

Economic Indicators	2022	2023F
Real GDP (% yoy)	5.31	5.04
Inflation (% yoy, eoy)	5.51	3.00
Inflation (% yoy, avg)	4.21	3.79
IDR/USD (eoy)	15,568	14,864
IDR/USD (avg)	14,874	15,031
CA (% of GDP)	0.99	-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	Sep-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	6.70
Fed Funds Rate	4.50	5.50
ECB Rate	2.50	4.50
BoE Rate	3.50	5.25
BoJ Rate	-0.10	-0.10

*) as of 21-Sep-23

Source: Bloomberg

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State Budget (APBN) Aug-23: Large Surplus, Lower Financing

As of Aug-23, state budget (APBN) still recorded a surplus of 0.70% to GDP or IDR 147.2 tn. revenue grew in a more moderate pace, but the realization remained faster than spending.

- The surplus was slightly down from surplus of 0.72% to GDP (153.5 tn) in the previous month. Hence, this has marked the 8th consecutive surplus of state budget in a row.
- Thus far, the state revenue realization has reached 74.0% to 2023 target (equivalent to IDR 1,822 tn), while the state spending realization is lower at reached 54.7% of target (equivalent to IDR1,675 tn).

The pace of revenue growth moderated impacted by global dynamic and declining commodity prices. Yet, robust domestic activities still provide support to the overall revenue.

- Tax revenue grew by 6.4% yoy to IDR 1,247.0 tn, a significant retraction from its last year's high growth of 58.1% yoy in Aug-22. The lower growth was due to declining commodity prices, export-import activities and the non-recurrent of the one-off voluntary disclosure program.
- Non-oil & gas income tax—which shared around half of all tax revenue—eased from 69.3% yoy in Aug-22 to only 7.1% yoy in Aug-23. Oil & gas income tax recorded growth contraction by -10.6% yoy (vs. 85.9% yoy last year).
- Value Added Tax (VAT)—contributed around 30% of taxes revenue—recorded a positive growth of 8.1% yoy, albeit slower than 45.8% yoy in Aug-22. It was supported by the remaining positive growth of Domestic VAT (PPN DN) and Corporate VAT (PPN Badan), each grow by 2.4% yoy and 12.7% yoy.

Spending remains lacklustre, particularly on the central government spending. Yet, spending for infrastructure projects accelerated.

- Central government spending was IDR 1,170.8 tn, contracted by 0.6% yoy in Aug-23 (vs. 8.3% yoy in Aug-22). Faster realization is seen more on the continuation of the infrastructure projects particularly the remaining national strategic projects (PSN) and for the development of the new capital city (IKN). Spending through ministries and institutions grew by 1.0% yoy to IDR581.6 tn (vs. -8.4% in Aug-22). Meanwhile, the non-ministries and institutions spending recorded a contraction of -2.2% yoy at IDR589.1 tn, compared to 31.1% growth in Aug-22.
- Infrastructure spending from central government accelerated, reaching IDR 90.2 tn as Aug-23. This means that central government spent IDR17.1 tn for this sector in just one month, higher than IDR12.4 tn in the previous month. Summing infrastructure spending from central government and regions, spending has reached IDR 173.7 tn, or growing 8.3% yoy.
- Development of the infrastructure in the IKN continues. Realization of IKN development budget by Aug 23 has reached IDR6.4 tn or around 22% of the IKN designated budget this year. The state budget allocates IDR75.5 tn for IKN development in the course of 2022-2024.
- Meanwhile, the transfer to regions grew positively by 5.2% yoy as Aug-23 (vs. 1.3% yoy in Aug-22). At the same period, local government has also spent IDR 55.3 tn for infrastructure projects.

Continuing state budget surplus will result in lower needs of financing.

- Following the continuing state budget surplus, the needs of financing, particularly ones sourced from bond issuance, is consistently lower. As of Aug-23, net bond issuance only reached IDR183.0 tn, largely contracted by 42.3% yoy, or only reaching 25.7% of 2023 target.

