

PwC Indonesia Economic Update

Second Quarter 2023



Foreword

The world economy entered 2023 with optimism, fueled by the reopening of China and better-than-expected European economic performance in coping with the Russia-Ukraine conflict. However, since we launched our Q1 report in March 2023 [\[Link\]](#), there have been several notable economic events that downgraded global economic optimism. First, the series of banking collapses in the US and Europe, which highlighted the global financial system's deterioration. Second, the Eurozone officially entered a recession, as marked by GDP contraction in Q4 2022 and Q1 2023. Third, the new normal of a high interest rate is expected to stay as the fight against inflation continues.

Domestically, Indonesia's remarkable economic recovery continues, recording 5.03% YoY GDP growth in Q1 2023. Inflation has moderately decreased since January 2023, touching 4% YoY in May 2023. Exports remain strong and were the largest growth contributor in Q1 2023, recording 11.68% YoY growth as fueled by China's domestic recovery. Investment realisation (foreign and domestic) recorded satisfying growth of 16.5% YoY in Q1 2023. Sector-wise, the Transportation and Storage sector was recorded as the fastest growing in Q1 2023 (15.93% YoY). Meanwhile, the second fastest was the Accommodation and Food & Beverages sector (11.55% YoY). This development highlighted the continuation of recovery of domestic mobility and tourism.

Nevertheless, considering the persistence of global uncertainties, Indonesia's steady economic progress still faces major challenges. We still see international economic factors (trade and investment) as potential sources of weakening of Indonesia's economy. Our growth projection for Indonesia in 2023 stays at 4.8%. This number is in the range of Bank Indonesia's projection of 4.5% - 5.3%, and lower than the Ministry of Finance's latest projection range of 5.1% - 5.7%. This number is also slightly lower than the consensus of 4.9%.

The PwC Indonesia Economic Update is a quarterly publication, focusing on Indonesia's recent economic developments. In this edition, we cover updates on Q1 and Q2 2023. We hope that this report brings significant value to readers, and serves as a guide to those interested in Indonesia's economy.



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Key Points

Gross Domestic Product

1

Indonesia's economic growth remains strong amidst a global economic slowdown, which was driven by improving domestic demand and continued positive export performance. By industry, the growth was mainly led by Transportation and Storage, due to increased community mobility and foreign tourist arrivals.

Inflation

2

Inflation in Q1 2023 was steadily decreasing and recorded at 4.97% (YoY) in March 2023, still above the Bank Indonesia target range of $3.0 \pm 1\%$. Although it remains high compared to the pre-pandemic level, Indonesia's economic prospects remain promising, as reflected in strong domestic demand.

Investment

3

Indonesia's total investment realisation in Q1 2023 amounted to IDR 328.9 trillion, equivalent to 23.5% of the total investment target for 2023. The realised value was primarily contributed to by investments outside of Java, as Central Sulawesi is seen to be the top FDI location for its mineral resources reserves. However, global economic weakening might hinder Indonesia's progress in achieving this year's target.

Infrastructure

4

In 2023, the infrastructure budget is focused on accelerating infrastructure development that supports economic transformation and new growth centres, such as accelerating the completion of national strategic projects (PSN) and promoting the Public Private Partnership (PPP) financing schemes.

Economic and Sectoral Outlook

5

Tighter monetary policy settings motivated by elevated inflation; and slowing global growth are expected to slow Indonesia's economic activity through the second semester of 2023. At the sectoral level, the Indonesian renewable energy and tourism market value are expected to continue to increase, due to Indonesia's commitment to net-zero emissions and rising inbound total tourist arrivals in Indonesia, respectively.

State Budget Realisation

6

The realisation of the Indonesian State Budget in Q1 2023 recorded a surplus of 0.61% of the Gross Domestic Product (GDP), equivalent to IDR 128.50 trillion. The surplus comprises the state income realisation of IDR 647.15 trillion and state expenditure realisation of IDR 518.66 trillion, which are 26.27% and 16.94% of the 2023 targets, respectively.

Policy Highlights

7

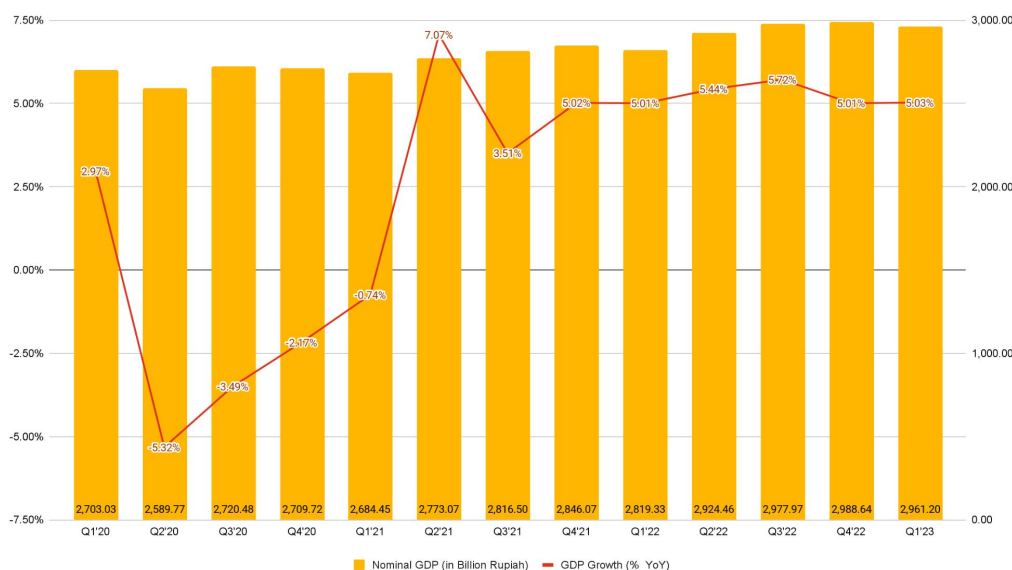
The Government of Indonesia issued Regulation No. 12 2023 to provide facilities for projects in the new National Capital "Nusantara" (Ibu Kota Negara named Nusantara/"IKN"). Although the facilities are not necessarily new in concept, it is generally more attractive and available only for eligible taxpayers in the IKN. The facilities offered include Corporate Income Tax (CIT) reduction, zero-rated (0%) duty on acquiring land and building rights, provision of land/locations for business players, and others.

