



Republic of Indonesia

Investor Presentation:

**Together Towards a Stronger and
Sustainable Recovery**

**Mizuho Indonesia Seminar
25th October 2022**



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Overview of the Republic of Indonesia

Positioned for strong growth on the back of economic resilience and timely policy action

Snapshots of the Republic of Indonesia



4th most populous country in the world



Rising middle class and affluent consumers



5.03% GDP growth on average from 2014 – 2019 (pre-pandemic)



Continued Structural Reforms despite the Pandemic



Commitment to Sustainable Development Goals

2021 Highlights

Indonesia's resiliency amidst global uncertainty



Effective pandemic policy management: containment, Treatment, and Vaccination



Responsive and Flexible, but Prudent Government Budget



Strong Synergy and Collaboration among Institutions nationwide, including sub-national government



Robust Economic Recovery

Since 2021, the Indonesian economy has recovered to pre-pandemic levels, accompanied by a relatively modest inflationary rate.

Affirmation of Investment Grade credit rating

Rating Agencies	Rating (Outlook)
FitchRatings	BBB (Stable)
MOODY'S	Baa2 (Stable)
S&P Global	BBB (Stable)

Source: Fitch, Moody's, S&P

■ S&P's revised up Indonesia outlook to **stable** from negative in April 2022. Moody's and Fitch also affirmed Indonesia rating in 2022. This action is a **testament to Indonesia's macro stability** and **encouraging growth prospects**.

Current GDP forecast (% YoY)

	IMF ¹	World Bank ²	ADB ³
2022	5.3	5.1	5.4
2023	5.0	5.1	5.0

Source: ¹ IMF WEO Oct; ² World Bank East Asia and The Pacific Economic Update October 2022; ³ ADB Asian Development Outlook Sept 2022



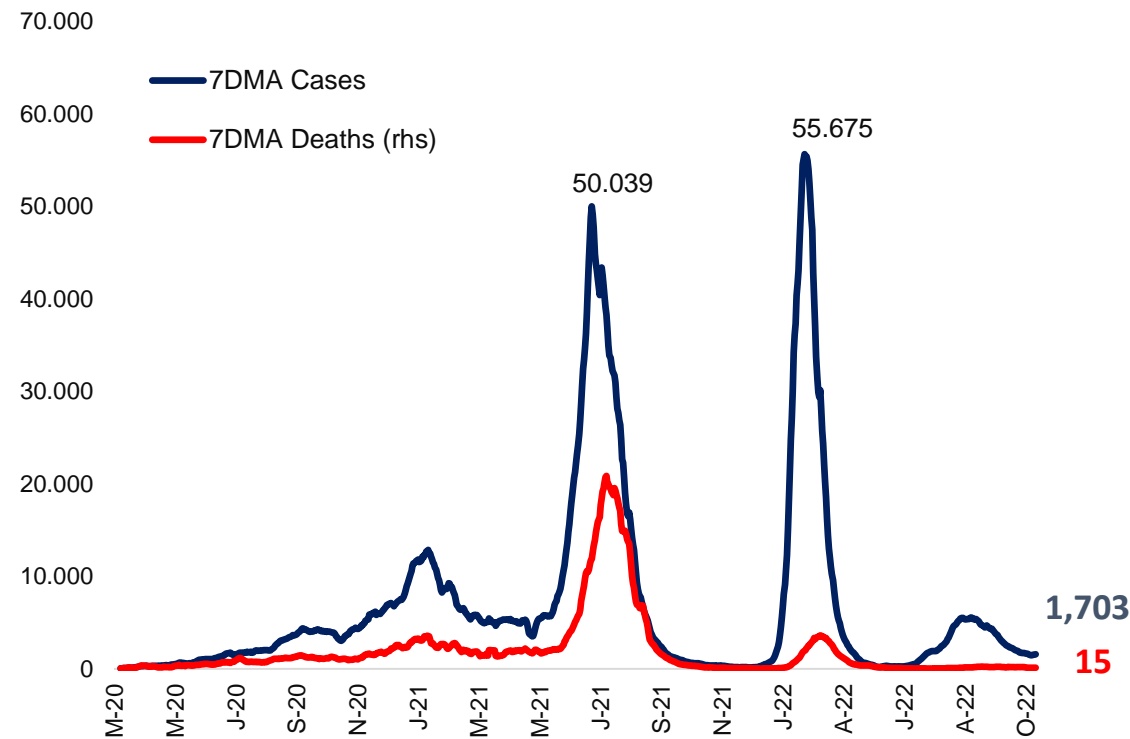
Covid-19 cases have been much under control

The latest wave did not have a significant impact with a very low hospitalization rate

WHO has congratulated President Joko Widodo on Indonesia's achievement in handling the COVID-19 pandemic: "Indonesia has one of the best achievements compared to the average (vaccination) achievement rate of countries across the world" (21st June 2022)

Indonesia's prudent handling of COVID-19¹

Daily cases and daily deaths



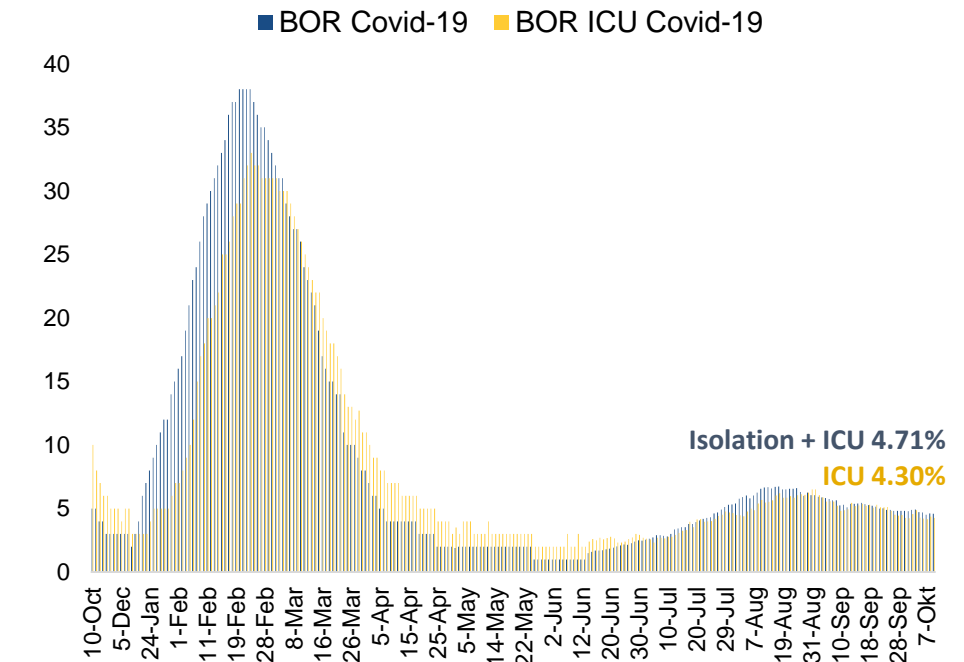
Total cases
6.46 million

Recovered
6.28 million
(97.3%)

Active Cases
17,213
(0.3%)

Deaths
158,313
(2.5%)

Low Rate of Hospitalization²



Vaccination Progress¹

First dose
204.77 million
(75.8%
of population)

Second dose
171.38 million
(64.2%
of population)

Third Dose (Booster)
64.22 million
(23.8%
of population)

Fourth Dose
0.65 million
(0.2%
of population)

Source: Ministry of Health

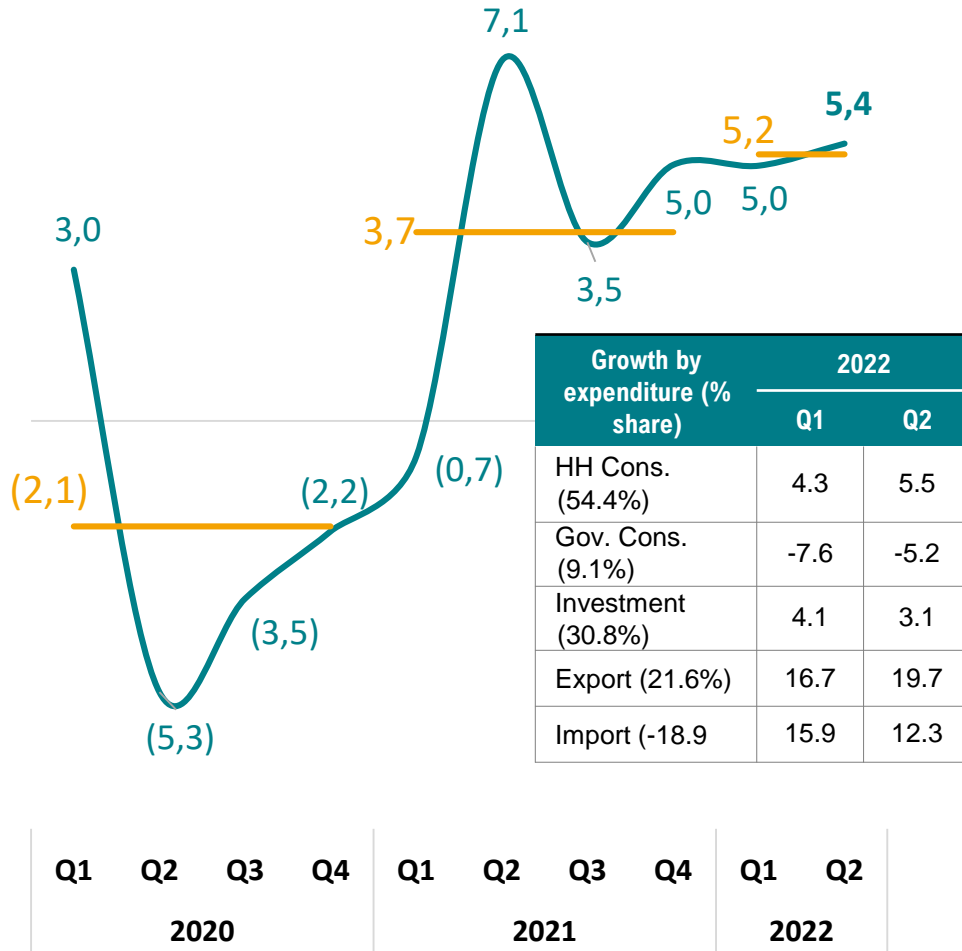
Notes: ¹ As of 16 October 2022; ² As of 9 October 2022



Indonesia's economy continues to recover strongly

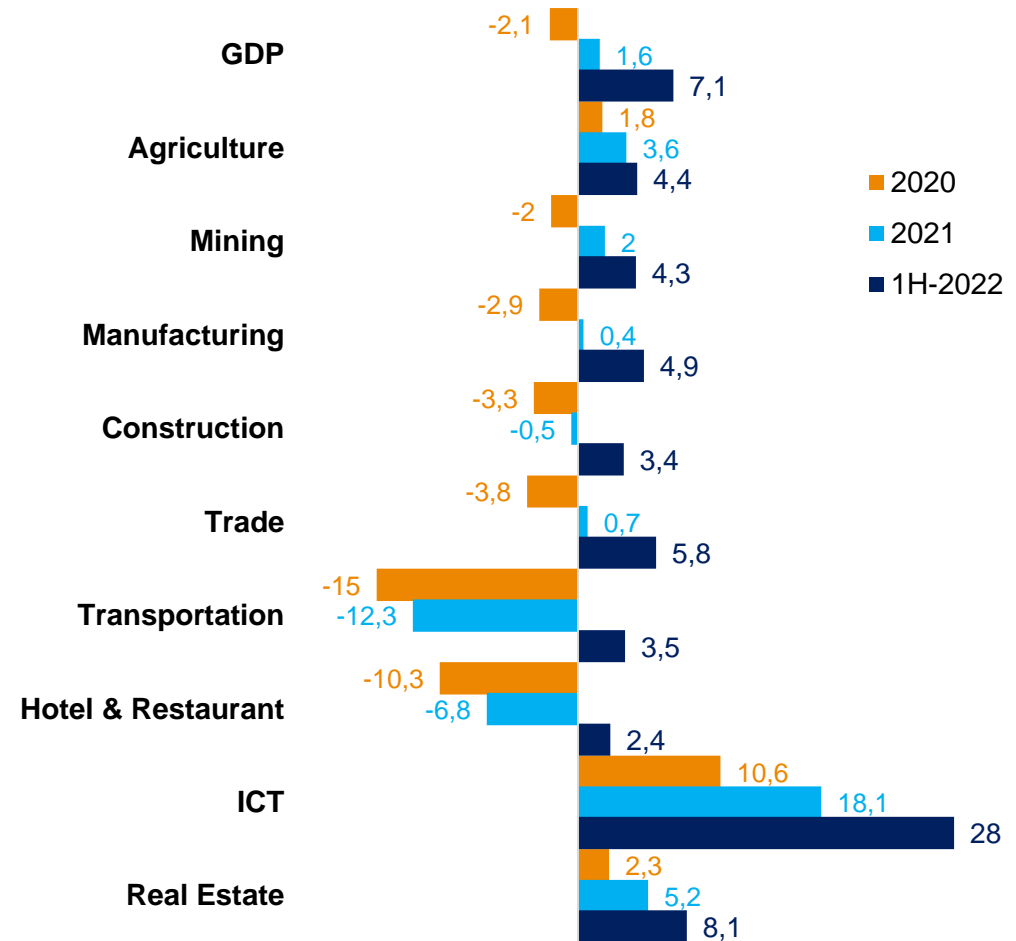
The recovery has been broad-based, with the most affected sector has started to recover

Yearly GDP growth (% YoY)



Source: Statistics Indonesia

Production Sector Performance (Relative to 2019 real GDP level, %)



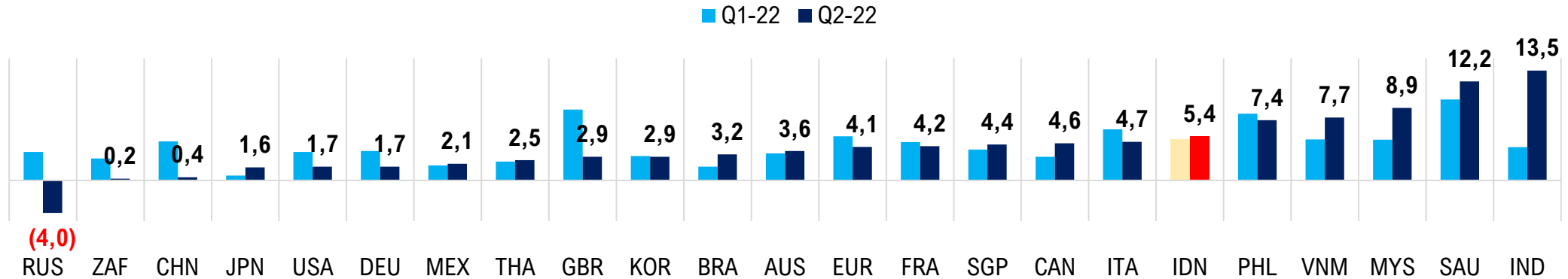
Source: Statistics Indonesia



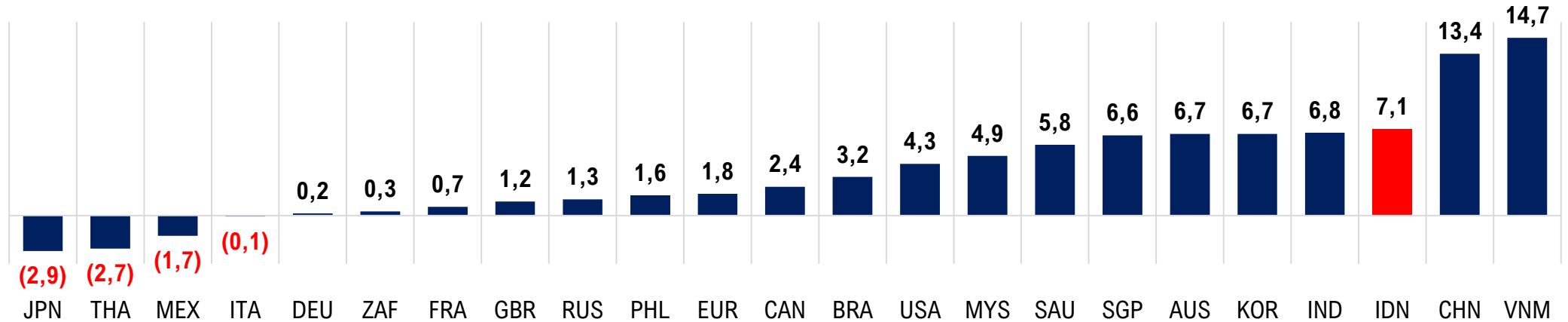
Indonesia is also among countries experiencing fast recovery

