



KEMENTERIAN KEUANGAN  
REPUBLIK INDONESIA

# Economic and Fiscal Updates

September 2020 Edition

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[IRU@kemenkeu.go.id](mailto:IRU@kemenkeu.go.id)





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# Economic Updates

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# COVID-19 PANDEMIC CAME AS AN UNPRECEDENTED CHALLENGE FOR GLOBAL ECONOMY

Impacted adversely on economic activities and economic performances globally.

Global economic environments have been challenging in the last couple of years, and the world is recently experiencing unprecedented challenges from COVID-19—the coronavirus pandemic.



## COVID-19 PANDEMIC

Gives shocks in both the demand and supply side, creates domino effects in various aspects



HEALTH



SOCIAL



ECONOMY



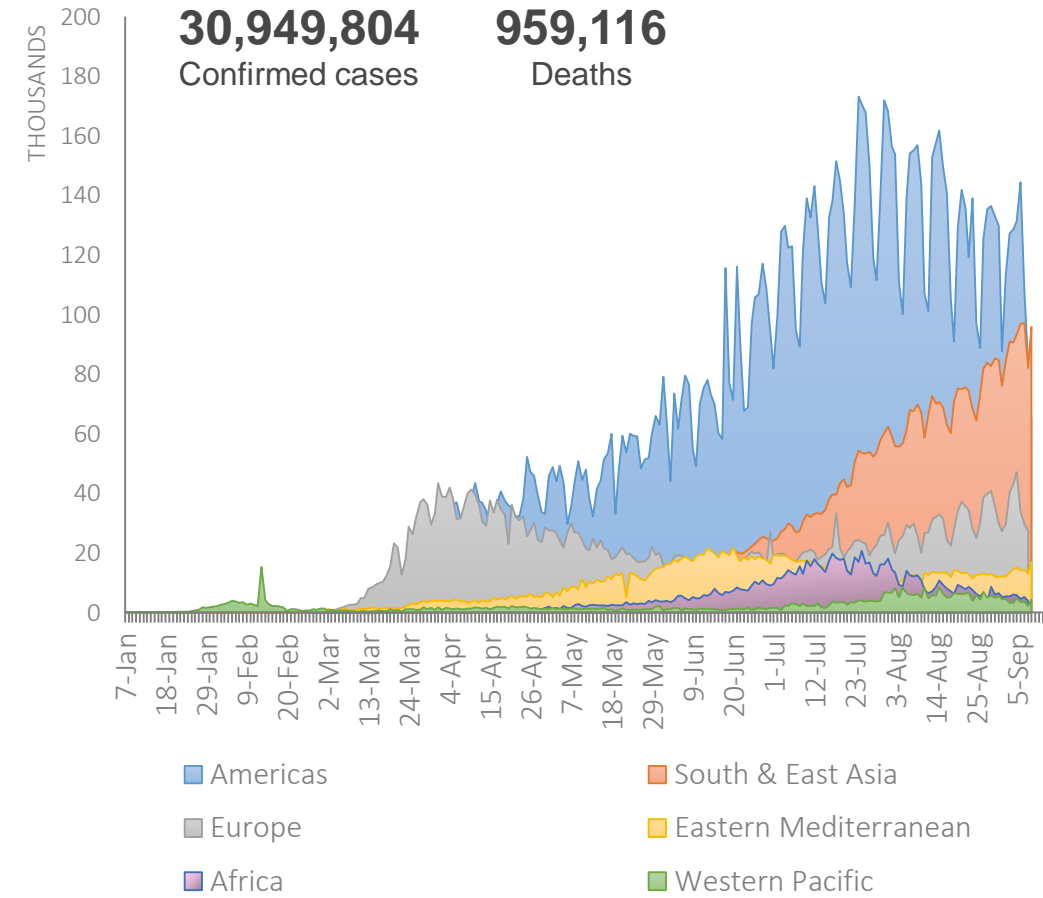
FINANCE

### Global COVID-19 Cases

Source: WHO, as of 21 September 2020

**30,949,804**  
Confirmed cases

**959,116**  
Deaths

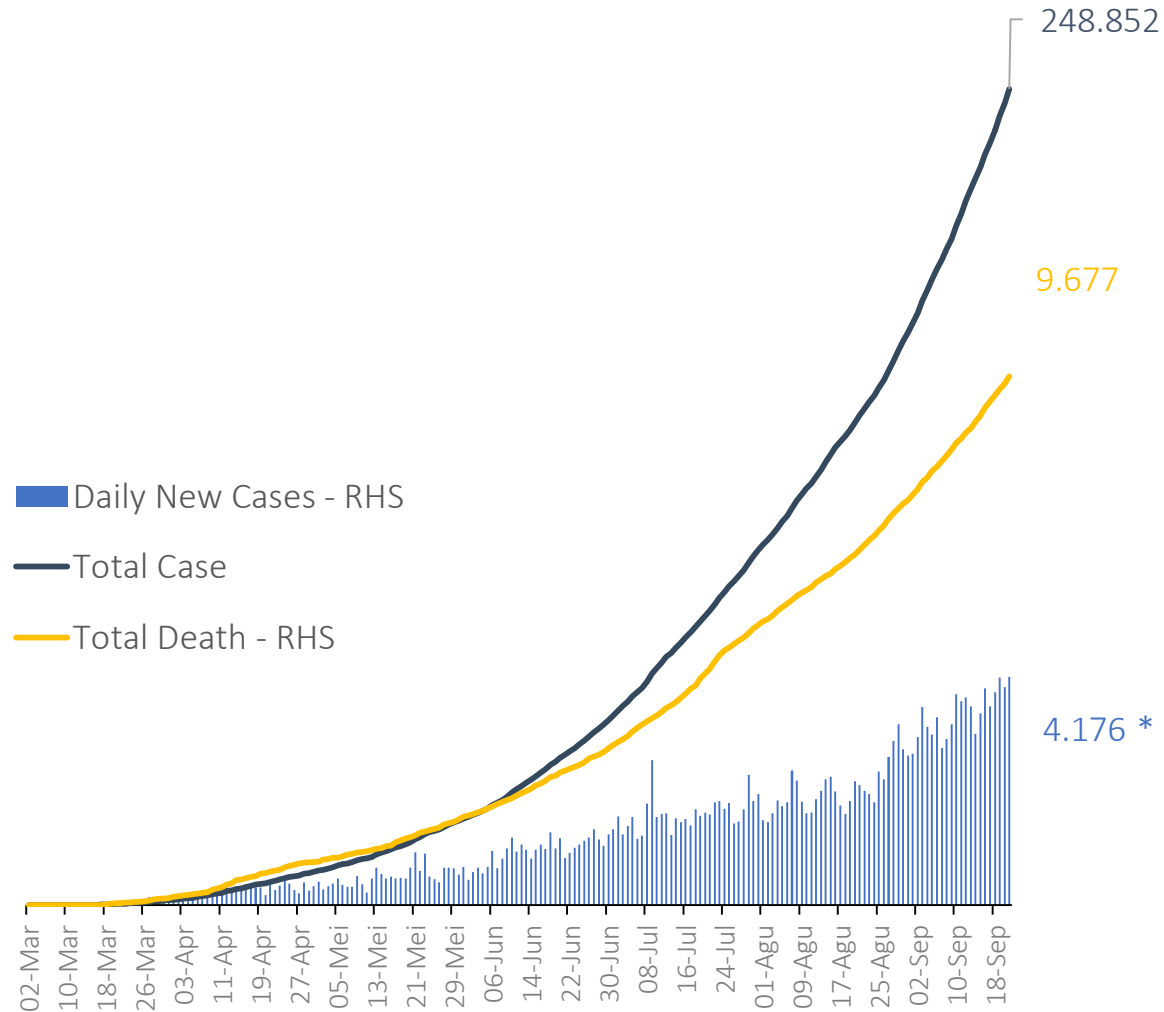




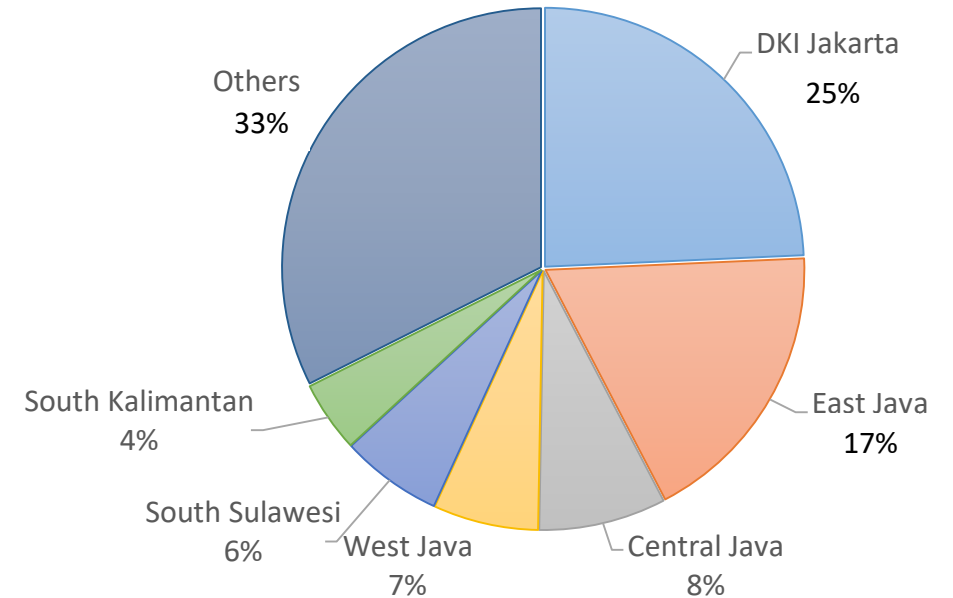
# INDONESIA'S COVID-19 OUTBREAK WAS STARTED IN MARCH 2020

Considering heightened covid19 daily case loads, the Government has put the virus containment on top of other issues

Indonesia COVID-19 Cases  
Source: Ministry of Health



Top 10 Provinces with Most COVID-19 Cases  
Source: Ministry of Health

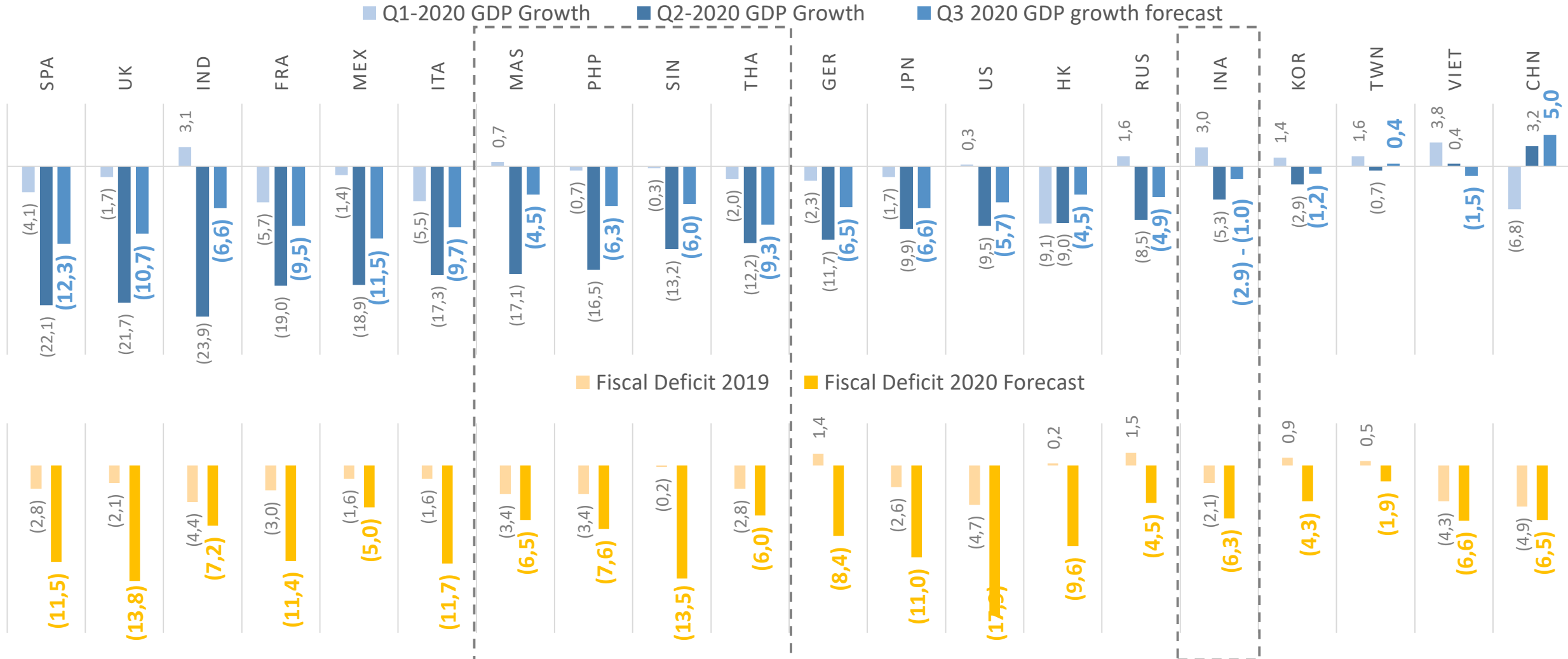


- The President has mandated all the ministries to focus on virus containment efforts.
- Indonesia has been developing vaccines in cooperation with Sinovac.
- Sinovac's vaccine has entered Phase 3 (trial on the larger scale).
- The government hopes to distribute the vaccine to the public starting in 1st semester 2021.



# COVID-19 PANDEMIC DRIVES THE ECONOMIC CONTRACTIONS AND DEFICIT WIDENINGS

Budget Deficits of Advanced Countries are Relatively Wider than Emerging Countries



Note: GDP growth in yoy  
Budget deficit stated in percentage to GDP

Source: Bloomberg, September

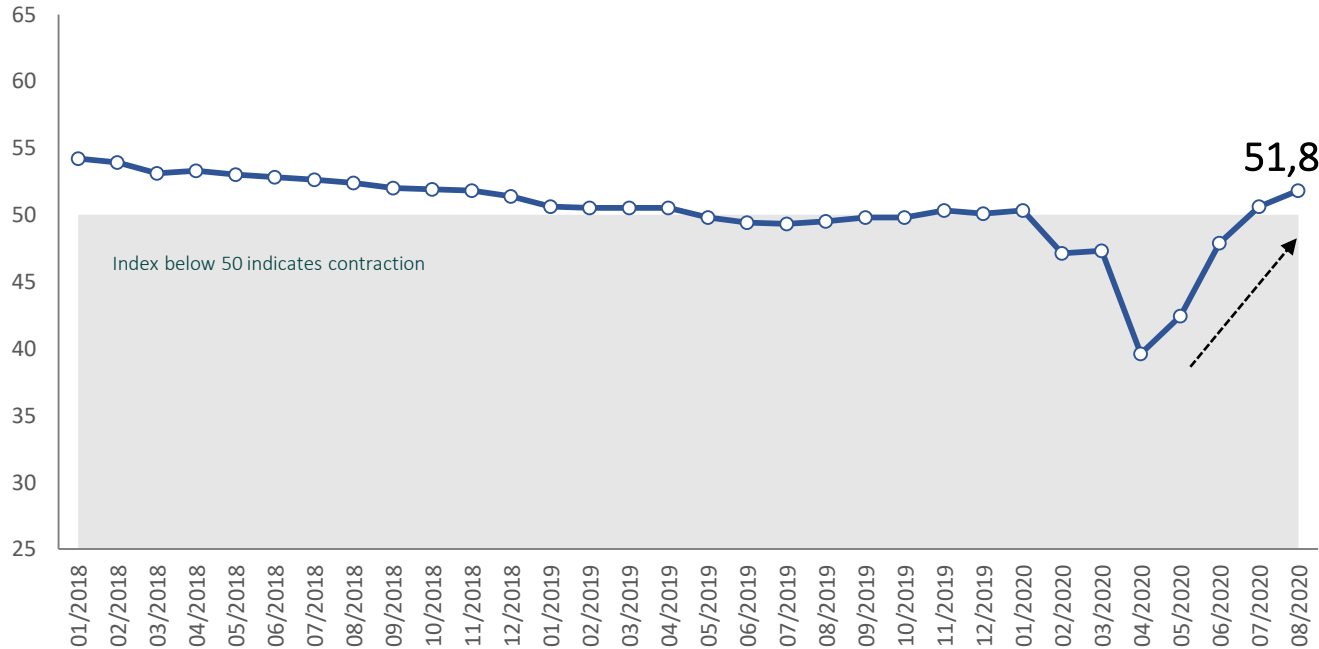


# GLOBAL ECONOMY STARTS TO REBOND SINCE APRIL/MAY 2020

Driven by output improvements and new orders

## Global Manufacturing PMI

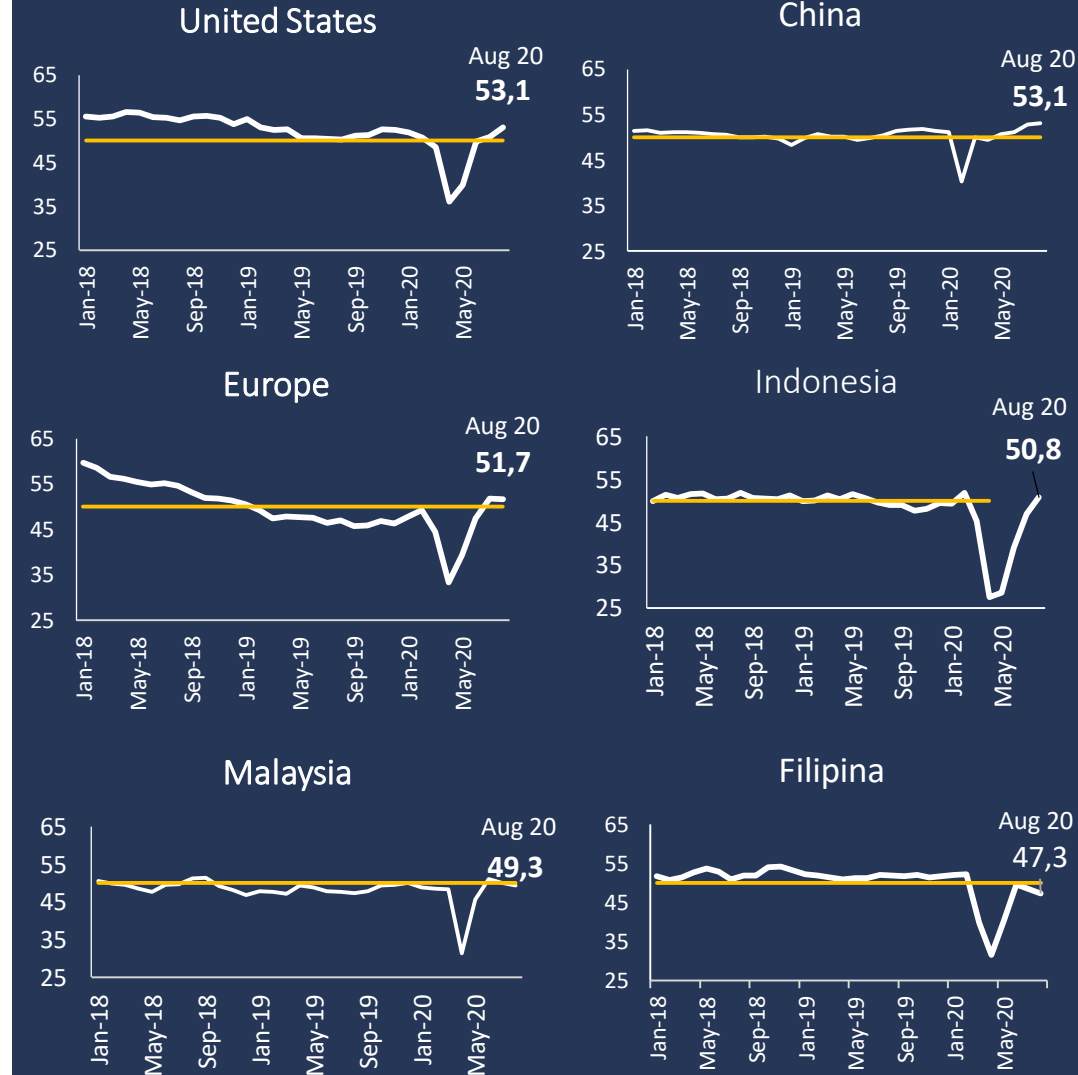
Source: Bloomberg



- Global economic activity **continues to improve**.
- PMI data in August suggests that **several countries have resumed to the expansive zone** such as China, US, Europe.
- Indonesian PMI has **returned to the expansive zone** starting in August, while other ASEAN emerging countries are still in contraction.