1. Gross Domestic Product

1. Indonesian Economic Overview

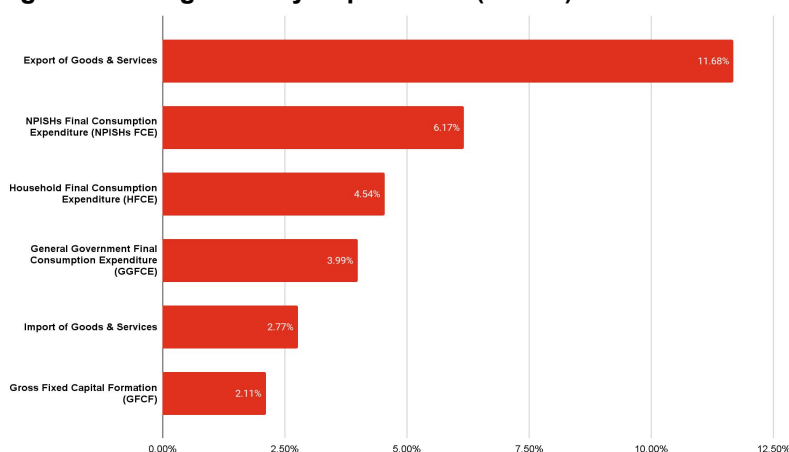
Indonesia's economic growth remains strong amidst a global economic slowdown. This has been driven by improving domestic demand and continued positive export performance. Export growth was supported by strong demand from major trading partners. Household consumption improved in line with increased mobility and increased purchasing power, as well as reduced inflation.

Figure 1. Gross Domestic Product of Indonesia (constant price 2010)



Considering the ongoing weakening at the global level, Indonesia is expected to be a major growth contributor, especially in the Southeast Asia region. **Indonesia has continued to show remarkable economic recovery, with strong growth momentum compared to countries in ASEAN and the G20.** In Q1 2023, Indonesia's economic growth was recorded at **5.03% YoY**, after recording **5.31%** annual cumulative growth in 2022. This realisation **put Indonesia among the fastest-growing globally and was beyond expectations**, as the global economy was experiencing a slowdown. **However, we expect annual economic growth in 2023 to be slowed to 4.8%**, as Indonesia's major global trading and investment partners are expected to experience weakening in 2023. **This projection is in the range of Bank Indonesia's projected growth of 4.5% - 5.3%.** On the other hand, the Ministry of Finance in early 2023 expected 2023 growth to be between 5.3% - 5.7%, which was then downgraded in early June to 5.1% - 5.7%.

Figure 2. GDP growth by Expenditure (% YoY)

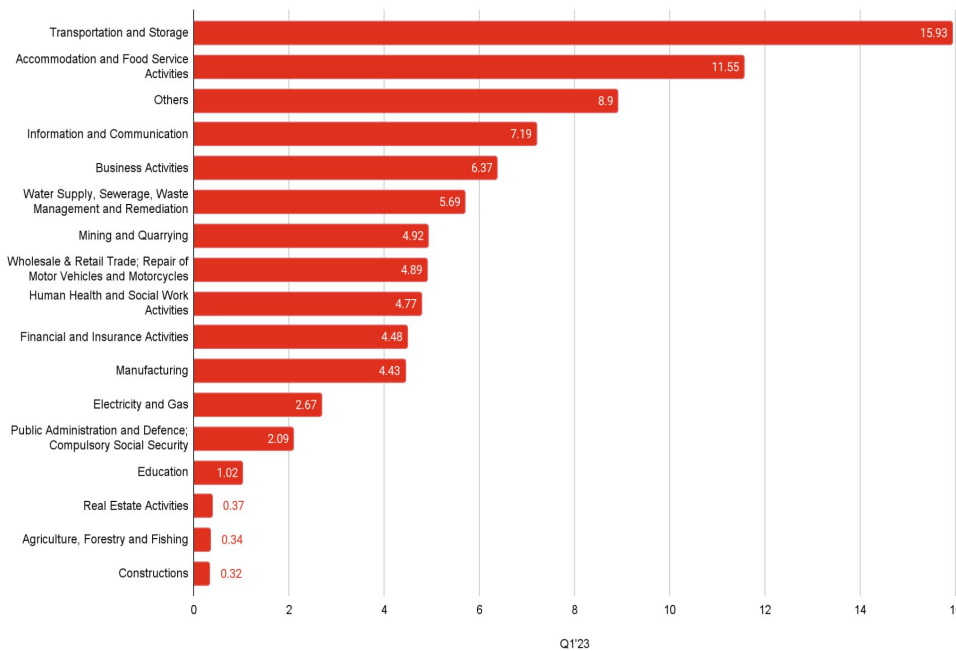


Exports were the fastest growing component supporting GDP in Q1 2023. The growth of 11.68% was due to strong demand from major trading partners. There was an increase in exports to: Vietnam (24.43%; MoM, March 2023), China (15.24%), India (13.25%), Singapore (9.15%), Taiwan (7.95%) and South Korea (7.84%). In addition, exports from the oil and gas sector grew by 12.79% QoQ. Meanwhile, exports from the non-oil and gas sector grew by 9.71% QoQ.

Source: [Central Bureau of Statistics Indonesia \(2023\)](#)

1. Gross Domestic Product

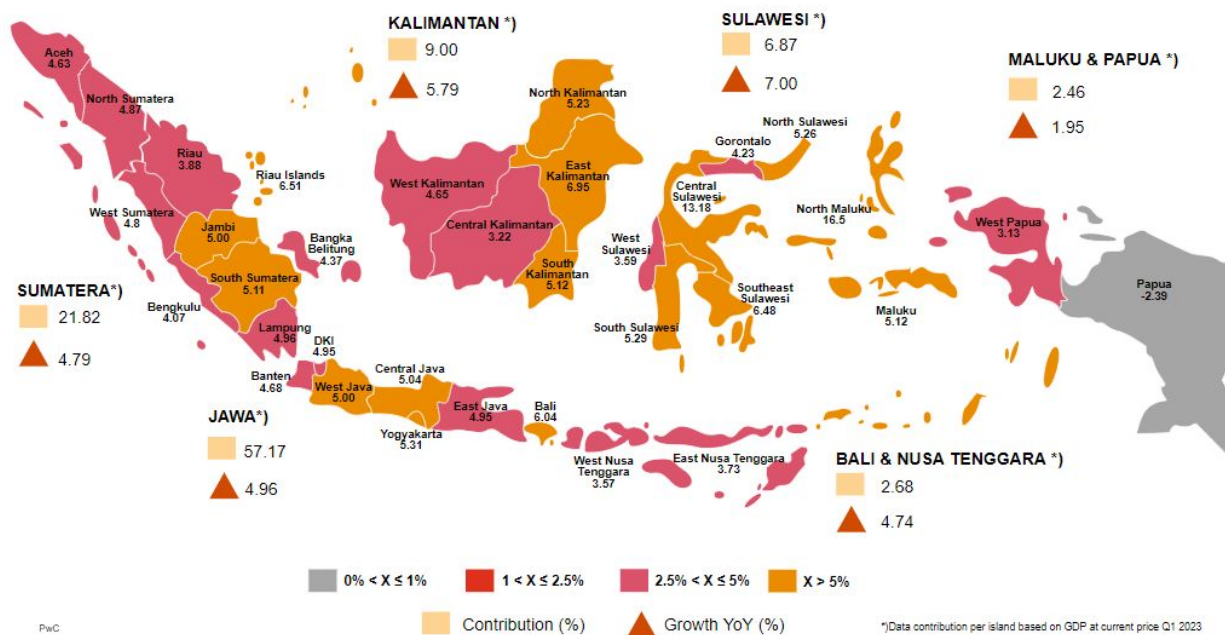
Figure 3. GDP growth by Industry, Q1 2023 (%)



