

Economic Indicators	2022	2023 Prognosis
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	15,000- 15,300
IDR/USD (avg)	14,874	15,031
CA (% of GDP)	0.99	-0.65
BI 7-day RR Rate (%)	5.50	6.00

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

Key Rates (%)	Dec-22	Oct-23*
BI 7-day RR Rate	5.50	6.00
Deposit Facility Rate	4.75	5.25
Lending Facility Rate	6.25	6.75
IDR 10Y Bond Yield	6.92	7.19
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 26-Oct-23

Source: Bloomberg

**Shahifa Assajjadiyyah**

**Economist**

[shahifa.assajjadiyyah@bankmandiri.co.id](mailto:shahifa.assajjadiyyah@bankmandiri.co.id)

## State Budget (APBN): Fiscal Remains in Surplus by end of Q3 2023

As of Sep-23, state budget (APBN) showed a lower surplus of 0.32% to GDP or IDR 67.7 tn.

- This has marked the 9th consecutive surplus of state budget in a row. The surplus was slightly down from surplus of 0.70% to GDP (147.2 tn) in the previous month.
- This condition was in line with last year's which still showed surplus of 0.33% to GDP in Sep-22.
- State revenue has reached 82.6% to 2023 target, equivalent to IDR 2,035.6 tn. Meanwhile the state spending has reached 64.3% of target, or IDR1,967.9 tn.
- Ministry of Finance aims to accelerate spending in 4Q23 by IDR 1,155.7 tn. Yet, they projected that the deficit of state budget (APBN) at the end of this year will be lower than 2023 outlook of -2.30% of GDP.

### State revenue performed positively, amid sufficient tax revenue and a surge in non tax revenue.

- Tax revenue was recorded at IDR 1,388.0 tn as of Sep-23 or reaching 80.7% to 2023 target. Hence, this revenue was still in line with 2023 Outlook. Yet when looking at its growth, revenue was only expanding by 3.1% yoy as Sep-23 (slightly slower than 3.3% growth in Aug-23).
- All main components of tax revenue (Value added tax or VAT, Non Oil and Gas Income Tax, Land and Building Tax) still show positive growth, except for oil & gas income tax which contracted by -12.7% yoy due to high base from last year when oil prices were escalated.
- VAT revenue has reached 72.2% of 2023 target, or equivalent to IDR 536.7 tn. It was growing faster by 6.4% yoy as of Sep-23 (vs. 1.4% growth as Aug-23). Yet, we need to be cautious upon a possibility of lower domestic economic activities as monthly revenue of VAT continued to decrease. In Sep-23, monthly revenue of Domestic VAT (PPN DN) and Corporate VAT (PPN Badan) showed contraction each by -0.4% yoy and -1.2% yoy.
- On positive note, non tax revenue has exceeded target (102.3%), or growing by 4.6% yoy as Sep-23 (vs. 4.4% yoy as Aug-23). This was boosted by higher income received from increase of production fees and royalties of coal after the implementation of Government Regulation (PP) no. 26 in 2022.

### Spending realization is still below historical pattern but expected to speed up in 4Q23.

- State revenue realization reached IDR 1,397 tn, still relatively low at 64.3% of 2023 target, but the realization grew faster by 2.8% yoy compared to 1.1% yoy in Aug-23. The government stated that spending will be accelerated during the forth quarter this year. It is estimated that spending in Oct-Dec-23 will reach IDR 1,155.7 tn.
- Central government spending has reached IDR 1,396.9tn, or 62.2% of target. Around 57.5% of it are disbursed directly to the household through ministries & institutions (K/L) and non-ministries & institution (Non K/L). K/L spending reached 66.9% to target, mostly used for the development of infrastructure which has achieved IDR 108.6 tn (vs. IDR 90.2 tn in previous month). On the other hand, the realization of Non K/L spending was slower at 58.5% to target which mostly went to subsidies and compensation for electricity, refined fuel oil (BBM), and LPG amounted to IDR 219.8 tn (vs. IDR 156.9 tn in the previous month).
- Transfer to regions has reached 70.0% to target, yet it was growing slower by 3.3% yoy as Sep-23 (vs. 15.5% yoy as Aug-23).

### Amid rising pressure and volatility from the global market, the government prepared policy packages in cushioning the domestic economy.

- Government acknowledged there are some risks to the economy that need to be anticipated going forward, which include US hawkish monetary policy, China economic slowdown, recent geopolitical tension in the middle east and the ongoing El Nino phenomenon. These global risks may have repercussion to the export performance and

economic activities. Impact of El Nino can also dampen the supply of main commodities such as rice.

- The government prepared an additional IDR 2.67tn in the form of rice assistance to maintain people's purchasing power in risk of higher price of rice. Hence, in total there are as much as IDR 10.67 tn to give in the form of rice assistance in Sep–Dec-23.
- Another assistance was in the form of direct cash (BLT), which will be disbursed in Nov–Dec-23 for lower income households.

