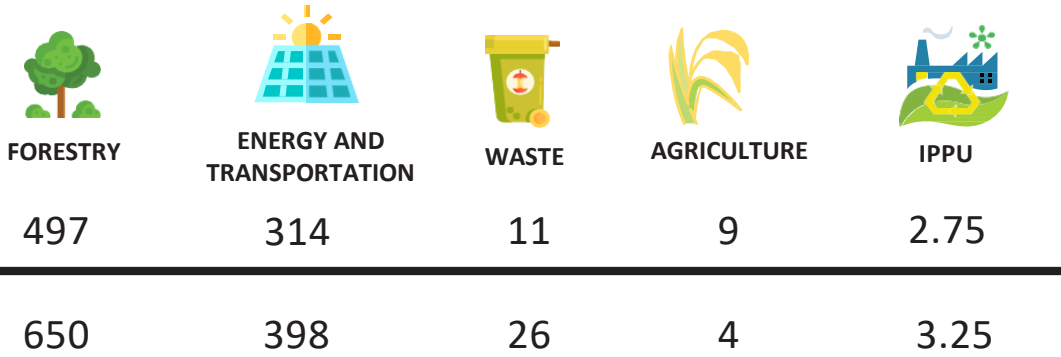
29%

below BaU unconditionally

or
41%

With International support (Conditional)

Emission Reduction Target per Sectors



Several tax incentives to promote green private investment

Instruments	
Tax Holiday	100% tax discount for Up to 20 years depends on the amount of investment for 17 pioneer industries.
Income Tax Facility	Tax Allowance for geothermal businesses, renewable energy generators, and bioenergy industries. The exemption of article 22 income tax on imported goods for geothermal business activities.
VAT Facility	VAT exemption on imported goods for geothermal activities.
Import Tax Facility	Import tax exemption on geothermal activities.
Property Tax	Property tax deduction up to 100% for exploration stage.

Several regulations in the pipeline to promote emission reduction

Instruments
An excise on plastics in a move aimed at reducing their adverse environmental
Incentives on Sales tax on luxury goods (PPnBM) for electric cars to promote green vehicles program
A carbon tax to curb greenhouse gas emissions



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THANK YOU