



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

Indonesia Fiscal Framework: For a Better Future amidst Global Challenges

Tokyo Fiscal Forum

Imperial Hotel, Japan. 11-12 June 2025



01

Global Challenges and Macroeconomic Updates



02

Structural Reform (Lessons Learn)



03

Strategic Policy 2025 - 2026



Global Challenges and Macroeconomic Updates

01

THE WORLD IS CHANGING: GEOPOLITICS IS ERODING MULTILATERALISM & FUELING PROTECTIONISM, WHILE STATE DOMINANCE IN ECONOMIC & SOCIAL AFFAIRS IS INCREASING

Global multilateral institution is weakening



Multilateral System

Unilateralism
(State-led intervention)

The decline of economic cooperation

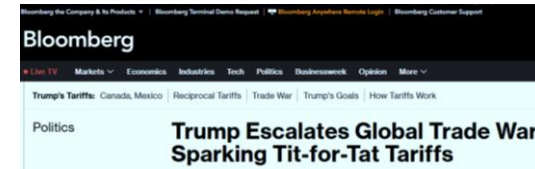
- G7 faltering BRICS rising
- Lack of consensus in global economic policy

Inward looking policy

- Geostrategy
- Protectionism

The fall of rules-based trading system

- Friendshoring and nearshoring practices
- Regional trade blocs
- Bilateral deal-making principle
- Unilateral actions and retaliation
- Rising disputes at the WTO

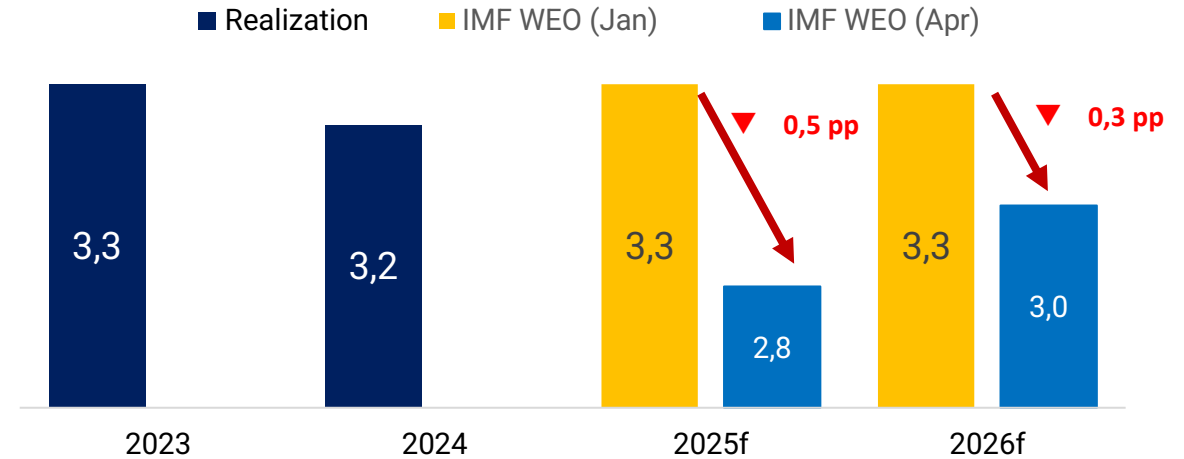


TRADE WARS TRIGGER INSTABILITY AND THREATEN GLOBAL ECONOMIC PROSPECTS

The global economy is expected to slow down due to the tariff war



Global Economic Growth (% , yoy)



Country	January Forecast		IMF April Forecast (Changes from January Forecast)	
	2025f	2026f	2025f	2026f
US	2.7	2.1	1.8 (▼0.9)	1.7 (▼0.4)
China	4.6	4.5	4.0 (▼0.6)	4.0 (▼0.5)
EU	1.0	1.4	0.8 (▼0.2)	1.2 (▼0.2)
Japan	1.1	0.8	0.6 (▼0.5)	0.6 (▼0.2)
India	6.5	6.5	6.2 (▼0.3)	6.3 (▼0.2)
Indonesia	5.1	5.1	4.7 (▼0.4)	4.7 (▼0.4)

THE IMPACT ON INDONESIA IS LIMITED, BUT IT NEEDS TO BE MONITORED CONTINUOUSLY. BEING ALERT TO OPPORTUNITIES IS KEY

The Dynamics of U.S. Reciprocal Tariffs



2 April 2025

US Liberation Day



9 April 2025

➤ **China: 145%**
➤ **Other Countries: 10%**
(for 90 days)



11 April 2025

**China Retaliates, Tariffs
on the U.S.: 125%**



12 Mei 2025

**90-Day Delay & Tariff
Reduction**
US to China: 145% ⇒ 30%
China to US: 125% ⇒ 10%



*The direct impact of U.S.
tariff policy on Indonesia is
relatively limited*

Indonesia total export Share to GDP
in 2024

22.2%
GDP

Indonesia export to US as share to
GDP in 2024

2.1%
GDP

**Export Commodities
Most Affected by U.S.**

Tariffs: Palm oil,
machinery/electrical
equipment, knitted clothing
and accessories, footwear,
and non-knitted clothing and
accessories

**The Indirect Impact on the Domestic
Economy Needs to be Watched Closely**



Global Economic Growth



Commodity prices



Consumer & business confidence



Financial sector performance

**The government is
committed to prepare early
mitigation measures**



Commodity prices are overshadowed by economic and geopolitical uncertainty

Copper prices rebounded due to market speculation following increased US tariffs on steel and aluminum.

ENERGY

Brent (US\$/barrel)

MOM: 6%
YTD: -13.0%
YOY: -15.0%



Coal (US\$/Metric Ton)

MOM: 7.5%
YTD: -15.9%
YOY: -21.0%



AGRICULTURE

CPO (US\$/Ton)

MOM: -2.8%
YTD: -17.6%
YOY: 18.7%



Rice (US\$/cwt)

MOM: 5.7%
YTD: -5.0%
YOY: -24.6%



METAL

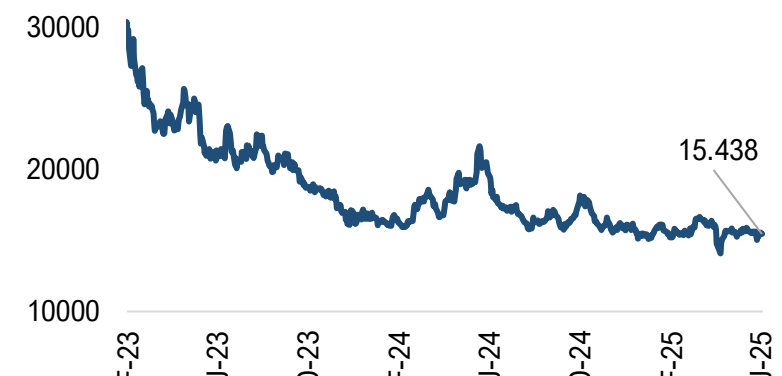
Copper (US\$/MT)

MOM: 2.9%
YTD: 9.9%
YOY: 3.1%



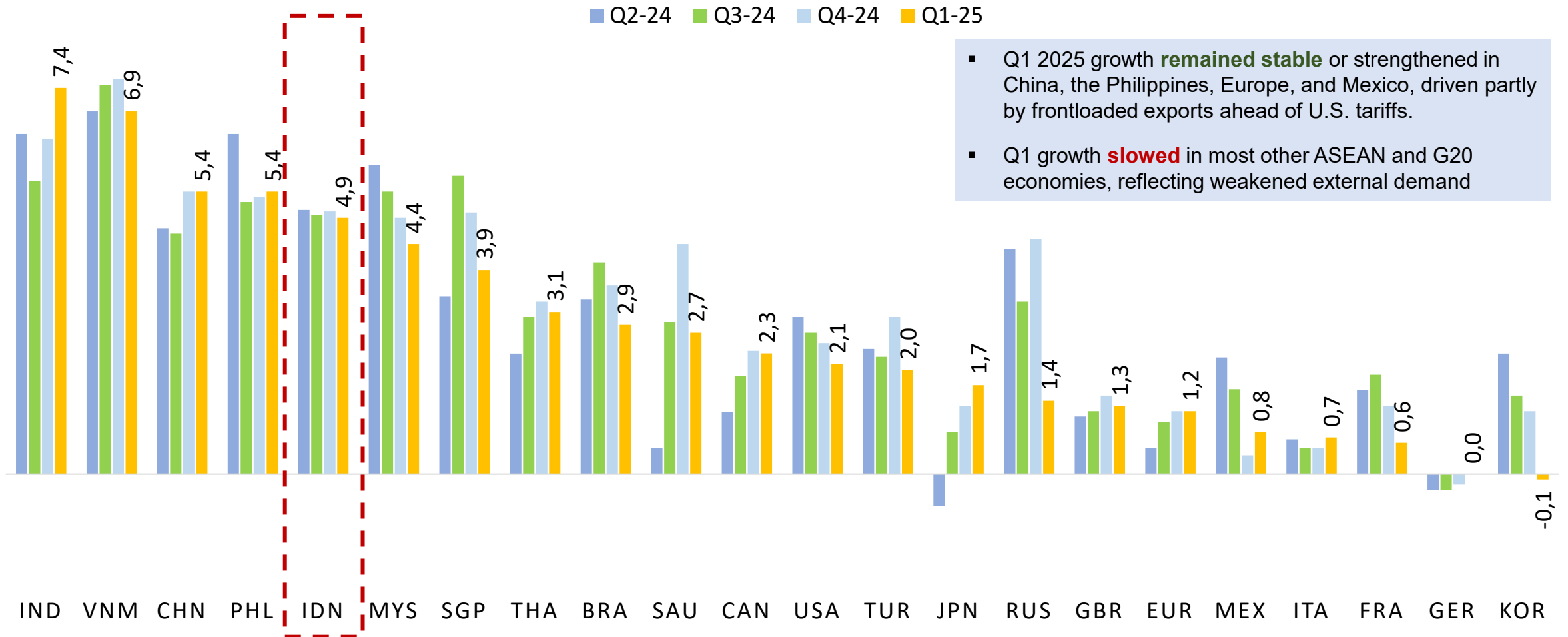
Nickel (US\$/MT)