**The needs of financing continued to decrease below initial target.**

- Following the continuing state budget surplus, the needs of financing sourced from bond issuance is consistently decreasing. As of Sep-23, net bond issuance only reached IDR181.4 tn, largely contracted by 61.5% yoy, or only reaching 25.4% of 2023 target.

**OUR VIEW: We expect the government to accelerate spending in 4Q23, enhancing its role as the shock absorber amid rising global volatility.**

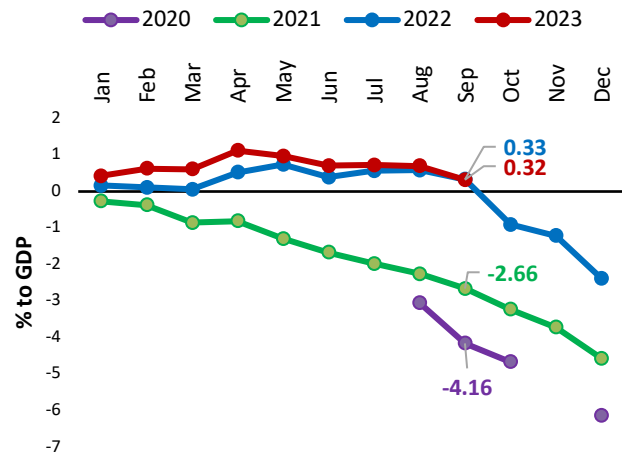
- Up until Sep-23, the state revenue still performed quite well, as non-tax revenue has exceeded the target and tax revenue which also achieved 80.8%. Within the remaining 3 months until the end of year, we estimate that state revenue is on track to reach the 2023 outlook of IDR 2,637.2 tn.
- Meanwhile, we see the needs for the government to speed up the realization of the government spending, considering that up until Sep-23 the realization is still slow. If the estimated IDR 1,155.7 tn are to be released during the last 3 months of 2023, we expect the fiscal balance to record a deficit, though may still be slightly below the current target of -2.3% to GDP.
- State spending will play a key role to support the economic growth in the remaining quarter this year. As the performance of trade and investment may potentially impacted by slowing down of the global growth, the government should focus on maintaining domestic economic driver i.e. household spending. The new policy package is expected to support in maintaining purchasing power in lower income households.

## State Budget Realization

	(in IDR tn)	Sep-22 Realization	Growth (% yoy)	2023 Budget	2023 Outlook	Sep-23 Realization	Realization to APBN (%)	Growth (% yoy)
<b>A</b>	<b>Government Revenue</b>	1,974.9	45.7	2,463.0	2,637.2	2,035.6	82.6	3.1
	<b>Tax and Excise Duties Revenue</b>	1,542.5	49.3	2,021.2	2,118.3	1,583.3	78.3	2.6
	I. Tax Revenue	1,310.4	54.2	1,718.0	1,818.2	1,387.8	80.8	5.9
	II. Excises Duties	232.1	26.9	303.2	300.1	195.6	64.5	-15.8
	<b>Non Tax Revenue</b>	431.7	34.5	441.4	515.8	451.5	102.3	4.6
<b>B</b>	<b>Total Spending</b>	1,913.7	5.9	3,061.2	3,123.7	1,967.9	64.3	2.8
	<b>Central Govt. Expenditure</b>	1,361.0	7.6	2,246.5	2,298.2	1,396.9	62.2	2.6
	I. Spending K/L	674.4	-8.1	1,000.8	1,085.5	669.6	66.9	-0.7
	II. Spending Non K/L	686.6	29.2	1,245.6	1,212.8	727.3	58.4	5.9
	<b>Regional Transfer and Village Funds</b>	552.7	2.1	814.7	825.4	571	70.1	3.3
<b>C</b>	<b>Primary Balance</b>	339.7	271.4	-156.8	-49	389.7	-248.6	14.7
<b>D</b>	<b>Surplus/Deficit</b>	61.2	113.5	-598.2	-486.4	67.7	-11.3	10.6
	<b>% to GDP</b>	0.31		-2.84	-2.3	0.32		
<b>E</b>	<b>Govt. Financing</b>	431.8	-30.6	598.2	486.4	163	27.2	-62.3