Recording one of the highest real GDP level among G20 countries compared to pre-pandemic

Economic Growth Q1-Q2 2022 (% , yoy)



Real GDP Level in 1H-2022 relative to 1H-2019 pre-pandemic (%)



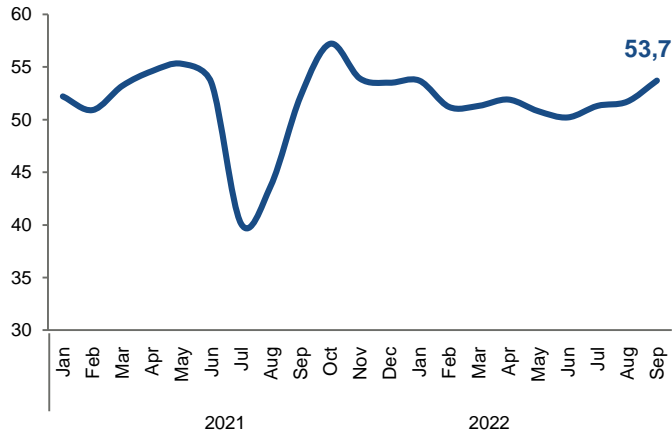
Source: Bloomberg, CEIC, dan Trading Economics, processed



The near-term growth prospect remains relatively strong

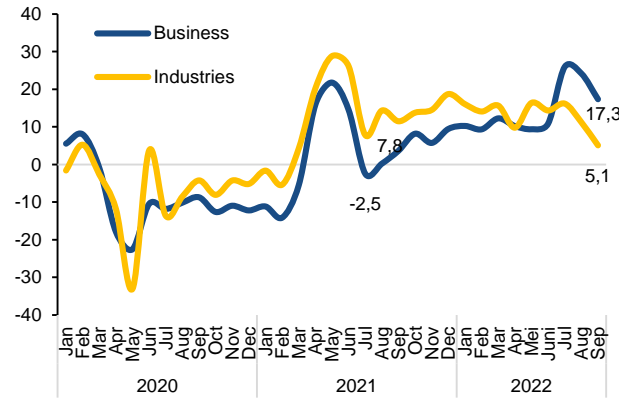
Various leading indicators continued to show a strengthening trend

PMI Manufacturing



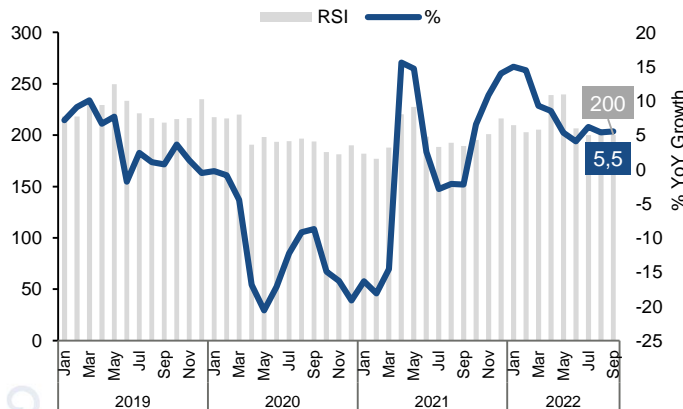
Source: IHS Markit, Bloomberg

Electricity Consumption (% YoY)



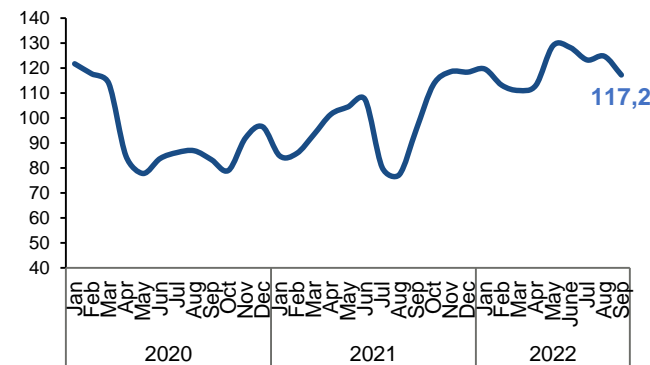
Source: PLN

Retail Sales Index



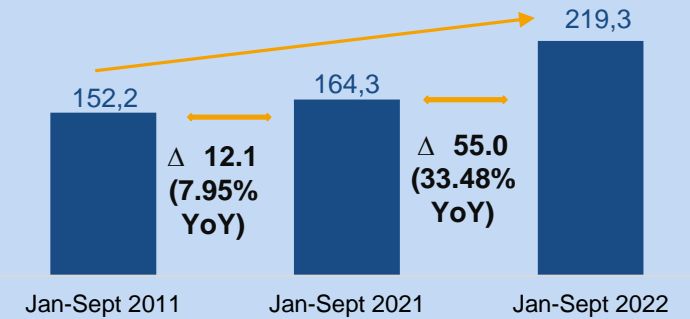
Source: Bank Indonesia, Moody's Analytics

Customer Confidence Index

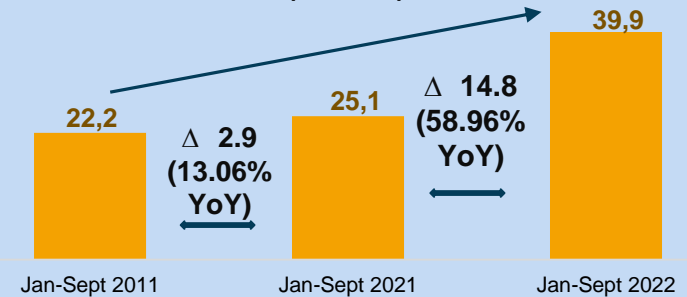


Source: Bank Indonesia

Export in Two Different Boom Episode (USD bn)



Trade Balance in Two Different Boom Episode (USD bn)



- **Export Jan-Sept 2022 recorded a new historical high at USD219.3 billion**, even higher compared to the commodity boom (2011).
- The strong export performance has been driven by **commodity prices and gains from the down-streaming strategy to boost the higher value-added manufacturing sector**.
- At the same time, the year-to-date **trade balance (as of September 2022) stood at US\$39,9 billion, also a new record**
- As of September, the trade balance has been in **surplus for 29 consecutive months**.

Source: Statistics Indonesia

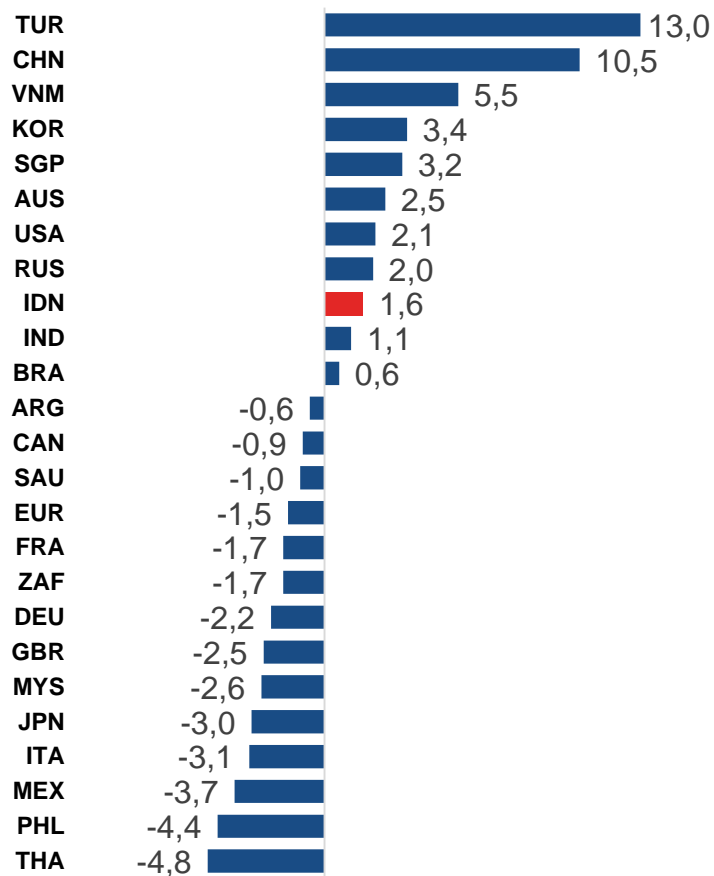


Indonesia's economy is among those recovering fast with manageable inflation

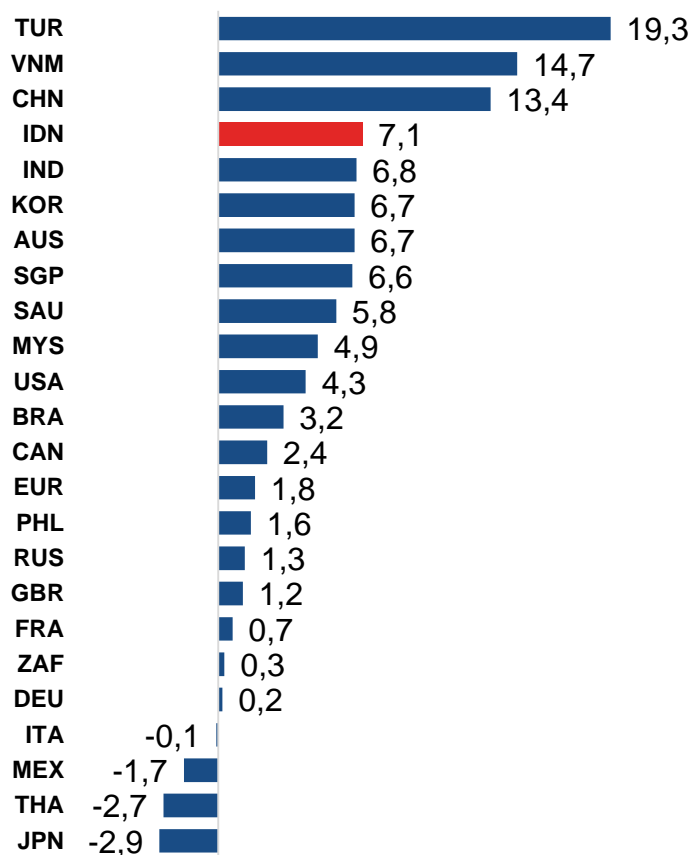
Since 2021, the Indonesian economy has recovered to pre-pandemic level in tandem with modest inflation

Comparison of G-20 and ASEAN-6 Indicators

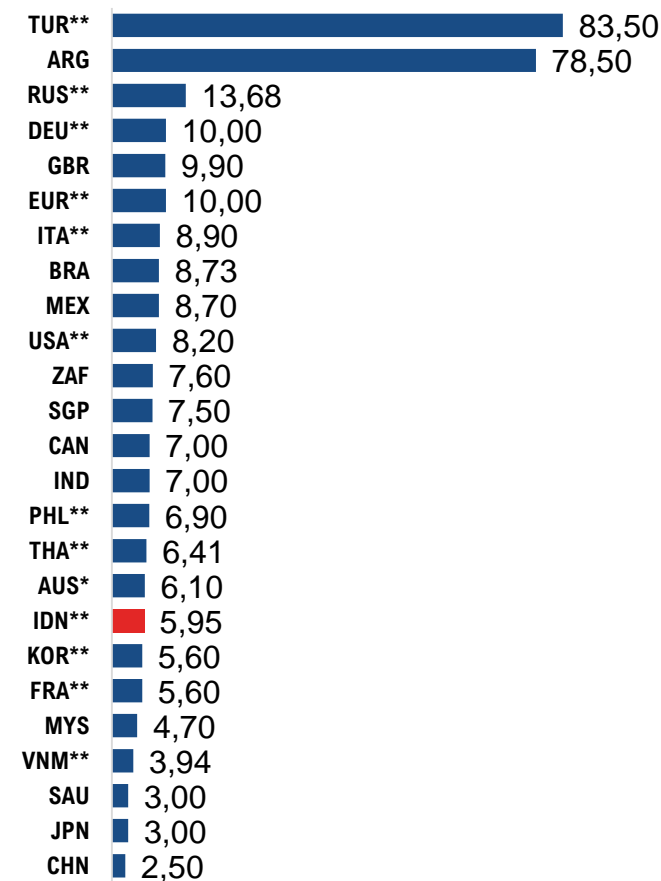
Real GDP 2021 Compared to 2019 (%)



Real GDP Semester-I 2022 Compared to Pre-Pandemic Semester-I 2019 (%)



August/September Inflation Rate (yoy,%)



Note: *) June data

**) September data

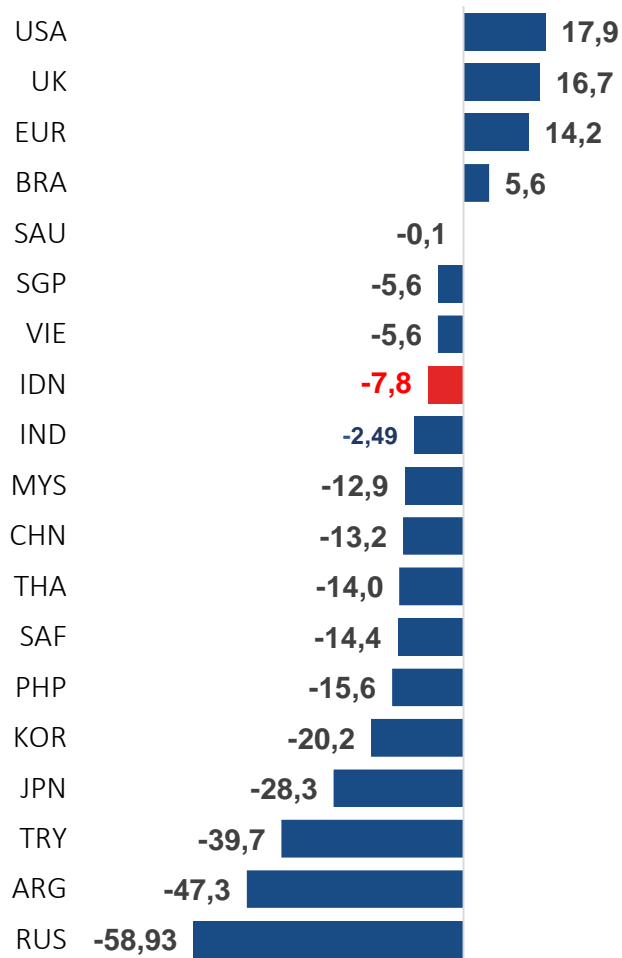
Source: IMF, CEIC, Ministry of Finance, 3 October 2022