MOM: -0.3%
YTD: 0.7%
YOY: -11.8%



DESPITE GLOBAL TURMOIL, INDONESIA'S ECONOMY REMAINS STABLE

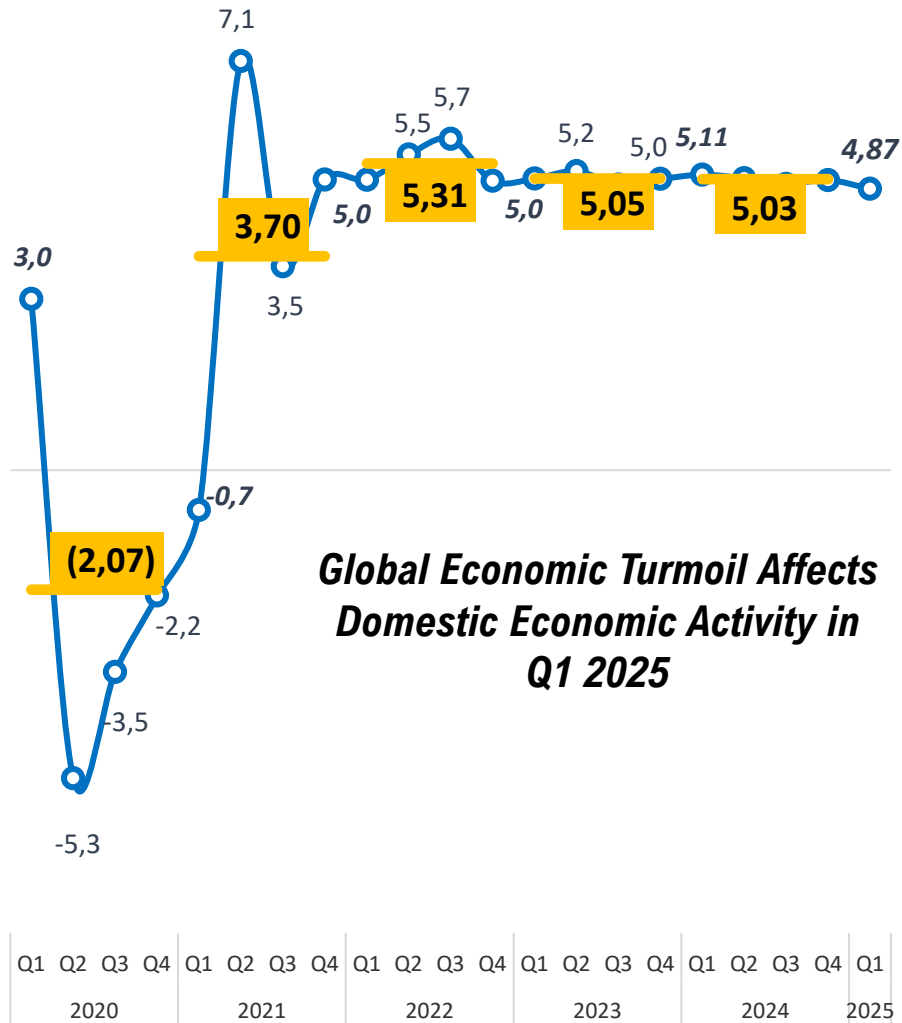
Economic Growth of Selected ASEAN-6 and G20 Countries (% YoY)



INDONESIAN ECONOMY GROWS 4.87% IN THE FIRST QUARTER OF 2025

Supported by household consumption which grew 4.89%, while manufacturing grew 4.55%

Economy Growth (% ,yoy)



GDP Growth: Expenditure (% ,yoy)

Household Consumption

(Dist. Q1 2025 % PDB)
(54,53%)

Investment

(28,03%)

Gov. Consumption

(5,88%)

Non-Profit Consumption

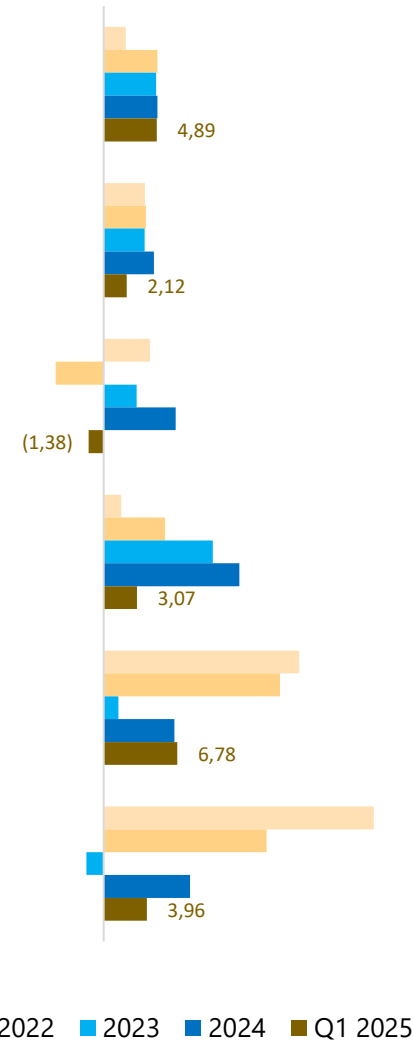
(1,39%)

Export

(22,30%)

import

(-19,74%)



GDP Growth: Expenditure (% ,yoy)

Manufacturing

(19,25%)

Trade

(13,22%)

Agriculture

(12,66%)

Construction

(9,84%)

Mining

(8,99%)

Transportation

(6,08%)

Info-comm

(4,44%)

Financial Service

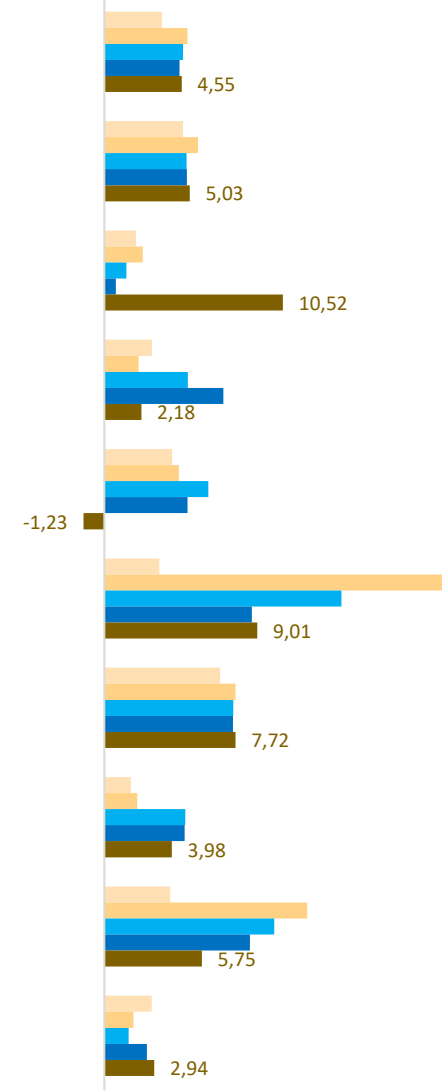
(4,25%)

Accommodation

(2,56%)

Real Estate

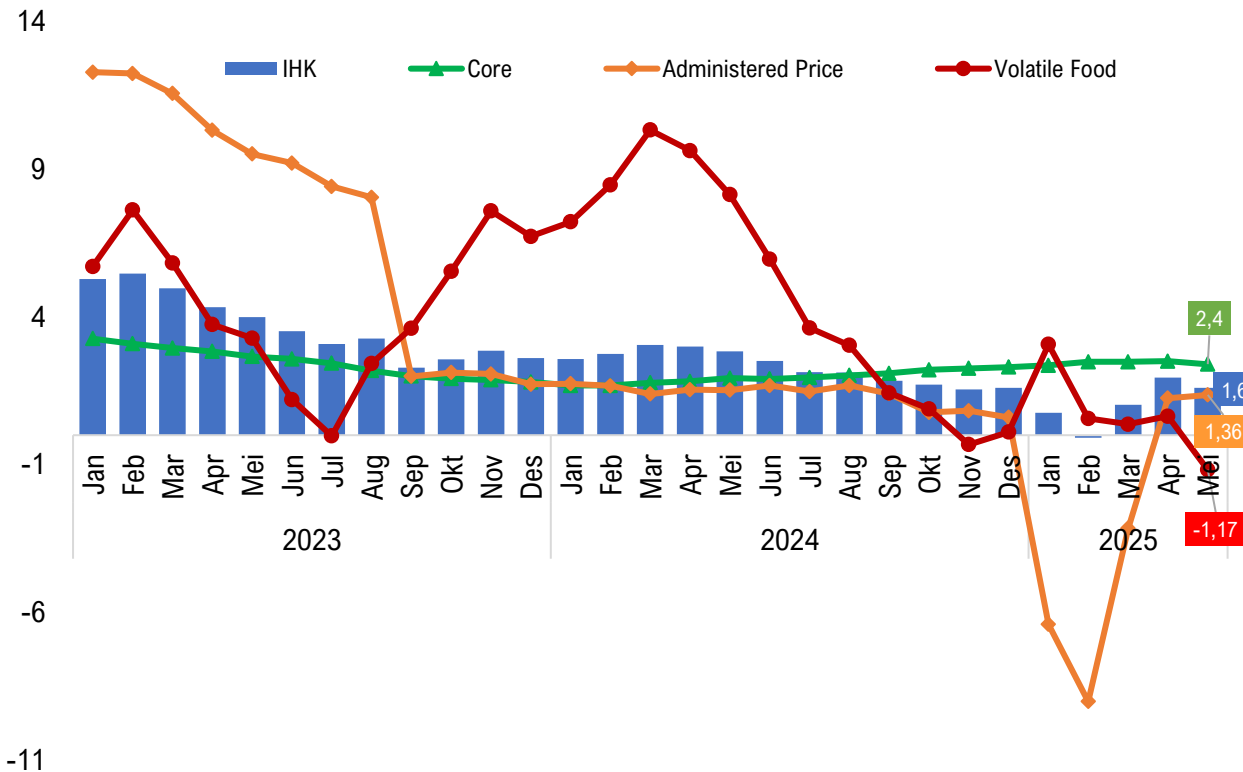
(2,14%)



