

Economic Indicators	2022	2023F
Real GDP (% yoy)	5.31	5.04
Inflation (% yoy, eoy)	5.51	3.60
Inflation (% yoy, avg)	4.21	4.62
IDR/USD (eoy)	15,568	14,864
IDR/USD (avg)	14,874	15,031
CA (% of GDP)	1.00	-0.65
BI 7-day RR Rate (%)	5.50	5.75

F = OCE BMRI forecast
yoy = year-on-year
eoy = end of year
avg = average

Key Rates (%)	Dec-22	May-23*
BI 7-day RR Rate	5.50	5.75
Deposit Facility Rate	4.75	5.00
Lending Facility Rate	6.25	6.50
IDR 10Y Bond Yield	6.92	6.43
Fed Funds Rate	4.50	5.25
ECB Rate	2.50	3.75
BoE Rate	3.50	4.50
BoJ Rate	-0.10	-0.10

*) as of 23-May-23

Source: Bloomberg

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State Budget surplus widens amid rising global risks

The State Budget in Apr-23 recorded a larger surplus at IDR 234.7 tn or 1.12% to GDP, as government revenue grew faster than spending.

- The surplus was notably higher than the previous month (0.61% in Mar-23) and the year before (0.52% in Apr-22).
- State revenue grew by 17.3% yoy, reaching IDR1,000.5 tn or 40.6% to 2023 target. Meanwhile state spending modestly grew by 2.0% yoy, reaching IDR765.8 tn or 25.0% of target.

Both tax and non-tax revenue still grew positively, though at a notably slower pace compared to last year. The slowdown mostly impacted by the declining global commodity prices.

- As of Apr-23, tax revenue grew by 21.3% yoy (vs. 51.4% yoy in Apr-22), while excise and duties contracted by -12.8% yoy (vs. 37.7% yoy in Apr-22).
- All tax components recorded positive growth, though it was mostly moderately lower than last year. Corporate tax grew softer at 28.5% yoy impacted by mostly mining sector as global commodity prices declined.
- Value Added Tax (VAT) grew at a notably milder pace by 24.9% yoy (vs 39.7% yoy in Apr-22). During the period of Jan-Apr 23, domestic VAT grew by 39.4% yoy, yet, on a monthly basis, VAT growth started to slowdown. Domestic VAT experienced a contraction of 10.9% in Apr-23.
- By sector, revenue from the three largest contributing sector (manufacturing, trade and mining) all recorded slower growth. On a monthly basis, manufacturing and trade recorded a contraction in April each by -17.7% yoy and -15.7% yoy. Yet, it may be too early to indicate a slowdown in economic activities as this may be just an impact of shorter working days in April.
- Meanwhile, the non-tax revenue also recorded a softer growth at 22.8% yoy (vs. 35.0% yoy in Apr-22), which mainly due to a decline in oil and gas revenue as global prices declined.

State spending grew at a slightly slower pace than last year.

- By Apr-23, state spending has reached IDR765.8 tn, growing by 2.0% yoy (vs. 3.8% yoy in Apr-22). Central government spending grew faster by 2.9% yoy than regional transfer that grew 0.3% yoy.
- Spending for education recorded positive growth of 17.6% yoy which was driven by disbursement of educational endowment fund and acceleration of school operational assistance. Meanwhile social security spending contracted by 5.1% yoy, mainly due to a high base effect as there was an acceleration in staple food spending (cooking-oil assistance) last year.
- Spending for infrastructure improved, though contracted slightly by 2.4% yoy (vs. -24% yoy in Apr-22). Most of the spending went for the construction and development of roads, bridges, dams, and irrigations.
- Subsidy spending grew by 9.6% yoy, notably lower than last year's growth at 39% yoy. Up to May-23, the government has realized energy compensation for energy SOEs amounting IDR33.8 tn.

OUR VIEW:

- Global economic slowdown and declining commodity prices has started to impact the state revenue performance. Yet, the state revenue is still supported by domestic economic recovery and the impact of the new tax law, which created a wider tax base.
- State spending was generally still in line with its historical pattern, hence we expect faster realization in the coming months.