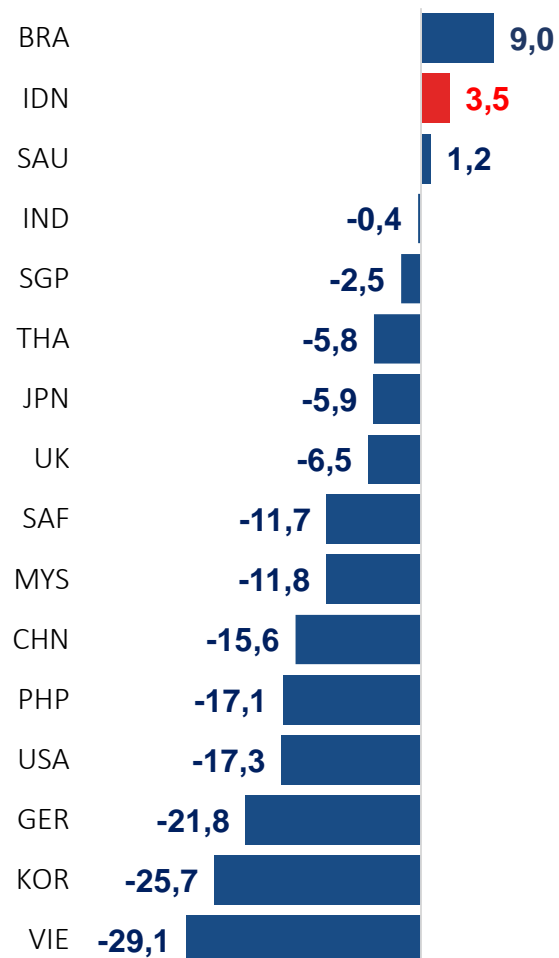
Pressure in Indonesia's financial sector is relatively moderate compared to many countries

Stock index is among the best performers while depreciation and yield increase are relatively moderate.

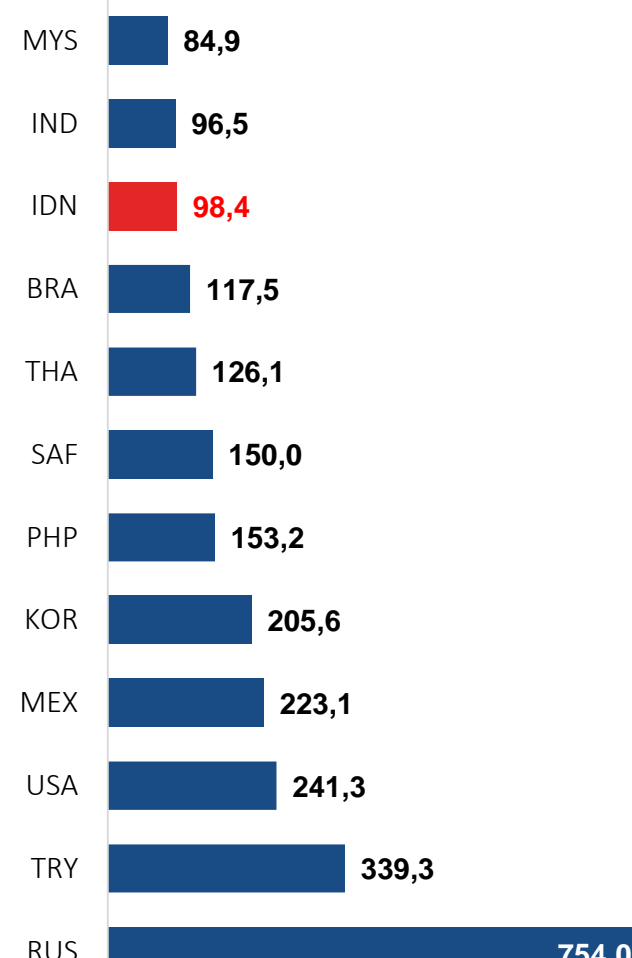
Exchange Rate 2022 (% , ytd)



Stock Index 2022 (% ,ytd)



10Y Yield Change 2022 (ytd, bps)



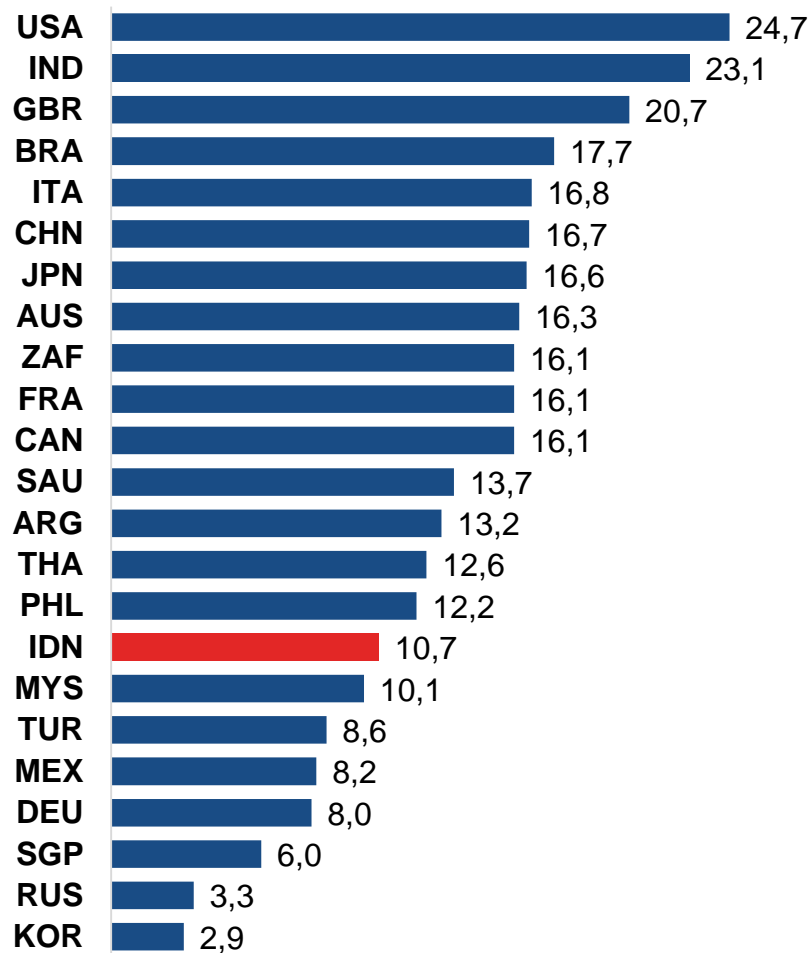
Source: Bloomberg, 14 October 2022



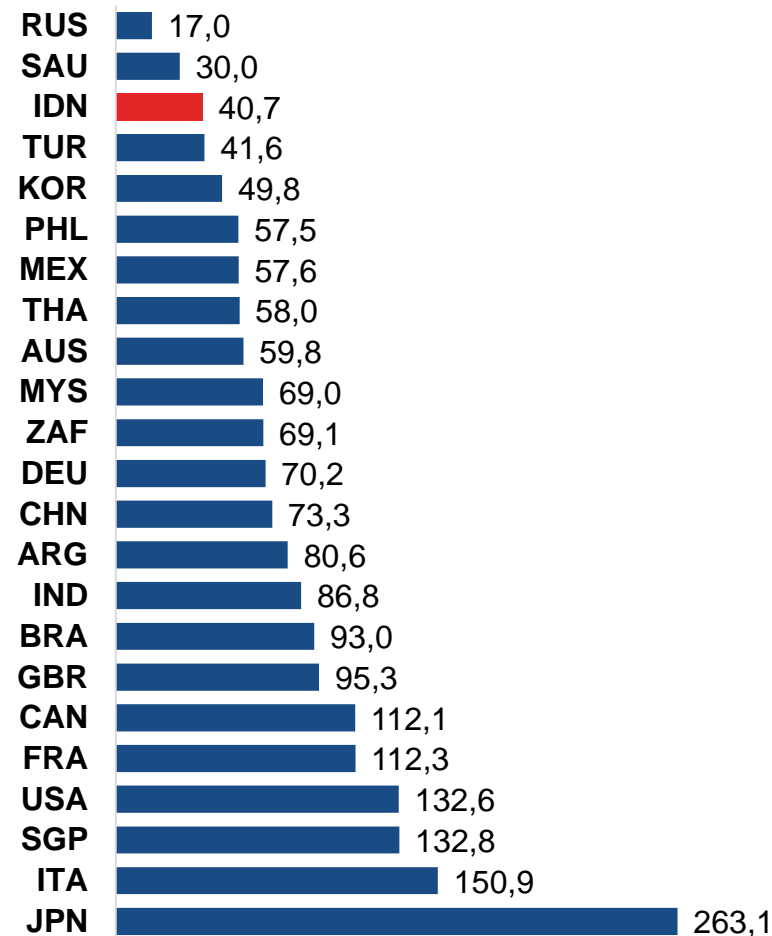
Prudent fiscal policy management provides adequate space to respond pandemic effectively

Even though increases, Indonesia's Debt Ratio is among the lowest compared to peers

Accumulated Fiscal Deficit 2020 - 2021 (% of GDP)



Debt Ratio 2021 (% of GDP)



Source: IMF, CEIC, Ministry of Finance



The budget has minimized the impact of the crisis to poverty and labor market

Effective National Economic Recovery Program (PEN) has provided strong booster to the economy as well as protection to the poor people

NATIONAL ECONOMIC RECOVERY PROGRAM (PEN) HAS EFFECTIVELY CUSHIONED THE IMPACT OF THE PANDEMIC

2020: IDR575.9 T | 2021: IDR658.6 T | 2022: IDR455.6 T

National Economic Recovery Program (PEN) was enacted in response to the Covid-19 pandemic handling and was aimed at saving lives and supporting the economy. In 2021, the initial figures were lower than 2020, however, due to delta variant outbreak in July, PEN was strengthened for social protection expansion and hospital costs.

Labor Market

Source: Statistic Indonesia

Poverty

Source: Statistic Indonesia

Changes: Mar 2021 to Mar 2022

Changes: Feb 2021 to Feb 2022

The labor force

↑ 4.2 million people

Working people

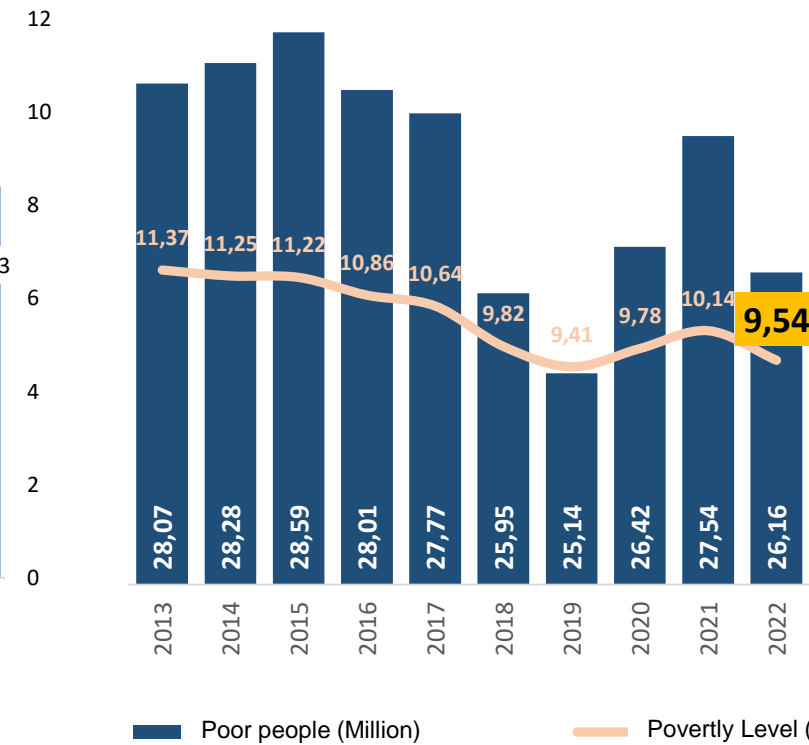
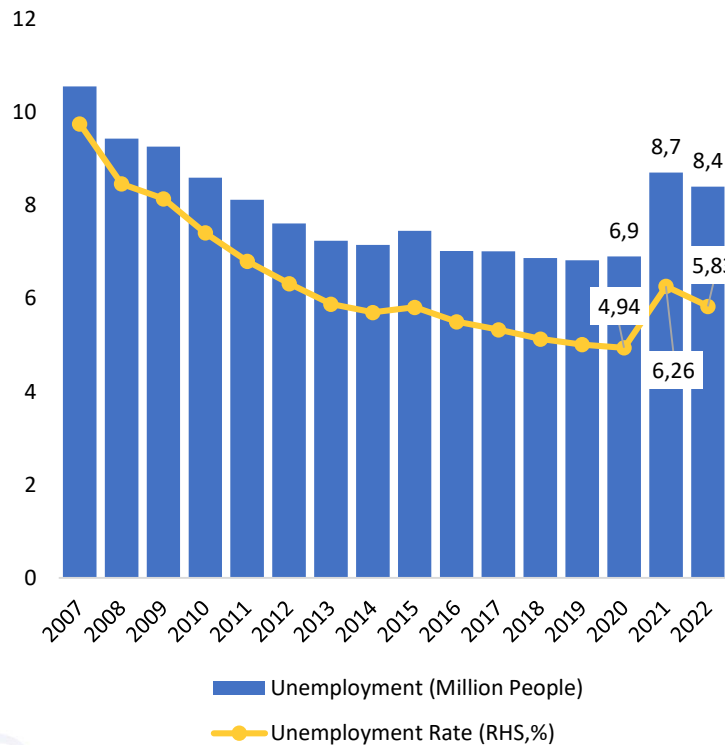
↑ 4.55 million people

Unemployment

↓ 0.35 million people

The working age population affected by Covid-19

↓ 7.57 million people



Poverty Rate

↓ 0.6 pp

Poor people

↓ 1.38 million people

Source: Ministry of Finance, Statistics Indonesia



Strong budget performance continues in 2022

Revenue is very strong, government spending is on track yet higher expenditure is anticipated for the increasing energy subsidy and compensation in Q4

Account (IDR T)	2021			2022			
	Audited Budget	% of Budget	Growth (%)	Revised Budget (Perpres 98/2022)	YTD 30 Sept 2022	% of Perpres 98/2022	Growth (%)
A. Revenue	2,011.3	115.4	22.1	2,266.2	1,974.7	87.1	45.7
I. Tax Revenue	1,547.8	107.2	20.4	1,784.0	1,542.6	86.5	49.3
1. Tax	1,278.6	104.0	19.3	1,485.0	1,310.5	88.2	54.1
2. Custom & Excise	269.2	125.2	26.4	299.0	232.1	77.6	26.9
II. Non-Tax Revenue	458.5	153.8	33.4	481.6	431.5	89.6	34.4
B. Expenditure	2,786.4	101.3	7.4	3,106.4	1,913.9	61.6	5.9
I. Central Government	2,000.7	102.4	9.1	2,301.6	1,361.2	59.1	7.6
II. Regional Transfer & Village Funds	785.7	98.8	3.0	804.8	552.7	68.7	2.1
C. Primary Balance	(431.6)	68.2	(31.9)	(434.4)	339.4	(78.1)	271.2
D. Surplus (Deficit)	(775.1)	77.0	(18.2)	(840.2)	60.9	(7.2)	113.5
<i>% to GDP</i>	(4.57)	80.2	(5.6)	(4.50)	0.33		
E. Financing	872	86.6	(27.0)	840.2	429.8	51.2	(30.9)
F. Financing Surplus	96.67				490.7		

The Government revenues grew significantly, supported by increased economic activity, the impact of the implementation of the Law on Intergovernmental Transfer, and rising commodity prices.