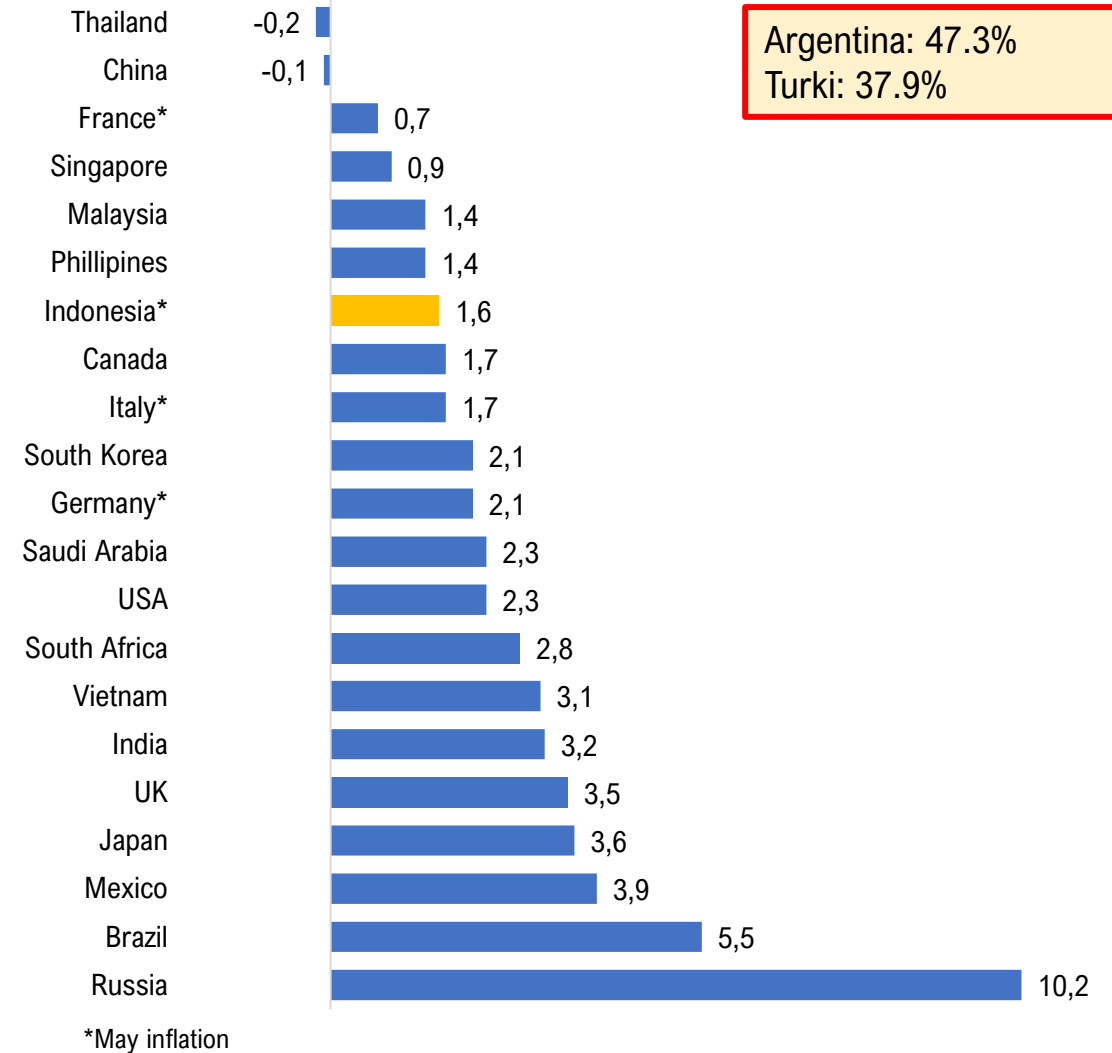
MAY 2025 INFLATION MAINTAINED AT 1.6 (YOY)

Influenced by controlled food prices and an abundance of horticultural products during the harvest season

Indonesia's Inflation Rate (% , yoy)



April Inflation by Country (% yoy)

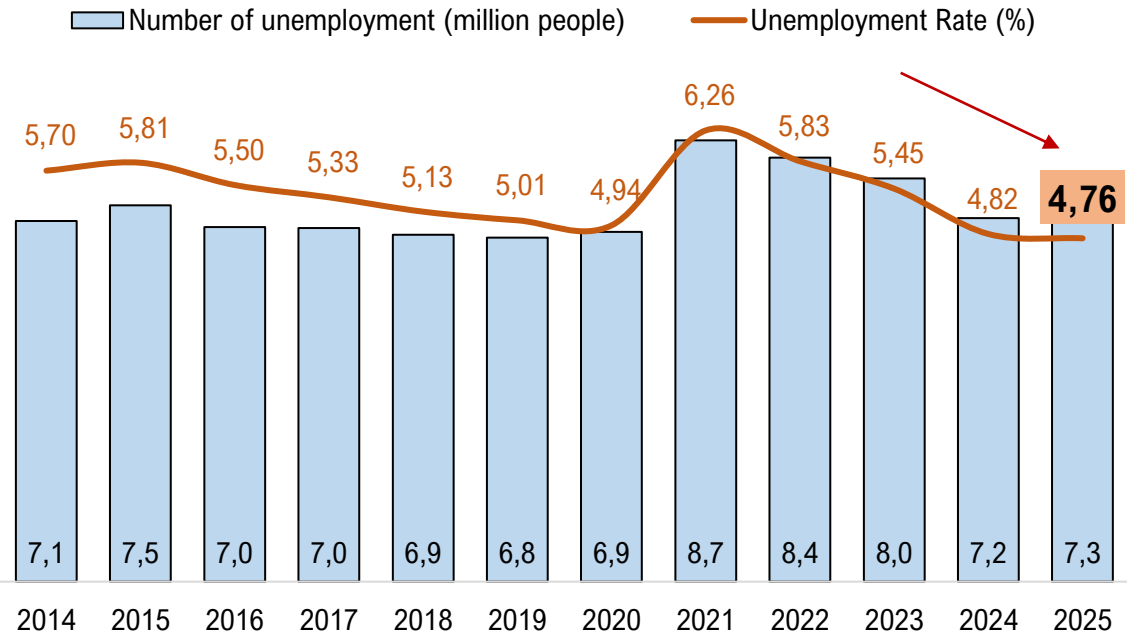


Argentina: 47.3%
Turki: 37.9%

THE UNEMPLOYMENT AND POVERTY RATE CONTINUE TO DECREASE

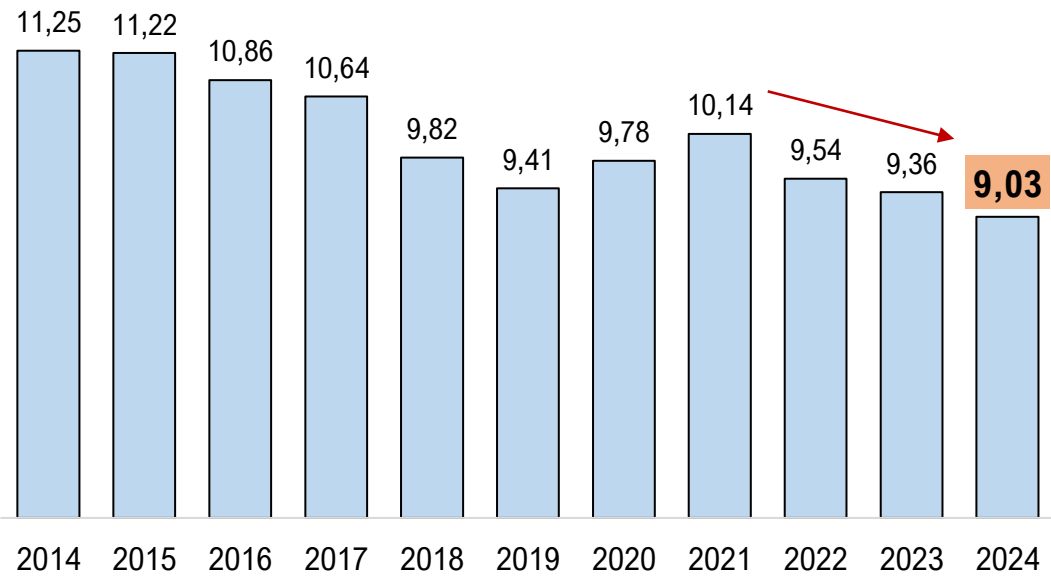
The strengthened economic activities and various social assistance programs have contributed to reduce the open unemployment rate and to the decline in the poverty rate.