## PMI Manufacture in Selected Countries

Source: Bloomberg



# COVID-19 ADVERSELY AFFECTS INDONESIAN ECONOMIC GROWTH IN Q2-20

Q2-2020 was the lowest point of Indonesian GDP growth before starting to gradually recover in Q3-2020

Expenditure Side (%, YoY)	Growth Distribution (2019)	2019					2020	
		Q1	Q2	Q3	Q4	Y	Q1	Q2
Private Consumption	57.9	5.3	5.4	5.1	4.9	5.2	2.6	(5.6)
Government Expenditure	8.8	5.2	8.2	1.0	0.5	3.2	3.7	(6.9)
Gross Capital Formation	32.3	5.0	4.6	4.2	4.1	4.4	1.7	(8.6)
Export	18.4	(1.6)	(1.7)	0.1	(0.4)	(0.9)	0.2	(11.7)
Import	18.9	(7.5)	(6.8)	(8.3)	(8.0)	(7.7)	(2.2)	(17.0)
GDP		5.1	5.1	5.0	5.0	5.0	3.0	(5.3)

- The decline in household consumption was mainly due to the government's social restriction measure since March 2020, including the prohibition of hometown visit during Eid Festive Days. The sharp decline occurred in the consumption components of:
  - Clothing (-5.1%).
  - Transportation and communication (-15.3%).
  - Leisure/travel (-16.5%).
- The weakening of household consumption is also reflected in the slowing inflation, with an average of 2.3% (YoY) in Q2-2020.
- GCF (investment) contraction was due to lower capital expenditures for both building components and other fixed assets, which in line with investment indicators such as cement consumption (-23.9%), sales of commercial vehicles (-82.5%), and imports of capital goods (-20.1%).
- The contraction in government consumption growth occurred due to a decrease in actual personnel expenditure (-11%) and goods expenditure (-21.1%). Meanwhile, the increase in social assistance spending has not offset government consumption decline that has been occurred.
- International trade performance also recorded negative double-digit growth. However, net export has contributed positively to the national economy's performance, which in line with the trade balance surplus for the second quarter of 2020, amounting to \$ 2.9 billion.





# STRATEGIC SECTORS WERE NEGATIVELY AFFECTED BY THE PANDEMIC

Manufacturing and trade sector growth were contracted in Q2-2020

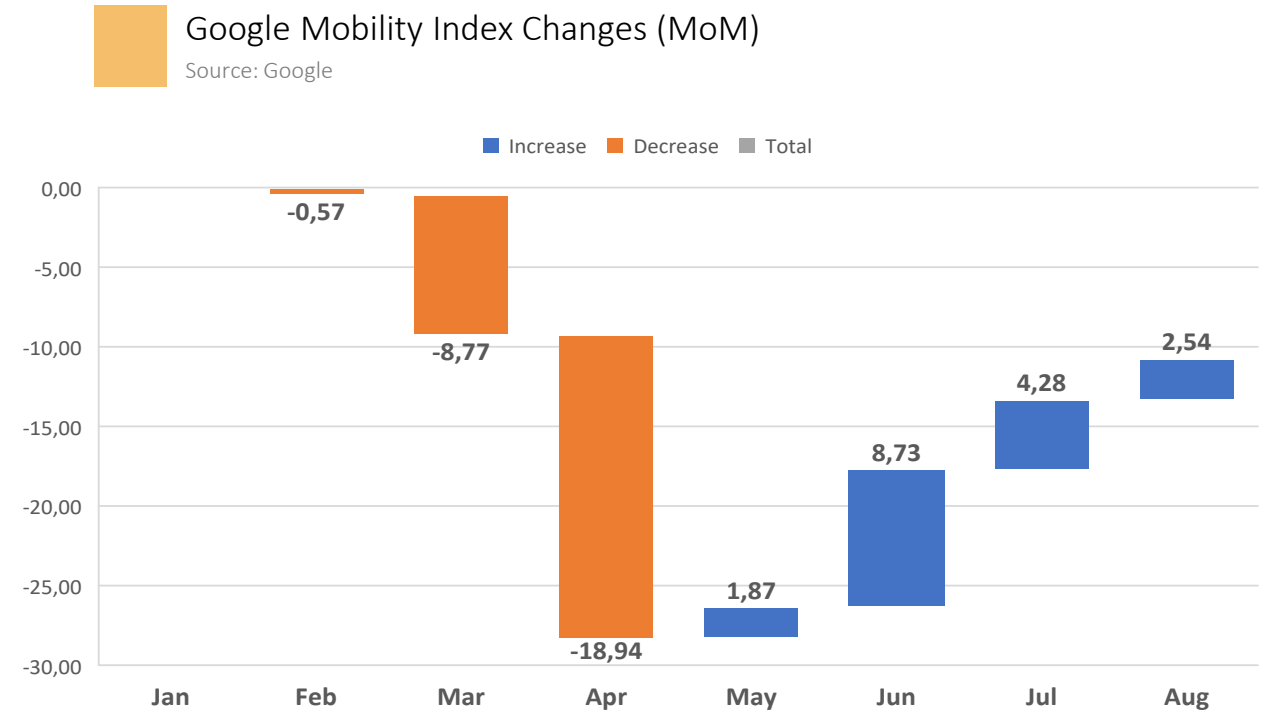
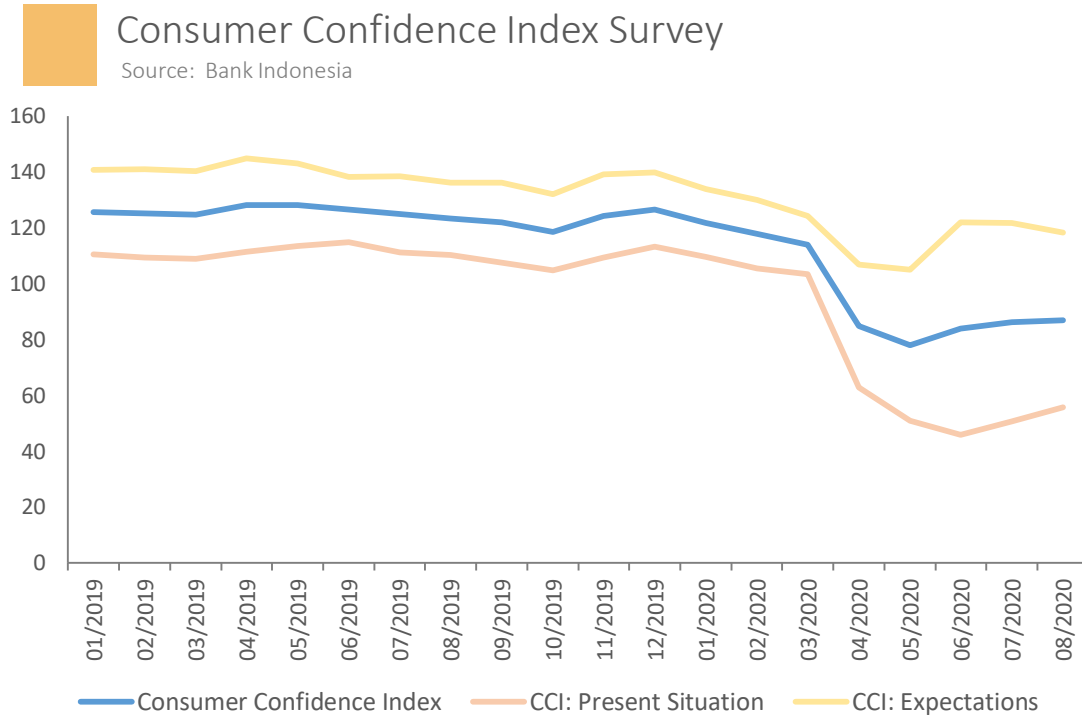
Production Side (%, YoY)	Share to total GDP 2019	2019					2020	
		Q1	Q2	Q3	Q4	Y	Q1	Q2
<b>Primary Sector</b>	<b>19.98</b>	<b>2.01</b>	<b>3.13</b>	<b>2.84</b>	<b>2.88</b>	<b>2.72</b>	<b>0.18</b>	<b>0.47</b>
Agriculture	12.72	1.82	5.33	3.12	4.26	3.64	0.02	2.19
Mining	7.26	2.32	-0.71	2.34	0.94	1.22	0.45	-2.72
<b>Secondary Sector</b>	<b>31.69</b>	<b>4.51</b>	<b>4.17</b>	<b>4.60</b>	<b>4.42</b>	<b>4.43</b>	<b>2.39</b>	<b>-5.89</b>
Manufacturing	19.70	3.85	3.54	4.14	3.66	3.80	2.06	-6.19
Electricity, Gas, and Water	1.17	4.48	2.65	3.83	5.96	4.24	3.91	-4.70
Construction	10.75	5.91	5.69	5.65	5.79	5.76	2.90	-5.39
<b>Tertiary Sector</b>	<b>44.23</b>	<b>6.55</b>	<b>6.47</b>	<b>6.20</b>	<b>6.37</b>	<b>6.40</b>	<b>4.61</b>	<b>-6.31</b>
Trade	13.01	5.21	4.63	4.43	4.24	4.62	1.60	-7.57
Logistic and Warehousing	5.57	5.45	5.88	6.66	7.55	6.40	1.29	-30.84
Infocomm	3.96	9.06	9.60	9.24	9.71	9.41	9.80	10.88
Financial Services	4.24	7.23	4.49	6.15	8.49	6.60	10.62	1.03
Other Services	17.45	6.94	7.60	6.57	6.20	6.81	4.68	-6.35
<b>GDP</b>		<b>5.07</b>	<b>5.05</b>	<b>5.02</b>	<b>4.97</b>	<b>5.02</b>	<b>2.97</b>	<b>-5.32</b>

- Few sectors yet have positive growth, i.e., information and communication (10.88%, yoy), financial services (1.03%, yoy), health services (3.71%, yoy) and agriculture (2.19%, yoy).
- The manufacturing sector contracted -6.19% (yoy), mainly driven by slowing non-food product industry groups such as textiles-garments, electronic goods, and the automotive industry and as shown by the declining Indonesian manufacturing PMI to 31.7 in Q2-2020.
- The closure of various malls and shopping outlets due to implementation of the social restriction measures led to a decline in the retail trade (grew -7.57%, yoy)
- The transportation sector recorded the deepest contraction, as the consequences of traveling restriction on public transportation, both flight and land transportation.
- Agriculture sector posted a positive growth (2.19%) supported by the rice harvest season's peak, and the positive growth of Information and Communication (10.88%) was due to the increasing demand for data services and digital activities.



# INDONESIA ECONOMIC ACTIVITIES STARTS SHOWING AN UPWARD TREND

However, it is still unstable since there is a likelihood for the local government to reinstate the social restriction measures



- **The Consumer Index** in August 2020 suggests that consumers' optimism has improved mainly due to the strengthening economic activities
- Social mobility level has been higher in August compared to July
- Nevertheless, the improvement has been slightly weaker in August 2020, due to heightened cases in Jakarta
- Local government has been continuously monitoring the heightened COVID-19 cases while imposing necessary measures to minimize virus spread. The Government of Jakarta has announced the re-enactment of the social restriction measure in October.

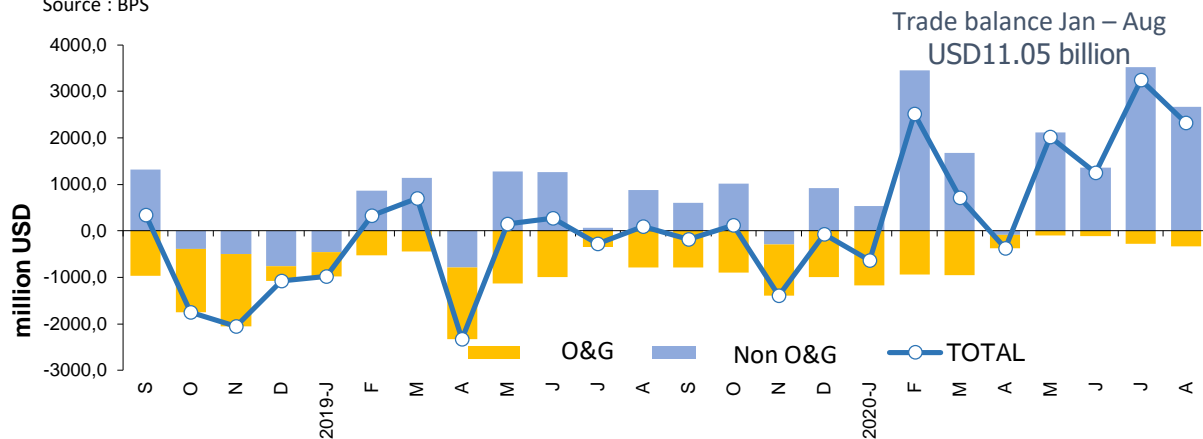


# INDONESIA RECORDED A CONSIDERABLE TRADE SURPLUS IN AUGUST

The improving PMI is a leading indicator to a better trade performance in coming months

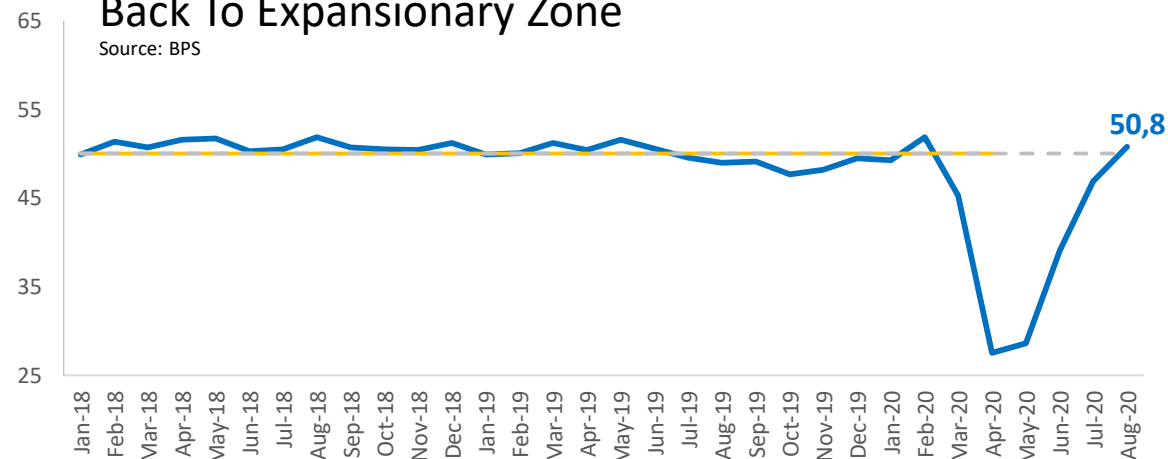
## Trade Balance Recorded Another Surplus in August

Source : BPS



## Purchasing Manager Index (PMI) Indonesia Has Come Back To Expansionary Zone

Source: BPS



## Nevertheless, Export and Import Have Still Been Contracted

Source : BPS

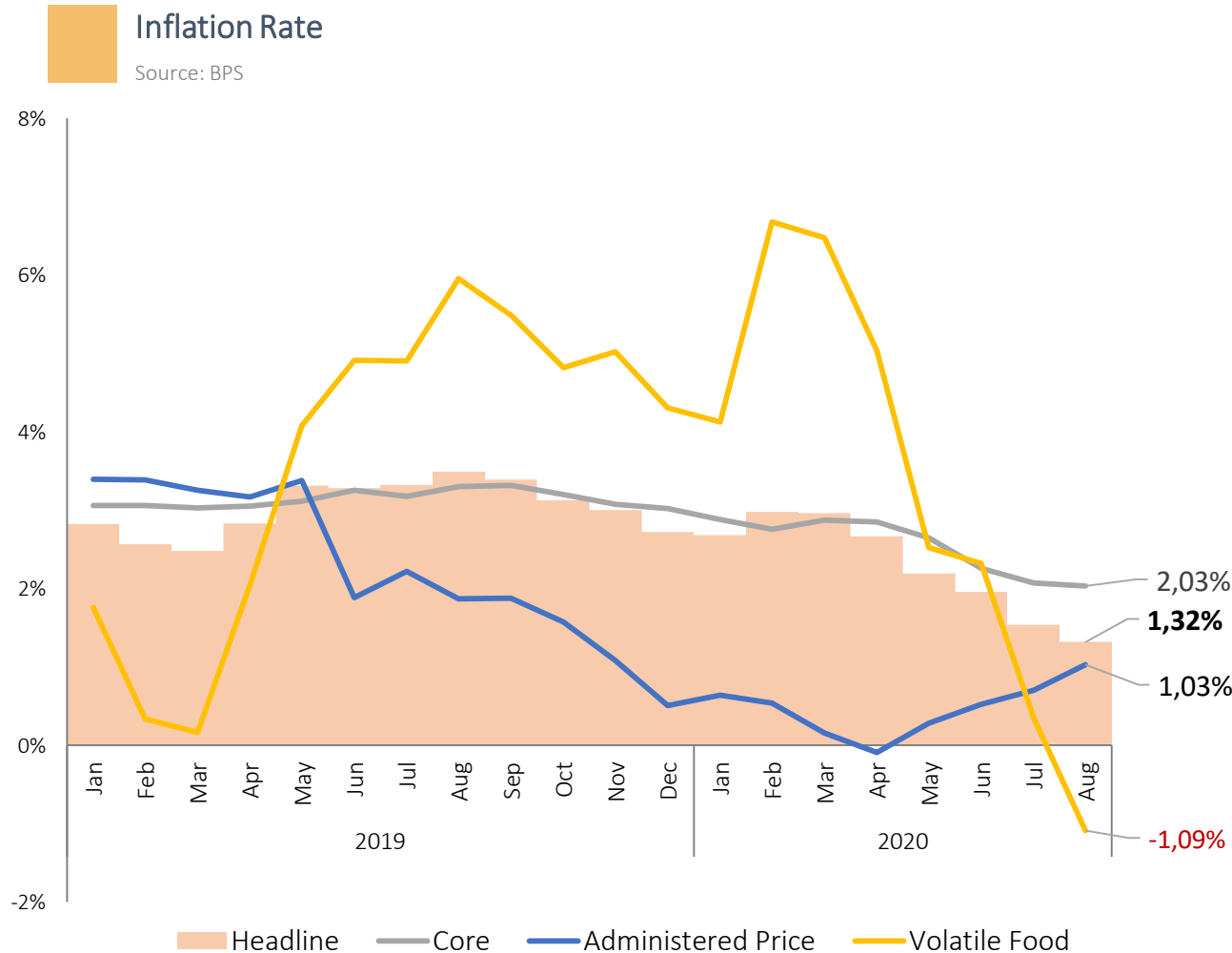
	Aug-'20			Jul-'20	
	Million USD	yoy	ytd	yoy	ytd
Total Export	13.069	-8,4%	-6,5%	-10,1%	-6,2%
Total Import	10.742	-24,2%	-18,1%	-32,6%	-17,2%
<b>Non Oil and Gas</b>					
Export	12.458	-7,2%	-4,4%	-5,9%	-4,0%
Import	9.792	-21,9%	-15,8%	-31,0%	-14,9%
<b>Oil and Gas</b>					
Export	612	-27,4%	-33,9%	-51,5%	-34,7%
Import	950	-41,7%	-33,9%	-45,2%	-32,8%

- The trade balance in August 2020 posted a surplus, driven by a deeper contraction of imports than exports.
- The more contraction of imports shows that domestic economic activity remains sluggish. Meanwhile, weakened exports also indicate that the global economy has not fully recovered.
- However, Indonesia's PMI is already in an expansionary zone, indicating the potential for improvement in the trade performance in the near future.