Viewing economic growth from the production side, in the first quarter of 2023 all industries showed positive performance, especially **Transportation and Storage**, which continued to lead by **15.93% (YoY)**. The second position was followed by the Accommodation and Food and Beverage sector with 11.55%. The strengthening pattern was driven by increased community mobility and increased foreign tourist arrivals, due to the holding of several national and international events.

Meanwhile, the lowest growth in Q1 2023 was recorded in the Construction sector, at **0.32% (YoY)**. For the Construction sector, the slow growth in early 2023 could be considered normal, as major projects had not yet started in Q1.

Figure 4. GRDP Growth Rate, Q1 2023 (%)



Spatially, data showed that all provinces experienced positive growth in Q1 2023, with **Java Island** remaining the **largest domestic GDP contributor** at 57.17%, with the highest growth being recorded in the province of **Yogyakarta at 5.31% (YoY)**. The second largest GDP contributor was Sumatra Island with a 21.82% share, with Riau Islands (6.51%) province being recorded as the fastest-growing province. However, overall, the highest economic growth was recorded in the provinces of **North Maluku at 16.5%** and **Central Sulawesi (13.18%)**, partly influenced by nickel investment surges in the region.

Source: *Central Bureau of Statistics Indonesia (2023); Simreg Bappenas (2023)*

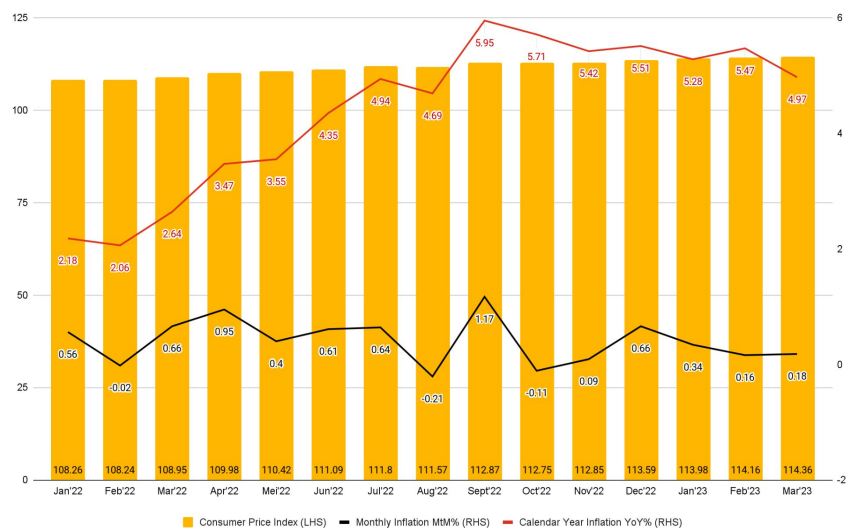
2. Inflation

2. Inflation

Inflation in Q1 2023 was steadily decreasing, although it remained above the Bank Indonesia target range of 3.0 ± 1%. In March 2023, inflation was recorded at 4.97% (YoY), with a Consumer Price Index (CPI) of 114.36. Although inflation remains high compared to the pre-pandemic level, Indonesia's economic prospects remain promising, as reflected in strong domestic demand.

Among the largest inflation contributors were: the Food, Beverage and Tobacco group with 6.05%, the Transportation group with 13.72%; and the Food and Beverage/Restaurant Supply group with 4%; as well as the Personal Care and Other Services group with 4.74%. Meanwhile, the expenditure group that experienced deflation was the Information, Communication and Financial Services group, with deflation of 0.23 percent.

Figure 5. Consumer Price Index (LHS), Monthly Inflation % MoM (RHS), and Calendar Year Inflation % YoY (RHS)



The foodstuffs group in March 2023 experienced inflation of 5.72% YoY. Commodities contributing to inflation were rice, cayenne pepper and garlic, and those contributing to deflation were staple foods (red chilis and shallots). Based on data from the National Strategic Market Price Information Center (PIHPSN), rice prices were recorded in the range of IDR 13,400-13,500/kg throughout February; this high price level had never been recorded in PIHPSN records before.

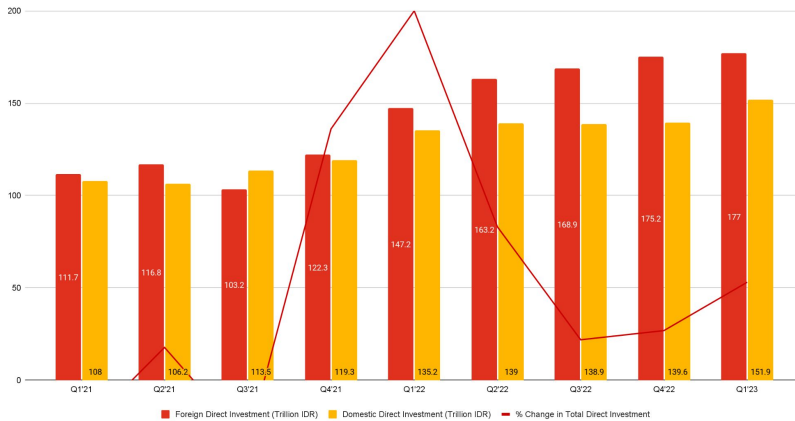
Going forward, Bank Indonesia expects that core inflation will remain under control within the range of 3.0 ± 1% in the first half of 2023, and that CPI inflation will return to the target range starting in September 2023, following the phasing out of the effect of fuel (BBM) price subsidy adjustments imposed last year.