Unemployment Rate



Source: Statistics Indonesia, February Data

Poverty Rate (%)



Note: Poverty rate as of September 2024 is at 8,57%

Source: Statistics Indonesia, March Data

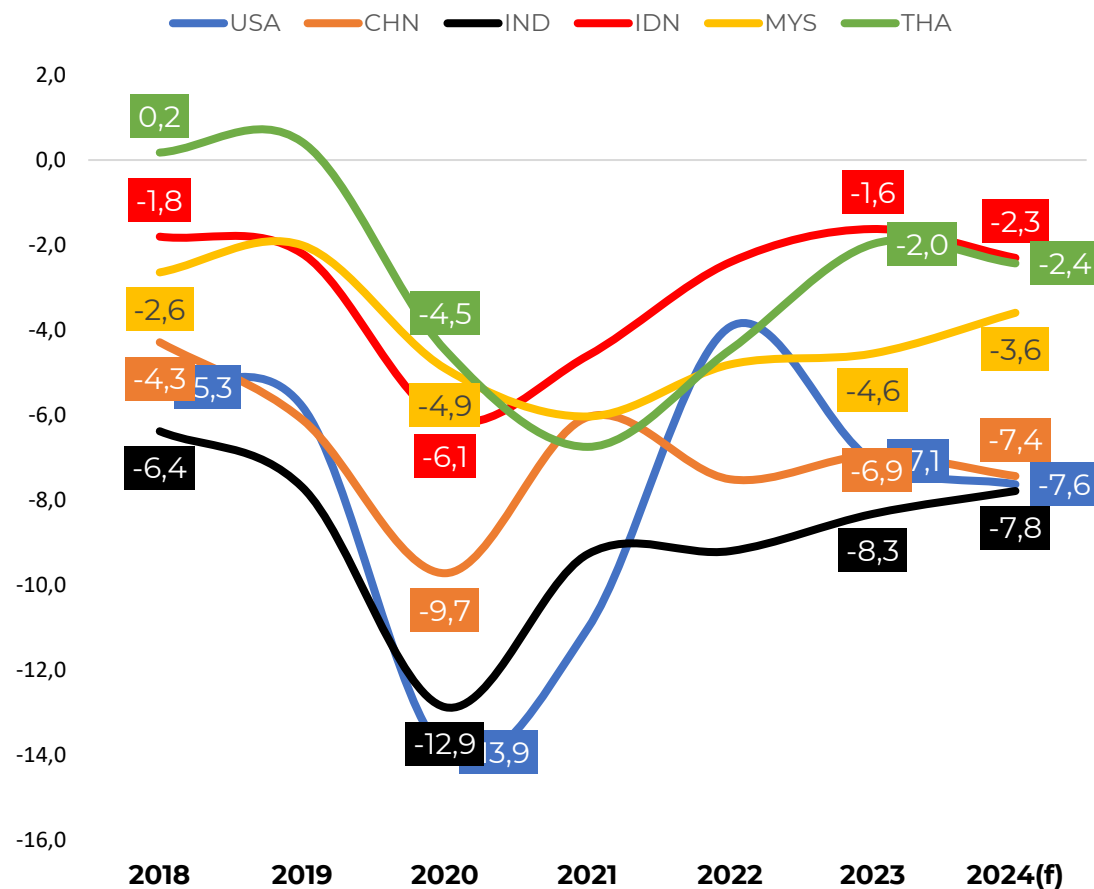


Structural Reform (Lessons Learn)

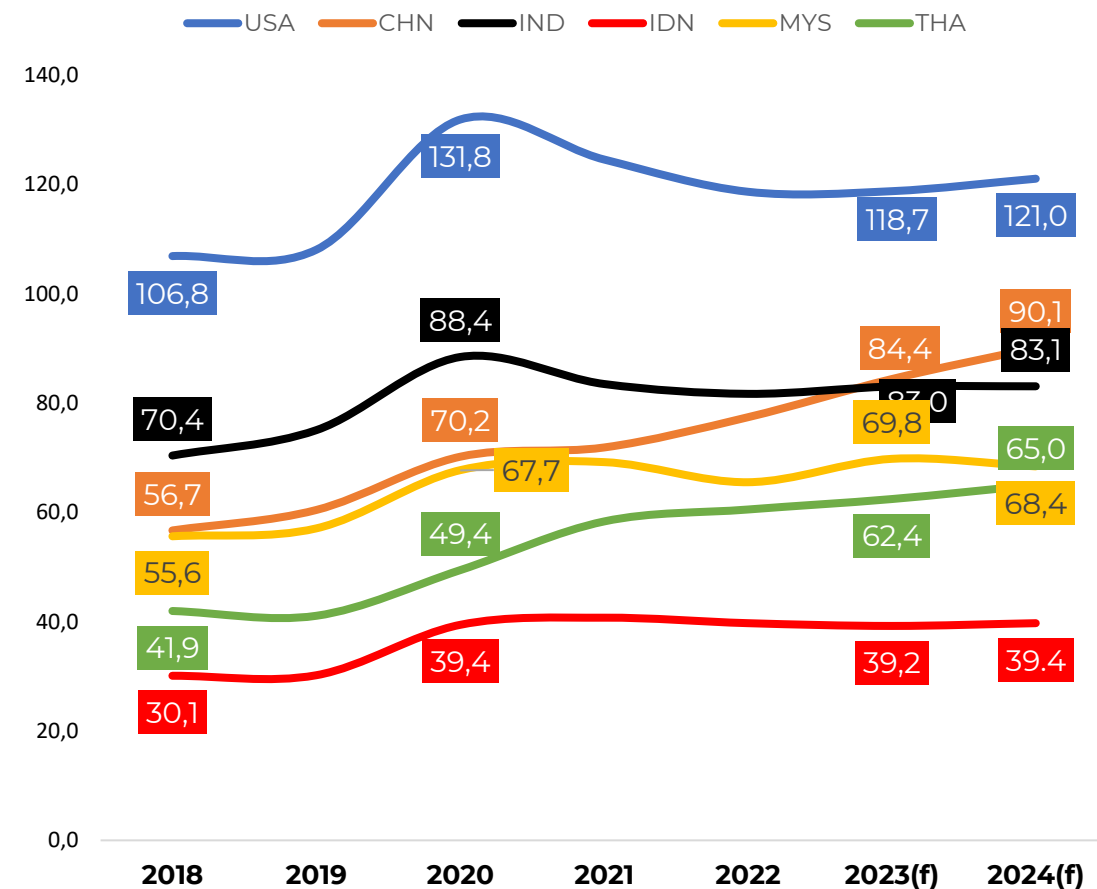
02

INDONESIA IS AMONG THE COUNTRIES WITH A SOLID AND WELL-MANAGED FISCAL POSITION

Fiscal Deficit (% GDP)

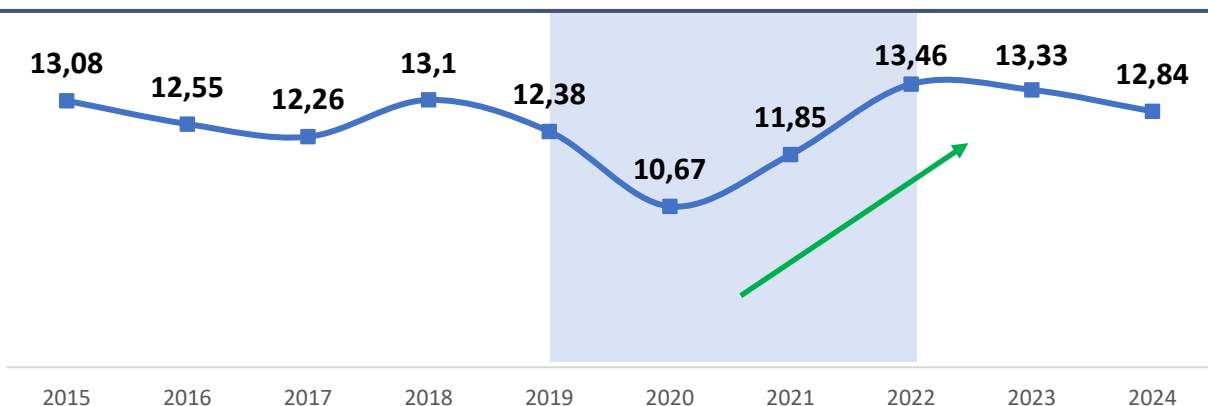


Debt Ratio (% GDP)