# INFLATION HAS BEEN LOW AND MANAGEABLE

As of August, low inflation is driven by weak demand as the impact of COVID-19 Pandemic



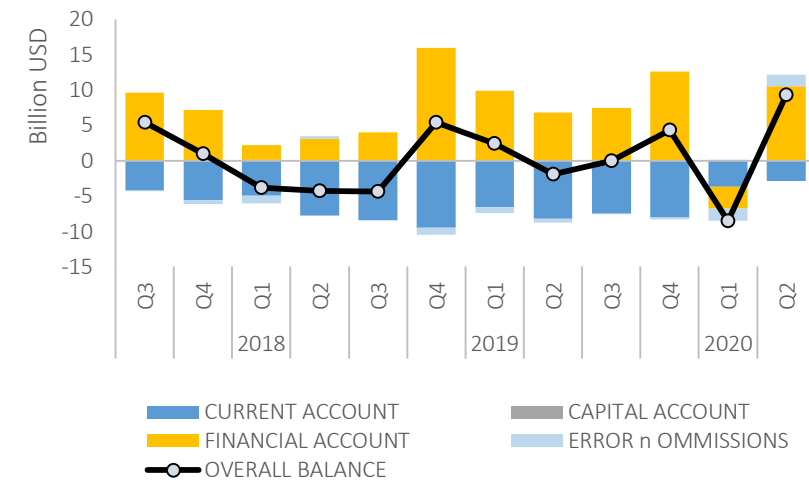
- **Low inflation rate continues until August 2020, supporting Indonesia's macroeconomic stability**
  - However, this prolonged low inflation was a consequence of the social restriction policies.
  - Until August 2020, the rate of inflation recorded at 1.32% (yoy) or 0.93% (ytd).
- **The slowdown occurred in the core components and volatile foods, while administered prices began to rise.**
  - Core inflation and volatile foods continue to trend downward, which in line with low demands and abundant supplies from harvested crops and imported stocks.
  - Administered price inflation has started to increase since May, due to increased tariffs in transportation, cigarette prices, and higher product prices to comply with the health protocols.
  - A slowdown trend occurred in most groups, except for personal care and other services, health, and transportation.

# IMPROVED INDONESIA'S BALANCE OF PAYMENTS IN Q2-2020

CAD narrowed to -1.2% of GDP, and surplus in the capital and financial account increased

## Balance of Payment

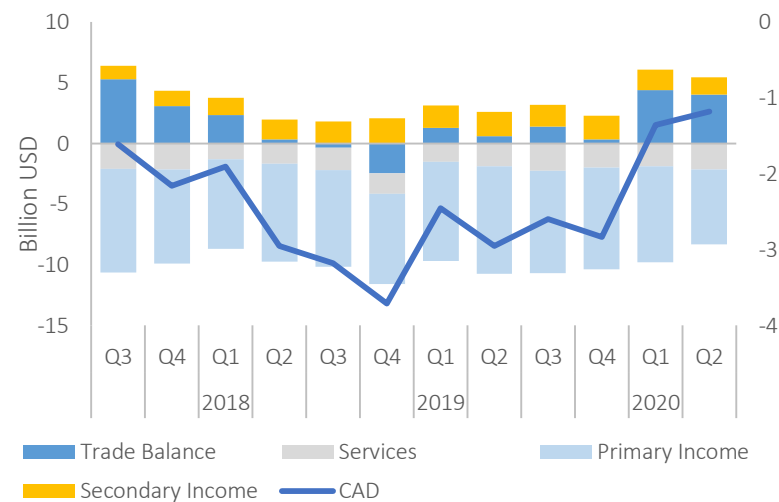
Source: Bank Indonesia



- Indonesia's balance of payments (BOP) for Q2 of 2020 recorded a surplus of USD9.2 billion
- It improved compared to the previous quarter which recorded a deficit of USD8.5 billion
- The improvement in the balance of payments was due to a reduction in the current account deficit and an increase in the capital and financial account surplus.

## Current Account Balance

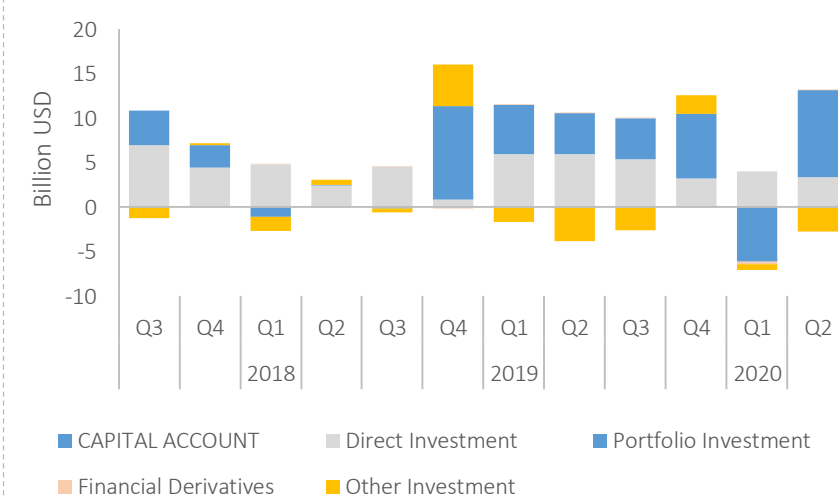
Source: Bank Indonesia



- CAD was 1.2% of GDP, lower than from the first quarter (1.4% of GDP), mainly driven by a decline in the deficit of the primary income account
- The decrease in the deficit of the primary income was due to lower yield payments to investors
- The secondary income surplus decreases, in line with the decline in income from Indonesian Workers (TKI) and Foreign Workers (TKA)

## Capital and Financial Account Balance

Source: Bank Indonesia



- Financial Capital Account reported a surplus of USD10.5 billion, supported by the improving performance of portfolio investment which generated a surplus of USD9.8 billion and a maintained surplus of direct investment
- The high performance of the portfolio investment surplus was supported by the issuance of global government and corporate bonds and an increase in purchases of Government Debt Securities
- Meanwhile, the deficit in other investment was in line with the Q2 quarterly pattern of foreign loan payments.

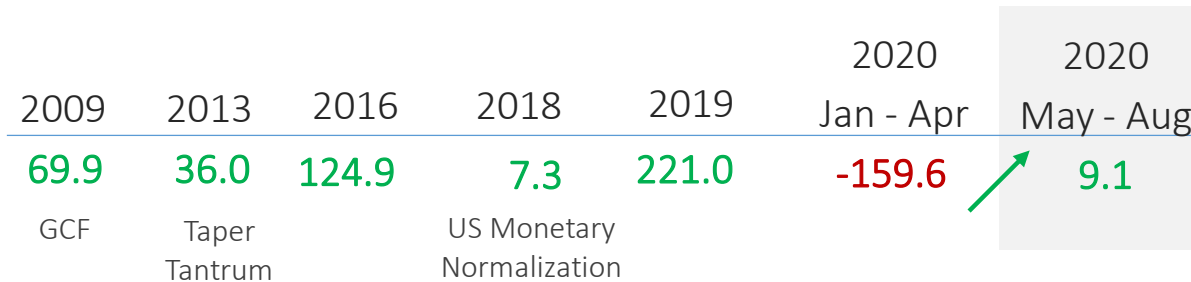




# THE IMPROVEMENT OF INVESTORS' SENTIMENT TOWARDS INDONESIA IS DRIVEN BY VARIOUS QUICK RESPONSE POLICIES

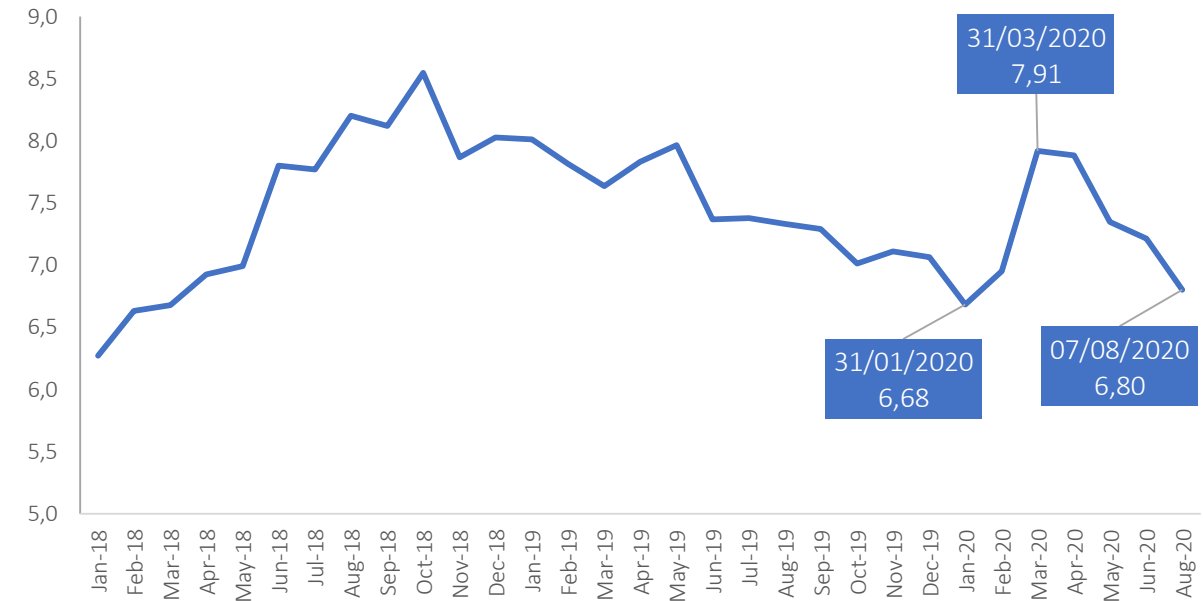
## Improvement in capital inflows to Indonesia (IDR Trillion)

Source: CEIC



## Declining in 10y Government Bond Yield

Source: Bloomberg



- Investor confidence in Indonesia has improved as suggested by increased capital inflows to the domestic financial market, particularly on the government bond market. Positive sentiment was also reflected in the lower yield.
- Positive sentiment has been supported, among others, by various extraordinary measures in dealing with Covid-19, including economic recovery program (PEN) and Burden Sharing program.
- Capital inflows also contributed to the increase in foreign exchange reserves. Indonesia's foreign reserves have been continually increasing, which was accounted for 137 billion USD as of August (July: USD135.1 billion) or equivalent with the nine months of import and public debt services.

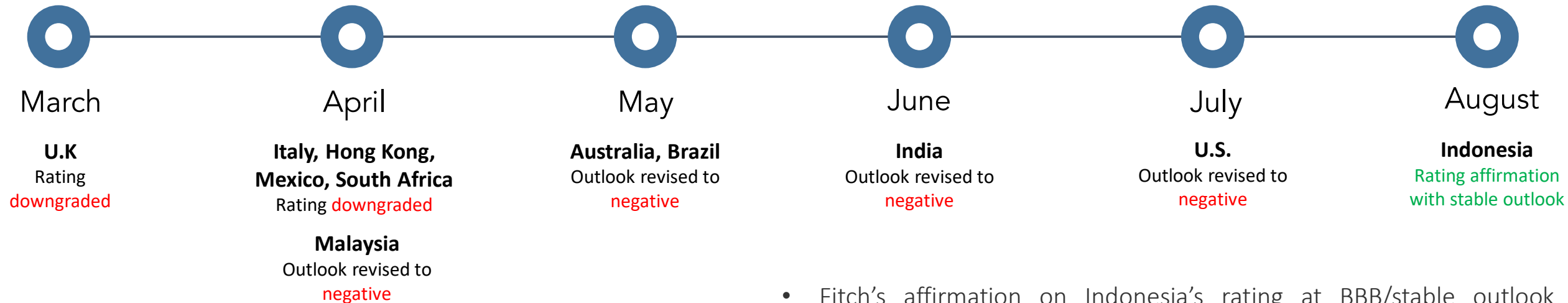


# INDONESIAN SOVEREIGN CREDIT RATING HAS BEEN STABLE IN THE PANDEMIC PERIOD

Fitch Ratings has affirmed Indonesia's Sovereign Credit Rating at BBB with a stable outlook

During the Pandemic, Fitch has downgraded more than 30 sovereign ratings and revised the outlook for more than 40 sovereign ratings to "negative"

Source: Fitch



Rating Agency	Sovereign Credit Rating	Outlook
Moody's	Baa2	Stable
Fitch	BBB	Stable
S&P	BBB	Negative
Japan Credit Rating Agency	BBB+	Stable
Rating & Investment	BBB+	Stable

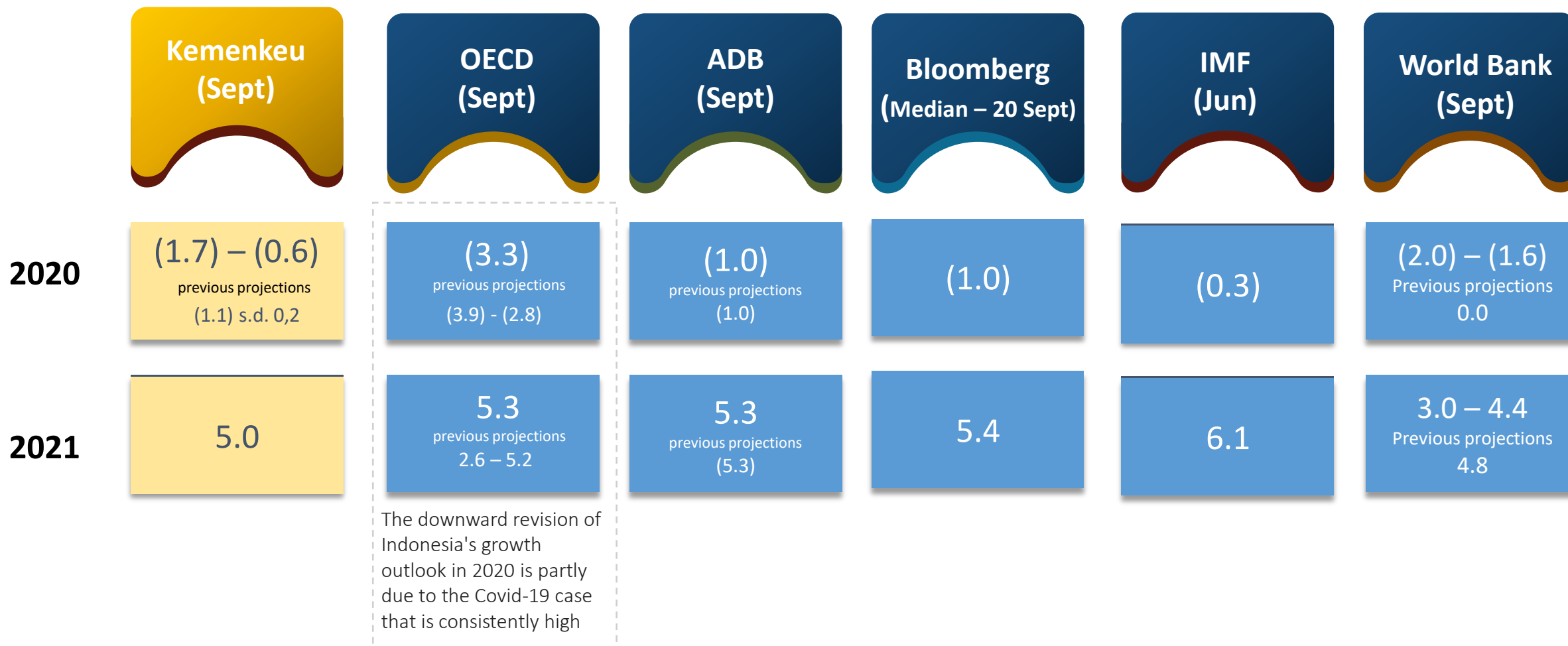
- Fitch's affirmation on Indonesia's rating at BBB/stable outlook reflects the acknowledgement of Fitch on Indonesia's macroeconomic stability and economic prospects in the medium-term amid the COVID-19 pandemic.
- Indonesia's fiscal credibility compiled by Fitch as one of the main factors of fiscal sustainability in the long term.
- A supportive monetary policy to stabilize the economy, specifically in addressing turmoil in the financial sector.



# 2020 INDONESIA'S ECONOMIC GROWTH PROJECTION



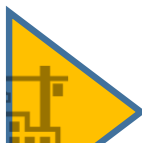

The projections are divergent among prominent institutions

Indonesia Economic Growth Projection, (in %, yoy)



# I COVID-19 CONTINUED TO ADVERSELY AFFECT INDONESIA ECONOMIC GROWTH IN 2020

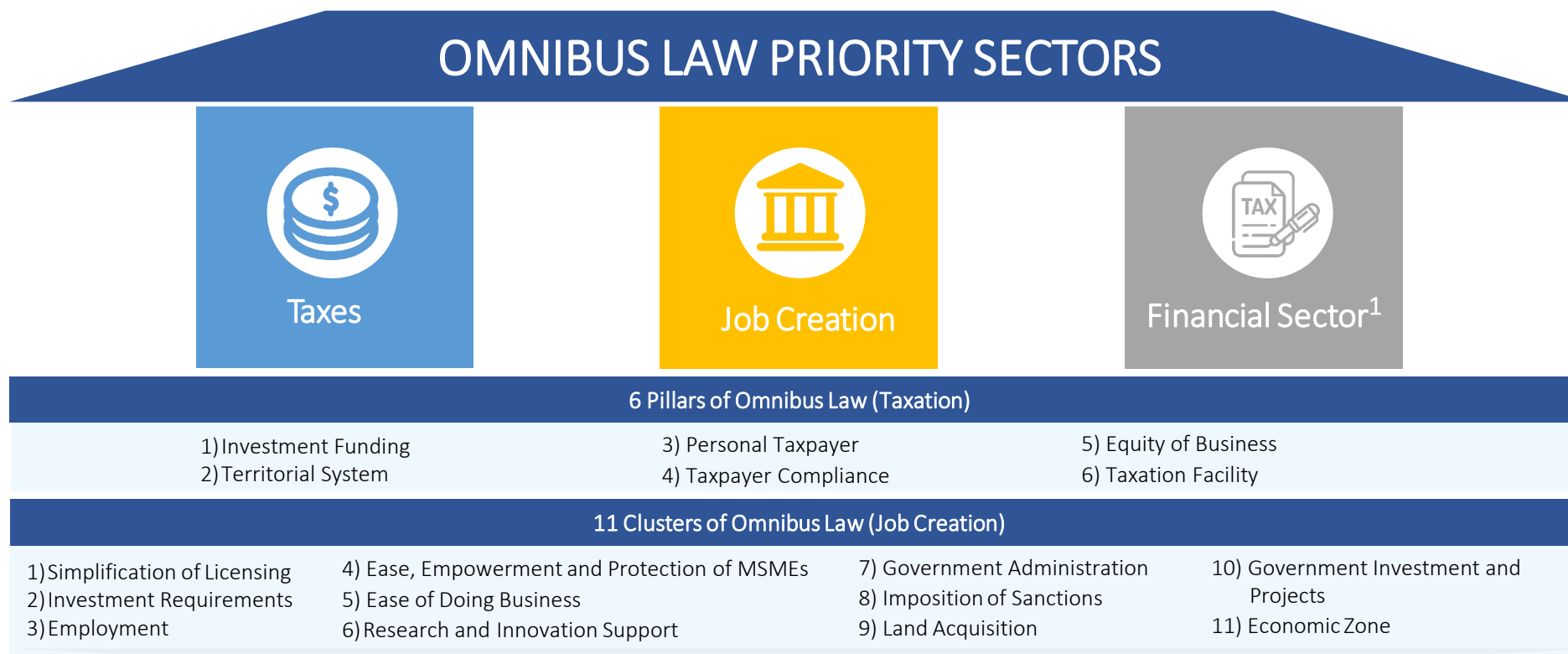
Consumption will still be contracted. Nevertheless gradual improvement is still expected starting in Q3

		Q1	Q2	Q3 Outlook	FY 2020 Outlook	
<ul style="list-style-type: none"><li>Domestic demand (consumption and investment) is expected to recover<ul style="list-style-type: none"><li>PEN execution, as well as the vaccine distribution will be the key to restore people's confidence</li></ul></li><li>Government consumption is supportive to support momentum growth<ul style="list-style-type: none"><li>Carry forward countercyclical policies &amp; accelerate post-pandemic PEN program</li></ul></li><li>The improving PMI is expected to support the recovery stage</li></ul>		Household Consumption	2.6	(5.6)	(3.0) – (1.5)	(2.1) – (1.0)
		Government Expenditure	3.7	(6.9)	9.8 – 17.0	0.6 – 4.8
		Gross Capital Formation	1.7	(8.6)	(8.5) – (6.6)	(5.6) – (4.4)
		Export Import	0.2 (2.2)	(11.7) (17.0)	(13.9) – (8.7) (26.8) – (16.0)	(9.0) – (5.5) (17.2) – (11.7)
	GROSS DOMESTIC PRODUCT		(2.2)	(5.3)	(2.9) – (1.0)	(1.7) – (0.6)



# OMNIBUS LAWS AS THE KEY TO UNLOCK INDONESIA'S INVESTMENT POTENTIAL

Omnibus Laws group a diverse range of issues into legislation, aimed at creating jobs and empowering SMEs



Source: Ministry of Finance

<sup>1</sup>Under discussion.