OUR VIEW, the fiscal deficit this year may fall below its current target at -2.3% of the GDP.

- On a positive note, the surplus indicates a strong and healthy budget and a wide fiscal space for the government amid the rising external challenges. The primary balance has also consistently recorded a surplus in the last few months. As of Aug-23, Primary balance recorded a surplus of IDR422.1tn
- Nonetheless, as the economy already started to feel the pinch of the global economic slowdown, the support of fiscal spending is largely needed to cushion the economy going forward. Therefore, we believe, spending will be pushed faster in the fourth quarter through various fiscal incentives and faster realization on infrastructure development particularly on the unfinished national strategic projects. Further ahead of 2024 election, we expect some spending boost to households through the disbursement of national election budget.
- *Assuming that government disburse their spending 2% faster than its historical pattern in the remaining four months of this year, we see that budget deficit could reach around -2.05% of GDP at the end of 2023.*

The state budget for the fiscal year 2024 officially ratified, minimum changes from the proposed number

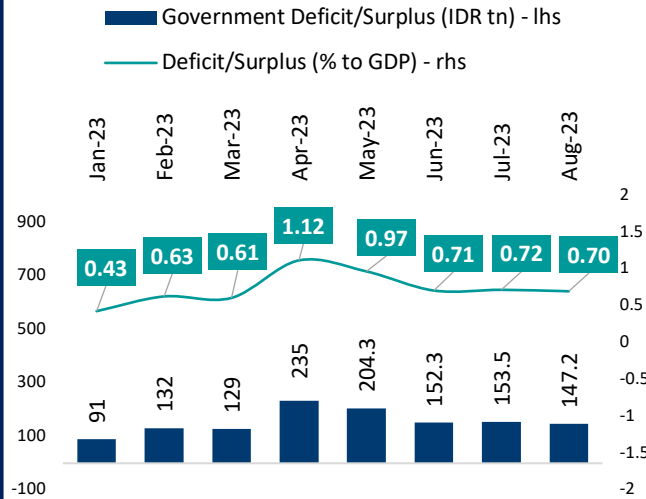
- In the 6th DPR RI Plenary Meeting for Session I Period 2023-2024 which held in September 21st 2023, Law of the APBN for Fiscal Year 2024 was officially ratified.
- Compared to the proposed budget (RAPBN 2024), all macroeconomic assumptions were set unchanged, except for oil crude price (ICP) and oil lifting. ICP were revised up from 80 USD/barrel to 82 USD/barrel in 2024 APBN, anticipating for the recent short-term increase of the global oil prices. Oil lifting assumption was also revised higher, from 625 thousand bpd to 635 thousand bpd in 2024 APBN.
- The 2024 APBN deficit is set at 2.29% of GDP or equivalent to IDR 522.8 tn, unchanged from previous 2024 RAPBN. State revenue was set higher by 0.8% from 2024 RAPBN, now planned at IDR 2,802.3 tn, where around 82% will come from the tax revenue. State spending is set higher by 0.6% than in 2024 RAPBN at IDR 3,325.1 tn which will be used to strengthen 3 functions of the APBN; allocation, distribution, and stabilization. State spending will be channeled through central government spending worth IDR 2,467.5 tn and transfer to region of IDR 857.6 tn.