OVERALL FISCAL POSITION CONTINUED TO IMPROVE

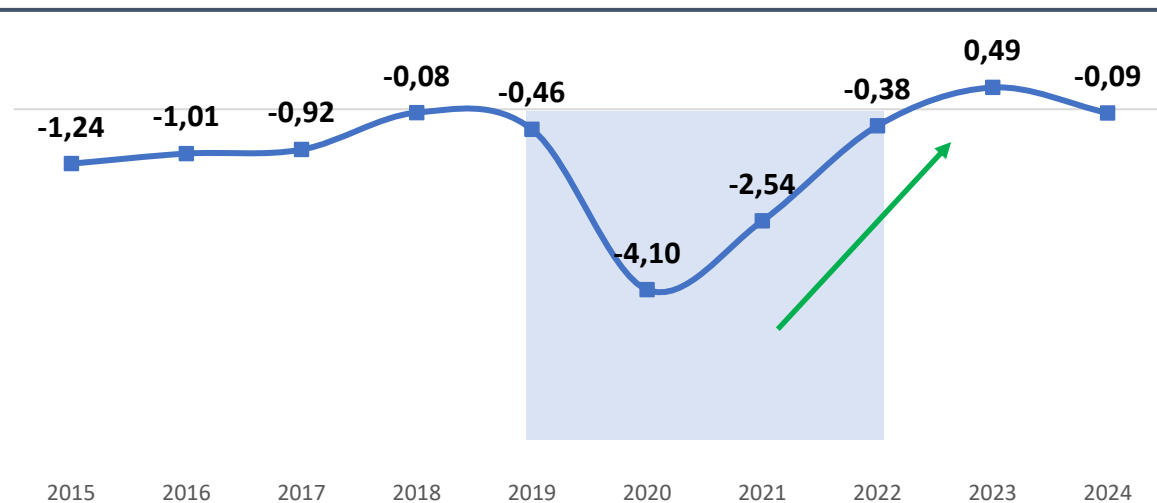
Revenue ratio increases in line with stronger recovery (% GDP)



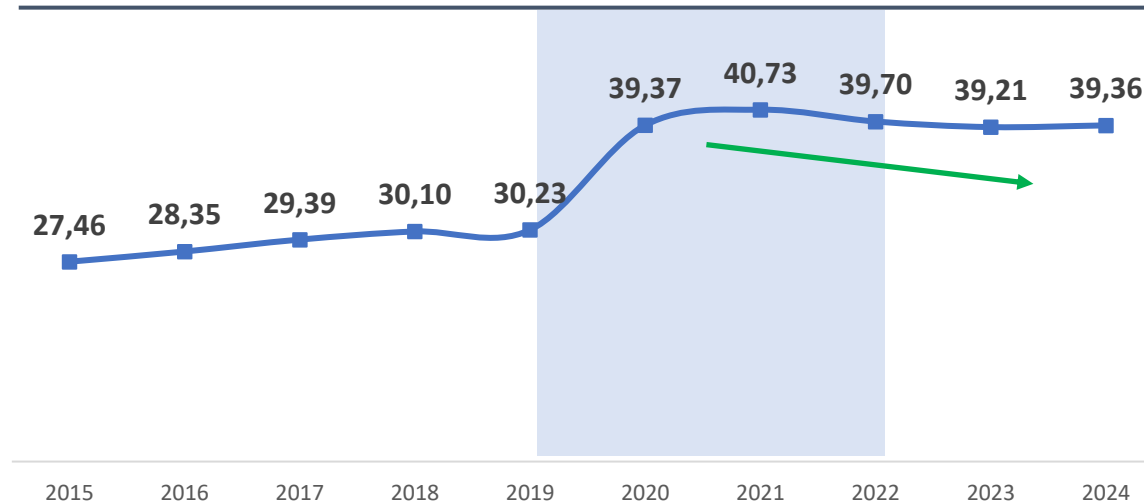
Overall budget position improved significantly (% GDP)



Surplus Primary Balance (% GDP)



Debt Ratio Declines(% of GDP)



ADAPTIVE BUDGET TO RESPOND THE UNCERTAINTY

2020



Extraordinary Policy

IMMEDIATE RESPONSE:

- Perpu No.1/2020→ UU No.2/2020
- Stimulus on Covid-19 handling and national economic recovery (PC-PEN) program, budget deficit increased to 6,34% GDP

2021



PANDEMIC HANDLING & RECOVERY

ADDRESSING THE PANDEMIC AND DRIVING RECOVERY

- Focus on handling the Pandemic (ie. Vaccinations, health protocols),
- recovery through flexible and accountable PC PEN program
 - Momentum of reform (UU HPP, UU HKPD)

2022



RECOVERY & REFORM POLICY

ACCELERATION OF RECOVERY & REFORM
Strengthening Pandemic response (ie. acceleration Vaccination achieves communal immunity)
Accelerate economic recovery (PEN sustainability)
Effectiveness of reform

2023



HIGH QUALITY FISCAL CONSOLIDATION

FISCAL DISCIPLINE FOR LONG-TERM SUSTAINABILITY

- Deficit returns to a maximum of 3% of GDP
- Primary balance towards positive
- Debt ratio is sought to decrease
- Controlled debt risk

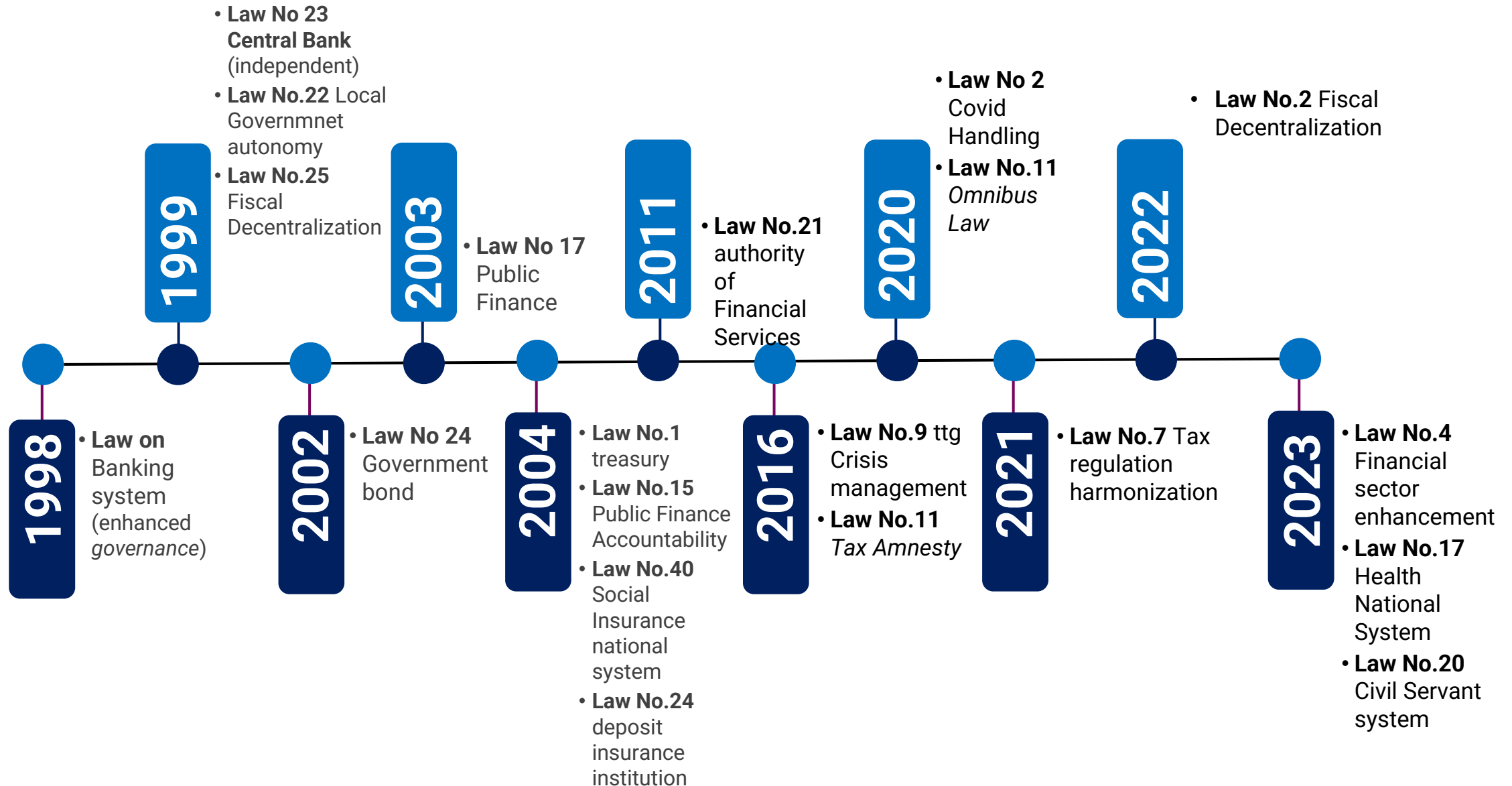
2024

MANAGING RISK & POTENTIAL

VIGOROUS EFFORTS TO CURB DISRUPTIONS

- Building a solid economic foundation as a shock absorber and agent of development
- Protecting the Purchasing power while maintaining Economic Stability
 - Driving Progress through Stunting Reduction, Extreme Poverty Alleviation, Human Capital Strengthening (through education, healthcare, and social protection), and National Strategic Projects (PSN)
 - Lower deficit supported by Safe, Prudent, and Manageable Financing

INDONESIA BUILDS ON PAST REFORMS TO DRIVE ECONOMIC TRANSFORMATION





KEY REFORMS INITIATED DURING THE PANDEMIC HAVE CONTRIBUTED TO INDONESIA'S ECONOMIC RESILIENCE

Omnibus Law on Job Creation

- Launching OSS (Online Single Submission) in 2021 to facilitating the business licensing
- Accelerating National Strategic Project (PSN)
- Providing the Climate Change Fiscal Framework (CCFF) & Energy Transition Mechanism
- Implementing Risk-Based Business Analysis to Encourage FDI
- Attracting investment to key economic sectors
- Establishment of Sovereign Wealth Fund (INA)

Fiscal Reform

- Voluntary Disclosure Program completed (Jan-June 2022)
- Harmonizing tax regulation
- Integration of ID number and taxpayer number
- Law on Intergovernmental Transfer
 - Redesign the management of Transfers-to-Regions to reduce inequality
 - Harmonizing of central and local government spending
 - Improving the quality of local government spending
 - Strengthening local taxing power