Following the inauguration of his second presidential term in October 2019, President Joko Widodo announced his administration's plans to continue regulatory reform by focusing on initiatives such as developing a dynamic and qualified workforce, promoting industry cooperation through technology, further enhancing infrastructure development and economic reform as well as simplifying regulations and bureaucracies.







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# Fiscal Policy Updates

The National Economic Recovery Program (PEN) and 2021 Fiscal Policy Direction

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[IRU@kemenkeu.go.id](mailto:IRU@kemenkeu.go.id)



# COVID-19 IMPACTS AND COUNTERMEASURES

Government Law No.2 of 2020 Provides a Legal Basis to Take Extraordinary Steps in Tackling COVID-19



## Health and Mental Threats

- Infected
- Starving
- Death
- Triggering mental health issues (anxiety, fear, sadness)



## Disruption of Social & Economic Activity

- Losing source of income
- Declining purchasing power and consumption ability



## Disruption in Real Sector and Increased Risk in the Financial Sector

- Disruption in business activity (production, investment, and trade)
- Business is facing potential bankruptcy
- Increase in financing and banking nonperforming *loan*
- Liquidity and solvency issues in the financial sector (bank and nonbank)



## Health Measures

- Appoint dedicated hospital, emergency hospital, equipment support, and medical personnel support
- Testing and tracing
- *physical distancing, work and study from home, etc.*
- Large-Scale Social Restriction Measure (PSBB)



## Social Safety Net

- PKH improvement and expansion
- Basic food cards improvement and expansion
- Pre-Work Card expansion and flexibility
- Exemption from electricity bills
- Additional interest rate subsidy assistance



## Business Support

- Reducing import restriction including manufacturing support, food and health/medical goods, acceleration of the export-import process, and improvement of services through the *National Logistics Ecosystem*
- Incentives and tax facility
- The National Economic Recovery Program through PMN, placement of Government investment, and/or guarantee activities
- Various policies and relaxation in the financial sector: BI, OJK, LPS, and the Government



# GOVERNMENT RESPONSIVE MEASURES TO TACKLE COVID-19

Extraordinary policies are needed to address this extraordinary event

**PERPPU No.. 1/2020**  
(31 March 2020)

**UU No. 2/2020**  
(18 May 2020)

- Presidential Decree PERPPU No. 1/2020 (later legalize to be UU 2/2020) as the legal basis for the government to a flexible adjustment of fiscal policies, including budget and its deficit.
- **Allowing the government to continually refocusing and reallocating budget to adapt to the urgent needs while providing stimulus for economic recoveries.**

Key features:

**Pres. Dec. 53/2020:**

Enhancement of health spending to be prioritized for COVID-19 health treatments and other urgent social protection expenditures

**Pres. Dec. 72/2020:**

Inclusion of National Economic Recovery Program (PEN) Budget

DESCRIPTION (IDR trillion)	Initial Budget	Pres. Dec. 54/2020	Pres. Dec. 72/2020
<b>Revenue</b>	2,233.2	1.760,9	1.699,9
Tax	1,865.7	1.462,6	1.404,5
Non-Tax	367.0	297,8	294,1
<b>Expenditure</b>	2,540.4	2.613,8	2.739,2
Central Gov't	1,683.5	1.851,1	1.975,2
Subnational Transfer	856.9	762,7	763,9
<b>Deficit</b> (% GDP)	(307.2) (1.76)	(852,9) (5,07)	(1.039,2) (6,34)
<b>Financing</b>	307.2	852,9	1.039,2

Source: Ministry of Finance Indonesia

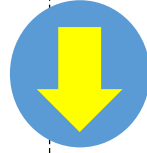


# 2020 BUDGET: FLEXIBLE AND DYNAMIC, BUT REMAIN PRUDENT

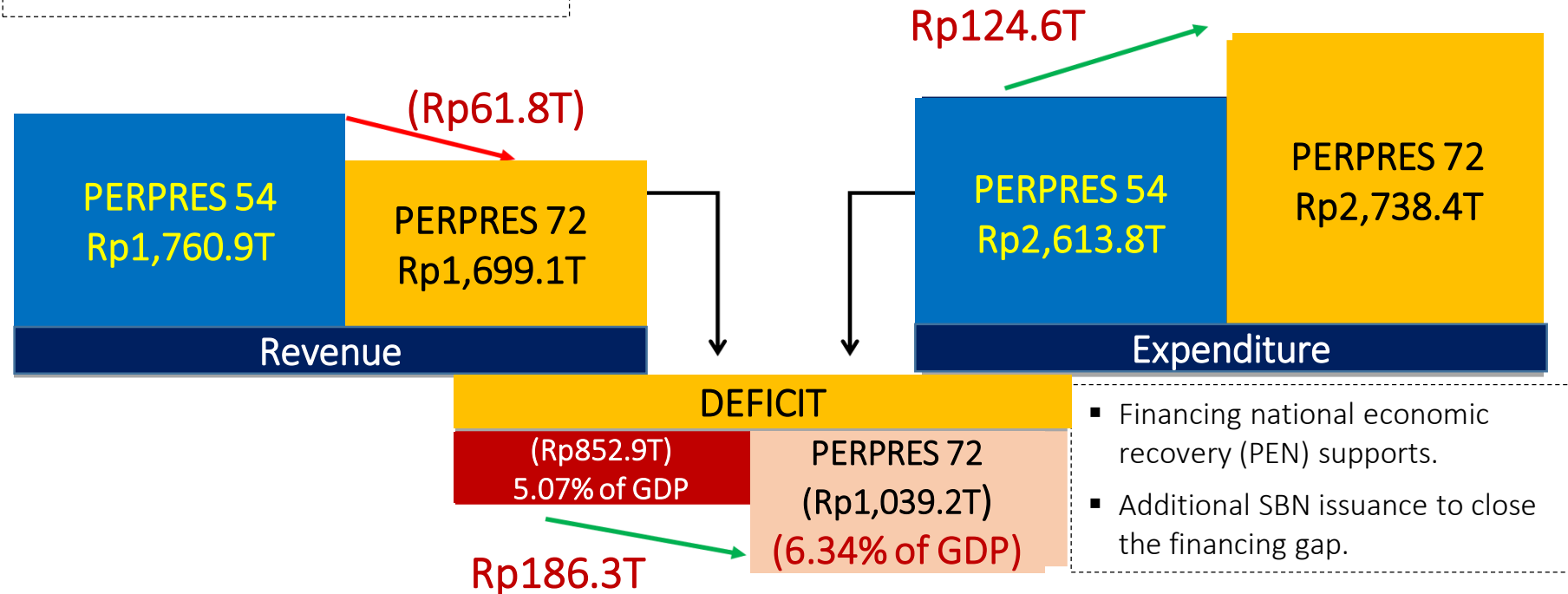
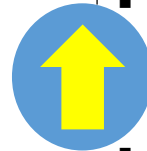
To support the acceleration of economic recovery, the deficit widened from 5.07% of GDP to 6.34% of GDP

## WIDER DEFICIT TO ENSURE THE BUDGET AVAILABLE FOR THE TREATMENT OF COVID-19 AND ECONOMIC RECOVERY

- Slowing economic activity, falling oil and commodity prices.
- Tax incentives for the business sector, relaxation of Tax Income article 21, 22 and 25 and accelerating VAT refunds.

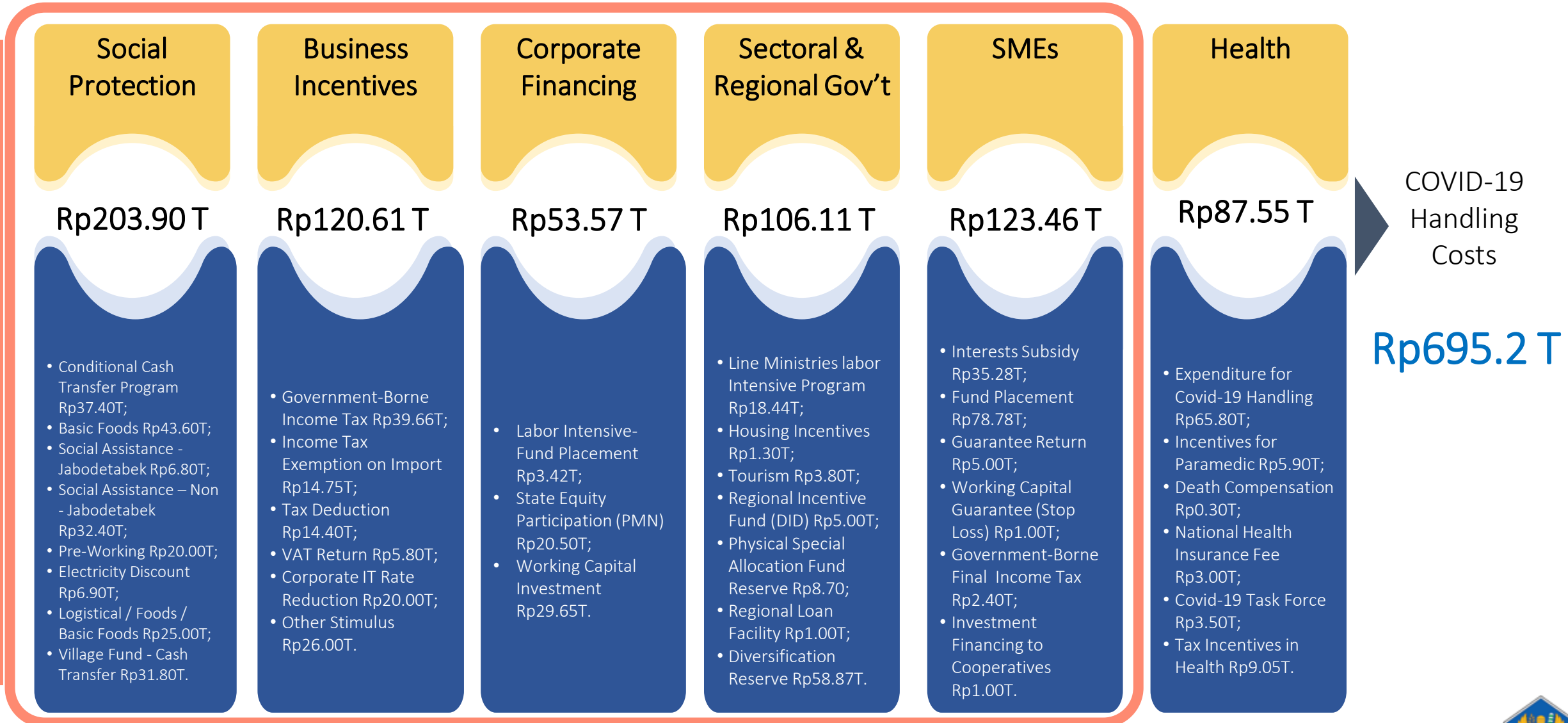


- Focus on the health, social safety net, support for business and MSMEs, corporate financing, sectors and local governments.
- Savings on the Nonpriority spending.



# ECONOMIC RECOVERY PROGRAM (PEN) BUDGET

To support health, social protection, support for business and MSMEs, and local governments



Source: Ministry of Finance





# PROGRESS OF THE COVID-19 AND THE PEN PROGRAM

## THE PEN REALIZATION ALREADY SHOWS THE ACCELERATION

### Budget Rp695.2 T

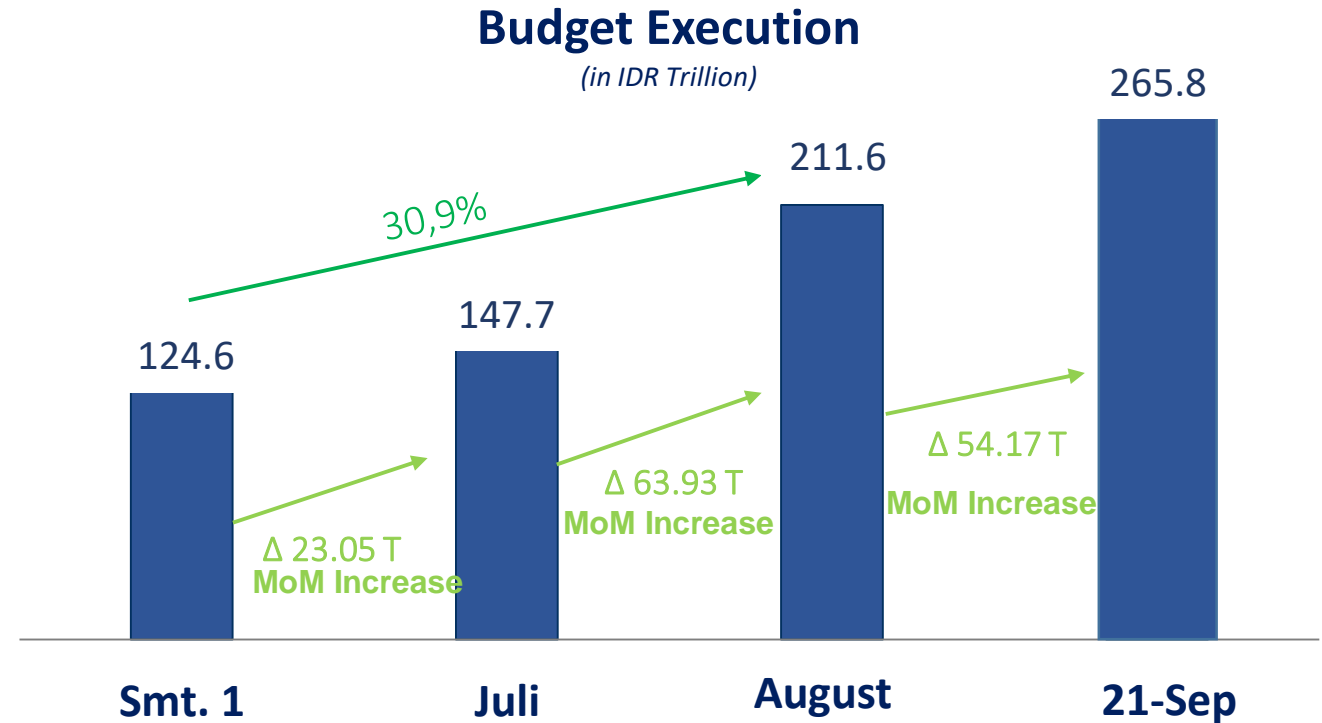
- DIPA (formally allocated) Rp410.78 T
- Without DIPA Rp159.7T (Tax Incentives & Placement of Fund)
- On the process of DIPA Rp124.69 T

### Realization : Rp265.76 T

(38.2% of ceiling)

#### PEN program budget disbursement:

- Health Rp20.32 T
- Social protection Rp135.23 T
- Sectoral K/L & Local Govt Rp22.81 T
- Business Incentive Rp27.61T
- MSME Rp59.81 T
- Corporate financing:  
Provision of this program is based on the necessary circumstances



#### Strategies to improve budget execution

- Extension of various programs until December 2020;
- Speed up the process of proposing new program's cluster;
- Redesign the programs to make them more effective;
- Streamline bureaucratic processes of the programs.