Sources: [BPS Statistics \(2023\)](#) and [Bank Indonesia \(2023\)](#)

3. Investment

3. Investment Condition

Figure 6. Investment Realisation in Indonesia (Q1 2023)

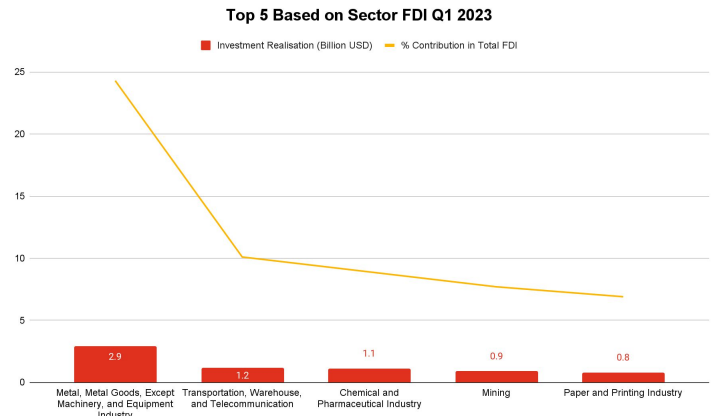
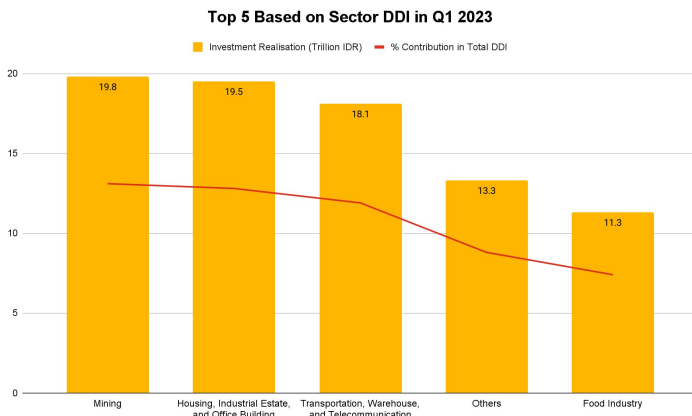


Indonesia's total investment realisation in Q1 2023 amounted to IDR 328.9 trillion, which is **23.5%** of the total investment target for 2023. Investment growth in Q1 2023 increased by 16.5% YoY (4.5% QoQ). Aligned with the increase in investment was the increase in employment, recorded at 15.24% QoQ growth, with an increase of 384,892 people in employment.

The Government of Indonesia is optimistic to achieve the target of 1,400 trillion IDR investment in 2023. Nevertheless, global economic weakening might hinder Indonesia's progress in achieving the target. Apart from that, the domestic reform agenda to improve ease of doing business and the ongoing political year have made investors 'wait and see'.

Overall, **the realisation of investments outside Java Island has been greater than within Java Island**, contributing 52.6% to total investment in Q1 2023 and growing by 16.3% YoY. On the other hand, total FDI realisation grew by 20.2% YoY, and DDI grew by 12.4% YoY. The tendency to invest outside Java is growing stronger, motivated by several factors such as cheaper labour costs, infrastructure and logistics flow improvement, better access to raw materials, and the push from the government to the downstreaming policy.

Figure 7. Investment Based on Sector



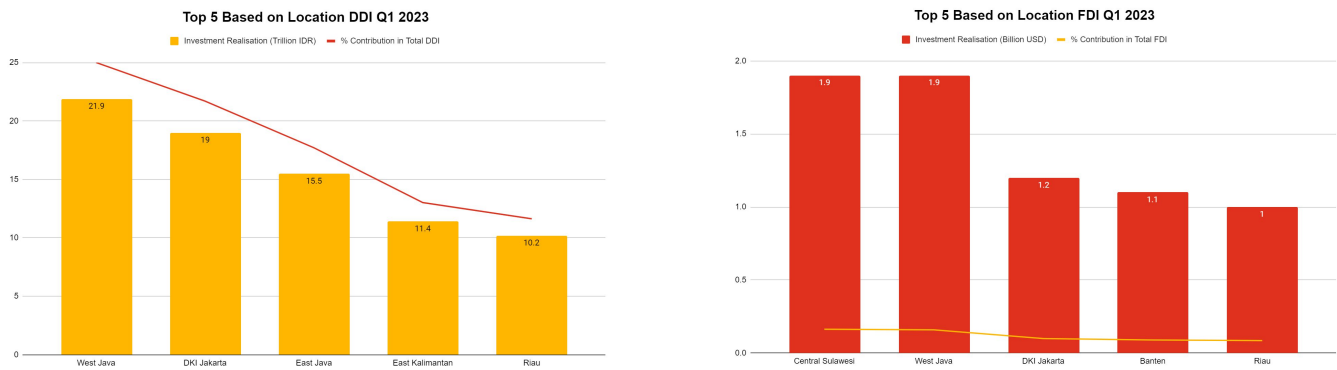
Based on data from the Ministry of Investment for Q1 2023, **the sector with the highest Domestic Direct Investment realisation was the Mining sector**. The second highest was Housing, Industrial Estate, and Office Building, and the third highest was Transportation, Warehouse, and Telecommunications. On the other hand, the sector that contributed most to the realisation of foreign investment was Metal Industry, Metal Goods, except for Machinery and Equipment; the second was Transportation, Warehouse and Telecommunications, and the third was the Chemical and Pharmaceutical Industry.

Source: *The Investment Coordinating Board (2023)*

Note: Investment realisation value refers to delta / new investment amount realised in the respected period. YoY growth in Q1 2023 is calculated based on delta / new investment realisation value in Q1 2023 compared to Q1 2022.

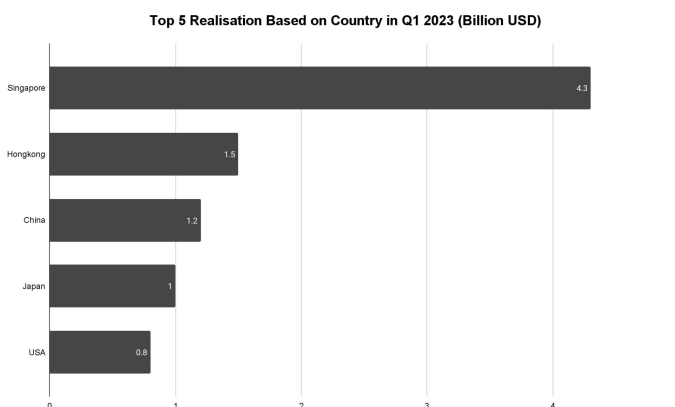
3. Investment

Figure 8. Investment Based on Location



Overall, the provinces that received the most investment realisation in the first quarter of 2023 were West Java with IDR 50 trillion, DKI Jakarta with IDR 36.5 trillion, East Java with IDR 30 trillion, Central Sulawesi with IDR 29.8 trillion, and Banten with IDR 25.7 trillion. The figures outline that investments are spread across regions in Indonesia, in contrast with a decades-long pattern of Java-centric investment. Central Sulawesi was recorded as the province with the highest FDI realisation in Indonesia. One major cause is Central Sulawesi mineral resources reserves, which include oil, gas, coal, and nickel. Another notable non-Java province is Riau, which also recorded high investment realisation, dominated by the electricity, gas, water, and paper and printing industries. As for West Java and DKI Jakarta, both domestic and foreign investment have been steadily high, and in recent years investment in these two provinces has been dominated by Transportation, Warehouses and Telecommunications, Housing, Industrial and Office Areas, followed by the Motor Vehicle industry and Other means of Transportation.