Omnibus Law on Financial Sector

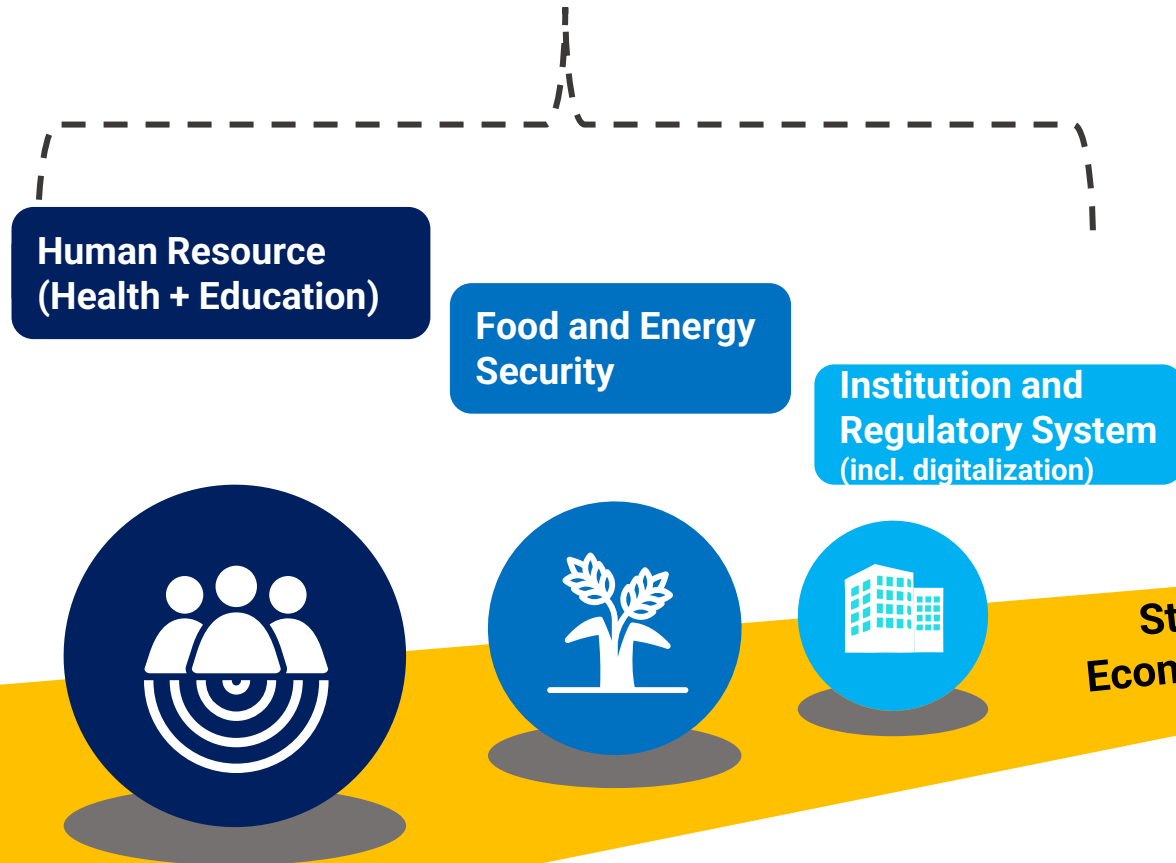
To achieve stronger, deeper and inclusive financial sector

- Improving Access to Financial Services
- Promoting Long-Term Sources of Finance
- Increasing Competitiveness & Efficiency
- Developing Instruments & Strengthening Risk Mitigation
- Strengthening Investor & Consumer Protection



SUSTAINABLE STRUCTURAL REFORMS ARE CRUCIAL TO OVERCOME DEVELOPMENT CHALLENGES

Development Challenges



Goals



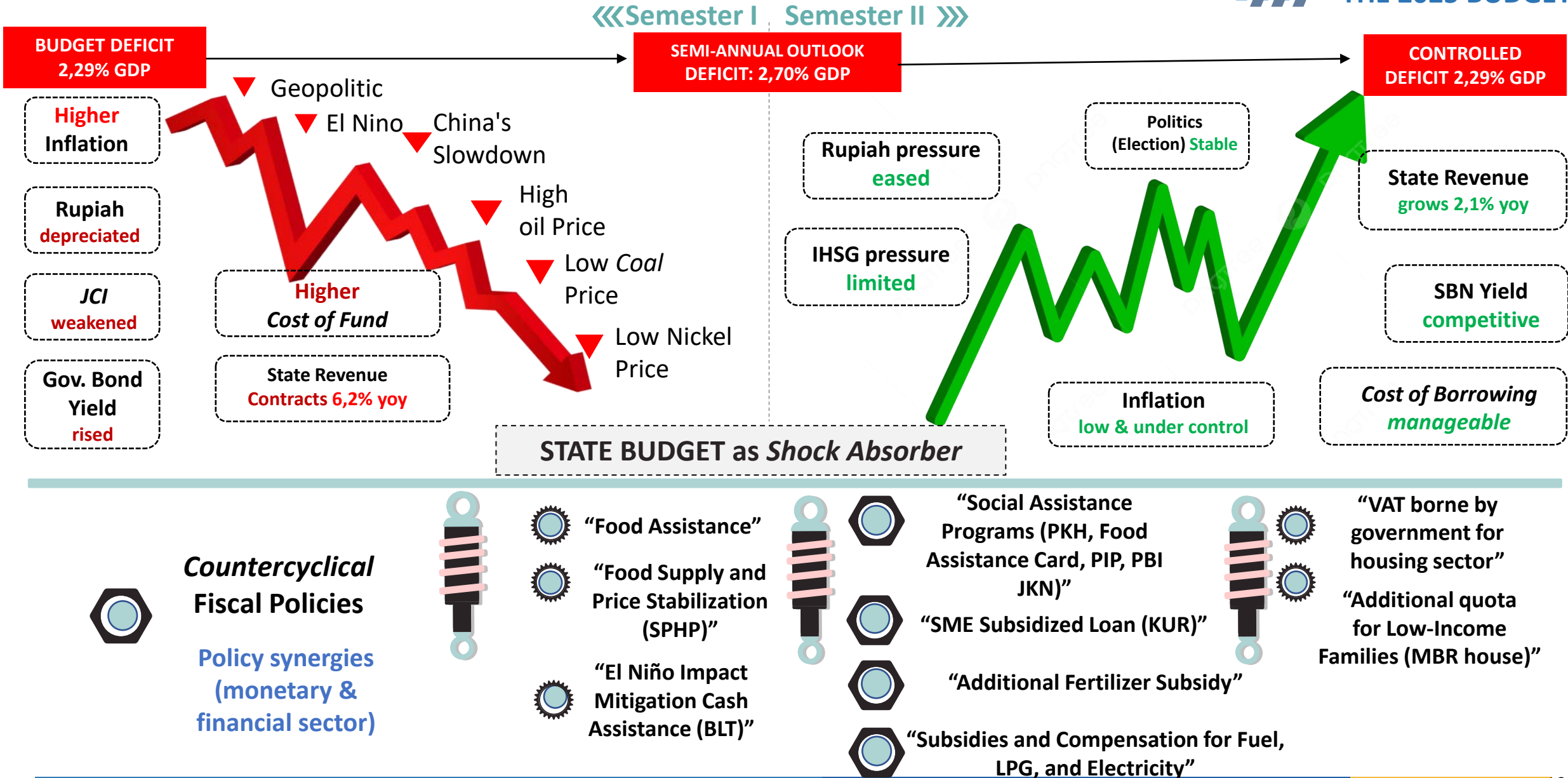


LESSON LEARNED 2024: STATE BUDGET AS THE SHOCK ABSORBER

“Protecting the People and Safeguarding Economic Stability with Fiscal Policy”



STRONG
FOUNDATION FOR
THE 2025 BUDGET





Amid Global Turmoil, the 2025 State Budget Remains Optimally Functional as a Shock Absorber and Supports the Development Agenda



THE IMPACT OF GLOBAL ECONOMIC TURBULENCE IS HIGHLY CHALLENGING



- Weakening Export-Import
- Commodity Price Volatility



- Exchange Rate;
- Interest Rate



- Real Sector;
- People's Purchasing Power



Economic Growth



POLICY RESPONSES

“Enhancing businesses, society, and economic stability”

Stimulus packages to maintain purchasing power and economic growth

Ensuring effectiveness of flagship programs; Free Nutritious Meal Program, Low Income Subsidized Mortgage Program, Village Cooperatives Program

Maintaining a **resilient and credible State Budget** (*Managed deficit and debt within safe limits*)



Strategic Policy 2025 - 2026

03



PRESIDENT PRABOWO'S TOWARDS A GOLDEN INDONESIA 2045: "A sovereign, just, and prosperous Indonesia"



Macroeconomic stability maintained

Economic growth in 2024 was one **of the highest in the G20**

Inflation is under control and reflects the maintenance of purchasing power

Probability of recession & debt ratio **are the lowest among G20** members

Foreign exchange reserves hit a historic high (Mar '25)



Adaptive Fiscal and Monetary Policy

The outlook for the 2025 budget deficit is maintained at 2.5%

Effective reallocation of budget expenditure

12% VAT policy is only for luxury goods

Economic policy package



Flagship programs have real impact

Free Nutritious Meals

Elimination of bad debt for MSMEs








Free Health Check

Establishment of 80,000 Village Cooperatives

Improving teacher well-being

THE 2025 BUDGET IS OPTIMIZED AS A SHOCK ABSORBER DURING GLOBAL TURMOIL

Macroeconomic Assumption for the Budget

Indicator	2025 Budget
 Economic Growth (%)	5.2
 Inflation (%, yoy)	2.5
 10Y T-Bonds Rate (%, average)	7.0
 Exchange rate (IDR/US\$, average)	16,000
 Oil Price/ICP (USD/barrel, average)	82
 Oil Lifting (tbpd)	605
 Lifting Gas (tboepd)	1,005