ADDITIONAL SOURCE OF FUNDING FOR THE PEN PROGRAM:  
MOF and BI DEVELOPED BURDEN SHARING SCHEME

IMPACT OF COVID  
Rp903.46 T (USD62.8 B)



HEALTH  
Rp87.55 T (USD6.02 B)



SOCIAL PROTECTION  
Rp203.90 (USD14.01 B)



SECTORAL AND LOCAL GOVT  
Rp106.11 (USD7.29 B)



MSMEs  
Rp123.46 (USD8.48 B)



CORPORATES NON MSMEs  
Rp53.57 (USD3.68 B)



OTHERS  
Rp328.87 (USD22.60)

Public Goods  
Rp397.56T  
(USD27.32 B)

Non-Public  
Goods  
Rp505.90  
(USD34.76 B)

Scheme for Burden Sharing – SKB II (7 July 2020)

1. Public Goods

Covered by BI entirely, equal to the BI reverse repo rate

Issuance specifically to BI through private placement

2. Non-Public Goods

The government will cover the amount of 3 months BI reverse repo minus 1%, the remaining will be borne by BI

3. Other Non-Public Goods

Government borne entirely at the market rate

Issuance through market mechanism (auction, Green Shoe Option, etc)

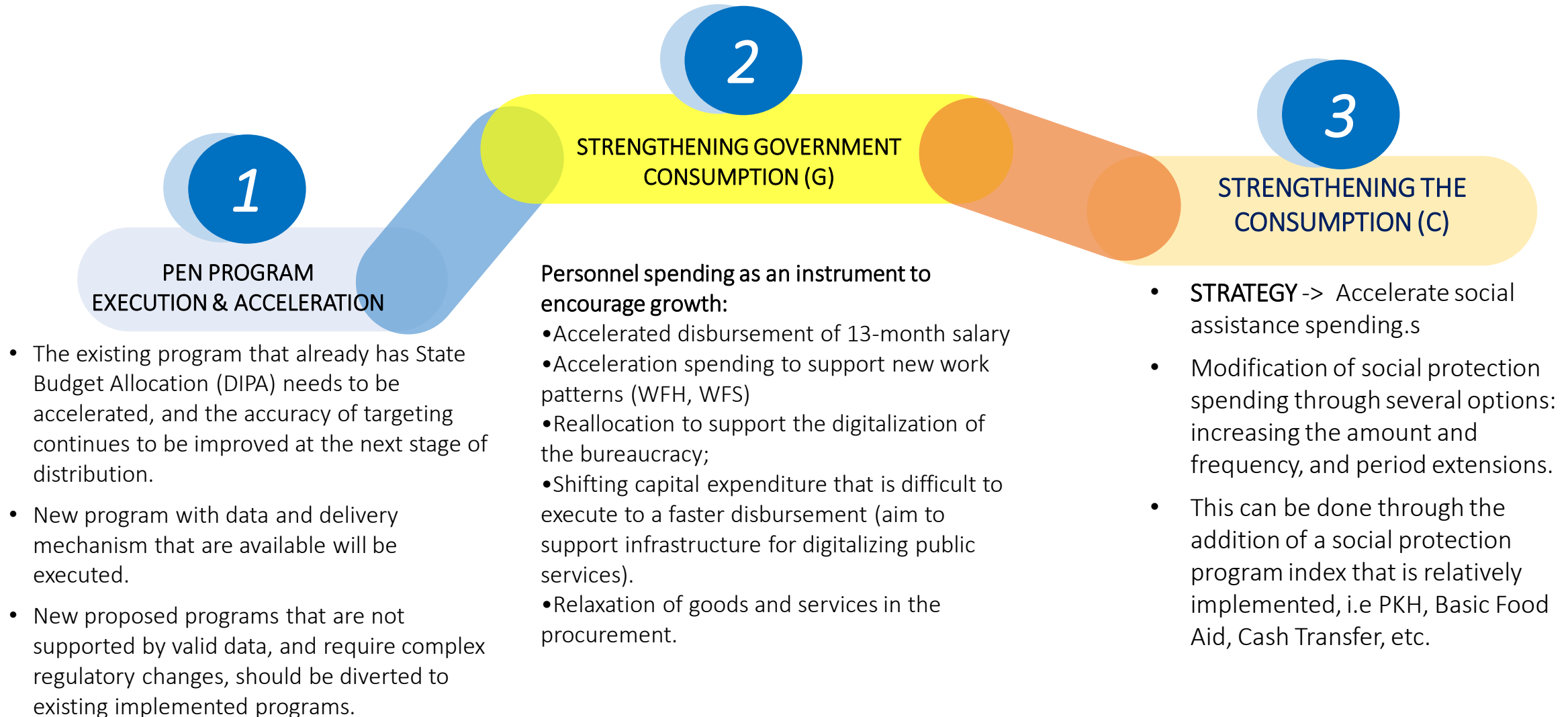
Burden sharing between the Government and BI:

- Public Goods: carried out since the issuance until the maturity date of SUN and/or SBSN.
- MSME Non-Public Goods: for a period of 7 (seven) years from the issuance of SUN and/or SBSN (to be paid by BI in the form of a contribution).
- Corporate financing Nonpublic Goods: 5 (five) years from the issuance of SUN and/or SBSN (to be paid by BI in the form of a contribution).



# STRATEGY TO SPUR RECOVERY THROUGH FISCAL POLICIES

Q3 2020 is the key to avoid a economic recession; optimizing the role of government to stimulate economy



# NEW PROPOSAL FOR THE USE OF COVID-19 HANDLING COSTS

As effort to accelerate economic growth in the second semester



## Health

- Incentives for Medical and Non-Medical Personnel:**
  - Incentives extension up to Dec 2020
  - Reward for Incentives for Medical and Non-Medical
- Support for Hospitals** by accelerating the procurement process for medical equipments and claim for hospitalization costs
- New Normal Socialization**
- Covid-19 Vaccine Supplies**



## Social Securities

- The utilization of food reserve/logistic fund
  - Social Security programs for middle income groups
  - Extension period of Electricity bill discount
  - Additional Electricity bill discount
- New proposals that have been budgeted:**
- Islamic Boarding School (Psantren) assistance for implementation of health protocols and online learning.
  - Rice aid for Family Hope Program beneficiaries.
  - Cash transfer Rp500K for 9 million Basic Food beneficiaries and non PKH.



## Sectoral & Regional Gov't

- Support for MSMEs** (Rp2.4 million per recipient)
- Support for worker affected by Covid-19** (Rp600.000 per month for 4 months for those who registered in the BP Jamsostek with salaries below Rp5 million).
- Buying Local Product Program** for supporting the MSMEs and cashback program for MSMEs' consumers.

### Note:

The new proposal programs are funded by expansion reserves and unused government borne taxes.



## Business Incentives

- Exemption from applying the minimum account provisions** for customers with electricity consumption below the minimum account
- Exemption from social, business and industrial customer expenses/ subscription fees**



# FISCAL POLICY DIRECTION IN 2021

responding changes in economy, challenges, and support development targets

## ACCELERATING ECONOMIC RECOVERY AND STRENGTHENING REFORM

Expansive

Consolidative



EFFECTIVENESS OF  
CONTROLLING  
COVID-19



ACCELERATION  
ECONOMIC  
RESTORATION (PEN)



*EXIT STRATEGY  
MIDDLE INCOME TRAP*



ANTICIPATING  
UNCERTAINTY



FISCAL FLEXIBILITY  
(*PRUDENT &  
SUSTAINABLE*)

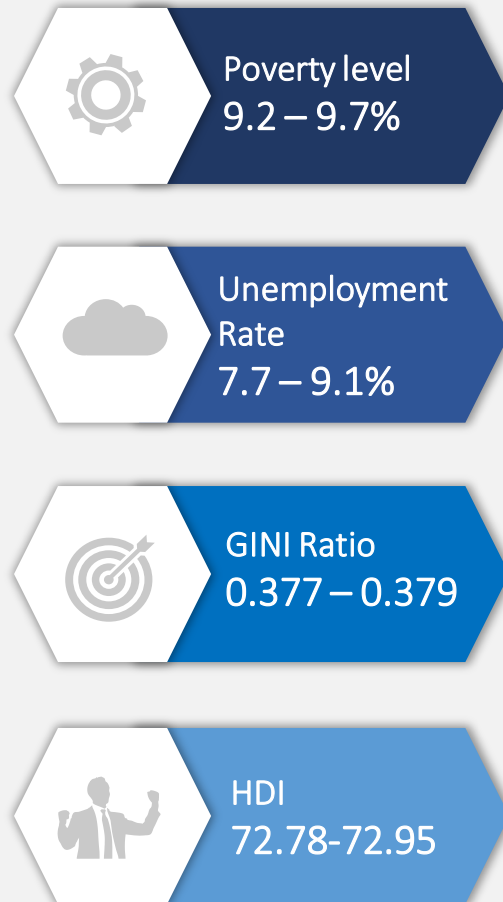




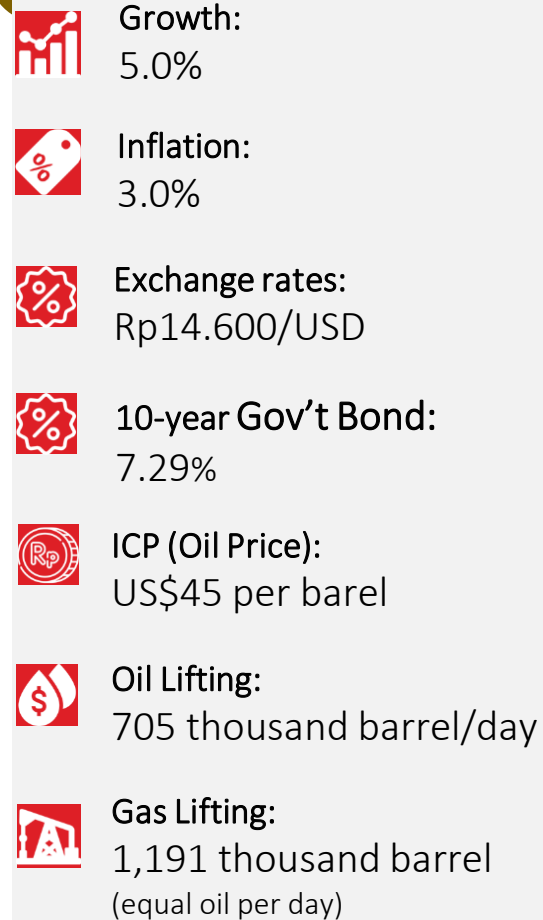
# MACRO AND BUDGET PLAN IN 2021

Expansive-consolidative fiscal policy for the acceleration of Economic Recovery and strengthening the reforms

## DEVELOPMENT TARGET



## MACRO ASSUMPTION



## BUDGET PROPOSAL 2021

In IDR trillion

Grant 0,9	REVENUE 1,776.4	EXPENDITURE 2,747.5	Central Government Spending 1,951.3
Non tax Revenue 293.5			
Tax Revenue 1,481.9			
DEFICIT (971.2) (5.50% PDB)	FINANCING 971.2		Regional Transfer and Village Fund 796.3



# ALLOCATIONS FOR CONTROLLING COVID-19 AND 2021 PEN PROGRAM

Gaining the momentum for economic recovery

**Rp 25.40T**

## HEALTH

1. COVID-19 vaccine
2. Immunization, Lab, R & D
3. Reserve BPJS Contribution Assistance for PBP/PP

**Rp 48.80T**

## MSME

1. Regular KUR interest subsidy
2. Financing Support for MSME
3. Placement of funds in banking
4. Loss Limit Guarantee
5. PEN Financing Reserve

**Rp 110.20T**

## SOCIAL PROTECTION

1. PKH 10 million KPM
2. SEMBAKO Card 18.8 million KPM
3. Pre-Work
4. Village Fund (BLT Desa and supporting BUMDes)
5. Cash Social Assistance 10 million KPM @ IDR 200 thousand for 6 months

**Rp 14.90T**

## CORPORATE FINANCE

1. PMN to Guarantee Institution (LPEI)
2. PMN to SOEs carrying out assignments (HK, ITDC, Pelindo III, KIW)
3. Guarantee of backstop loss limit

**Rp 20.40T**

## BUSINESS INCENTIVE

1. Tax borne by the government
2. 22 Import Income Tax Exemption
3. Preliminary VAT refund

**Rp 136.70T**

## SECTORAL AND LOCAL GOV'T

1. Tourism Support
2. Food security
3. ICT development
4. Loans to the regions
5. Industrial Area
6. PEN Expenditure Proposal
7. Labor intensive program

Rp356.5T

# STRATEGIC POLICY IN 2021

Supporting the accelerated recovery and economic transformation



## EDUCATION (RP549.5T)

- Strengthen the quality of education through increasing PISA scores
- Strengthen Early Childhood Education (PAUD) administration
- Increase teacher competences



## HEALTH (RP169.7T)

- Accelerate health recovery due to Covid-19
- Implement National Health Insurance (JKN) reforms
- Prepare Health Security Preparedness



## SOCIAL PROTECTION (RP419.3T)

- Support social protection reform → comprehensive social protection system based on the life cycle
- Anticipate aging population



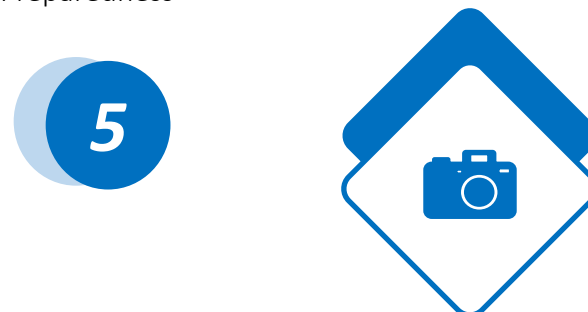
## INFRASTRUCTURE (RP414.0T)

- Provision of infrastructure for basic services
- Improve connectivity
- Support economic recovery,
- Continue pending priority programs



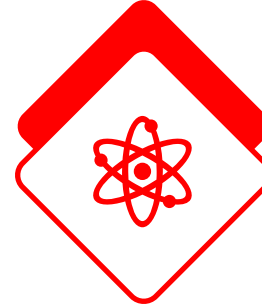
## FOOD SECURITIES (RP104.2T)

- Increase food production
- Support economic recovery through revitalizing the national food system
- Develop Food Estate



## TOURISM (RP13.9T)

- Encourage the recovery of the tourism sector with a focus on 5 areas
- Develop PPP scheme



## ICT (RP30.5T)

Optimize the use of ICT to support and improve the quality of public services (efficiency, convenience and acceleration)



# THE PEN PROGRAM ON SOCIAL PROTECTION BENEFICIARIES

According to the income deciles

## 1. UTILIZE EXISTING PROGRAMS

## 2. MODIFICATION OF EXISTING PROGRAMS (PKH, Basic Food Cards, Pre-Work)

Adjustment of the amount of assistance, expansion of targets, adjustment in the distribution mechanism.

## 3. CREATE A NEW PROGRAM

- Jabodetabek Food Subsidy, Cash transfer for 9 million KPM
- Distribution mechanism uses an existing or new scheme.

		Conditional Cash Transfer(PKH)	Basic Foods Card	Electricity Subsidy (Discount)	Basic Foods Support for Jabodetabek	Cash Transfer Non Jabodetabek	Cash Transfer Via Villa Fund	Pre-employment Card	Rice Subsidy	Cash Support Expansion	Productive Financing	Wage Subsidy
Income Deciles	6+							5.6k individuals				
	5				Jakarta:1.3 mio HH Bodotabek: 600k HH	9 mio HH	11 mio hh				9.12 small enterprises	15.7 mio employees
	4										IDR 2.4 mio/entity	IDR 1.2 mio/2 mo
	3			450 VA: 24 mio hh 900 VA: 7.2 mio HH	Apr-Jun: 600k/mo Jul-Dec: 300k/mo	Apr-Jun: 600k/mo Jul-Dec: 300k/mo	Apr-Jun: 600k/mo Jul-Oct: 300k/mo	<ul style="list-style-type: none"> <li>Training</li> <li>Incentives</li> <li>Survey allowance</li> </ul>		9 mio hh	Has not received any loan	<ul style="list-style-type: none"> <li>Earn at most IDR 5 mio/mo</li> <li>Registered as BPJS TK member</li> </ul>
	2	10 million HH	20 million HH		Not eligible for PKH and Food Cards beneficiaries	Not eligible for PKH and Food Cards beneficiaries	Not eligible for other social protection beneficiaries		10 million HH	500k/hh		
	1	Component index is increased by 25%	IDR 200 mio/mo						15 kg/hh/mo	Not eligible for PKH beneficiaries		
Duration		Monthly for 12 months	Monthly for 12 months	6 mos (Apr-Sept) proposed be extended	9 mos (Apr – Des)	9 mos (Apr – Des)	9 mos (Apr – Des)	Apr – Okt/Nov	3 mos (Aug – Oct)	One off	One off	4 mos (Sept – Des)
Allocation		Rp37,4T	Rp43,6T	Rp6,9T	Rp 3,42T	Rp 16,2T	Rp 31,2 T	Rp20,0T	Rp4,6T	Rp4,6T	Rp22,01T	Rp37,87T





KEMENTERIAN KEUANGAN  
REPUBLIK INDONESIA

# 2020 Budget Realization as of August 2020

Should you have further questions, please do not hesitate to contact us:



<https://fiskal.kemenkeu.go.id/informasi-publik/investor-relation-unit>



[IRU@kemenkeu.go.id](mailto:IRU@kemenkeu.go.id)



# MACRO ECONOMIC INDICATOR

Economic recovery momentum continues to take place

INDICATOR	2020		
	State Budget	Semester I	Up to August
Economic Growth	5.3	-1.26	n/a
(%, yoy)			
Inflation	3.10	1.09 (ytd)	0.93 (ytd)
(%, yoy)		1.96 (yoy)	1.32 (yoy)
Exchange Rates	14,400	14,302(eop)	14,768(eop)*
(Rp/US\$)		14,640(ytd)	14,628(ytd)*
3-month treasury bill yield	5.40	3.25 (eop)	3.09 (eop)**
(%)		3.25 (ytd)	3.27 (ytd)**
ICP (Oil Price)	63	36.68 (eop)	41.63(eop)
(US\$/Barrel)		39.87(ytd)	40.2 (ytd)
Oil Lifting	755	772.36(eop)	668.3 (eop)***
(thousand barrel per day)		701.7 (ytd)	706.8 (ytd)
Gas lifting	1,191	1,062.12 (eop)	909.8 (eop)***
(thousand barrel – equal oil per day)		1,002.18 (ytd)	987.6 (ytd)

\*as of September 18<sup>th</sup> 2020 \*\*latest auction September 8<sup>th</sup> 2020 \*\*\* up to July 2020

## Economic Indicator Progress 2020

- ◆ **Economic Growth:** Economic growth in Q2 2020 contracted by **5.32%**, or **-1.26%** growth in the first semester of 2020.
- ◆ **Inflation:** Inflation continues to slow down in August, due to low domestic demand in food, and non-food component, also in the services category.
- ◆ **Exchange Rates:** Rupiah depreciated by 6.3% year-to-middle of September, after experiencing appreciation until the end of July (ytd).
- ◆ **3-month treasury bill yield:** The weighted average yield for 3-month treasury bill was recorded at 3.27% (ytd). The latest auction was on September 8th posted yield of 3.09%.
- ◆ **ICP :** Oil price increase since May, due to improvement in demand and responsive policy from OPEC+ amid high infection risk of COVID-19 and US-China geopolitical condition.
- ◆ **Oil and Gas Lifting:** Oil and gas lifting was recorded at 668.3 bopd and 909,8 boepd (in average), respectively in July 2020.