State Budget Realization

(in IDR tn)	Aug-22 Realization	Growth (% yoy)	2023 Budget	Aug-23 Realization	Realization to APBN (%)	Growth (% yoy)
Government Revenue	1,764.6	49.8	2,463.0	1,821.9	74.0	3.2
Tax and Excise Duties Revenue	1,378.0	53.2	2,021.2	1,418.5	70.2	2.9
A						
I. Tax Revenue	1,171.8	58.1	1,718.0	1,247.0	72.6	6.4
II. Excises Duties	206.2	30.5	303.2	171.6	56.6	-16.8
Non Tax Revenue	386.1	39.0	441.4	402.8	91.3	4.3
Total Spending	1,656.8	6.1	3,061.2	1,674.7	54.7	1.1
B						
Central Govt. Expenditure	1,177.9	8.3	2,246.5	1,170.8	52.1	-0.6
I. Spending K/L	575.8	-8.4	1,000.8	581.6	58.1	1.0
II. Spending Non K/L	602.1	31.1	1,245.6	589.1	47.3	-2.2
Regional Transfer and Village Funds	478.9	1.3	814.7	503.9	61.9	5.2
C						
Primary Balance	342.6	301.7	-156.8	422.1	-269.3	23.2
D						
Surplus/Deficit	107.9	128.2	-598.2	147.2	-24.6	36.5
% to GDP	0.55		-2.84	0.7		
E						
Govt. Financing	287.9	-45.8	598.2	160.1	26.8	-44.4