The government expenditures are directed towards the distribution of various social assistance & subsidies, funding for national strategic projects, as well as economic recovery programs, including Transfers to Regions.

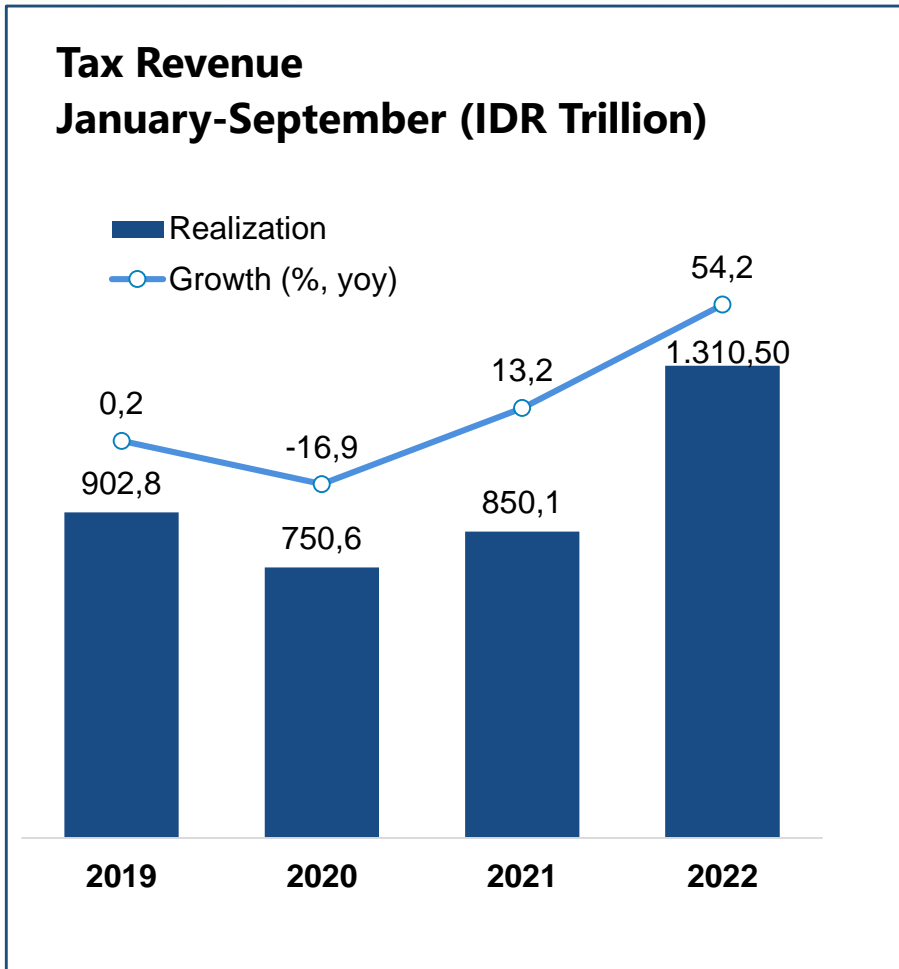
The Budget Surplus and Primary Balance are still within the responsive corridor to face market pressures and the dynamics of the budget

Budget Financing is managed efficiently and carefully amidst global economic uncertainty.



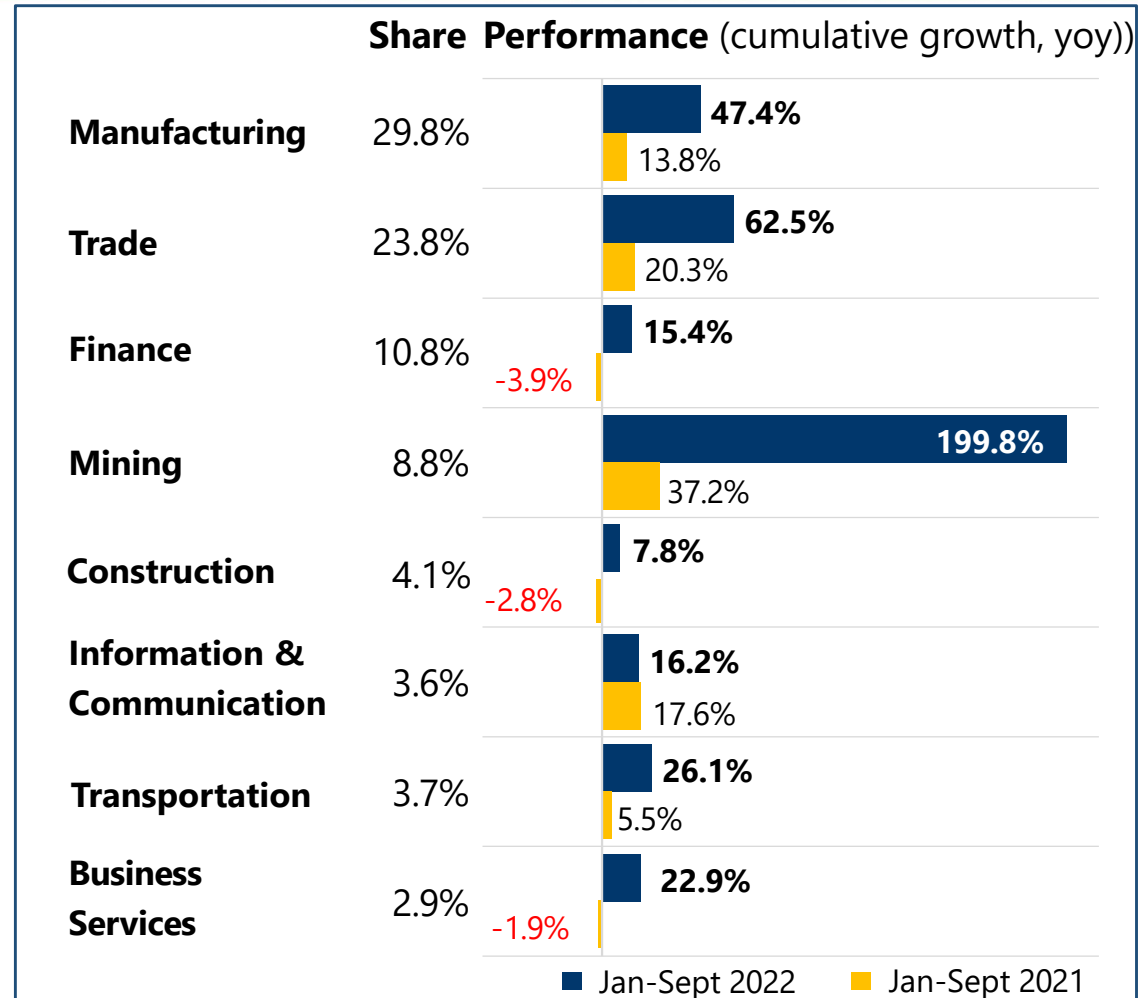
Revenue Collection Continued to Strengthen

Supported by high commodity prices, stronger economic activity and gain from the recent tax reforms



The outstanding tax revenue collection in **January-September 2022** was driven by:

- The trend of **increasing commodity prices**;
- Expansive **economic growth**;
- **Low base in 2021** due to **fiscal incentives**;
- Impact of the implementation of **the HPP Law**.



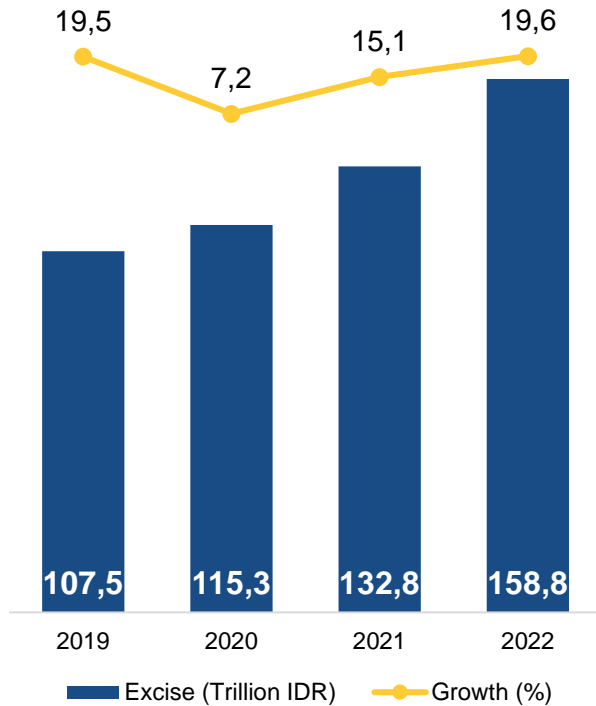
- **The best performing sectors in the economy** (i.e. manufacturing, trade, and mining) **are also translated into the tax revenue** and recorded the highest growth among sectors.
- **Much improved economic recovery** and activities **are also reflected in all sectors** of tax receipts, which significantly grew higher compared to the same period last year.



As of August 2022, custom & excise revenue realization significantly grew

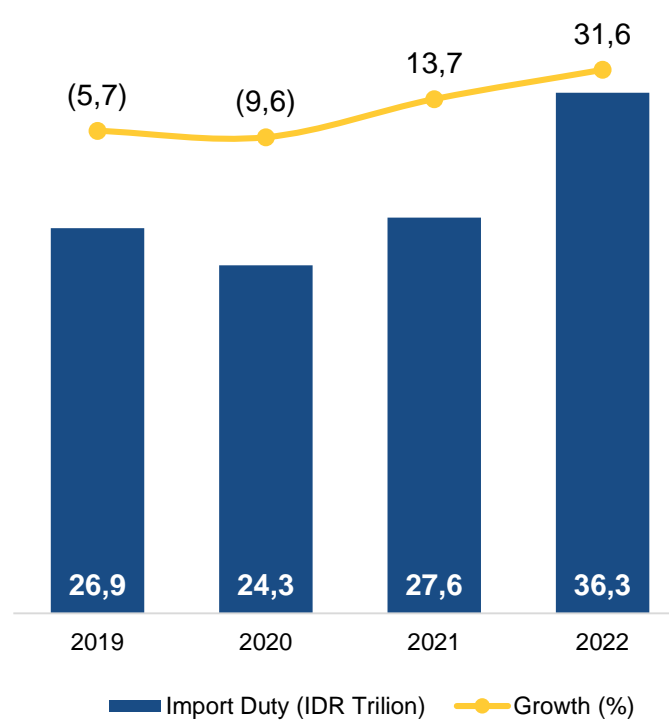
Driven by the trend of improving national import performance, high commodity prices, increasing export volume, and the effectiveness of tariff policies

Excise Revenue (IDR T)



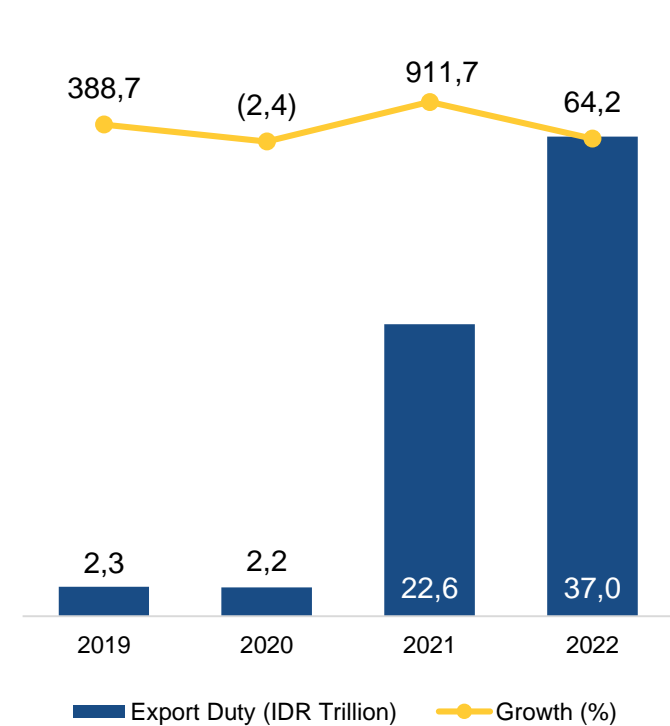
Influenced by the effectiveness of the tariff policy, the surge in production in March (the effect of the increase in VAT rates) and the effectiveness of supervision.

Import Duty Revenue (IDR T)



Affected by the improved import performance and underpinned by trade and manufacturing sectors.

Export Duty Revenue (IDR T)



Driven by high commodity prices, the increase in export duty tariffs for palm oil products, and the Flush Out policy.