# 2020 BUDGET REALIZATION AS OF AUGUST 2020

	2019				2020			
	Budget	Realization of August 31	% of Budget	Growth (%)	Budget	Realization of August 31	% of Budget	Growth (%)
Revenue	2165.1	1190.2	55.0	3.2	1699.9	1034.1	60.8	(13.1)
Domestic Revenue	2164.7	1189.7	55.0	3.6	1698.6	1030.2	60.6	(13.4)
Taxation Revenue	1786.4	921.5	51.6	1.5	1404.5	798.1	56.8	(13.4)
Tax Revenue	1577.6	802.5	50.9	0.4	1198.8	676.9	56.5	(15.6)
Custom and Excise	208.8	119.0	57.0	10.1	205.7	121.2	58.9	1.8
Non Tax Revenue	378.3	268.2	70.9	11.6	294.1	232.1	78.9	(13.5)
Grant	0.4	0.5	121.4	(89.5)	1.3	4.0	305.5	651.6
Expenditure	2461.1	1388.1	56.4	6.5	2739.2	1534.7	56.0	10.6
Central Government Expenditure	1634.3	857.5	52.5	6.9	1975.2	977.3	49.5	14.0
Ministerial Expenditure	855.4	481.6	56.3	9.0	836.4	517.2	61.8	7.4
Non Ministerial Expenditure	778.9	375.9	48.3	4.3	1138.9	460.1	40.4	22.4
Regional Transfer and Village Fund	826.8	530.6	64.2	5.8	763.9	557.4	73.0	5.0
Regional Transfer	756.8	488.4	64.5	5.0	692.7	504.7	72.9	3.3
Village Fund	70.0	42.2	60.3	16.4	71.2	52.7	74.0	41.2
Primary Balance	(20.1)	(25.5)	126.7	(317.1)	(700.4)	(304.0)	43.4	
Surplus/(Deficit)	(296.0)	(197.9)	66.9	31.5	(1039.2)	(500.5)	48.2	152.9
to GDP	(1.84)	(1.25)			(6.34)	(3.05)		
Financing	296.0	280.6	94.8	4.9	1039.2	667.8	64.3	138.0



# TAX REVENUE

Tax revenue started to improve, and reached 56.8% of the tax target by the end of August

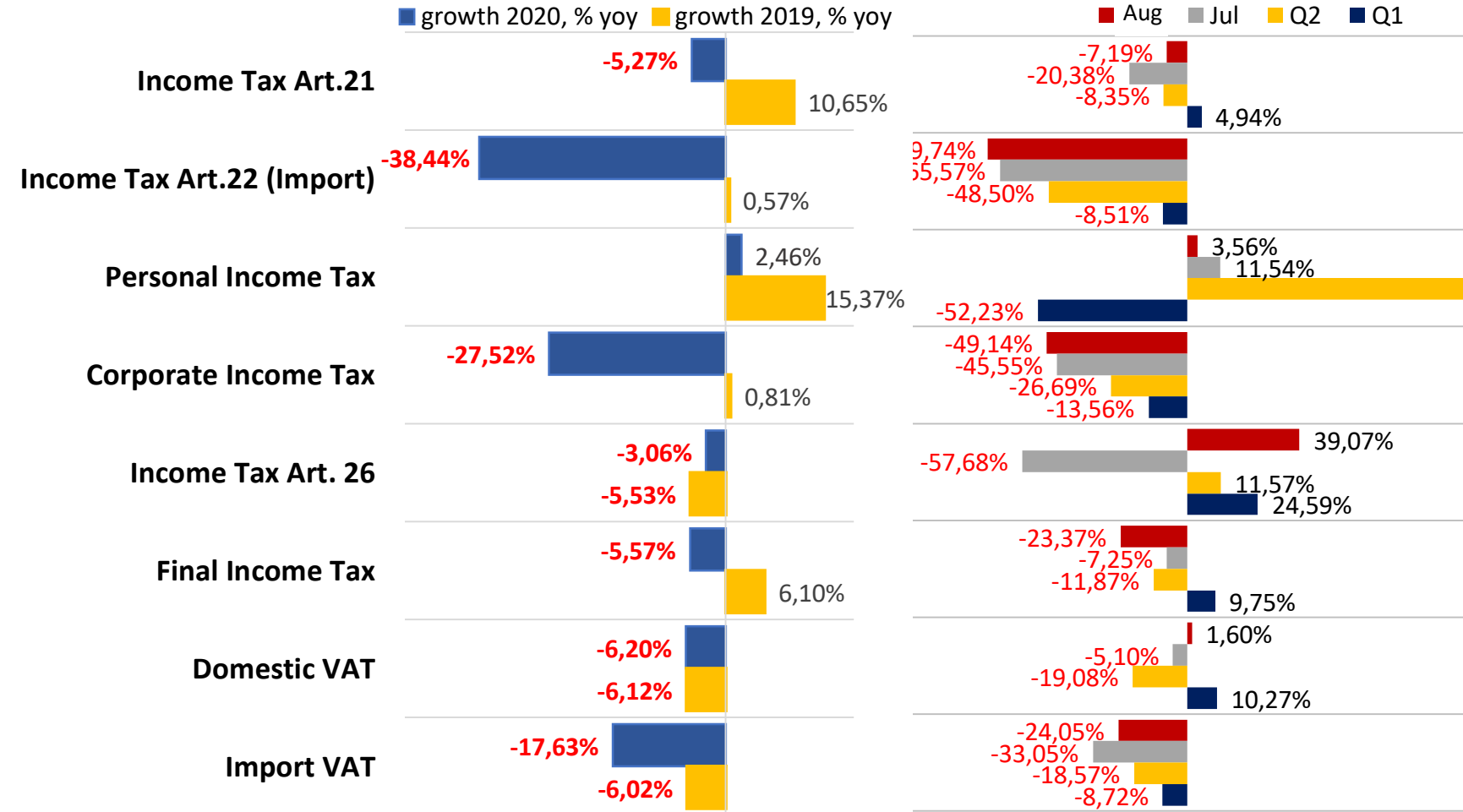
Tax Revenue (in IDR trillion)	2019				2020			
	State Budget	Realization as of 31 Aug	% to budget	Growth (%)	Budget Presidential Reg. 72/2020	Realization as of 31 Aug	% to budget Presidential Reg. 72/2020	Growth (%)
<b>Tax Revenue</b>	<b>1,577.6</b>	<b>802.5</b>	<b>50.9</b>	<b>0.4</b>	<b>1,198.8</b>	<b>676.9</b>	<b>56.5</b>	<b>(15.6)</b>
1. Income Tax from Oil & Gas	66.2	39.5	59.6	(6.1)	31.9	21.6	67.8	(45.2)
2. Income Tax from Non-Oil & Gas	1,511.4	763.0	50.5	0.7	1,167.0	655.3	56.2	(14.1)
a. Income Tax from Non-Oil&Gas	828.3	455.2	55.0	4.1	638.5	386.2	60.5	(15.2)
b. VAT	655.4	288.9	44.1	(6.1)	507.5	255.4	50.3	(11.6)
c. Property Tax	19.1	14.7	76.9	95.8	13.4	9.7	72.5	(33.7)
d. Other Taxes	8.6	4.2	49.1	(14.1)	7.5	4.0	52.8	(6.5)
<b>Custom &amp; Excise</b>	<b>208.8</b>	<b>119.0</b>	<b>57.0</b>	<b>10.1</b>	<b>205.7</b>	<b>121.2</b>	<b>58.9</b>	<b>1.8</b>
1.1.Excise	165.5	93.1	56.3	18.5	172.2	97.7	56.7	4.9
2. International Tax	43.3	25.9	59.7	(12.3)	33.5	23.5	70.0	(9.3)
a.a.Import Duty	38.9	23.8	61.3	(5.2)	31.8	21.6	67.7	(9.6)
b. Export Duty	4.4	2.0	46.3	(53.2)	1.7	1.9	115.3	(6.9)
<b>Total Revenue</b>	<b>1,786.4</b>	<b>921.5</b>	<b>51.6</b>	<b>1.5</b>	<b>1,404.5</b>	<b>798.1</b>	<b>56.8</b>	<b>(13.4)</b>

- Tax revenue grew by 6.9% mom, or contracted by 15.64% yoy.
- The use of tax incentives increase.
- Customs and Excise revenue grew by 1.83% yoy,



# TAX REVENUE BY TYPE

Tax revenue in August grew better than July. Almost all type of tax revenue contracted from January to August 2020, except personal income tax grew slightly by 2.46%.

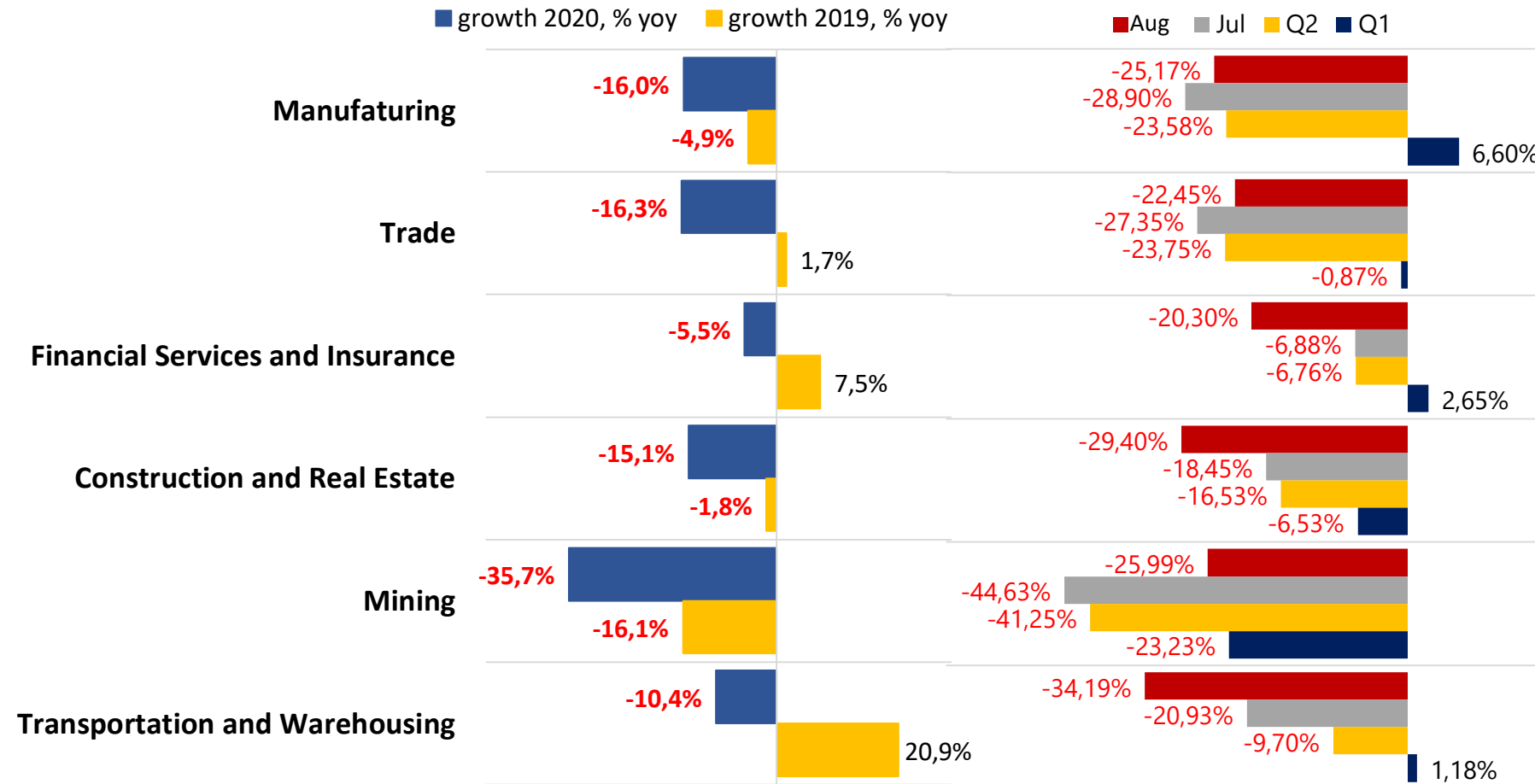


- Economic downturn and fiscal incentive were the main factors of low tax revenue.
- **Corporate income tax** contracted due to the slowing down economy, the implementation of reduction on tax instalment and CIT rate, and the increased tax restitution.
- Cumulative growth of **domestic VAT** improved in the past three month due to better deposits by VAT collectors and slowed down restitution.
- **Import tax** contracted due to decreased of import activity and the use of fiscal incentive on exemption of income tax article 22 (import).



# REVENUE REALIZATION BY SECTOR

A contraction in the tax revenue was mainly due to the slowing business activity and largescale social restriction (PSBB). Furthermore, fiscal incentive responses for COVID-19 also added pressure to the revenue



- Weakened import and delayed domestic delivery put pressure on the **Manufacturing** and **Trade** sector
- **Financial Services** deteriorated due to slowing credit growth and interest rate drop
- Lower commodity price put pressure on the **mining** sector
- **Construction and real estate** sector declined due to lower construction activity and decreased sale on the property
- **Transportation and warehousing** weakened due to social mobility restriction and delayed facilities development.



# DIRECTORATE GENERAL OF CUSTOMS AND EXCISE REVENUE REALIZATION (as of 31 August 2020)

Customs and Excise revenue reported at Rp121.17T (58.91% of target), grew 1.83 %, driven by excise revenue

Trillion Rupiah							
No.	Revenue Type	Perpres72 Target	Realization		Growth (y-o-y, %)		% Achievement
			2019	2020	2019	2020	
1	IMPORT DUTY	31.83	23.83	21.55	-5.19	-9.55	67.70
2	EXCISE	172.20	93.12	97.71	18.52	4.93	56.74
	Tobacco Products	164.94	88.97	94.39	18.60	6.09	57.22
	Ethyl Alcohol	0.15	0.08	0.20	-9.73	140.43	127.51
	MMEA	7.10	4.02	3.09	17.29	-23.21	43.48
	Excise Administration Fines	-	0.04	0.03	38.91	-15.37	-
	Other excise	-	0.01	0.01	26.62	-31.26	-
	Plastic	-	0.00	0.00	0.00	0.00	-
3	EXPORT DUTY	1.65	2.05	1.91	-53.25	-6.94	115.26
TOTAL		205.68	119.00	121.17	10.10	1.83	58.91
Import VAT			111.22	91.62	-6.02	-17.63	
Imported Import Duty VAT			3.08	2.14	7.50	-30.50	
Import Income Tax Art 22			36.60	22.53	0.57	-38.44	
Total of other taxes for import			150.90	116.29	-4.26	-22.94	
TOTAL OF CUSTOMS & EXCISE AND TAXATION			269.89	237.46	1.58	-12.02	

Source: Ministry of Finance, Aug 31, 2020 (retrieved Sept 4)



- DG. of Customs and Excise revenue realization is **Rp121.17 T** (**58.91%** of Perpres72 Target).
- Revenue grew by **▲ 1.83%**, and this growth is driven by the excise revenue (**▲ 4,93%**).

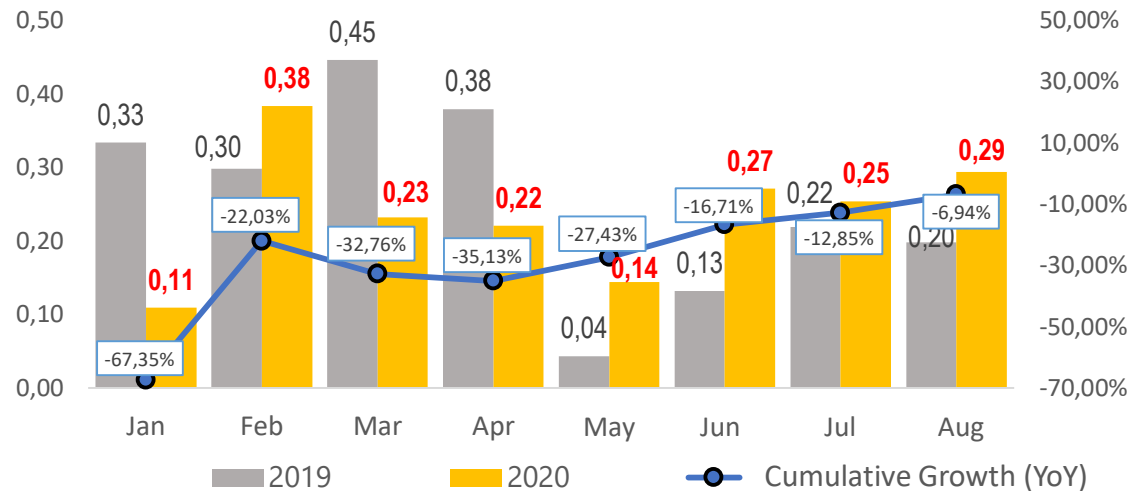


# REVIEW OF IMPORT AND EXPORT DUTY REVENUE UNTIL AUGUST 2020

Import duties grew negatively in line with the decline in foreign exchange payments. Export duties performance slowed down due to the ban on nickel exports and decline in export of wood commodities, cocoa, and other minerals

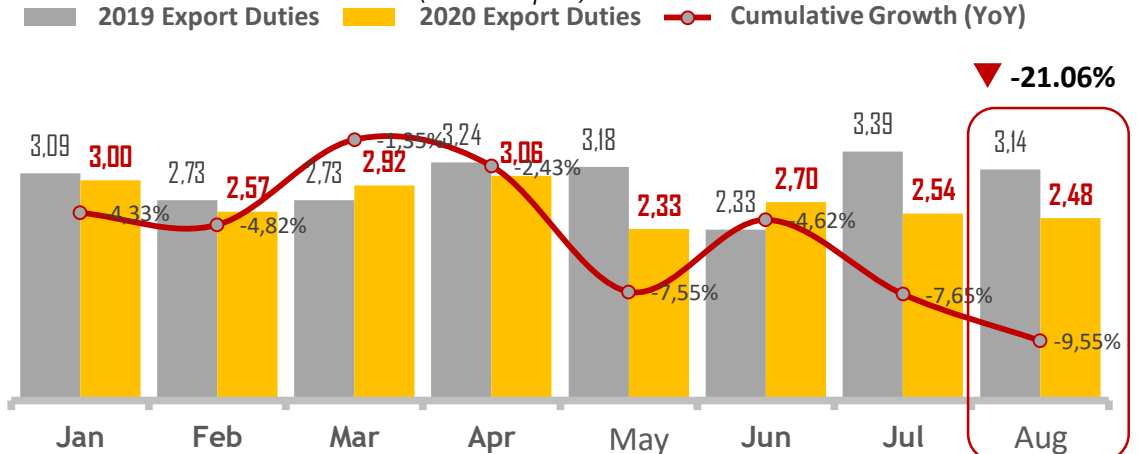
## MONTHLY EXPORT DUTIES REALIZATION

(Trillion Rupiah)



## MONTHLY EXPORT DUTIES REALIZATION

(Trillion Rupiah)



- Export Duty performance grew negatively by **-6.94 percent** (yoy), better than the previous period (**-12.85 percent**). The decline was contributed by lower exports of wood commodities, cocoa and other minerals (zinc ore).
- Palm oil products grew 117.88 percent due to the growth of CPO and the increase in the export volume of meal and kernels. However, in August there was no Export Duty receipt from CPO because the reference price of CPO was below USD750.
- Apart from Palm Oil Products, bauxite Export Duty revenues grew by 30.69 percent (yoy), driven by an increase in the volume of bauxite exports;
- Copper Export Duty revenue also grew 26.93 percent, due to the increased volume of copper concentrate exports.
- Revenue from Nickel Export Duty is obtained from extra effort (SPPBK and SPKPBK) in July.
- August Import Duty continues to fall despite the weakening of the rupiah exchange rate, given the significant **drop** in foreign exchange payments by **-27.26 percent**.
- The decline occurred in major sectors, such as manufacturing, wholesale & retail trade, mining and quarrying, and energy procurement.

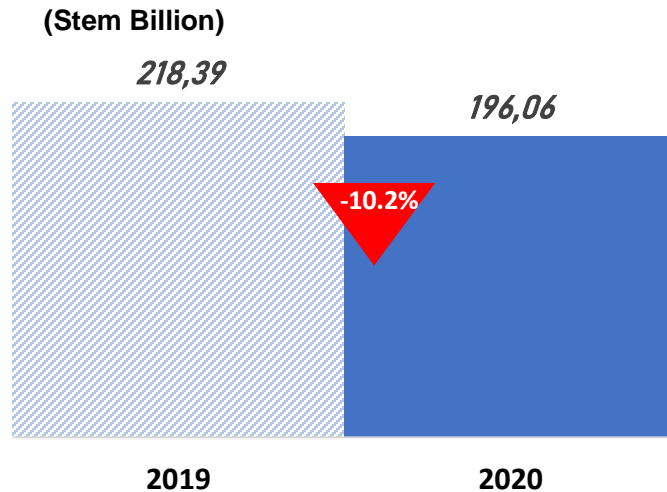




# TOBACCO PRODUCTS EXCISE REVENUE AS OF AUGUST 31, 2020

Production of tobacco products and excise revenues have shown a slowing trend since entering the pandemic period

## Production of Tobacco Products (CK-1)



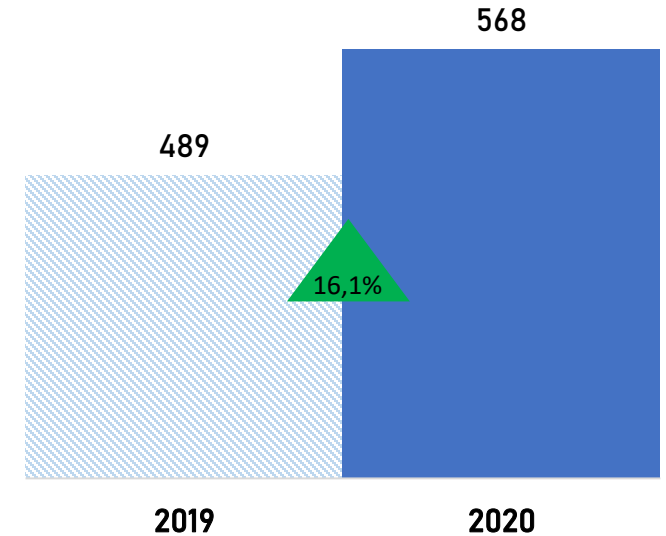
### 1. Tobacco Production (CK-1) up to 31 August down -8.9% (ytd).