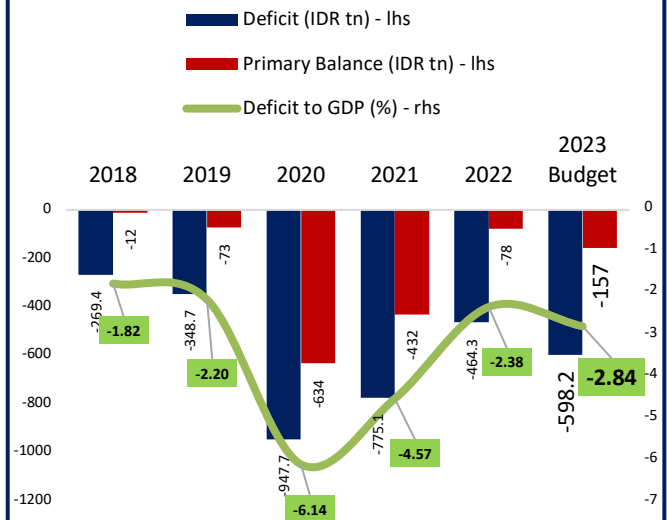
- The state budget has recorded a surplus for four-consecutive-months in 2023. This means the government's budget is in healthy condition which increase the ability of the budget to be shock absorber against the rising global challenges. This is also reflected in the excess cash balance (SILPA) in April that reached IDR458.6tn.
- As of Apr-23, the government's bond issuance has reached IDR240.0tn or 33.7% of target, notably higher than last year (at 14.8% of target in April-22), as the government anticipates the rising trend of interest rate. Going forward, the pace of bonds issuance may decline as government's budget position is improving. Therefore, we expect a relatively contained bond supply risk this year.
- *All in all, with the recent development and using the historical pattern, fiscal deficit may be potentially lower than the current initial target this year of 2.84% of GDP.*

State Budget Realization

(in IDR tn)		Apr-22 Realization	Growth yoy (%)	2023 Budget	Apr-23 Realization	Realization to APBN (%)	Growth yoy (%)
A	Government Revenue	853.2	45.9	2,463.0	1,000.5	40.6	17.3
	Tax and Excise Duties Revenue	675.7	49.0	2,021.2	782.7	38.7	15.8
	I. Tax Revenue	567.3	51.4	1,718.0	688.1	40.1	21.3
	II. Excises Duties	108.4	37.7	303.2	94.5	31.2	-12.8
	Non Tax Revenue	177.3	35.0	441.4	217.8	49.3	22.8
	Total Spending	750.5	3.8	3,061.2	765.8	25.0	2.0
B	Central Govt. Expenditure	508.0	3.7	2,246.5	522.7	23.3	2.9
	I. Spending K/L	253.6	-9.0	1000.8	257.7	25.7	1.6
	II. Spending Non K/L	254.4	20.4	1245.6	265	21.3	4.1
	Regional Transfer and Village Funds	242.4	4.0	814.7	243.1	29.8	0.3
C	Primary Balance	220.5	-704.3	-156.8	374.3	-238.8	69.7
D	Surplus/Deficit	102.7	-174.3	-598.2	234.7	-39.2	128.5
	% to GDP	0.52		-2.84	1.12		
E	Govt. Financing	143.2	-63.9	598.2	223.9	37.4	56.3