Figure 9. Investment Based on Country



In Q1 2023, **Singapore led** as the country with the highest realised investment, with USD 4.3 billion. Hong Kong took second place with USD 1.5 billion, followed by China with USD 1.2 billion, Japan with USD 1 billion, and the United States with USD 0.8 billion. China has been consistently one of the largest sources of investment in Indonesia since 2000s, although the value of Chinese investment in Q1 2023 decreased, due to the slow economic recovery in the Chinese economy.

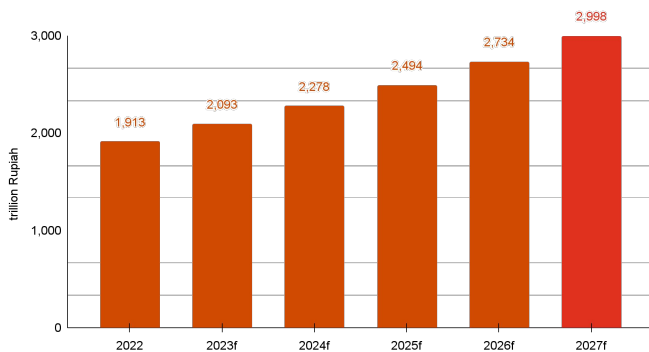
Singapore's investment interest lies mainly in the fields of renewable energy, the digital sector, and human resource development in information technology.

Source: *The Investment Coordinating Board (2023)*

4. Infrastructure

4.1 Infrastructure Industry Outlook

Figure 10. Infrastructure Industry Value



Infrastructure Construction Industry Value, 2021-2026f (trillion rupiah)

2022	2023f	2024f	2025f	2026f	2027f
1,913	2,093	2,278	2,494	2,734	2,998

Source: Fitch (2023)

4.2. Infrastructure Projects Highlights in Q1 2023

A five-year infrastructure and finance agreement, valued at USD 698 million, was signed between Indonesia and the US

In April 2023, Sri Mulyani, the Indonesian Minister of Finance, and Janet Yellen, the US Secretary of the Treasury, signed the Indonesia Infrastructure and Finance Compact, valued at USD 698 million (or IDR 10.2 trillion). The US government's Millennium Challenge Corporation (MCC) and the Government of Indonesia (GoI) committed to contributing USD 649 million (or IDR 9.5 trillion) and USD 49 million (or IDR 718 billion) to the compact, respectively. The compact will involve three programmes worth over US\$ 1 billion in total, and aims to improve access to finance for the country's transport and logistics infrastructure and MSMEs, which are:

1. The Advancing Transport and Logistics Accessibility (ATLAS) Project - to improve infrastructure planning and preparation at the sub-national level (South Sumatra, North Sulawesi, Riau, Riau Islands, and Bali).
2. The Access to Finance for Women-Owned/Micro-, Small and Medium Enterprises Project - to increase formal lending services to MSMEs, particularly women-owned MSMEs.
3. The Financial Markets Development (FMD) Project - to provide technical assistance and blended financial grants for the private sector participation, or commercially oriented finance in infrastructure investments.

Sources: Fitch (2023); US Embassy in Indonesia (2023); Kompas (2023); Detik (2023); Katadata (2023)

Indonesia's high-speed railway concession period is requested to be extended to 80 years

The operator of Indonesia's high-speed railway project, Kereta Cepat Indonesia Cina (KCIC), requested a concession extension to 80 years from the initial 50-year period. A calculation regarding the extended concession period was made and submitted to the Indonesian Ministry of Transportation. The extension was requested due to some changes that could alter the profitability of the investment. Although the calculation deems the extension feasible and the Directorate General of Railways from the Ministry of Transportation mentioned that the extension is possible, the formal approval or permit for the extension has not yet been given. Cost overrun, extended construction period, and changes in the business scheme are among the reasons behind the request for the concession period extension.

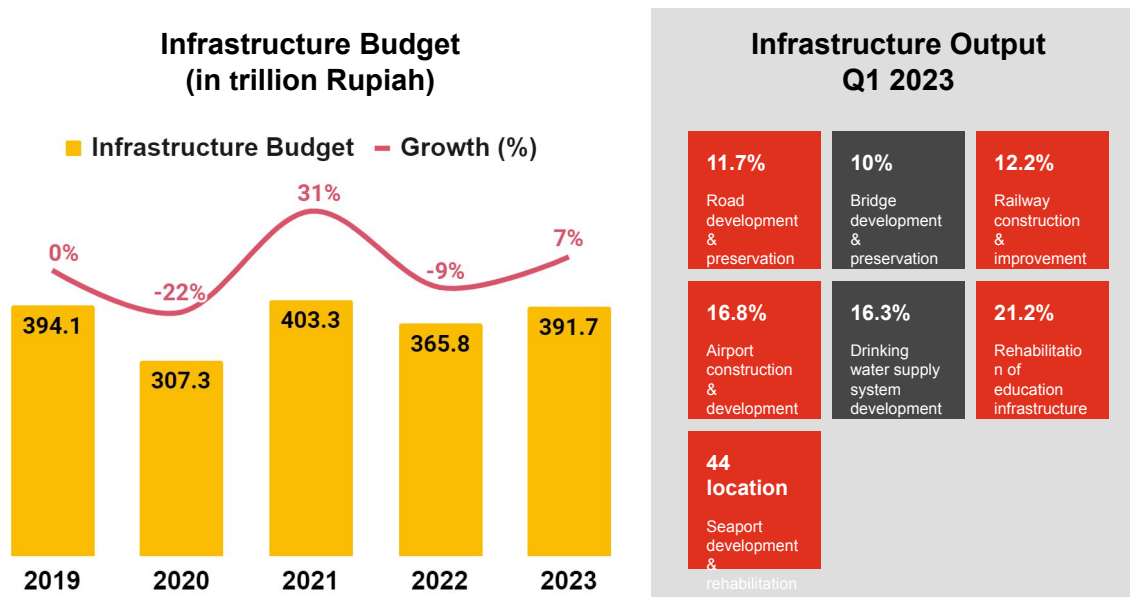
Construction for sections 1 and 3 of the South Sumatra-Jambi Toll Road will be funded by the state budget

Construction of the Betung-Tempino-Jambi toll road that connects South Sumatra and Jambi was planned to begin as soon as the contract between the Ministry of Public Works and Housing and the service provider was signed on 17 May 2023. The construction for sections 1 and 3 of the toll road will be funded by the 2023-2024 state budget. Section 1, with a road length of 7.62 km and contract value of IDR 1.61 trillion, will be constructed by PT Adhi Karya, PT Waskita Karya and PT Jaya Konstruksi. Section 3, with a road length of 15.47 km and contract value of IDR 2.75 trillion, will be constructed by PT Hutama Karya, PT Wijaya Karya and PT Brantas Abipraya. In addition, the contract for section 2 construction of the toll road and two supervision works will follow, and is currently awaiting approval from the Ministry of Public Works and Housing.