Production of tobacco products in August fell -19.1%, due to the decline in the production of Class 1 cigarette reaching -36.2% yoy in August.

### 2. The effective weighted rate increased by 16.1% → lower than the 23% increase in normative rates;

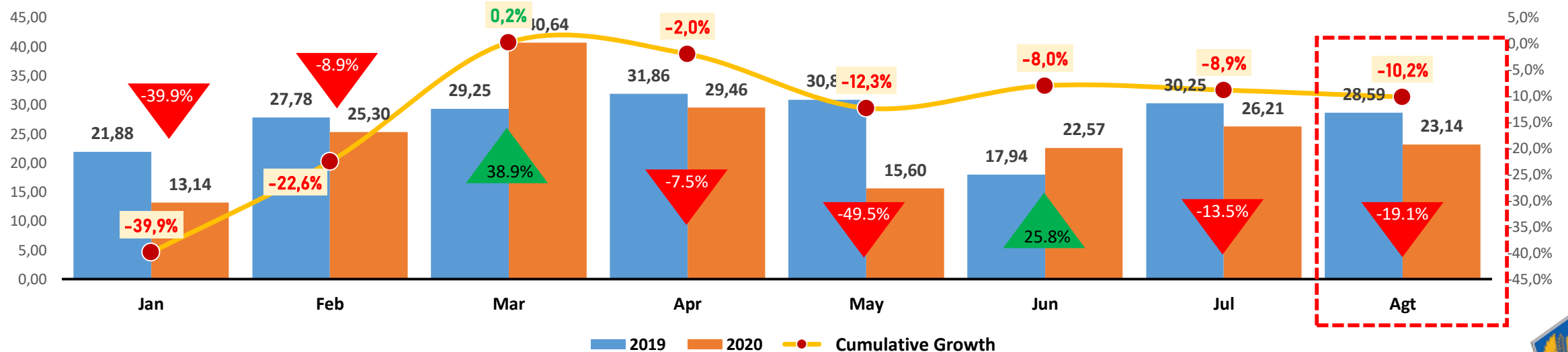
Production of tobacco products are still decreasing, thus an increase in tariffs has not been fully absorbed.

## Effective Weighted Rate Increase (Rp/Stem)



## Stem Billion

## GROWTH OF CUMULATIVE TOBACCO PRODUCTS PRODUCTION



## NONTAX REVENUE

Reached IDR232,1 Trillion or 78.9% of the target, supported by Public Service Agency (BLU) performance

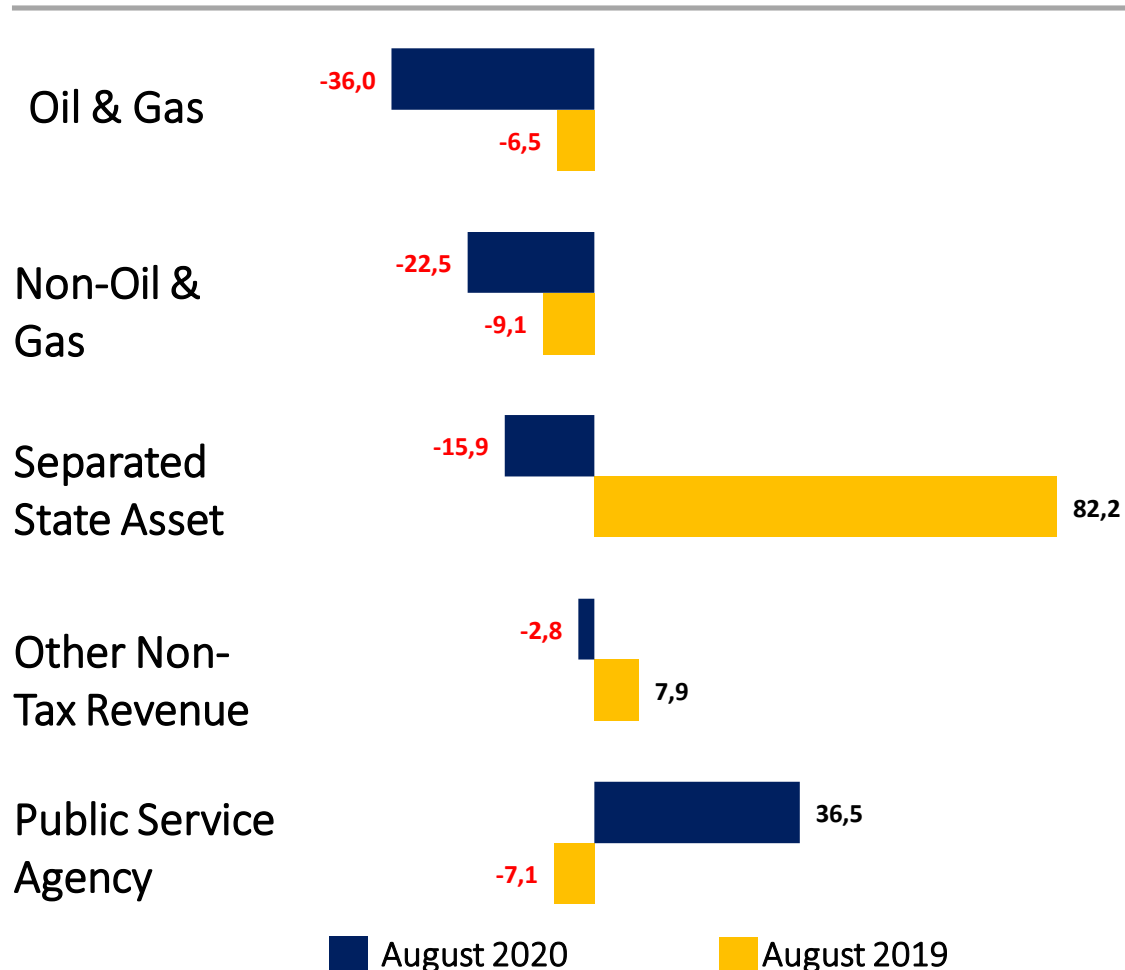
Non-Tax Revenue (trillion rupiah)	2019				2020			
	Budget	Realization 31 August	% Budget	% Growth	Perpres 72/ 2020	Realization 31 August	% Perpres 72/ 2020	% Growth
Natural Resources	190.8	99.8	52.3	(7.1)	79.1	66.8	84.4	(33.1)
Oil and Gas	159.8	78.4	49.0	(6.5)	53.3	50.1	94.1	(36.0)
Nonoil and Gas	31.0	21.5	69.3	(9.1)	25.8	16.6	64.5	(22.5)
Separated State Asset	45.6	72.5	159.0	82.2	65.0	61.0	93.8	(15.9)
Other Non-Tax Revenue	94.1	67.8	72.0	7.9	100.1	65.9	65.9	(2.8)
Public Service Agency (BLU)	47.9	28.2	58.8	(7.1)	50.0	38.4	76.9	36.5
Non-Tax Revenue	378.3	268.2	70.9	11.6	294.1	232.1	78.9	(13.5)



## NON-TAX REVENUE AS OF AUGUST 2020

Almost all types of nontax revenues are under pressure, while Public Service Agency (BLU) revenue grows positively

2019 & 2020 Non-Tax Revenue Growth  
(%, yoy)



- The contraction on **Oil and Gas Natural Resources Revenue** was due to lower prices on some commodities (ICP and HBA) and reduced activities due to the COVID-19 pandemic.
- **Separated State Asset Revenue deteriorated** due to lower revenues from the remaining BI surplus and a decrease in State Owned Enterprise dividend payments → the impact of the Covid-19 pandemic, the schedule of the General Meeting of Shareholders of several SOEs was postponed.
- The weakening of **Other Non-Tax Revenue** caused by a decrease in revenue from coal sales, crude oil (DMO), and lower revenue from ministries services.
- **Public Service Agency Revenue** posted a positive revenue growth due to the increase in the performance Oil Palm Plantation, Educational Services and Management of National Education Development Funds.



## CENTRAL GOVERNMENT EXPENDITURE

The budget absorption of the central government expenditure has been well improved, reaching 49.5% of the budget or grew 14.0% yoy

Central Government Expenditure (trillion rupiah)	2019				2020			
	Budget	Realization 31 August	% Budget	% Growth	Perpres 72/ 2020	Realization 31 August	% Perpres 72/ 2020	% Growth
Line Ministries Expenditure	855.4	481.6	56.3	9.0	909.6	517.2	61.8	7.4
Personnel Expenditure	224.4	166.4	74.1	11.6	261.2	160.5	62.5	(3.5)
Goods Expenditure	344.6	173.6	50.4	6.2	335.9	159.0	58.5	(8.4)
Capital Expenditure	189.3	63.0	33.3	(10.9)	209.5	58.6	42.6	(7.1)
Social Assistance	97.1	78.7	81.0	34.5	103.0	139.1	81.5	76.9
Non-Line Ministries Expenditure	778.9	375.9	48.3	4.3	773.9	460.1	40.4	22.4
Subsidy	224.3	103.4	46.1	(2.1)	187.6	95.3	49.6	(7.9)
Other Expenditures	114.0	1.6	1.4	(5.9)	128.0	61.6	13.7	3,798.5
<b>Total</b>	<b>1,634.3</b>	<b>857.5</b>	<b>52.5</b>	<b>6.9</b>	<b>1,683.5</b>	<b>977.3</b>	<b>49.5</b>	<b>14.0</b>

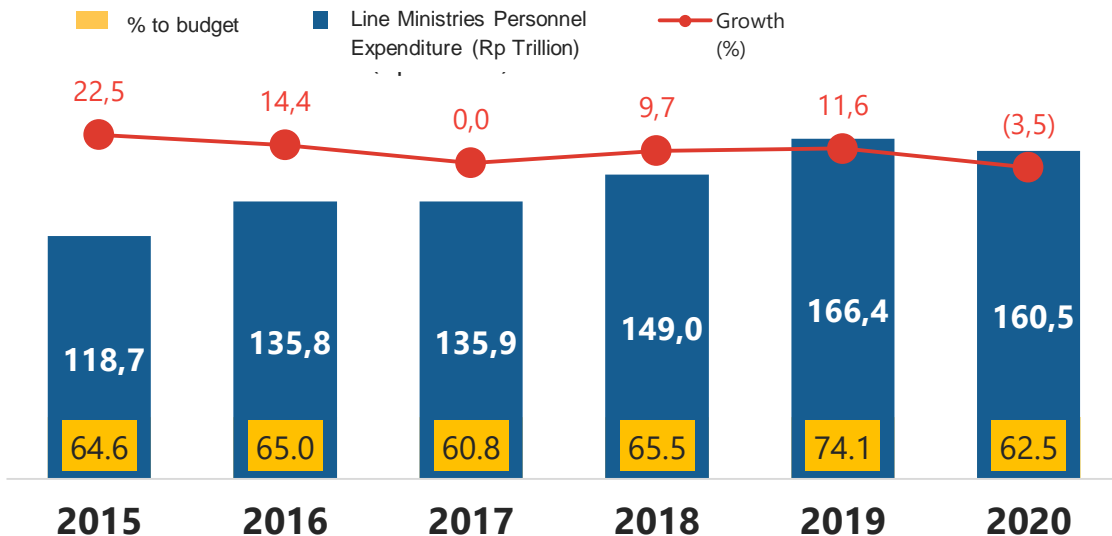
- Central government expenditures grew by 46.8% (mom) or 14% (yoy), an improvement compared to July 4.2% (yoy).
- Line ministries (K/L) spending grew by 7.4% (yoy), better than 0% growth in July.
- Absorption of the PEN expenditures accelerates (grow at average 27.3% on a monthly basis).
- Expenditures for goods were supported through the realization of the MSME assistance of Rp7.0 Trillion and assistance of wages of Rp3.0 Trillion.
- Other Expenditures Rp61.6 T mainly for energy compensation amounting Rp. 55.0 T and for Pre-Work and JKN PBPU/BP Contribution Assistance.



# PERSONNEL EXPENDITURE OF LINE MINISTRIES

Decreased 3.5% (improved from July), which is affected by changes in the holiday allowance (THR) and 13th salary policy

## Line Ministries Personnel Expenditure as of August 31, 2020



Personnel Expenditure (Rp Trillion)	2019		2020	
	Realization	% Budget	Realization	% Budget
Indonesian National Police	35.7	82.7	34.3	64.7
Ministry of Defense	33.1	79.5	32.1	60.6
Ministry of Religious Affairs	22.9	63.4	23.4	59.8
Ministry of Finance	16.6	78.0	15.0	70.5
Supreme Court	4.7	74.7	4.3	60.2
Other Line Ministries	53.3	70.3	51.4	61.8
<b>Total</b>	<b>166.4</b>	<b>74.1</b>	<b>160.5</b>	<b>62.5</b>

### Line Ministries Expenditure

- Salary and Benefits
- Allowances, Per diem, Vocational Earning, etc.

	2019		2020	
	Realization	Growth (%)	Realization	Growth (%)
<b>Line Ministries Expenditure</b>	<b>166.4</b>	<b>↑ 11.6</b>	<b>160.5</b>	<b>↓ 3.5</b>
• Salary and Benefits	<b>108.7</b>	<b>↑ 4.8</b>	<b>110.4</b>	<b>↑ 1.6</b>
• Allowances, Per diem, Vocational Earning, etc.	<b>57.6</b>	<b>↑ 27.3</b>	<b>50.0</b>	<b>↓ 13.2</b>



**Realization as of July 31 grew negatively, due to changes in the payment policy for Hari Raya Allowance (THR) and the 13th salary**

- THR → State Officials, Echelon 1 and 2, and other officials as stated in PP 24/2020 do not receive THR.
- 13th salary → Policy is similar to the THR and planned to be distributed in August. In 2019, the 13th salary was paid in July.
- An increase in the realization of the Non-Civil Servant Educators Allowance contributes to positive growth in the Salary and Allowance account.



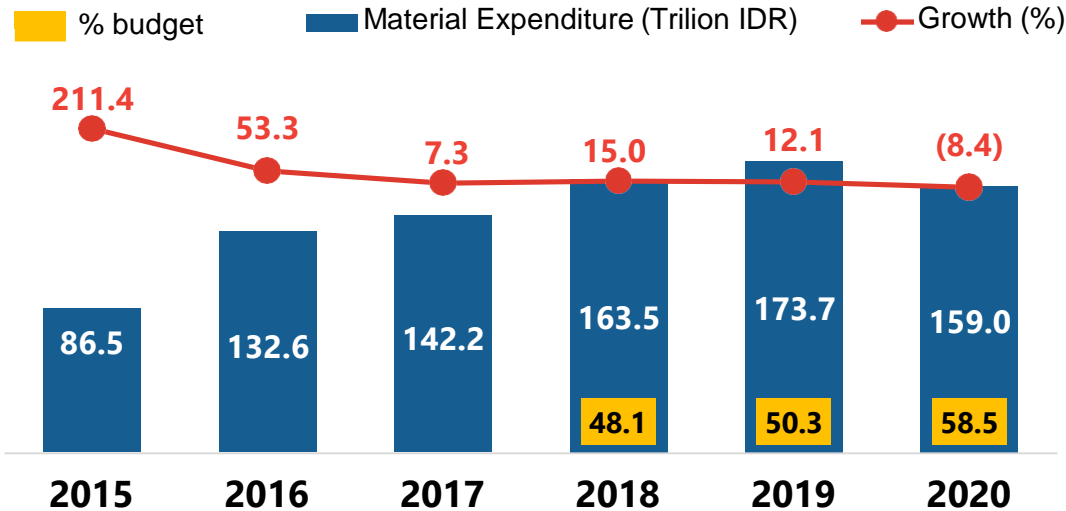
**Budget realization of the Line Ministries with the largest budget allocation decreased compared to 2019, due to the changes in the THR and 13th salary policy.** However, in nominal terms, the Ministry of Religion recorded positive growth, partly due to the increased realization of Non-Civil Servant Educators and Extension Officers.



# LINE MINISTRIES (K/L) MATERIAL EXPENDITURE REALIZATION

Decreased 8.4% (Improved from July) due to budget refocusing and reallocation policy to support Covid-19 handling activities

## Line Ministries' Material Expenditure Realization until August



Line Ministries' Material Expenditure Realization (Trillion IDR)	2019		2020	
	Real until Aug 31	% Budget	Real. until Aug 31	% Budget
Ministry of Defence	17.5	47.1	18.8	61.6
Indonesian National Police	14.8	56.4	14.7	54.6
Ministry of Health	11.0	43.8	13.2	59.7
Ministry of Public Works & Public Housing (PUPR)	14.8	39.7	15.0	52.7
Ministry of Religious Affairs	11.7	58.5	10.2	57.0
Others	103.9	42.7	87.1	44.4
<b>Total</b>	<b>173.7</b>	<b>50.4</b>	<b>159.0</b>	<b>58.5</b>

## Material expenditures component decreased significantly, e.g.:

	2019	2020	
Travel Expenditures	25,4	9,5	↓ -62,6%
Material expenditure transferred to local govt/public	17,8	26,0	↑ 50,2%
Ops & Non-Ops Material Expenditure	79,8	64,4	↓ -19,3%



Material Expenditure Realization was heavily affected due to social distancing restriction and working from home (WFH) policy, resulting in low operational and travel expenditure realization.



Material expenditure realization of Defense Ministry, National Police was supported by special material tools maintenance, while Ministry PUPR was bolstered up by natural resource infrastructure/road maintenance, and self-subsistent home building (entrusted to public).



Moreover, the incentive and compensation payment for medical personnel has been rolled out, as well as the procurement of medical tools and facilities for Covid-19 has been delivered.



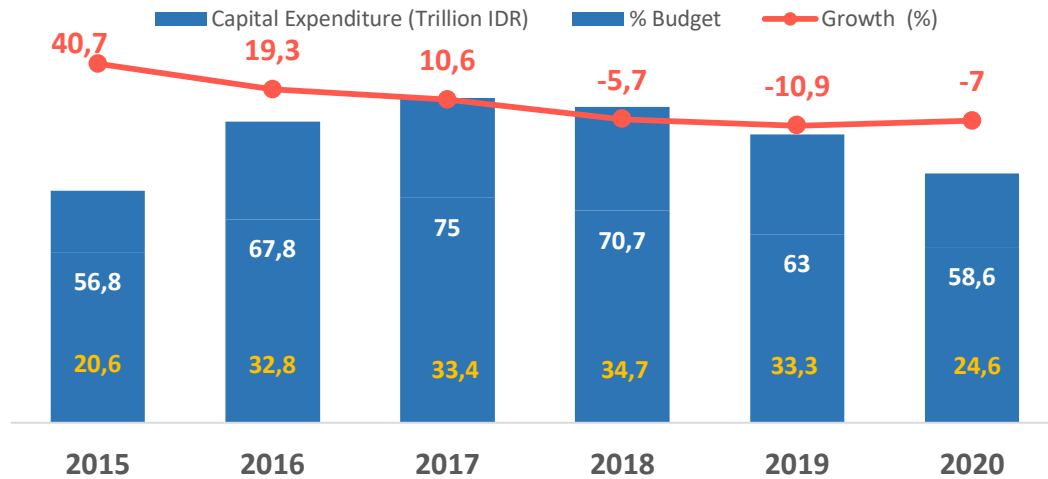
Goods expenditures, including assistance for micro-entrepreneurs and wage assistance for workers participating in Jamsostek (Workers Social Security) with salaries below IDR 5 million have been distributed to target recipients.