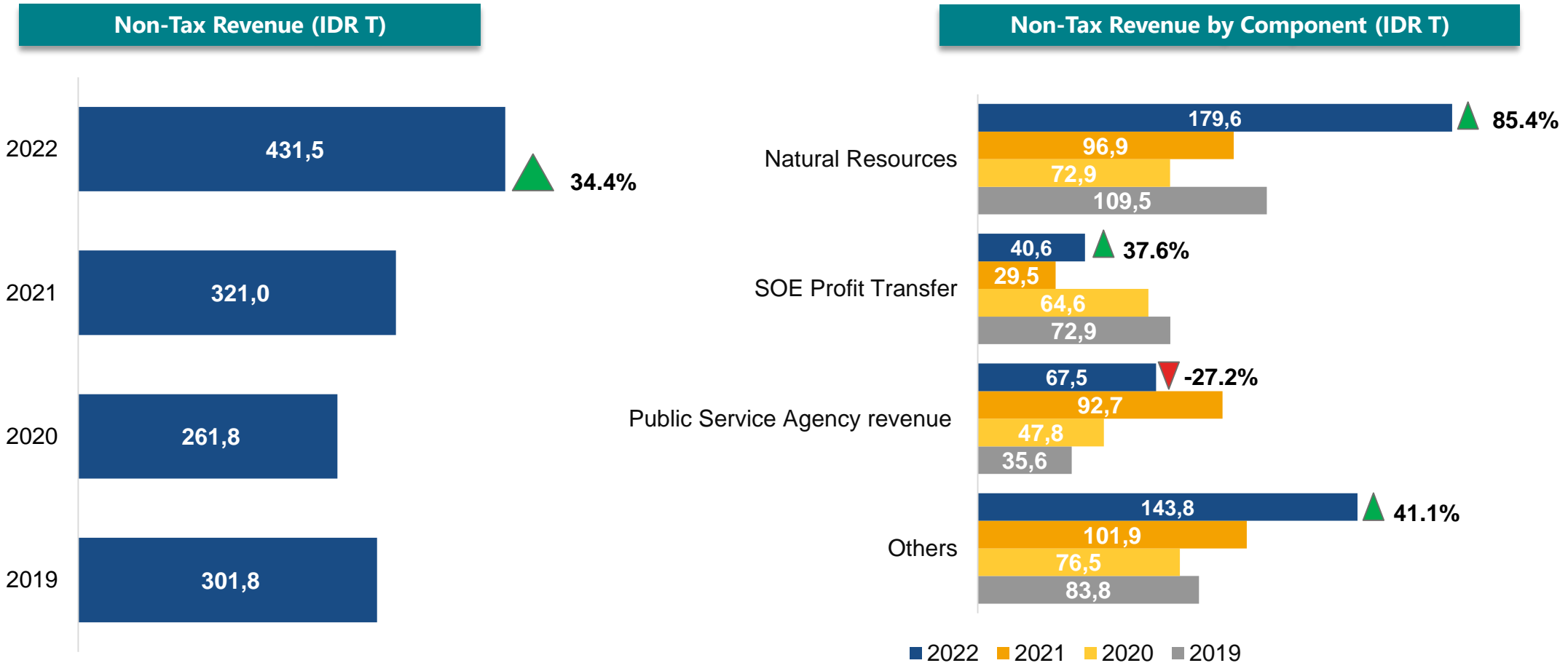
Note: realization period of year-to-date September each year

Source: Ministry of Finance



As of August 2022, non-tax revenue grew strongly supported by an increase almost in all components

Driven by the increase in commodity prices, good performance SOEs, and improvement of public services



Note: realization period of year-to-date September each year

Source: Ministry of Finance



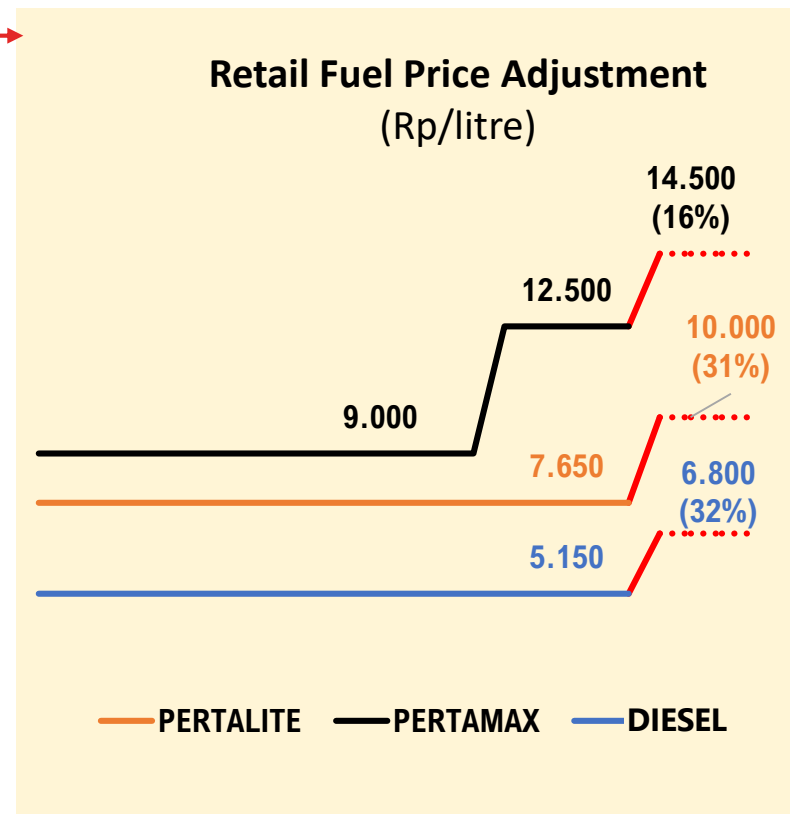
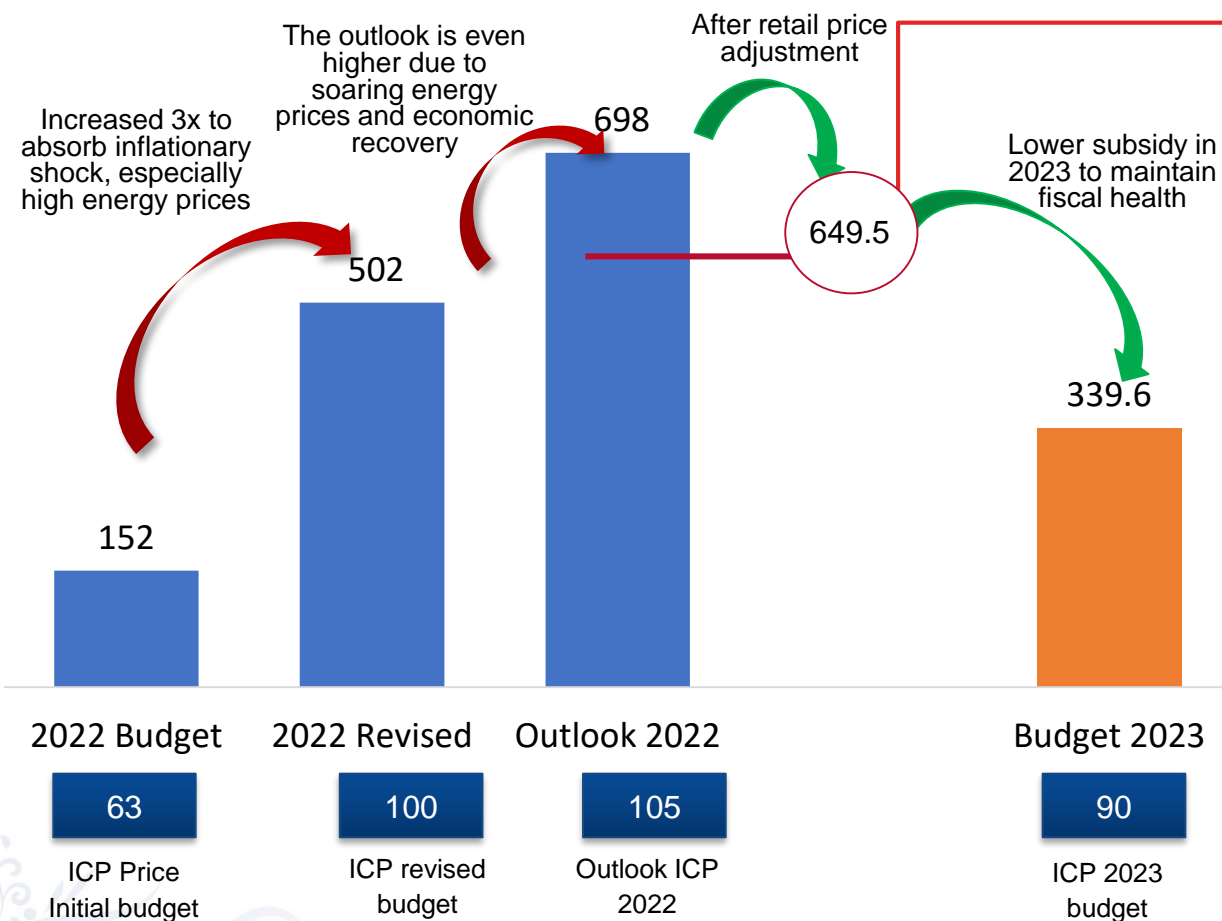
Energy Subsidy has been Adjusted to Absorb the Global Inflationary Shocks

The Government budget has been optimized to absorb the inflationary shock

- The energy subsidy has been raised to absorb the inflationary shocks in order to safeguard recovery momentum. Revenue windfall on the back of high commodity prices provides space to absorb the inflationary shocks.
- However, continue raising energy subsidy will jeopardize fiscal sustainability. The Government decided to raise domestic retail fuel prices which could ease budget pressures, especially in 2023, as the Budget is transitioning toward consolidation.

Energy Subsidy Allocation 2022 – 2023

(Rp Trillion)





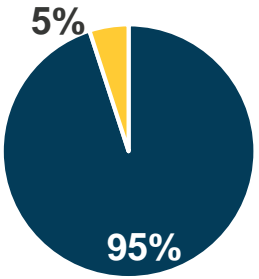
While easing budget pressures, fuel price hike is aimed at improving equality & targeting

While safeguarding medium-term fiscal health

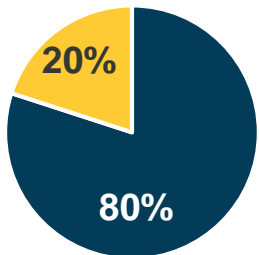
Bigger portion of fuel consumption and subsidy were enjoyed by richer households (HH)

■ Top 60% HH
■ Bottom 40% HH

Diesel Consumption by HH

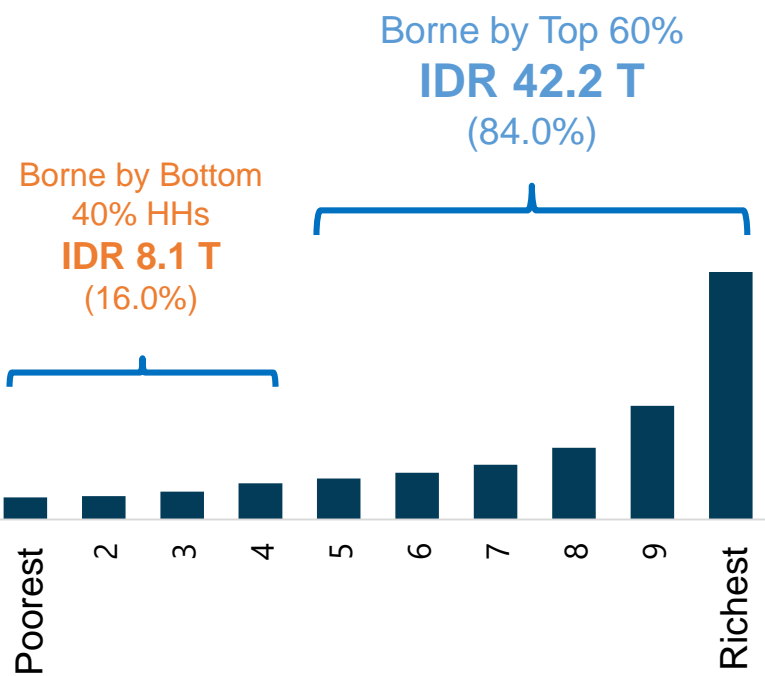


Pertalite* Consumption by HH



Additional burden per household of the Top 60% is significantly higher than the Bottom 40%

Total reallocated budget from subsidy and compensation **IDR 50 Trillion**



The Government enhanced the social protection program to improve the effectiveness of the intervention program

Total additional budget to cushion the purchasing power of lower income HHs **IDR 24.17 Trillion**

CASH TRANSFER
IDR12.4 trillion budget allocation for **20.65 million poor & vulnerable households**

WAGE SUBSIDY
IDR9.6 trillion budget allocation for **16 million workers** with max income of Rp3.5 million/month

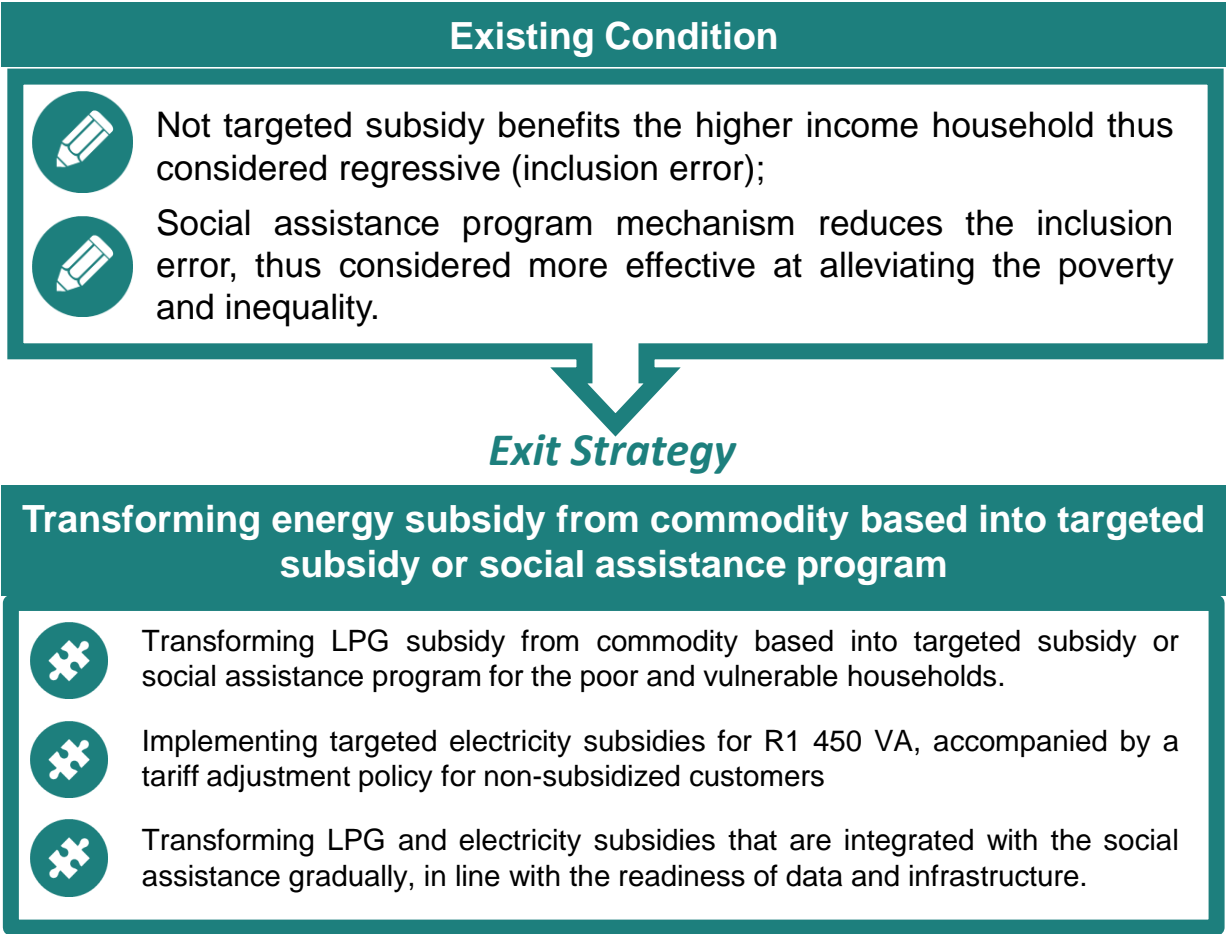
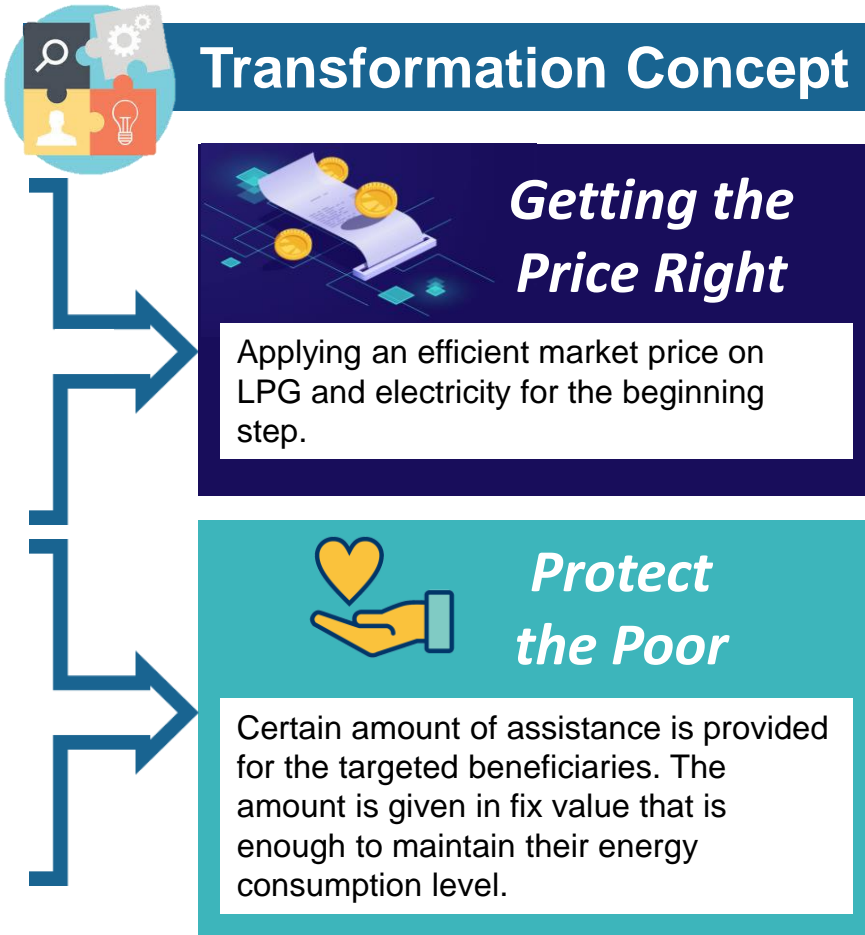
LOCAL GOVT SUPPORT
2% of subnational general transfer fund. Total estimation Rp2.17 trillion targeted **for social protection and interventions to stabilize inflation**