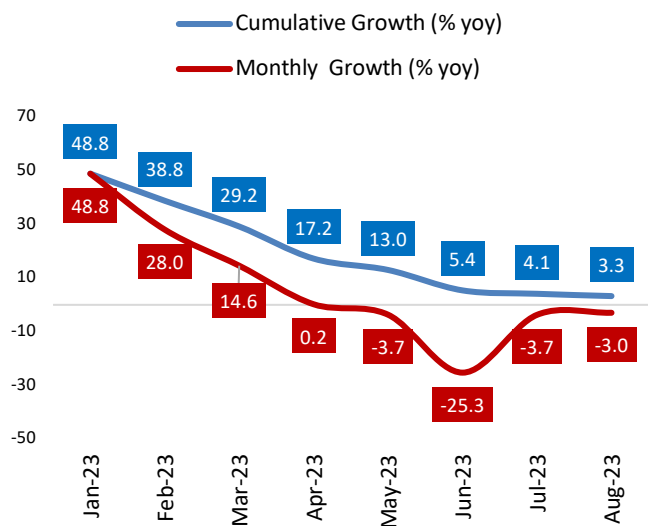
Source: Ministry of Finance

State Budget Surplus/Deficit



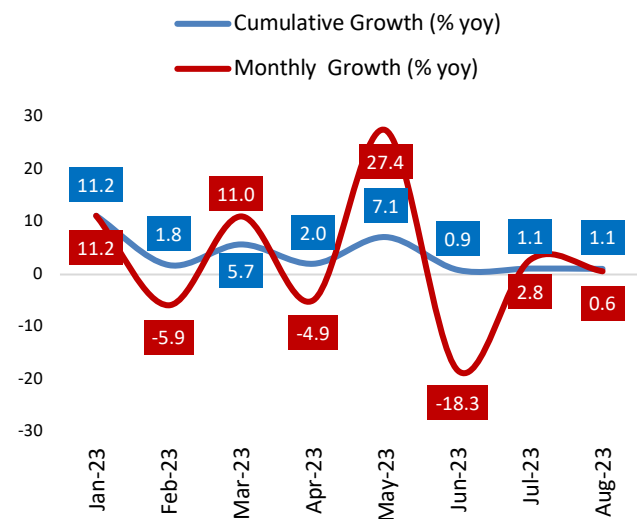
Source: Ministry of Finance

State Revenue Performance



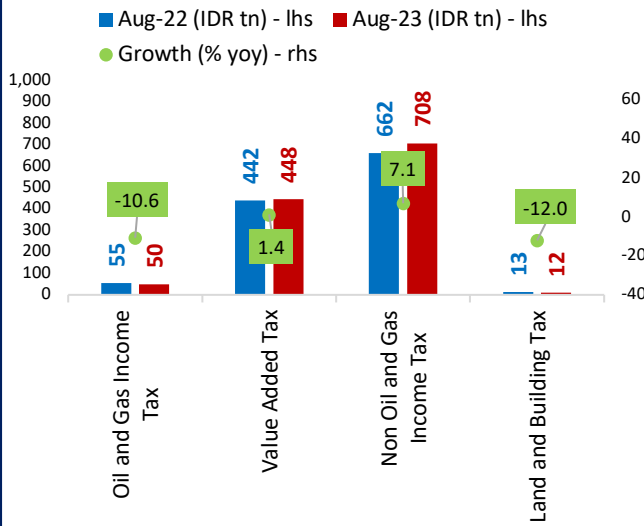
Source: Ministry of Finance

State Spending Performance



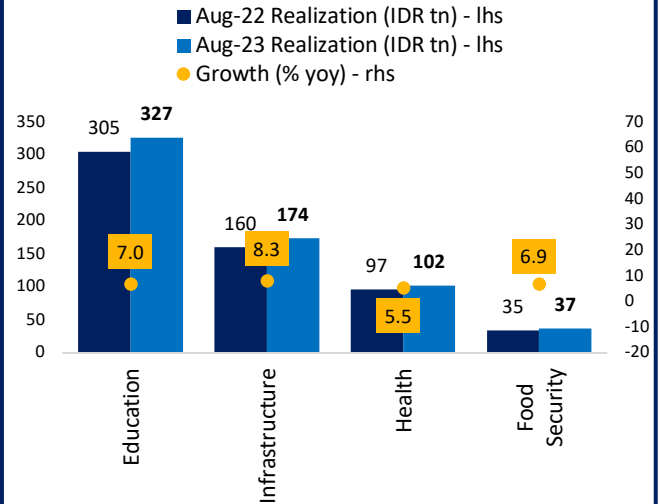
Source: Ministry of Finance

Tax Revenue by Channels



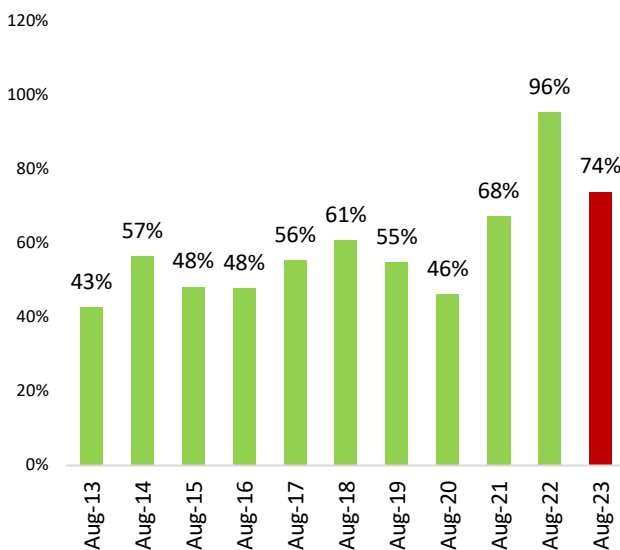
Source: Ministry of Finance

Spending by Sector



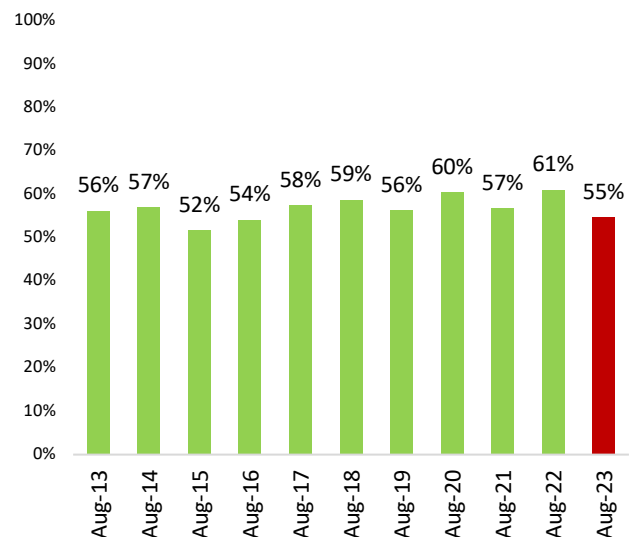
Source: Ministry of Finance

Revenue Realization to State Budget (%)



Source: Ministry of Finance

Spending Realization to State Budget (%)



Source: Ministry of Finance

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