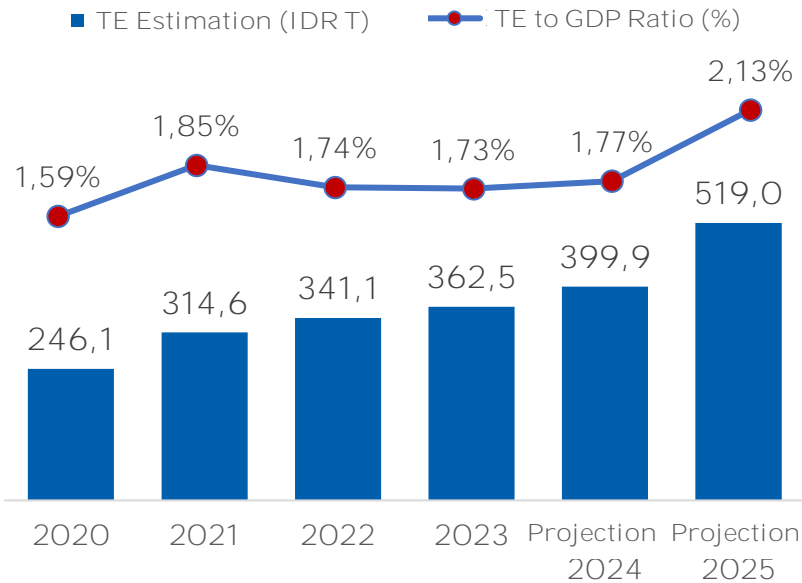
The 2025 Budget Posture

	Nominal (IDR Trillion)	% GDP
A. Revenue	3,005.1	12.36
I. Tax Revenue	2,490.9	10.24
1. Tax	2,189.3	9.00
2. Custom and Excise	301.6	1.24
II. Non-Tax Revenue	513.6	2.11
III. Grant	0.6	0.00
B. Expenditure	3,621.3	14.89
I. Central Government Expenditure	2,701.4	11.11
1. Line Ministries Expenditure	1,160.1	4.77
2. Non-Line-Ministries Expenditure	1,541.4	6.34
II. Transfer to Region	919.9	3.78
C. Primary Balance	(63.3)	(0.26)
D. Surplus/(Deficit)	(616.2)	(2.53)
E. Financing	616.2	2.53

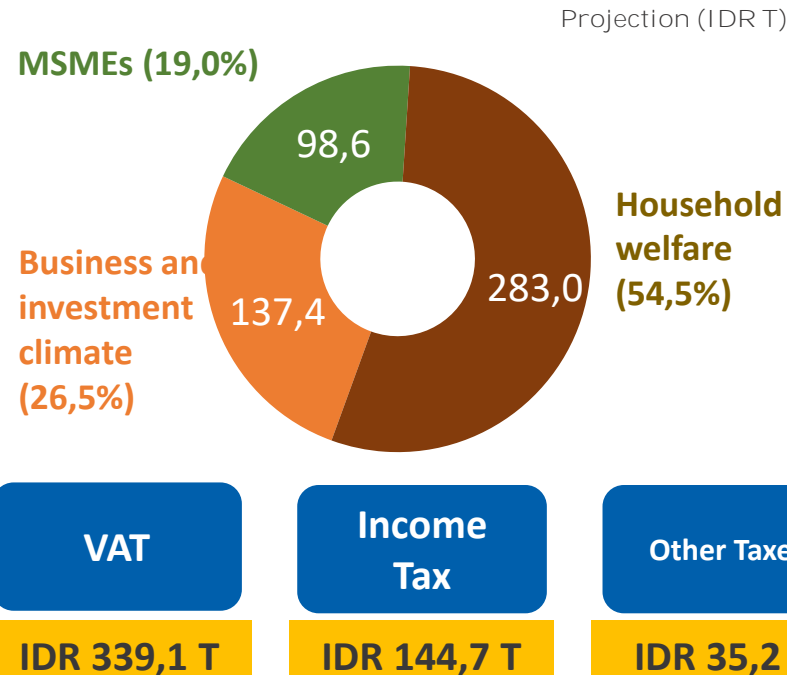
GOVERNMENT PROVIDES TAX INCENTIVES TO SUPPORT PURCHASING POWER AND BUSINESS COMPETITIVENESS

The value of tax expenditure in 2025 is projected to be Rp519,0T (2,13% GDP), the majority in the form of VAT and Income Tax incentives

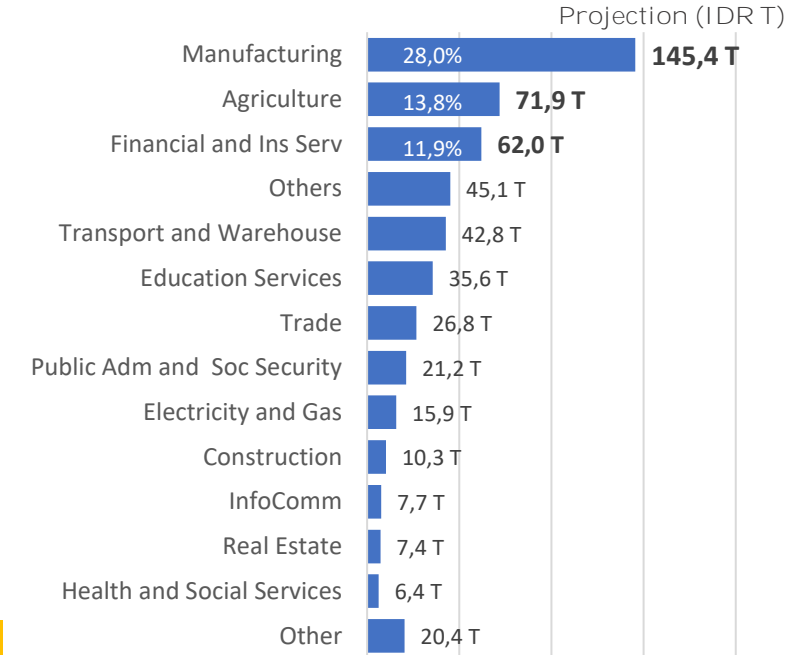
Estimation of Tax Expenditure 2020-2025



Tax Expenditure 2025 By Purpose



Tax Expenditure 2025 By Sector



Supreme Audit gives **Advanced** predicate to the 2022 tax expenditure report



Indonesia ranks 2nd in the Global Tax Expenditure Transparency Index (2024)

Ranking
2
world

TAX INCENTIVES TO SUPPORT THE ECONOMY AND PEOPLE'S WELFARE

Tax Expenditure in 2025, among others:



**VAT exempted
on food stuffs**

IDR 77,1 T

- VAT exemptions on essential goods (rice, corn, soy-beans, sugar, fresh milk, beans, poultry, etc.) **IDR 50.5T.**
- VAT exemptions on fisheries and marine products amounting to **IDR 26.6T.**



**Incentives for
the education
sector**

IDR 28,3 T

- VAT exemptions on education services amounted to **IDR 26.0T**
- VAT exempted on Lesson book amounting to **IDR 496M**
- Other incentives amounting to **IDR 1.8T**



**Incentives for the
transportation
sector**

IDR 35,8 T

- among others:
- VAT exempted on public transportation services **IDR 23.4T.**
 - Special VAT rate for *freight forwarding* services **IDR 7.4T**



**Incentives for
the health sector**

IDR 6,0 T

- VAT is not charged on medical health services amounting to **IDR 4.3T**
- Income tax on MSMEs in the health sector amounted to **IDR 139M**



**Incentives to
support MSMEs**

IDR 98,6 T

- among others:
- VAT not collected for MSMEs amounted to **IDR 61.2T**
 - Final Income Tax for MSMEs amounted to **IDR 32.1T**



**Tax Holiday and Tax
Allowance to
encourage investment**

IDR 6,4 T

- As of Nov 2024, *Tax Holiday* is granted to 281 taxpayers with IDR 442T investments realization, *Tax Allowance* is granted to 251 taxpayers with IDR 94T investments realization

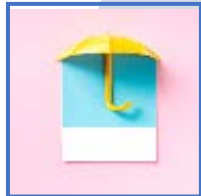
SUSTAINABLE 2025 PRIORITY BUDGET FOR DEVELOPMENT AGENDA



EDUCATION
IDR724.3 T

20.0%*

- Improving access to and quality of education through initiatives
- Providing nutritious meals for school children, renovating schools, and building model schools.
- Improving the connection between education and the needs of the job market.



**SOCIAL
PROTECTION**
IDR503.2 T

13.9%*

- Continuing social security programs.
- Strengthening social security across all life stages.
- Facilitating poverty alleviation through empowerment-based social protection.



HEALTH
IDR218.5 T

6.0%*

- Implementing promotive and preventive measures to accelerate the reduction of stunting and tuberculosis cases.
- Constructing high-quality hospitals, providing free health check-ups, and enhancing the effectiveness of the National Health Insurance (JKN) program.
- Strengthening technological and pharmaceutical independence.
- Fortifying a reliable health system.