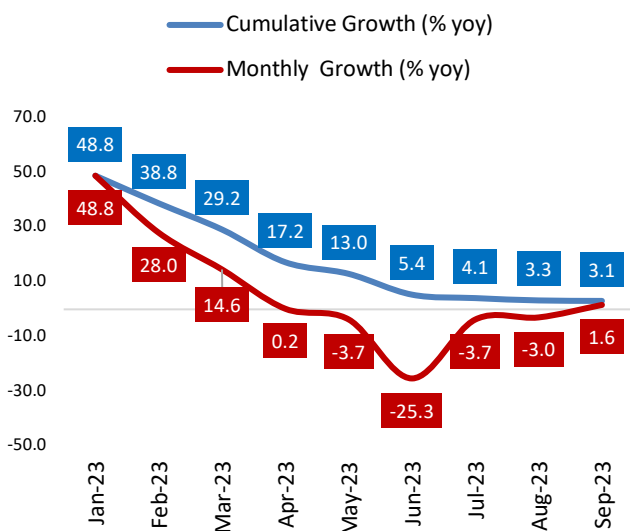
Source: Ministry of Finance

## State Budget Surplus/Deficit



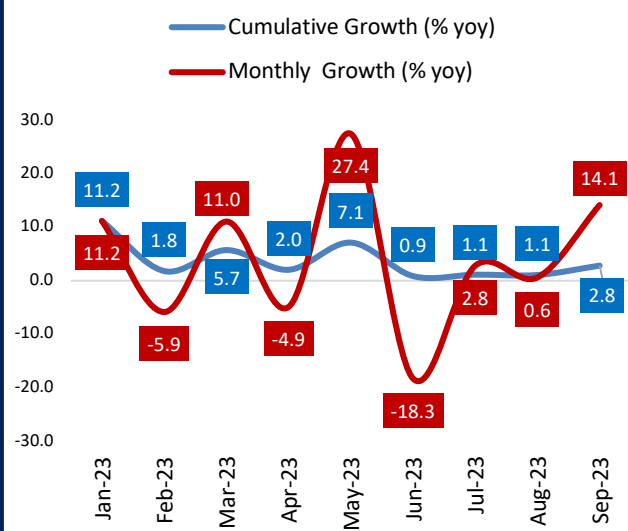
Source: Ministry of Finance

## State Revenue Performance



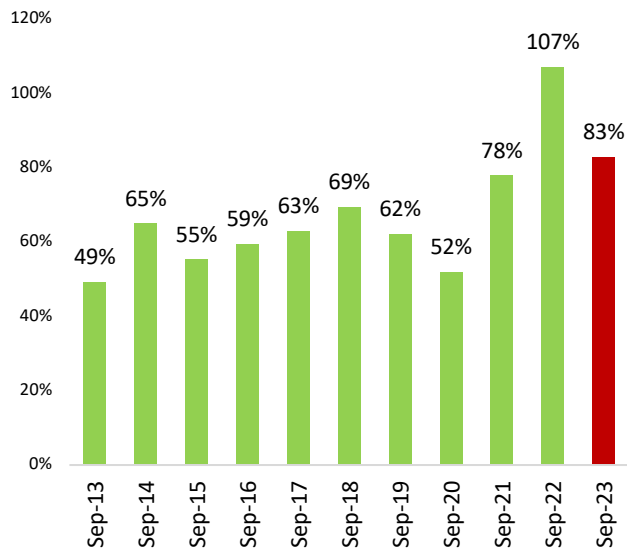
Source: Ministry of Finance

## State Spending Performance



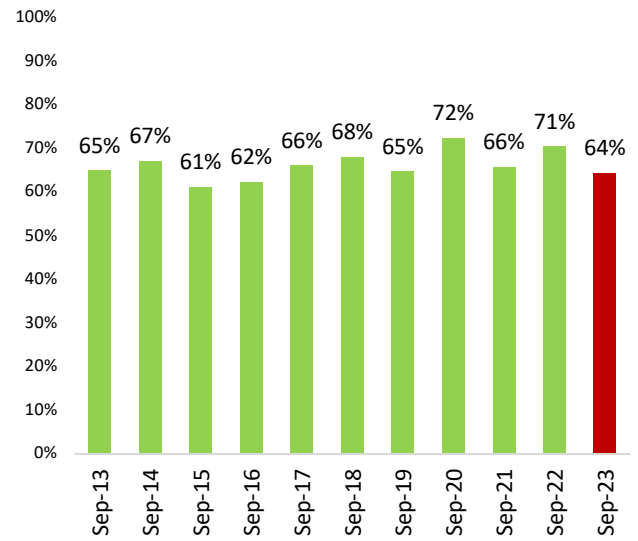
Source: Ministry of Finance

## Revenue Realization to State Budget (%)



Source: Ministry of Finance

## Spending Realization to State Budget (%)



Source: Ministry of Finance

## Our Team

### MACROECONOMIC AND FINANCIAL MARKET RESEARCH

#### Chief Economist

Andry Asmoro

#### Head of Macroeconomic and Financial Market Research

Dian Ayu Yustina

#### Senior Quantitative Analyst

Reny Eka Putri

#### Economist

Andhi Prasetyo Hadi

#### Economist

Shahifa Assajjadiyyah

#### Office Address

Plaza Mandiri 18<sup>th</sup> Floor

Jl. Jend. Gatot Subroto Kav. 36 - 38, Jakarta 12190, Indonesia

Email : [oce@bankmandiri.co.id](mailto:oce@bankmandiri.co.id)

Website: [www.bankmandiri.co.id](http://www.bankmandiri.co.id)

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