4. Infrastructure

4.3. Infrastructure Budget

Figure 11. Infrastructure Budget and Infrastructure Output



Sources: Ministry of Finance (2023)

In 2023, the infrastructure budget is directed at accelerating infrastructure development that supports economic transformation and new growth centres, with the following policy directions: (1) accelerating infrastructure development to fulfill basic services*; (2) supporting equitable access to information and communication technology (ICT) infrastructure in supporting economic activities; (3) infrastructure development that supports economic transformation (energy, food, connectivity and transportation); (4) supporting the gradual and sustainable completion of national strategic projects (PSN) and the development of the National Capital (IKN); (5) increasing the synergy of funding efforts between ministries/institutions, both centrally and regionally, through the implementation of the Public Private Partnership (PPP) financing schemes.

In addition, the Government of Indonesia asserts that Kemenkominfo will continue the BAKTI Base Transceiver Station (BTS) projects despite the ongoing corruption case proceeding related to the project. The decision to continue the project is motivated by the fact that the project has been ongoing for 14 years and has significant importance in increasing communication access to remote areas across the country.

Sources: Ministry of Finance (2023), Tempo (2023)

Note: * including access to proper housing and settlements; and drinking water and sanitation, whose fulfilment must be ensured in order to create a healthy and productive society.

5. Economic & Sectoral Outlook

5.1. Economic Outlook

Figure 12. Indonesia Economic Outlook

Indicator	Unit	Actual		Projection		
		2021	2022	2023	2024	2025
Real GDP	% YoY	3.7	5.31	4.8	4.9	5.0
CPI (year-average)	% YoY	1.6	4.2	4.0	3.3	3.3
Fiscal balance	% of GDP	-4.6	-0.8	-2.7	-2.3	-2.1
Current account balance	% of GDP	0.3	1.0	0.0	-0.9	-2.1
Policy interest rate (year-end)	%	3.5	5.5	6.0	5.5	6.25
Fed fund rate	%	0.1	4.4	5.1	4.3	3.1
European Central Bank rate	%	0.0	2.0	4.0	3.0	3.0

Sources: PwC Global Economic Watch, European Central Bank

In March 2023, The Federal Reserve announced a quarter percentage point interest rate increase, expressing caution about the recent banking crisis and in June indicating that hikes are expected to continue until the end of year. Along with its ninth hike since March 2022, the rate-setting Federal Open Market Committee noted that future increases are likely and will depend largely on incoming data. Projections released along with the rate decision point to a peak rate of 5.1%, unchanged from estimates in December. Furthermore, for the next two years' worth of projections, the median of the estimates points to a 0.8 percentage point reduction in rates in 2024, and 1.2 percentage points worth of cuts in 2025.

IHS

Markit;

Federal

Reserve;

After recording annual real GDP growth of 5.31% in 2022, Indonesia's economic growth is expected to slow to 4.8% in 2023. Inflation is expected to remain elevated through mid-2023, albeit steadily decreasing compared to 2022. Combined with tighter monetary policy settings, as well as slowing global growth, Indonesia's economic growth is expected to slow through the second semester of 2023.

After annual average consumer price inflation was recorded at 4.2% in 2022, analysts anticipate it easing slightly, to 4.0% in 2023, with inflation holding at the upper limit of Bank Indonesia's 2%-4% target heading into third quarter 2023. The forecast remains elevated in 2023, owing to high food prices during the Ramadan holiday season, as well as the risk of additional subsidy adjustments for lower-income households. Businesses are expected to steadily raise their prices for consumer goods, after absorbing the significant input price increases since 2020.

The 2023 budget plans call for a deficit of 2.8% of GDP, which is below the 3%-of-GDP fiscal cap, as planned. This scenario will require reductions in fiscal spending, partly supported by the government's decision to raise the prices for subsidised petrol and diesel fuels in September 2022. That said, the government appears to still be benefiting from strong revenue growth in the first quarter of 2023, resulting in a fiscal surplus estimated at 0.6% of GDP for the quarter.

In April 2023, Bank Indonesia expressed confidence that the banking failures in the US and Europe would not directly impact Indonesia. BI also emphasized their focus in 2023 would be on maintaining stability, with focus on inflation, exchange rate, and risk differentials.

Forecasters expected the European Central Bank's main refinancing operations interest rate to increase to 3.75% in the second quarter of 2023, before rising further to stand at 4.0% in the third quarter. They expect it to remain around this level for the remainder of 2023, before declining slightly in 2024 and falling to 3.0% in 2025.

5. Economic & Sectoral Outlook

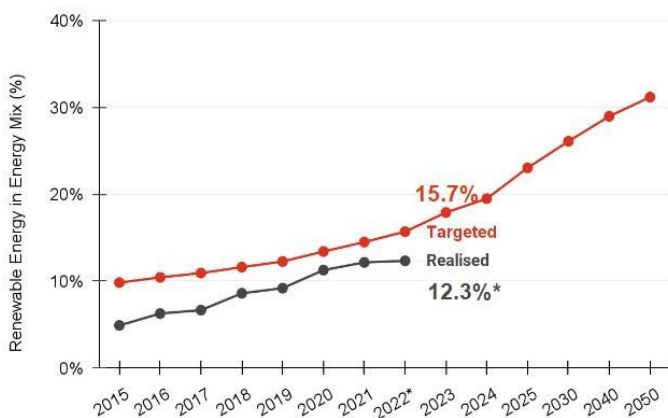
5.2. Selected Sectors Outlook

5.2.1 Renewable Energy Sector

The Government of Indonesia (GoI) has been focusing on reducing carbon emissions by promoting renewable energy and focusing on clean coal technologies. The GoI developed the National Energy General Plan/Rencana Umum Energi Nasional (RUEN) in 2017, which set targets for the renewable energy share of the national energy mix for 2015-2050. Under RUEN, Indonesia's renewable energy share is targeted to reach 23% by 2025 and 31% by 2050.

Despite being behind the target, as the most recent realised share was at 12.3% in 2022, the GoI has announced its plan to replace the general plan with a more determined grand strategy.