FOOD SECURITY
IDR144.6 T

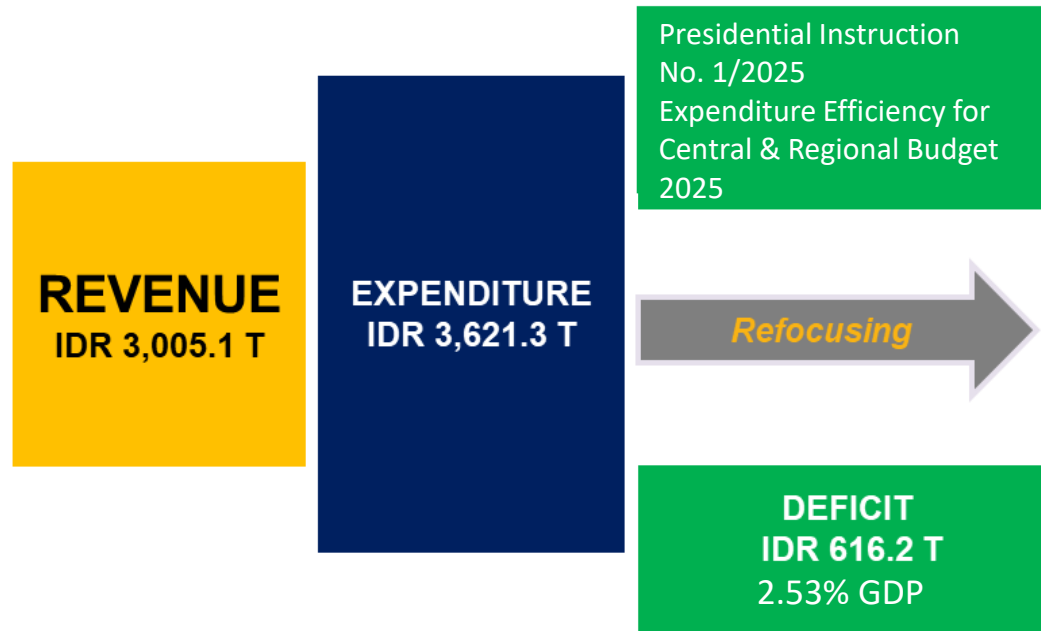
3.8%*

- Intensifying and expanding agricultural land, while strengthening agricultural facilities and infrastructure such as dams and irrigation systems.
- Increasing access to financing for farmers.
- Bolstering national food reserves to ensure food availability and affordability.

Notes: *% of total spending

BUDGET EFFICIENCY TO BOOST PRODUCTIVE SPENDING (PRESIDENTIAL INSTRUCTION 1/2025)

Expenditure Refocusing and keep the deficit under control at **2.53% of GDP**



Budget Efficiency does not include:

- a) **Employee Expenditure,**
- b) **Employee Services (Basic Operations), and**
- c) **Public Service/Social Assistance**

Expenditure Efficiency
IDR 306,69 T

Line Ministries Expenditure **IDR 256.10 T**

Transfer to Region
IDR 50.59 T

To maximize revenue, key strategies include:

- Improving tax compliance and expanding the tax base (joint program, core tax and extra effort)
- Leveraging data analytics for better revenue forecasting
- Implementing a technology-driven and effective revenue system (tax and non-tax revenue)

Refocusing Expenditure to Accelerate Priority Programs:

- **Increasing efficiency** in travel expenses, seminars, office supplies, and workshops
- **Prioritizing investments** in human capital, job creation, productivity growth, food and energy security, and technological breakthroughs



UPDATE as of 30 April 25, 2025

IDR121.6 Trillion

The release of budget reserves/blocks and the reallocation of expenditure efficiency gains are carried out in line with the President's directives to support national development priorities

STRATEGIC VALUE OF MACROECONOMIC POLICY AND KEY FISCAL POLICY MEASURES (KEM-PPKF) 2026

State Budget to be Maintained in a Sound and Credible Manner

Art. 33 UUD
1945 became the
foundation of the spirit

1. The economy shall be structured as a common endeavor based upon the principles of familialism.
2. Sectors of production which are important to the state and affect the lives of many people shall be controlled by the state.
3. The land, the waters, and the natural resources within shall be controlled by the state and utilized for the greatest possible prosperity of the people.

Shock Absorber



The US Reciprocal Tariff Policy Trigger Dramatic Shifts in the Global Order



- Deglobalization, rising Protectionism.
- Weakened export.
- Slowing foreign investment.
- Distrupted supply chain.
- Volatile commodity prices.
- Exchange rate and interest rate under pressure.



Supporting the Achievement of Development Targets



Carrying the Mandate to Deliver on Public Expectations

- **To protect** all the people.
- To **promote general welfare**.
- To **develop the intellectual life** of the nation
- **Contribute** to the establishment of **world order**



ECONOMIC AND FISCAL STRATEGY

Short-term strategy: "Maintaining economic resilience and protecting the people"

A

- 1

ECONOMIC STABILITY
 - **Economic Diplomacy** (Trade & Investment Negotiations, Deregulation),
 - **Collaboration** on Fiscal, Monetary, and Financial Sector
- 2

ENHANCE THE BUSINESS CLIMATE & PEOPLE’S PURCHASING POWER

Fiscal incentives

 - Social protection
 - Subsidies & compensation
- 3

Budget sustainability
 - Efficiency and Reconstruction of Spending
 - Deficit & Debt controlled
 - Revenue optimization
 - Fiscal Resilience: fiscal buffer & flexibility

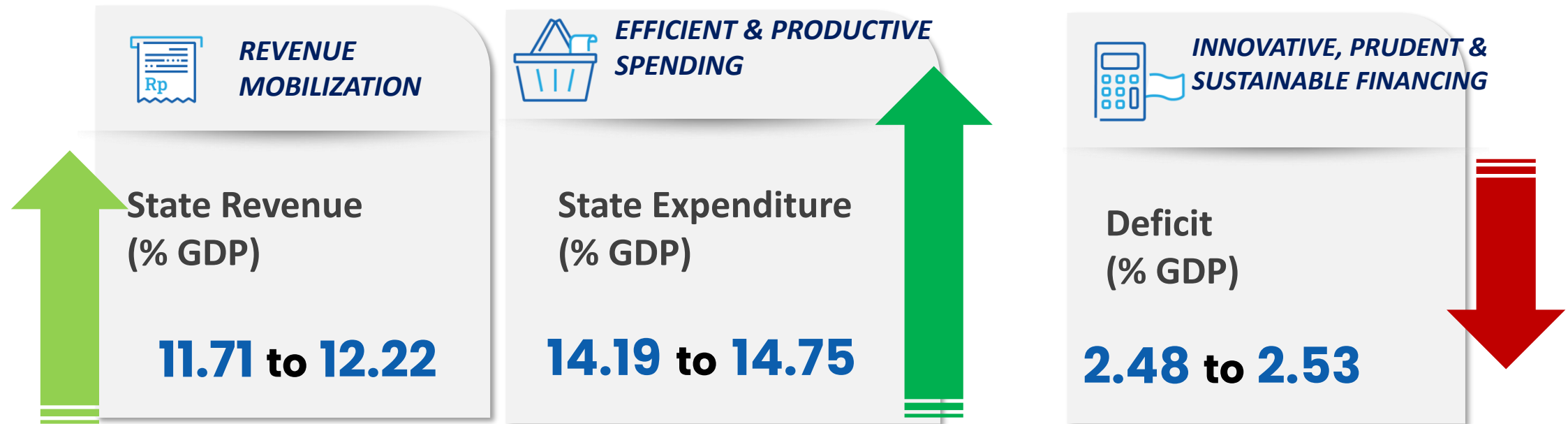


Medium-term strategy: "Supporting the development agenda optimally"

B

1	FOOD SECURITY	3	FREE NUTRITIOUS MEALS	5	HEALTH PROGRAMS	7	UNIVERSAL DEFENSE
2	ENERGY SECURITY	4	EDUCATIONAL PROGRAM	6	VILLAGE DEVELOPMENT COOPERATIVES & MSMEs	8	ACCELERATING GLOBAL INVESTMENT AND TRADE

“2026 Fiscal policy is designed to remain expansive, targeted, and measurable”





MEDIUM-TERM STATE REVENUE TARGET

MEDIUM-TERM NATIONAL
DEVELOPMENT PLAN (RPJMN)

2025-2029

Main Targets related to State Revenue

Achieving an optimal increase in state revenue according to economic potential while maintaining an investment climate



State Revenue

Target 2029: 13.75% - 18.0%

- Budget 2025 : 12.36%
- 2024* : 12.88%

Taxation

Target 2029: 11.52% - 15.0%

- Budget 2025 : 10.24%
- 2024* : 9,75%

Non-Tax Revenue

Target 2029: 2.21% - 2.99%

- Budget 2025 : 2.11%
- 2024* : 2.64%

*Audited 2024 Budget

Source: Indonesian Ministry of National Development Planning

TAXATION

1. Extensification and Intensification of Tax Revenues (including sin tax).
2. Modernization of tax system technology.
3. Implementation of CORETAX and interoperability with related stakeholder information systems.
4. More progressive tax reform
5. Law enforcement to improve tax compliance.
6. Simplification of business processes and improvement of institutional governance, as well as strengthening policies.
7. Excise object broadening, optimal tobacco tariffs, simplification of tobacco tariff structure.
8. Measurable tax incentives

NON-TAX Revenue

1. Intensification of Non-Tax State Revenue
2. Reform the management of PNPB natural resources while maintaining environmental sustainability.
3. Utilization of state-owned assets.
4. Increasing synergy between government agencies, as well as service innovation based on the use of technology and information.
5. Improving governance while maintaining the quality of public services.
6. Encourage transparency and accountability.



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

THANK YOU