Source: Statistics Indonesia, Ministry of Finance processed from SUSENAS
*Pertalite is RON-90 gasoline sold by Pertamina



Transforming subsidy from commodities based into targeted people in 2023

The policy will be taken gradually and very carefully, depend on the updated social and economic recovery.



Source: Ministry of Finance



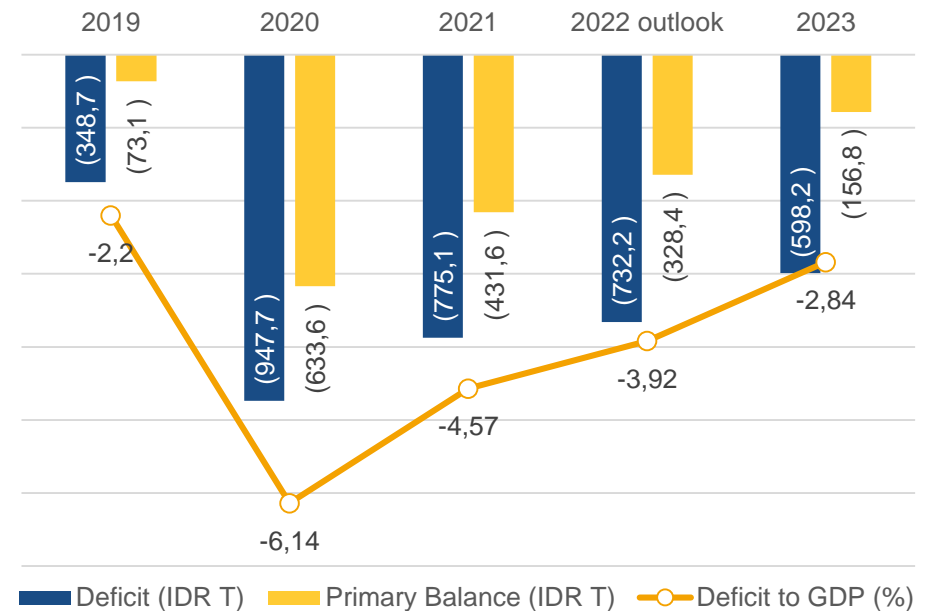
2023 Budget was Prepared with Optimism and Remaining Vigilant

Aiming to increase productivity for an inclusive and sustainable economic transformation

Fiscal Policy Focus in 2023



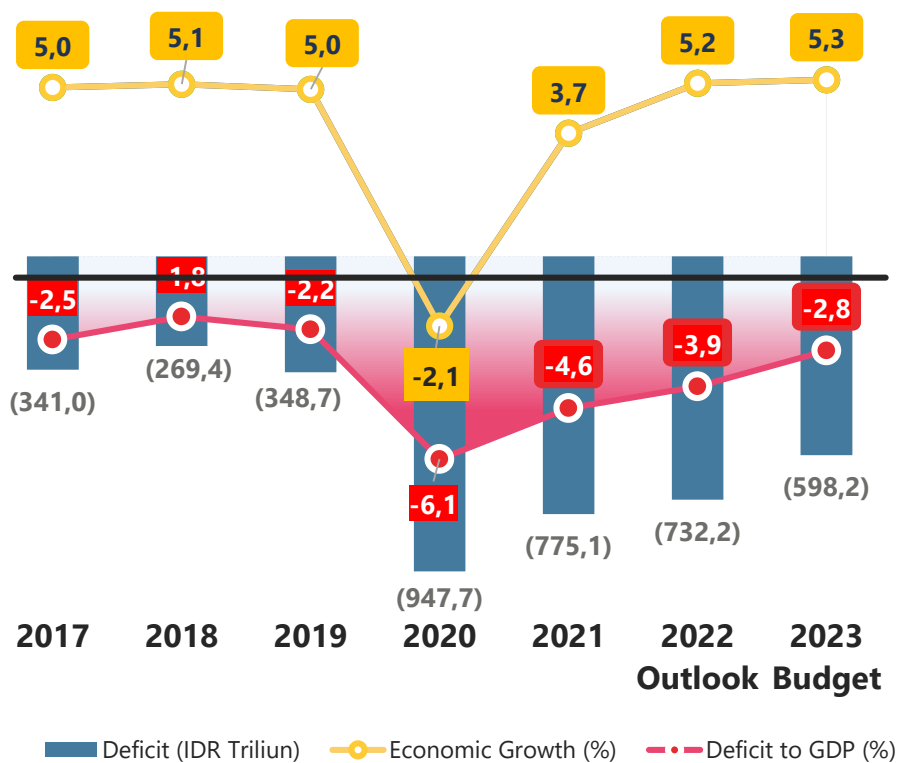
- REVENUE MOBILIZATION**
- Maintaining the effectiveness of the implementation of tax reform law
 - Strengthening tax base and increasing taxpayer compliance
 - Anticipating economic downturn and commodity prices moderation in 2023
- SPENDING BETTER**
- Efficient, effective, priority, transparent, and accountable
 - Focusing on human capital, physical capital, and institutional reform
 - Anticipating uncertainty
- INNOVATIVE AND SUSTAINABLE FINANCING**
- Well-managed debt risk
 - Increasing the involvement of private sector, SOEs, public service agency, innovative financing agency





2023 government budget to increase productivity and respond to risks of global economic uncertainty

The budget deficit is back below 3 percent and for the first time the tax target is above IDR 2 thousand trillion



Account (IDR T)	2020	2021	2022			2023	
	Audited	Audited	Budget	Perpres 98/2022	Outlook	Budget	Growth* (%)
State Revenue*	1,647.8	2,011.4	1,846.1	2,266.2	2,436.9	2,463.6	1.1
Tax Revenue	1,285.1	1,547.9	1,510.0	1,784.0	1,924.9	2,021.2	5.0
Non Tax Revenue	343.8	458.5	335.6	481.6	510.9	441.4	(13.6)
State Expenditure	2,595.5	2,786.4	2,714.2	3,106.4	3,169.1	3,061.2	(3.4)
Central Government Expenditure	1,833.0	2,000.7	1,944.5	2,301.6	2,370.0	2,246.5	(5.2)
Regional Transfer & Village Funds	762.5	785.7	769.6	804.8	799.1	814.7	2.0
Primary Balance	(633.6)	(431.6)	(462.2)	(434.4)	(328.4)	(156.8)	(52.3)
Surplus (Deficit)	(947.7)	(775.1)	(868.0)	(840.8)	(732.2)	(598.2)	(18.3)
<i>% to GDP</i>	<i>(6.14)</i>	<i>(4.57)</i>	<i>(4.85)</i>	<i>(4.50)</i>	<i>(3.92)</i>	<i>(2.84)</i>	
Financing	1,193.3	871.7	868.0	840.2	732.2	598.2	(18.3)

Economic Growth	Inflation	Exchange Rate	10Y T-Bonds Rate	ICP	Oil Lifting	Gas Lifting
5.3%	3.6%	IDR 14,800/USD	7.9%	90 USD/Barrel	660 Thousand bpd	1,100 million bpd

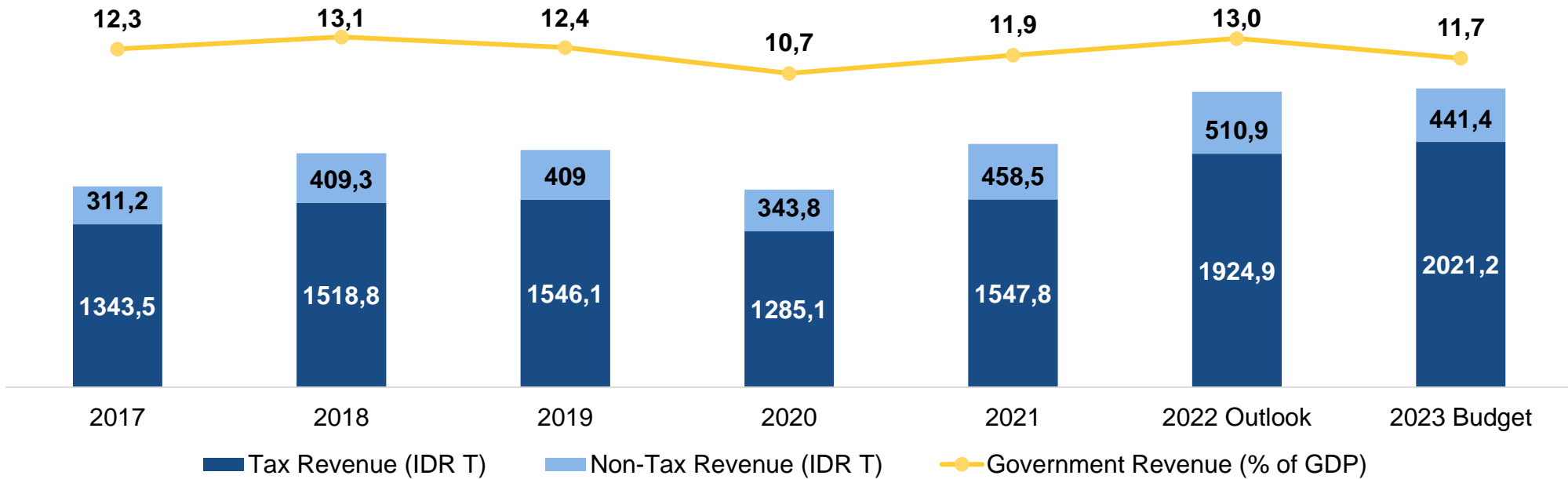
Source: Ministry of Finance
 Note: *% Growth of 2022 Budget Outlook



Optimizing Government Revenue and Maintaining The Investment Climate

Continuing tax reform, service innovation, and optimizing asset management

Government Revenue



2023 Tax Policies

1. Maintaining the effectiveness of the tax reform (HPP Law) implementation.
2. Increasing taxpayer compliance by providing fiscal incentives for strategic economic activities that have a strong multiplier for the economy.
3. Tax extensification and intensification to strengthen the tax base and increase taxpayer compliance.
4. Optimization of customs & excise through extensification, strengthened supervision, and law enforcement.

2023 Non-Tax Revenue Policies

1. Increasing service innovation, strengthening governance, and optimizing productive asset management.
2. Optimizing the management of revenue from natural resources by considering the moderated commodity prices.
3. Improving the performance of SOEs.
4. Expansion of digitization, integration, and service synergy as well as innovation of public services investment funding.

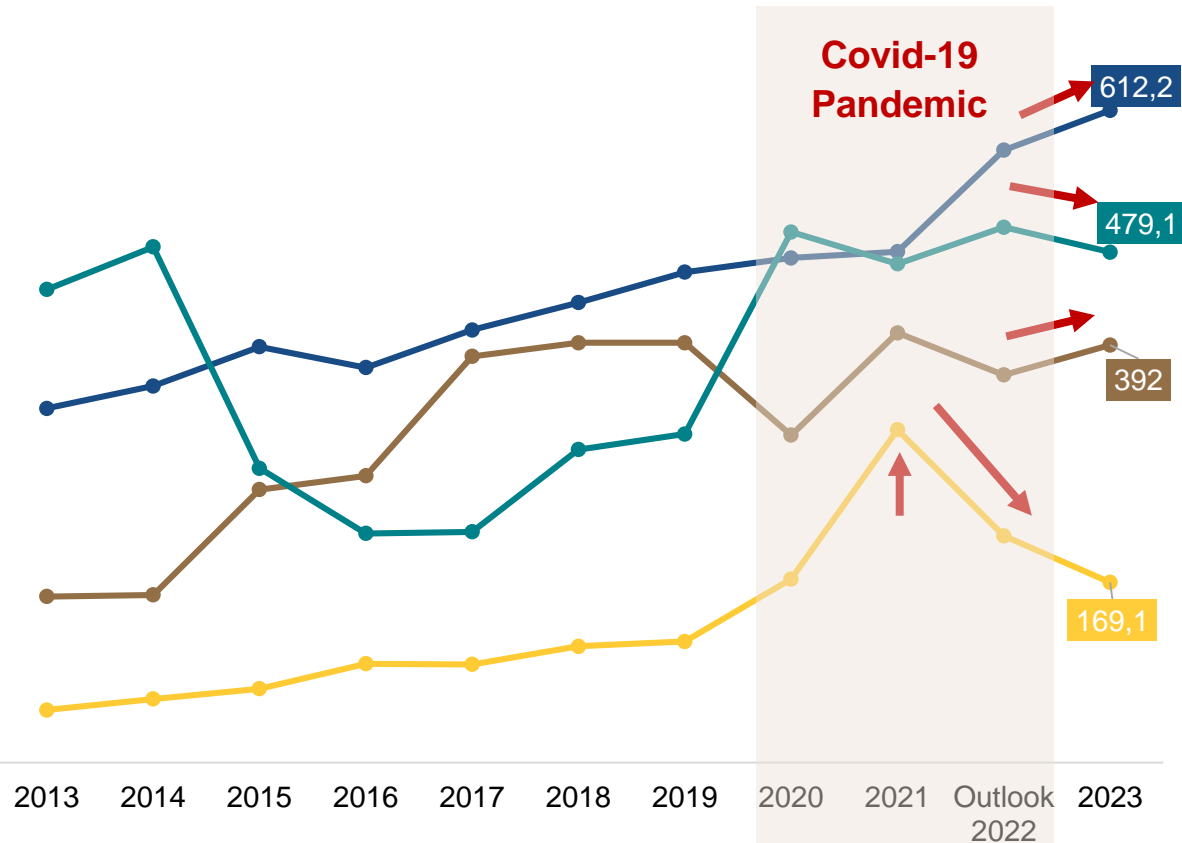
Source: Ministry of Finance



2023 Budget Priority to Support Structural Reform

Maintaining allocations for priority sectors to boost competitiveness and people's well-being