Figure 13. Targeted and Realised Renewable Energy Share in National Energy Mix (%)

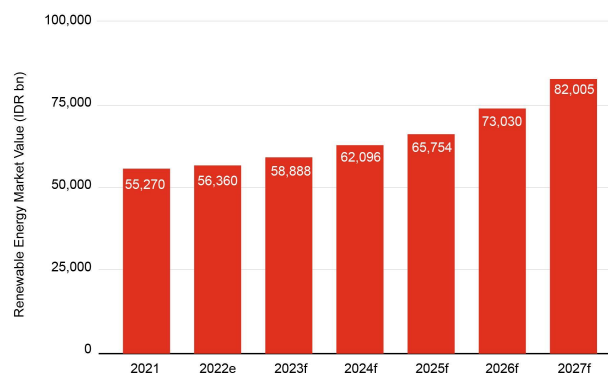


Sources: Ministry of Energy and Mineral Resources
*provisional data for 2022

It was announced that RUEN would soon be replaced with the National Grand Energy Strategy/Grand Strategi Energi Nasional (GSEN), in which by 2060 it targets complete fulfilment of new energy demand by using renewable energy in the national energy mix, with a total capacity of 700 Gigawatts (GW).

Sources: Ministry of Energy and Mineral Resources; Marketline; Indonesian Directorate General Immigration; VOA Indonesia; Fitch (2023)

Figure 14. Forecasted Indonesian Renewable Energy Market Value (Revenue in IDR billion)



	2021	2022	2023	2024	2025	2026	2027
Projected Growth (% YoY)	6.6	2.0	4.5	5.4	5.9	11.1	12.3

Sources: Marketline

*2022 data is still provisional, while 2023 data onwards is forecasted

Indonesian renewable energy market value is estimated to increase continuously in the coming years. This is supported by the GoI's commitment to speed up progress towards net-zero emission goals; cost reduction for renewable energy due to increasing technological advancement; and Indonesia's abundant renewable energy resources (e.g. Indonesia is the second largest geothermal energy producer, with around 40% of global geothermal energy potential).

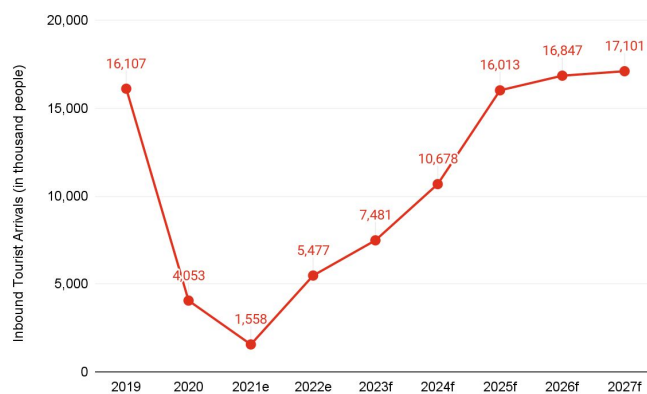
5. Economic & Sectoral Outlook

5.2.2 Tourism Sector

The tourism sector, both in Indonesia and globally, is expected to continue experiencing steady growth in 2023, after the severe decline during the peak of the COVID-19 pandemic in 2020 to 2021. The easing of COVID-19 restrictions and reopening of China's economy are significant contributors to the positive outlook in 2023. It is also important to note that the sector has recovered faster than expected in 2022.

Due to the lasting effect of COVID-19, it is estimated that Indonesia will only start to reach its pre-pandemic inbound tourism levels between 2025 and 2026. The Indonesian Ministry of Tourism and Creative Economy launched an electronic Visa on Arrival (e-VOA) and Second Home Visa in November and December 2022, respectively, as part of the attempts to revive the Travel and Tourism (T&T) sector.

Figure 15. Inbound Total Tourist Arrivals in Indonesia



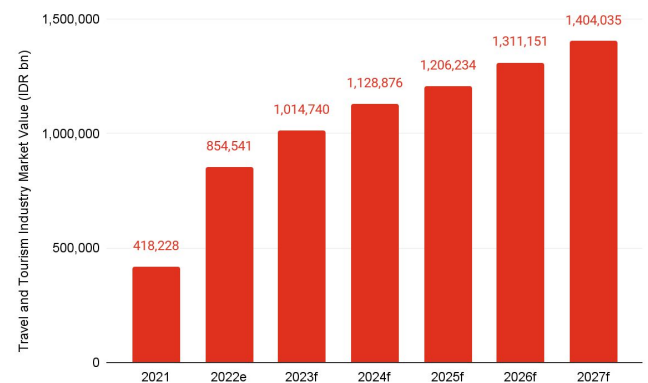
Sources: Fitch
*2022 data is still provisional, while 2023 data onwards is forecasted

Indonesia has recently started to promote sports tourism through the Mandalika Circuit located in Lombok, which was utilised to hold MotoGP 2022. The Minister of Tourism and Creative Economy claimed the event had contributed IDR 4.5 trillion economic impacts to the Indonesian economy in 2022.

Sources: Indonesian Directorate General Immigration (2023); VOA Indonesia (2023); Fitch (2023); Marketline (2023)

Given the T&T sector's nature that covers both Business-to-Business (B2B) and Business-to-Consumer (B2C) types of businesses, the positive forecasted tourist arrival trend may translate to significant improvement in the sector's market value.

Figure 16. Forecasted Indonesian Tourism Sector Market Value (IDR billion)



	2021	2022	2023	2024	2025	2026	2027
Growth (% YoY)	-3.6	104.3	18.7	11.2	6.9	8.7	7.1

Sources: Marketline
*2022 data is still provisional, while 2023 data onwards is forecasted

6. State Budget Realisation

6.1. State Budget Realisation Q1 2023

Figure 17. State Budget Realisation Q1 2023

State Budget (in trillion Rupiah)	2022			2023		
	State Budget	Realisation until Q1	% of State Budget	State Budget	Realisation until Q1	% of State Budget
A. State Revenue	2,266.20	501.76	22.14	2,463.02	647.15	26.27
I. Domestic Revenue	2,265.62	501.66	22.14	2,462.62	647.14	26.28
1. Tax Revenue	1,783.99	402.42	22.56	2,021.22	504.48	24.96
2. Non-Tax Revenue	481.63	99.24	20.6	441.39	142.66	32.32
II. Grant	58	0.11	18.7	0.41	0.01	3.34
B. State Expenditure	3,106.43	490.67	15.8	3,061.18	518.66	16.94
I. Central Government Expenditure	2,301.64	314.21	13.65	2,246.46	347.27	15.46
1. Line Ministries	945.75	149.98	15.86	1,000.84	166.93	16.68
2. Non-Line Ministries	1,355.89	164.23	12.11	1,245.61	180.34	14.48
II. Regional Transfer & Village Fund	804.78	176.46	21.93	814.72	171.39	21.04
C. Primary Balance	-434.36	95.49	-21.98	-156.75	228.76	-145.93
D. Surplus (Deficit)	-840.23	11.09	-1.32	-598.15	128.5	-21.48
% Deficit to GDP	-4.5	0.06		-2.84	0.61	
E. Financing	840.23	139.76	16.63	598.15	203.72	34.06

Sources: Ministry of Finance

The State Budget in Q1 2023 recorded a surplus of 0.61% of the Gross Domestic Product (GDP), while in Q1 2022 the State Budget surplus was 0.06% of GDP. Realisation of State Revenue reached IDR 647.15 trillion. On the other hand, the realisation of State Expenditure reached IDR 518.66 trillion.