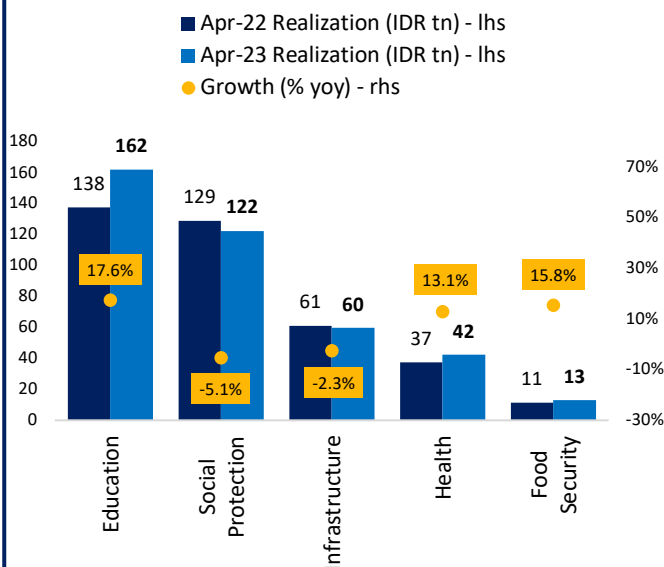
Source: Ministry of Finance

State Budget Surplus/Deficit



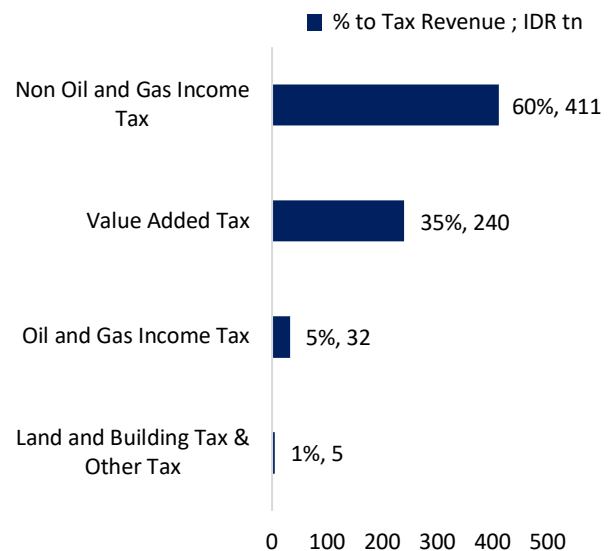
Source: Ministry of Finance

Spending by Sectors



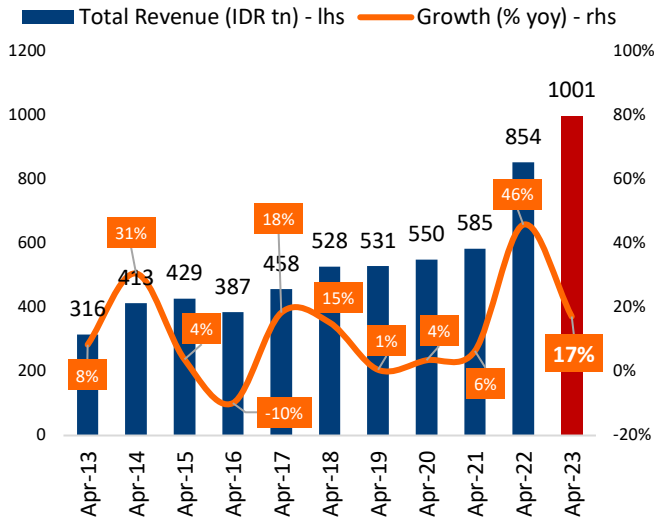
Source: Ministry of Finance

Tax Revenue Components



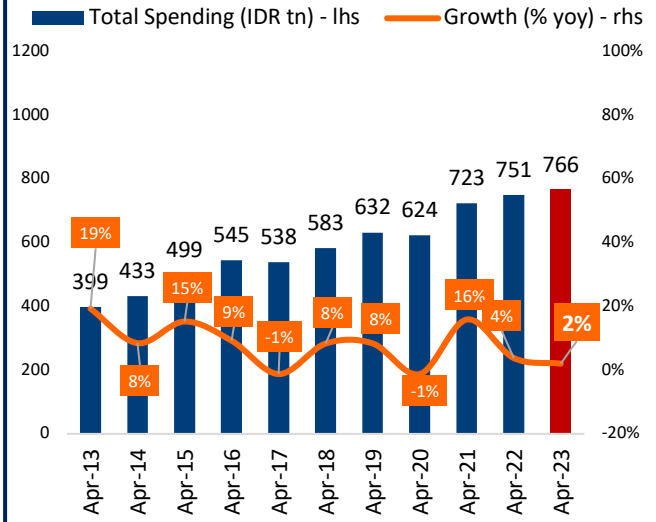
Source: Ministry of Finance

Revenue Realization



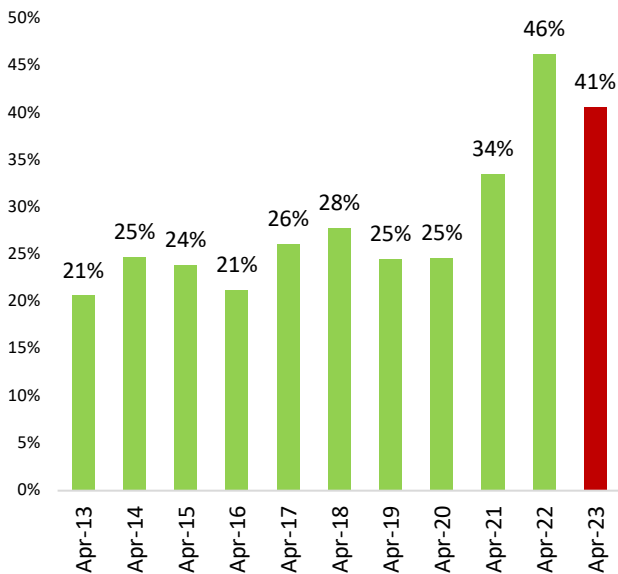
Source: Ministry of Finance

Spending Realization



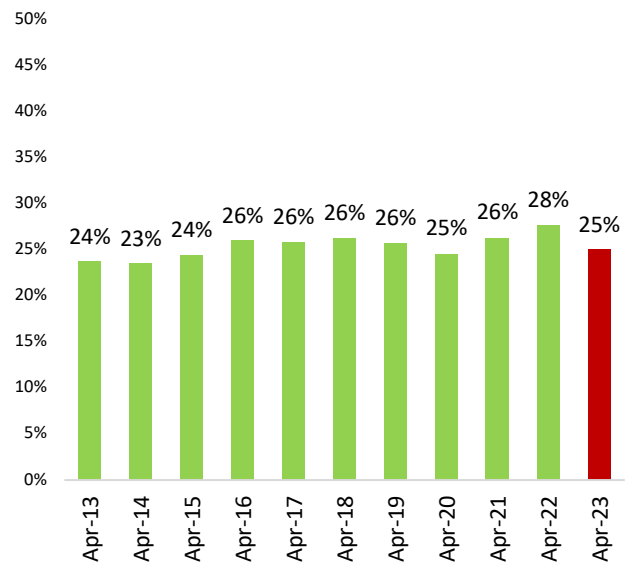
Source: Ministry of Finance

Revenue Realization to State Budget (%)



Source: Ministry of Finance

Spending Realization to State Budget (%)



Source: Ministry of Finance

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