BUDGET DEVELOPMENT ON PRIORITY PROGRAM (IDR TRILLION)



● Education ● Health ● Infrastructure ● Social Protection

% to total budget (avg 2013-2023)	Education	Health	Infrastructure	Social Protection
	20%	5%	14%	14%

Source: Ministry of Finance



EDUCATION

- ✓ To create competitive human capital
- ✓ Increasing access by strengthening compulsory study and expanding access to underdeveloped regions
- ✓ Levelling the quality of education across region
- ✓ Renovation and revitalization education infrastructure
- ✓ Improving teaching factory model



SOCIAL PROTECTION

- ✓ Improving data and targeting system on social protection and subsidy distribution
- ✓ Empowering the poor to escape from poverty
- ✓ Strengthening social protection for all age
- ✓ Strengthening adaptive social protection



INFRASTRUCTURE

- ✓ Acceleration on basic infrastructure project
- ✓ Infrastructure and IT access equal distribution
- ✓ Developing infrastructure to support economic transformation
- ✓ Integrating financing between government and PPP scheme
- ✓ Supporting the strategic national project



HEALTH

- ✓ Declining health spending due to the decreasing of Covid-19 handling budget
- ✓ To support health system transformation: focusing on preventive measures
- ✓ Strengthening universal health insurance and premium subsidy (PBI) for the poor
- ✓ Acceleration reducing stunting prevalence program
- ✓ increasing the vigilance of health services



The Government continue its commitment to pursue reform agenda

Comprehensive structural reform to improve productivity, increasing investment and export competitiveness

Omnibus Law on Job Creation

- Launched OSS (Online Single Submission) on 2021 to speed up business licensing progress
- Acceleration on National Strategic Project (PSN)
- Climate Change Fiscal Framework (CCFF) & Energy Transition Mechanism
- Implementing Risk-Based Business Analysis to Encourage FDI
- Positive list of investment to improve priority sectors
- Establishment of Sovereign Wealth Fund (INA)
- etc

Fiscal Reform

- Tax Reform
 - Voluntary Disclosure Program completed successfully (Jan-June 2022)
 - VAT rate increasing to 11% since April 1st
 - Integration of ID number and taxpayer number
 - Other policy changes to be anticipated:
 - Strengthening excise mechanism
 - Income tax policy change
 - Introduction of carbon tax
- 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 Development

*Deep, innovative, efficient, inclusive, reliable, strong and stable
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

<<Existing reform

Further Reform>>



The State Budget Financing is Well Maintained while Responding to Volatile Market

State budget financing continues to prioritize prudent, flexible, and opportunistic principles

Budget Financing (IDR trillion)

	2021		2022			
	Realization as of 30 September	Growth (%)	Perpres 98/2022 (revised budget)	Realization as of 30 September	% of revised budget	Growth (%)
Debt Financing	647.5	(20.1)	943.7	478.9	50.7	(26.0)
GS (nett)	666.7	(15.7)	961.4	470.9	49.0	(29.4)
Loan (Nett)	(19.2)	(199.1)	(17.7)	8.0	(45.3)	(141.8)

2022 Financing Issuances Highlight

- ❑ **GS Purchased by Bank Indonesia (as of 20 Oct 2022)**
 - ➔ Under 1st Joint Decree (SKB 1): **IDR42.66 Trillion**
 - ➔ Under 3rd Joint Decree (SKB 3): **Rp95.4 Trillion**
- ❑ **Thematic Bonds in Domestic Market (as of 20 Oct 2022)**
 - ➔ Issued Project-based Green Sukuk: **IDR 5.66 Trillion**
 - ➔ Domestic SDG Bonds are being prepared for the domestic auction.
- ❑ **Domestic Retail Bonds & Sukuk (as of 24 Oct 2022)**
 - ➔ Total issuance: **IDR 97.39 Trillion**
 - ➔ 5 series of tradable and non-tradable domestic retail GS issuances (excl. Cash Waqf Linked Sukuk amounted to IDR 0.383T).
- ❑ **Foreign Currency Government Securities (as of Oct 2022)**
 - ➔ Total issuance: **USD 7.18 Billion & JPY 81 Billion**
 - ➔ Including LM transaction amounted to USD 0.47 Billion in 31 March and USD 0.325 Billion in 20 Sept 2022.

Realization of Debt Financing as of 30 September 2022, decreased by 26.0% compared to the same period in 2021.

2022 Financing Strategy based on Deficit Outlook

- ❖ Optimization of domestic Government Securities through the Third Joint Decree
- ❖ GS auction target adjustment
- ❖ Foreign currency GS target adjustment
- ❖ Upsize Retail GS
- ❖ Program Loan Flexibility



2023 Indicative Financing Needs

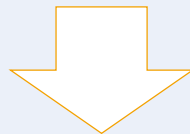
Manageable debt-to-GDP with a diversified funding portfolio

2023 Budget Financing Policy

- Prudent and sustainable debt financing management by controlling debt risk at a safe and credible level.
- Debt financing through project loans is directed at optimizing the line ministries' spending.
- Flexible use of program loans to provide financing buffers and anticipate uncertainty.
- Domestic GS market deepening & investor base expansion towards financing independence through increased retail GS issuance.
- Use of Accumulated Budget Surplus to maintain economic stability and prepare for uncertainty.

2023 Financing Needs

Budget Deficit 2023



IDR 598.1 Trillion
2.84% of GDP



- Investment
- Lending
- Liabilities
- Other Financing
- Matured Debt

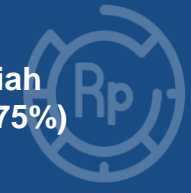


Financing Sources

Foreign Currency
(20%-25%)



Rupiah
(80%-75%)



Foreign Loan

Global/ Int'l GS

Domestic Loan

Domestic GS

Gross Government Securities (GS)
(Auction & Non-Auction)

Govt Debt Securities
70% - 66%



Sukuk
30% - 34%

Matured Bonds in 2023



Source: Ministry of Finance

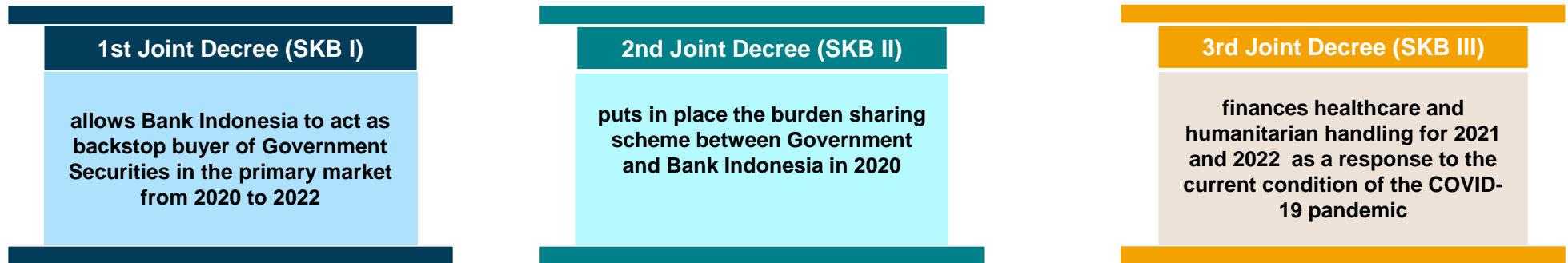


Strengthened Synergy between Monetary and Fiscal Policy

Policy synergy between Bank Indonesia and the government contributes to the acceleration of economic recovery

The Government and Bank Indonesia (BI) are working closely to respond to the Covid-19 pandemic, as well as health and humanitarian financing, through a set of joint decrees that will only be in effect until 2022.

The enactment of Emergency Law No.1 / 2020 (Approved to be Law No.2 / 2020) allows BI to purchase government securities in the primary market for a period of three years until 2022 by taking into account BI's balance sheet capacity.



3rd Joint Decree (SKB III)

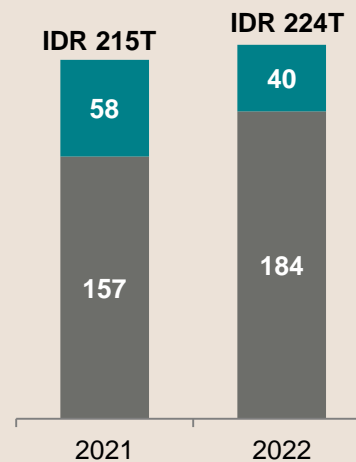
Cluster A

- Bank Indonesia contributes all interest costs on the financing for vaccination and healthcare with a maximum amount of IDR 58tn in 2021 and IDR 40tn in 2022, taking into account BI's balance sheet capacity and capability
- Covers healthcare and Covid-19 pandemic-related items which includes vaccination programs and other healthcare-related financing

Cluster B

- The Government will cover the remaining interest costs for financing other healthcare-related segments as well as humanitarian handling
- Healthcare and Covid-19 pandemic-related items outside of those in Cluster A. Humanitarian handling in the form of various protection programs for affected communities / small businesses

■ Cluster B ■ Cluster A



- Issuance specifically to BI through private placement which will reduce SBN auction target
- All SBN issued on variable rate using BI 3M-Reverse Repo (not commercial market rate)
- Tradable and marketable**



Consistent Presence in Japanese Capital Markets

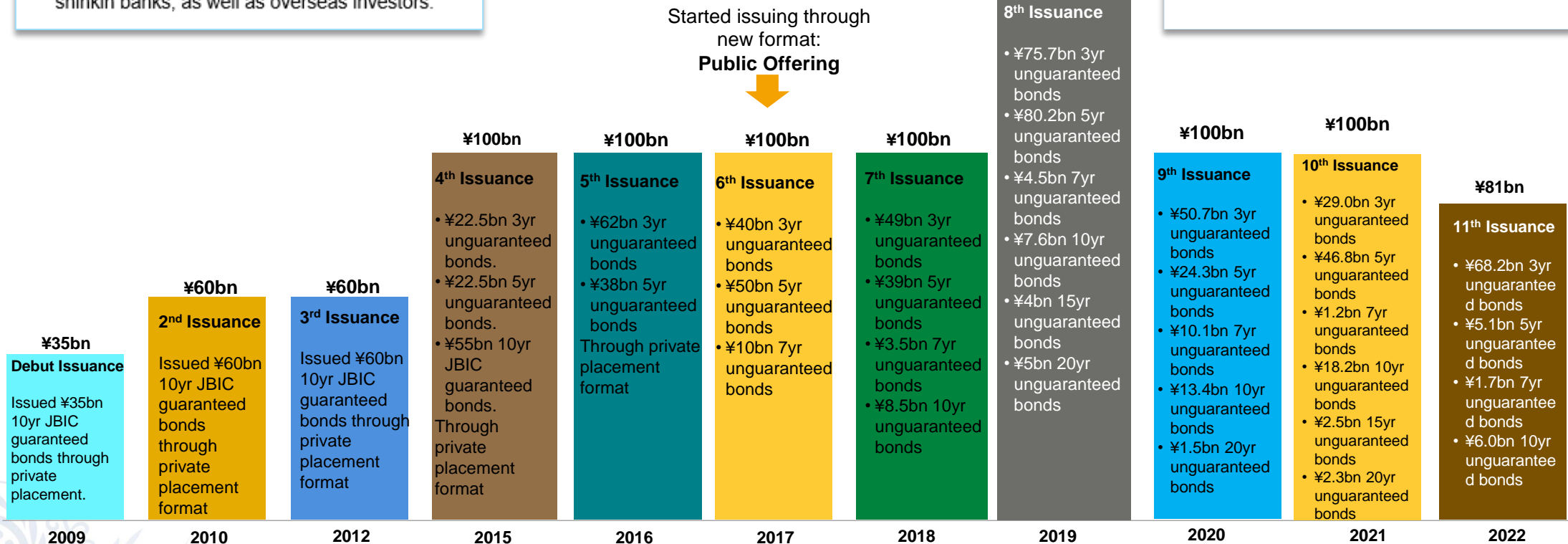
Broadened investor base through public offering issuance

Key Highlights

- Extended tenor and printed 20 year tranche for the first time in 2019.
- Able to achieve extended average duration with lower reliance in short tenor for its 2021 public Samurai issuance.
- Achieved the tightest spreads and the lowest coupon levels ever across all tenors for its 2021 public Samurai issuance.
- Able to attract broader range of investors including city banks, asset managers, regional shinkin banks, as well as overseas investors.