Realisation of State Revenue in Q1 2023 has been 26.27% of the annual target. Realisation of Tax Revenue has reached IDR 504.48 trillion, or 24.96% of the target, while Non-Tax Revenue recorded a realisation of IDR 142.66 trillion (32.32% of the target). Grant receipts were realised at IDR 13.67 billion, lower than the realisation for the same period in 2022, which reached IDR 108.41 billion.

State spending has realised 16.94% of the target. Central Government Expenditure has reached IDR 347.27 trillion (15.46% of the target). This realisation consisted of the realisation of Line Ministries of IDR 166.93 trillion (16.68% of the target), and the realisation of Non-Line Ministries spending which reached IDR 180.34 trillion (14.48% of the target). Regional Transfers and Village Fund realisation amounted to IDR 171.39 trillion (21.04% of the target), lower than the realisation in the same period in 2022, of IDR 176.46 trillion.

Based on the realisation of the State Income and State Expenditure, until March 31, 2023 the State Budget was in surplus of IDR 128.50 trillion (0.61% of GDP), and the primary balance also experienced a surplus of IDR 228.76 trillion. Meanwhile, the realisation of Budget Financing amounted to IDR 203.72 trillion (34.06% of the target).

Sources: Ministry of Finance (2023)

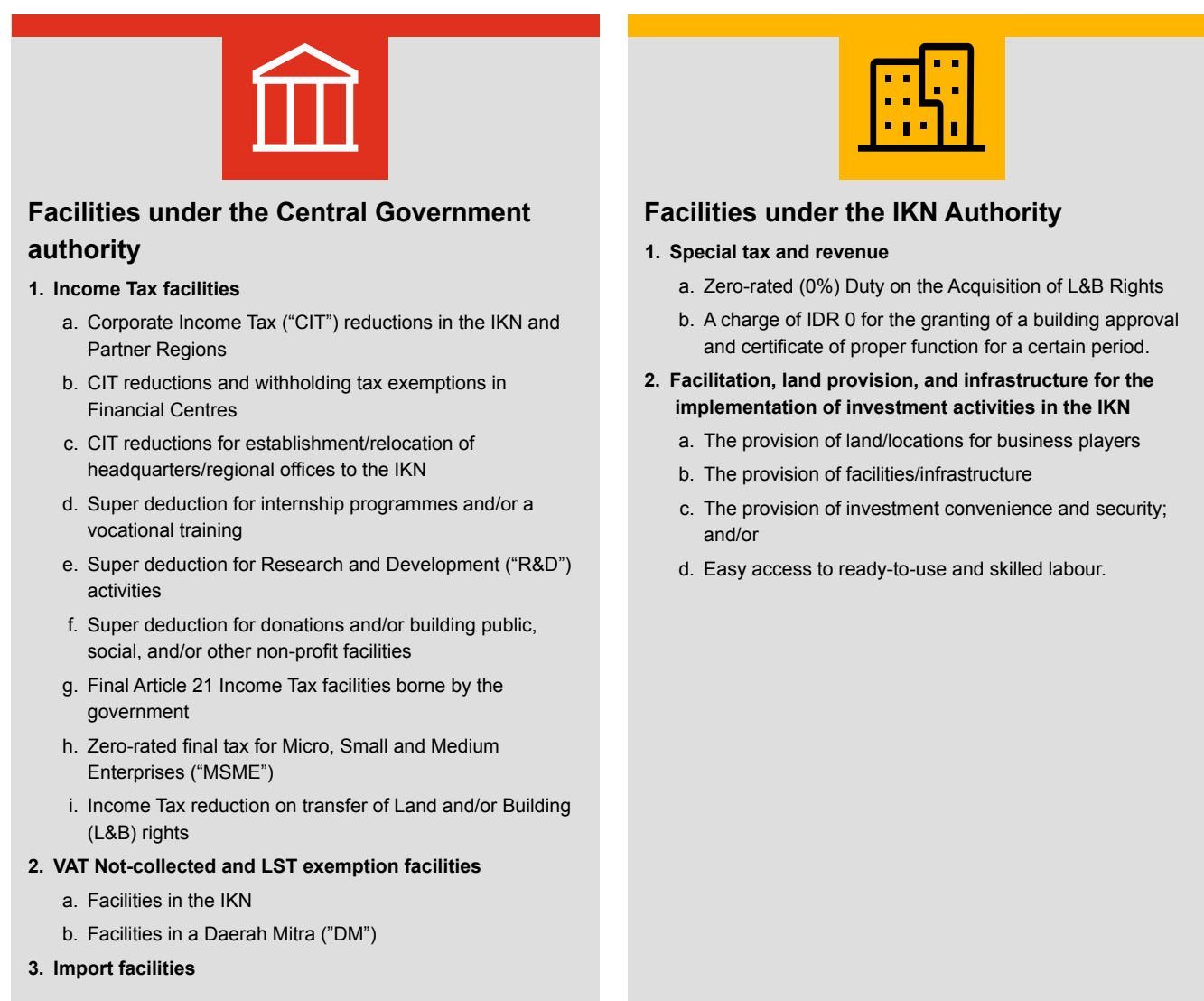
7. Policy Highlights

7.1. Facilities for Business Players in IKN

On 6 March 2023, the Government issued Regulation No. 12 2023 to provide facilities for projects in the new National Capital “Nusantara” (Ibu Kota Negara bernama Nusantara/”IKN”). These facilities were introduced under the IKN Law, and are dated and effective on 6 March 2023.

The GR facilities are not necessarily new in concept but are generally more attractive, and available only for eligible taxpayers in the IKN. The GR-12 facilities can generally be applied for through the Online Single Submission (“OSS”) or the electronic channel within the Ministry of Finance. GR-12 facilities cover business licensing, the ease of doing business, and capital investment. This section only covers the capital investment facilities, as follows:

Figure 18. Government Regulation No.12 Year 2023



Sources: PwC; Government Regulation No.12 Year 2023 (GR-12); Law No.3 Year 2022 on IKN (IKN Law)

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