# CAPITAL EXPENDITURE REALIZATION

Capital expenditure experienced negative growth 7% during the pandemic

## Capital Expenditure Realization until August



Capital Expenditure Realization per Account (Trillion IDR)	2019		2020	
	Real. until July 31	Growth (%)	Real until July 31	Growth (%)
Land Capital	1.0	6.8	1.1	12.3
Equipment & Machinery	18.8	(19.4)	20.6	9.3
Building & Structure	9.4	1.6	8.7	(7.1)
Roads, Irrigation & Systems	30.8	(12.8)	25.0	(18.9)
Other Capital	2.1	101.2	2.5	16.0
Public Service Agency (BLU)	0.9	8.8	0.7	(18.5)
<b>Total</b>	<b>63.0</b>	<b>(10.9)</b>	<b>58.6</b>	<b>(7.0)</b>

Line Ministries Capital Expenditure (Trillion IDR)	2019		2020	
	Real. until August 31	% Budget	Real. until August 31	% Budget
Ministry of Public Works and Public Housing (PUPR)	27.9	36.8	23.6	53.4
Ministry of Defense	9.4	29.3	11.8	34.3
Indonesian National Police	8.3	47.1	7.5	59.1
Ministry of Transportation	6.4	26.7	6.4	41.0
Ministry of Religious Affairs	1.5	31.4	1.8	54.7
Others	9.5	27.1	7.4	27.2
<b>Total</b>	<b>63.0</b>	<b>33.3</b>	<b>58.6</b>	<b>42.6</b>



The performance of capital expenditure in nominal terms grew negatively but the percentage of the budget was bigger. There was a project restructuring policy in the context of refocusing/reallocation of handling Covid-19 and social restrictions



Equipment and machinery spending grew positively, which was supported by, among others, the procurement of defence equipment and military hospital medical equipment



The Ministry of Religious affairs' spending grew positively, supported by the facilities for Islamic Religious Higher Education (PTKI) activity through SBSN and PHLN.

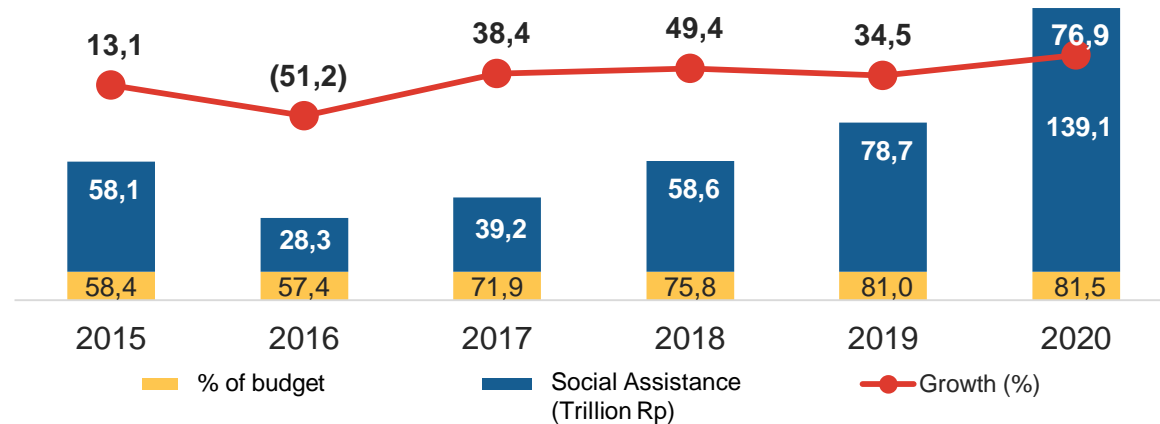




# SOCIAL ASSISTANCE EXPENDITURE REALIZATION IN THE LINE MINISTRIES

Grew 76.9% (yoy) to support the JKN Program and Social Safety Net policies to handle the Covid-19

## > Social Assistance Expenditure Realization as of 31 August



## > Increase Social Expenditure Component

	2019		2020	
	Realisasi	Growth (%)	Realisasi	Growth (%)
Health Insurance Premium Subsidy (PBI JKN)	26,6	↑ 104,6	36,4	↑ 36,8
Basic Food Card	13,3	↑ 146,2	29,1	↑ 119,5
Smart Indonesia Card for Collage (KIP Kuliah)	2,3	↑ 117,1	3,8	↑ 68,6
Temporary Assistance			55,7	

Social Spending in Line Ministries (IDR trillion)	2019		2020	
	Realization 31 Aug	% Budget	Realization 31 Aug	% Budget
Ministry of Education & Culture	40,6	74,8	88,0	87,8
Ministry of Health	26,6	99,7	36,4	74,7
Ministry of Religious Affairs	6,7	69,6	10,7	65,9
Ministry of Social Affairs	1,6	1000	2,7	78,6
Min. Research & Tech/National Research & Innovation Agency	1,0	52,4	1,3	63,2
Nat. Board for Disaster Manegement (BNPB)	2,0	45,9	-	-
<b>Total</b>	<b>78,7</b>	<b>81,0</b>	<b>139,1</b>	<b>81,5</b>

**Increased Social Assistance Realization up to 31 August 2020 according to organization compared to the previous year is influenced by:**

- ❑ **Ministry of Education and Culture & Ministry of Religious Affairs** → Accelerated withdrawal of the KIP College compared to the previous year (September).
- ❑ **Ministry of Social Affairs** → Implementation of the Social Safety Network through the assistance of the Family Hope Program (PKH), assistance of Basic Food Cards, Jabodetabek's basic food assistance and Non-Jabodetabek's cash transfer, and cash transfer for non-PKH – Basic Food Card beneficiaries.
- ❑ **Ministry of Health** → Advance disbursement of the contribution assistance (PBI) recipients from September to August
- ❑ **BNPB** → Funds for the disaster management utilization.



## TRANSFER TO REGION AND VILLAGE FUND

Realization of TKDD until August reached 73%, growing at 5% (yoy), better than July

Transfer to Region and Village Fund (Trillion Rupiah)	2019				2020			
	Budget	Realization as of August 31	% to Budget	Growth (yoy %)	Revised Budget (Perpres 72 2020)	Realization as of August 31	% to Revised Budget	Growth (yoy %)
<b>1 Transfer to Region</b>	<b>756.8</b>	<b>488.4</b>	<b>64.5</b>	<b>5.0</b>	<b>692.7</b>	<b>504.7</b>	<b>72.9</b>	<b>3.3</b>
<b>a. Balance Fund</b>	<b>724.6</b>	<b>474.6</b>	<b>65.5</b>	<b>5.4</b>	<b>653.4</b>	<b>476.7</b>	<b>73.0</b>	<b>0.4</b>
<b>- General Transfer Fund</b>	<b>524.2</b>	<b>376.4</b>	<b>71.8</b>	<b>8.6</b>	<b>470.8</b>	<b>359.0</b>	<b>76.3</b>	<b>(4.6)</b>
1) Revenue sharing	106.4	63.1	59.3	37.9	86.4	68.8	79.6	9.0
2) General allocation fund	417.9	313.3	75.0	4.2	384.4	290.2	75.5	(7.4)
<b>- Special Allocation Fund</b>	<b>200.4</b>	<b>98.2</b>	<b>49.0</b>	<b>(5.4)</b>	<b>182.6</b>	<b>117.7</b>	<b>64.5</b>	<b>19.9</b>
1) Physical	69.3	17.8	25.6	(37.7)	53.8	38.8	72.2	118.5
2) Non-physical	131.0	80.5	61.4	6.8	128.8	78.9	61.3	(1.9)
<b>b. Regional Incentive Fund</b>	<b>10.0</b>	<b>6.5</b>	<b>65.3</b>	<b>21.7</b>	<b>18.5</b>	<b>12.2</b>	<b>66.1</b>	<b>87.2</b>
<b>c. Special Autonomy Fund and Privilege Fund for Yogyakarta</b>	<b>22.2</b>	<b>7.3</b>	<b>32.7</b>	<b>(22.4)</b>	<b>20.9</b>	<b>15.7</b>	<b>75.3</b>	<b>116.8</b>
<b>2 Village Fund</b>	<b>70.0</b>	<b>42.2</b>	<b>60.3</b>	<b>16.4</b>	<b>71.2</b>	<b>52.7</b>	<b>74.0</b>	<b>41.2</b>
<b>Total</b>	<b>826.8</b>	<b>530.6</b>	<b>64.2</b>	<b>5.8</b>	<b>763.9</b>	<b>557.4</b>	<b>73.0</b>	<b>5.0</b>

- Transfer to Region and Village Fund expenditure grew positively at 5% (yoy) or 68.7% (mom) improved compared to July of -3.4% (yoy).
- Transfers to Regions grew by 3.3% (yoy), up from July of -5.1% (yoy).
- The Village Fund continued to grow at a reasonably high rate of 41.2% (yoy) in August.



# REALIZATION OF TRANSFER TO REGION AND VILLAGE FUND (TKDD) AS OF 31 AUGUST 2020

The realization of TKDD 2020 was better than 2019 (increased from 64.2% to 73.0%) due to an adjustment in the TKDD allocation regarding the handling of COVID-19. The realization of TKDD grew at 5.0% (yoy) in August

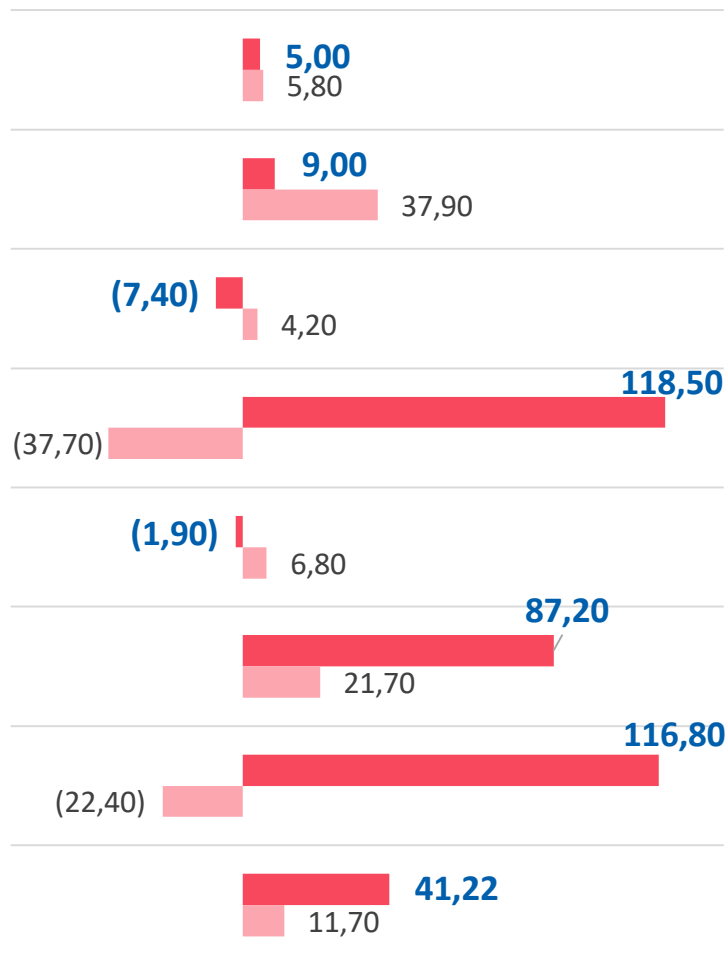
## TKDD realization and percentage to allocation

2019: 2019 Budget  
2020: Perpres 72/2020

		2019	2020
Transfer to Region and Village Fund	Rp	530,607.0 M	557,352.0 M
		64.2 %	73.0 %
Revenue Sharing	Rp	63,079.7 M	68,787.9 M
		59.3 %	79.6 %
General Allocation Fund	Rp	313,318.1 M	290,197.5 M
		75.0 %	75.5 %
Physical Special Allocation Fund	Rp	17,760.7 M	38,811.0 M
		25.6 %	72.2 %
Non-Physical Special Allocation Fund	Rp	80,464.6 M	78,935.4 M
		61.4 %	61.3 %
Regional Incentive Fund	Rp	6,528.4 M	12,222.3 M
		65.3 %	66.1 %
Special Autonomy and Privilege Fund for Yogyakarta	Rp	7,254.0 M	15,723.5 M
		32.7 %	75.3 %
Village Fund*	Rp	37,298.2 M	52,674.4 M
		53.3 %	74.0 %

## Growth

■ YoY 2020 ■ YoY 2019



## HIGHLIGHTS

- ↑ **Increased Revenue Sharing** → relaxation of the simultaneous distribution for Q3 without disbursement requirements
- ↓ **General Allocation Fund decreased** → due to a decline in Net Domestic Income in 2020
- ↑ **Physical Special Allocation Fund increase** → mainly relaxation, including simultaneous distribution at the value of the contract (one off distribution)
- ↓ **Non-Physical Special Allocation Fund decrease** → decrease in the budget allocation
- ↑ **Regional Incentive Fund increase** → relaxation, not requiring a minimum 1<sup>st</sup> phase realization, so regions can quickly submit reports
- ↑ **Increased Village Fund** → direct distribution policy to the Village Account

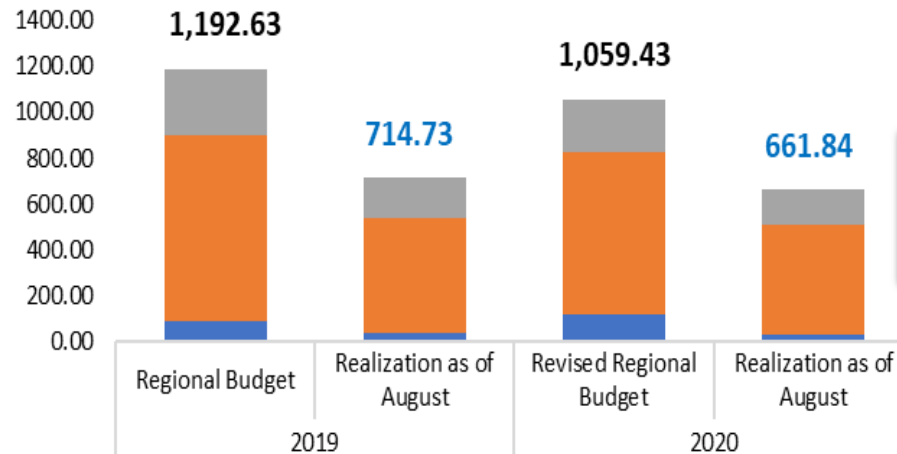
Note: \* Starting in 2020, Village Fund is distributed from State General Treasury Account to Village Cash Account, which previously from State General Treasury Account to Regional General Treasury Account



# REALIZATION OF REGIONAL BUDGET AS OF 31 AUGUST 2020

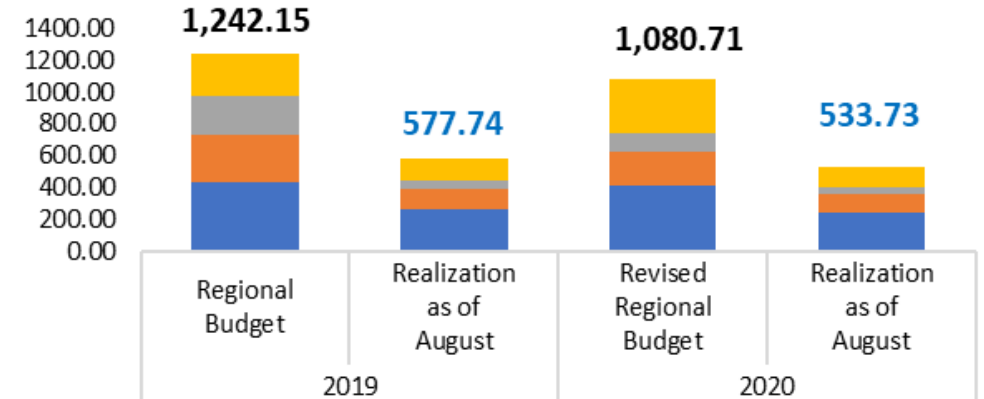
A decrease in the realization of the regional budget revenues and expenditures in 2020 (as of 31 August) was relatively moderate compared to 2019 (income decreased by Rp.52.90 Trillion, while expenditure decreased by Rp.44.01 Trillion)

Regional Budget Revenue 2019-2020  
as of August 31



	2019		2020	
Regional Revenue	295.20	176.94	234.80	151.54
Transfer to Region & Village Fund	808.62	500.26	704.67	484.13
Others	88.49	37.53	119.96	26.16

Regional Budget Revenue 2019-2020  
as of August 31 (trillion Rp)



	2019		2020	
Other Expenditure	269.57	137.39	337.23	130.33
Capital Expenditure	238.37	55.31	122.90	41.90
Material Expenditure	301.37	128.02	209.54	115.38
Personel Spending	432.84	257.02	411.04	246.12

- Realization of Regional Budget Revenue to total Budget amounted to 62.74% (as of 31 August), better than last year of 59.93%.
- Realization of Regional Revenue grew negatively by -14.36% (yoy) as of 31 August, due to a decline in tax revenue related to social mobility restriction and weakened consumption, such as Hotel Tax, Restaurant Tax, Vehicle Tax, Transfer of Motor Vehicle Title Fee, Motor Vehicle Fuel Tax and Fee for Acquisition of Land and Building.
- Realization of Total Expenditure of Regional Budget was 49.39% (as of 31 August), better than the same period in 2019 of 46.51%.
- Realization of Expenditure was -7.62% (yoy), which is in line with the policy of budget reallocation and refocusing on handling COVID-19.



# FINANCING REALIZATION

Reached IDR667.8 Trillion or 64.3% of the target, promoting increasing on foreign reserves

Budget Financing (trillion rupiah)	2019				2020			
	Budget	Realization 31 August	% Budget	% Growth	Perpres 72/ 2020	Realization 31 August	% Perpres 72/ 2020	% Growth
1. Debt	359.3	285.1	79.3	3.2	1.220.5	693.6	56.8	143.3
a. Govt Bond (neto)	389.0	290.7	74.7	7.5	1.173.7	671.6	57.2	131.0
b. Govt Borrowing (Neto)	(29.7)	(5.7)	19.1	(199.3)	46.7	22.0	47.0	(486.5)
2. Investment Financing	(75.9)	(5.1)	6.8	(50.9)	(257.1)	(27.2)	10.6	431.5
a.l. a. Investment to SOEs	(17.8)	-	-	-	(31.5)	(11.3)	35.7	-
b. Investment to BLU	(53.2)	(4.0)	7.5	(38.9)	(42.0)	(11.0)	26.2	175.0
c. Investment to others	(2.5)	(2.5)	100.0		(5.0)	(5.0)	100.0	100.0
3. Government Lending	(2.4)	0.6	(25.8)	(62.5)	5.8	1.7	29.4	181.7
4. Guarantee	-	-	-		(0.6)	(0.4)	71.3	
5. Others	15.0	0.0	0.1	(81.5)	70.6	0.2	0.2	730.4
Total	296.0	280.6	94.8	4.9	1.039.2	667.8	64.3	138.0

- Debt financing realization reached 61,6% of the target, show that market liquidity is still ample.
- As of 18 September, BI participation based on the **SKB I** is IDR 48,027 Trillion; and based on the **SKB II** (burden-sharing) is IDR 99,08T Trillion for public goods.
- PMN disbursements remains on track, reached 11% of target, acceleration supported by the completion on several regulatory documents.





KEMENTERIAN KEUANGAN  
REPUBLIK INDONESIA

# Economic and Fiscal Updates

August Edition

Should you have further questions, please do not hesitate to contact us:



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[IRU@kemenkeu.go.id](mailto:IRU@kemenkeu.go.id)