Awards

- ✓ Best Samurai Bond 2021
- ✓ Best Samurai Deal 2019
- ✓ Cross-border Yen Bond of the Year 2019
- ✓ Cross-border Yen Bond of the Year 2020
- ✓ Best Samurai Deal 2019
- ✓ #2 Samurai Deal 2020

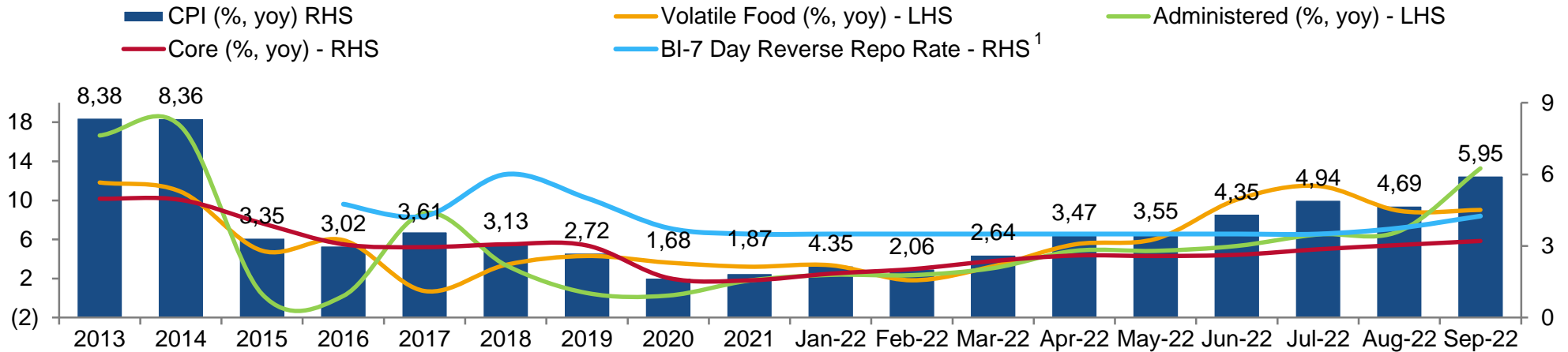




Manageable monetary environment despite increasing global uncertainty

Further strengthening policy mix to maintain stability and recovery momentum, while mitigating the risks associated with rising core inflation and inflation expectations

Mitigating the risk of rising inflation expectations to support price stability (%)



Recent Monetary Policy Decisions

The BI Board of Governors agreed on the 19th and 20th October 2022 to raise the BI 7-day Reverse Repo Rate by 50 bps to 4.75%, while also raising the Deposit Facility and Lending Facility rates by 25 bps to 4.00% and 5.50%

<p>Raise the BI 7-Day Reverse Repo Rate to 4.75%</p>	<p>Strengthening monetary operations by increasing the interest rate structure in the money market in accordance with the higher BI 7-Day Reverse Repo Rate (BI7DRR) to lower inflation expectations and return core inflation to the target.</p>	<ul style="list-style-type: none"> Strengthening rupiah stabilisation policy as part of the measures to control inflation, primarily imported inflation, through foreign exchange market intervention, including spot and DNDF transactions, as well as buying/selling SBN in the secondary market Continue buying/selling SBN in the secondary market to strengthen transmission of the BI7DRR by increasing the attractiveness of SBN yields for foreign portfolio investment inflows to strengthen exchange rate stabilisation measures. 	<ul style="list-style-type: none"> Maintaining accommodative macroprudential policy to revive bank lending to businesses by: <ul style="list-style-type: none"> holding: (a) the countercyclical capital buffer (CCyB) at 0%, (b) Macroprudential Intermediation Ratio (MIR) in the 84-94% range, (c) Macroprudential Liquidity Buffer (MPLB) at 6% with repo flexibility of 6% and sharia MPLB at 4.5% with repo flexibility of 4.5%, Maintaining looser Loan/Financing-to-Value (LTV/FTV) ratio on property loans/financing to a maximum of 100% on all property types (landed houses, apartments and shop/office house) for banks meeting specific NPL/NPF criteria, effective from 1st January 2023 to 31st December 2023, and Maintaining looser down payment requirements on automotive loans/financing at 0% for all types of new motor vehicle, effective from 1st January 2023 to 31st December 2023 Maintaining prime lending rate (SBDK) transparency policy in banking industry with a focus on the assessment of policy rate transmission to interest rates on new loans 	<p>Strengthening payment system policy through digitalisation of the banking industry and non-bank financial institutions by expanding the participation, ecosystem and utilisation of BI-FAST, while accelerating the adoption of National Open API Payment Standards (SNAP) for banks and non-banks.</p>
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Source: Central Bureau of Statistics, Bank Indonesia
 Notes: ¹ The BI-7 Day Reverse Repo Rate was only introduced as the new Indonesian policy rate in 2016



Robust external balances, reinforcing resilience

Sound balance of payments, adequate reserves, and ample lines of defense – a buffer against external shocks

Balance of Payments (USD bn)

Components	2018	2019	2020	2021*	Q1-2022**	Q2-2022**
Current account	(30.6)	(30.3)	(4.4)	3.5	0.4	3.9
A. Goods	(0.2)	3.5	28.3	43.8	11.3	16.8
- Export, FOB	180.7	168.5	163.4	232.8	66.8	75.1
- Import, FOB	(181.0)	(164.9)	(135.1)	(189.0)	(55.5)	(58.4)
A. Non-oil and gas	(149.9)	(141.0)	(119.4)	(160.3)	(45.5)	(45.6)
B. Oil and gas	(29.0)	(22.3)	(13.9)	(26.2)	(9.5)	(12.0)
B. Services, primary & secondary income	(30.4)	(33.8)	(32.7)	(40.3)	(10.9)	(12.9)
Capital and financial account (net)	25.2	36.6	7.9	12.2	(2.1)	(1.0)
1. Direct investment	12.5	20.5	14.1	17.1	4.4	3.0
2. Portfolio investment	9.3	22.0	3.4	5.1	(3.1)	(0.4)
3. Other investment	3.3	(6.1)	(9.6)	(10.4)	(3.4)	(3.6)
Overall balance	(7.1)	4.7	2.6	13.5	(1.8)	2.4
<i>Memorandum:</i>						
Reserve assets position	120.7	129.2	135.9	144.9	139.1	136.4
In months of imports and official debt repayment	6.4	7.3	9.8	7.8	7.0	6.4
Current account (% GDP)	(2.9)	(2.7)	(0.4)	0.3	0.1	1.1

- Indonesia's BOP remains solid, thereby supporting external sector resilience. BOP performance in the second quarter of 2022 was underpinned by a positive current account together with a narrower capital and financial account deficit.
- The current account recorded a USD 3.9bn surplus (1.1% of GDP) in the second quarter of 2022, primarily boosted by stronger non-oil and gas export performance.
- Despite elevated global financial market uncertainty, capital and financial account performance in the second quarter of 2022 remained sound. The capital and financial account recorded a USD 1.1bn deficit (0.3% of GDP) in the second quarter of 2022, supported by investor optimism on the promising domestic economic recovery outlook and conducive investment climate.
- **Current account is projected to post a surplus 0.4% - 1.2% of GDP in 2022, thus supporting external sector resilience in Indonesia.**

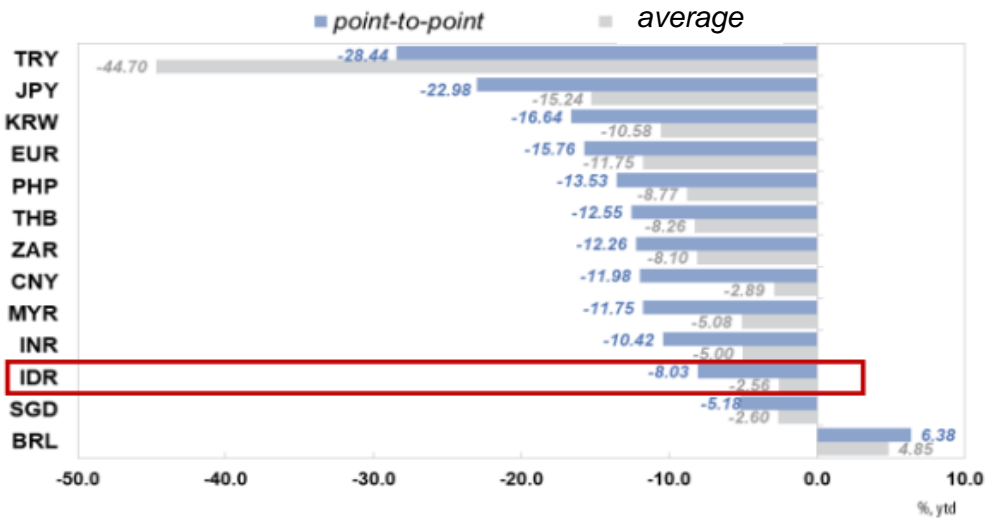
Source: Bank Indonesia

Ample lines of defense against external shocks

FX Reserves	Size	Period of time	
FX Reserves	■ Ample level of FX reserves to buffer against external shock		
	■ FX Reserves as of September 2022: USD 130.8 billion		
	Japan	USD 22.76bn swap line (avail both USD & JPY)	3 years renewed on Oct 2021
	Singapore	USD 7bn swap arrangement	1 year renewed on Nov 2021
	China	CNY 250 bn / USD 38.8 billion swap line	3 years renewed on Jan 2022
Malaysia	USD 2bn swap line	3 years renewed on Sep 2022	
CMIM Agreement	■ Entitled to a max swap amount of USD 22.76bn under the ASEAN+3 FX reserves pool created under the agreement, which came into effect in 2010 (USD 120bn) and doubled to USD 240bn in July 2014		
IMF – GSFN	■ Indonesia is entitled to access IMF facilities for crisis prevention to address potential (actual) BOP problem, such facilities include Flexible Credit Line and Precautionary and Liquidity Line		

Rupiah exchange rate fared well relative to peers

Exchange Rate 2022 vs 2021 (ytd)



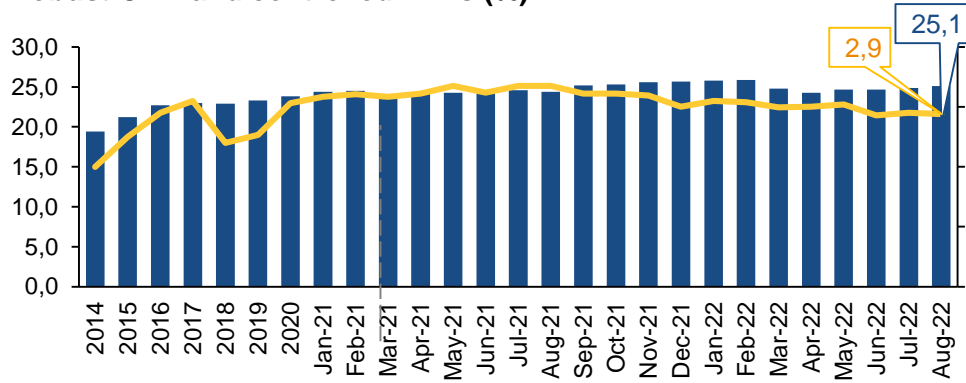
Note: Data as of 19th October 2022

Solid and sound banking system supported by robust capitalization and relatively low NPLs



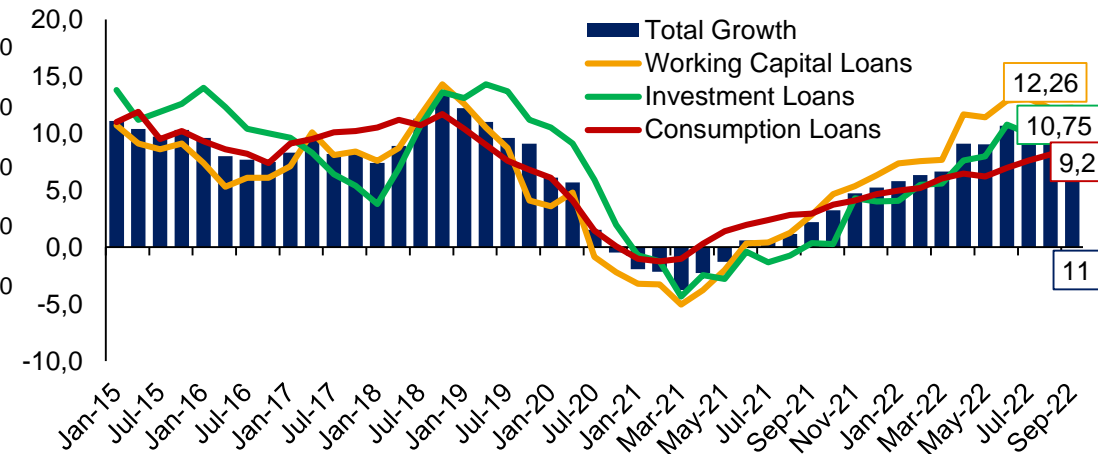
Banking system remains strongly capitalized even during pandemic and well positioned to support economic recovery

Robust CAR and controlled NPLs (%)



Source: Bank Indonesia

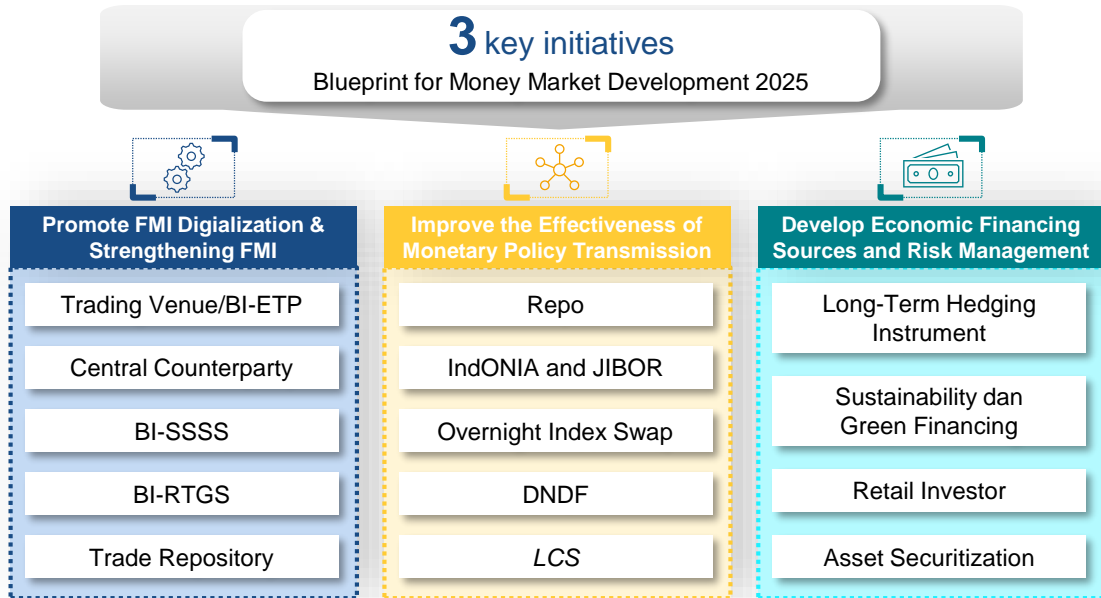
Credit growth to pick up with economic recovery (% YoY)



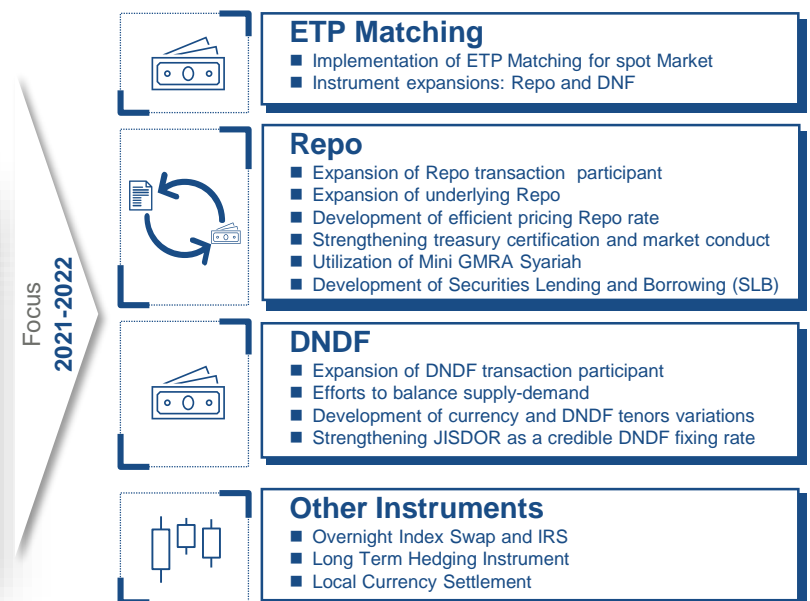
Source: Bank Indonesia

Blueprint for Money Market Development (BPPU) 2025

To build a reliable and efficient ecosystem for money market development in Indonesia



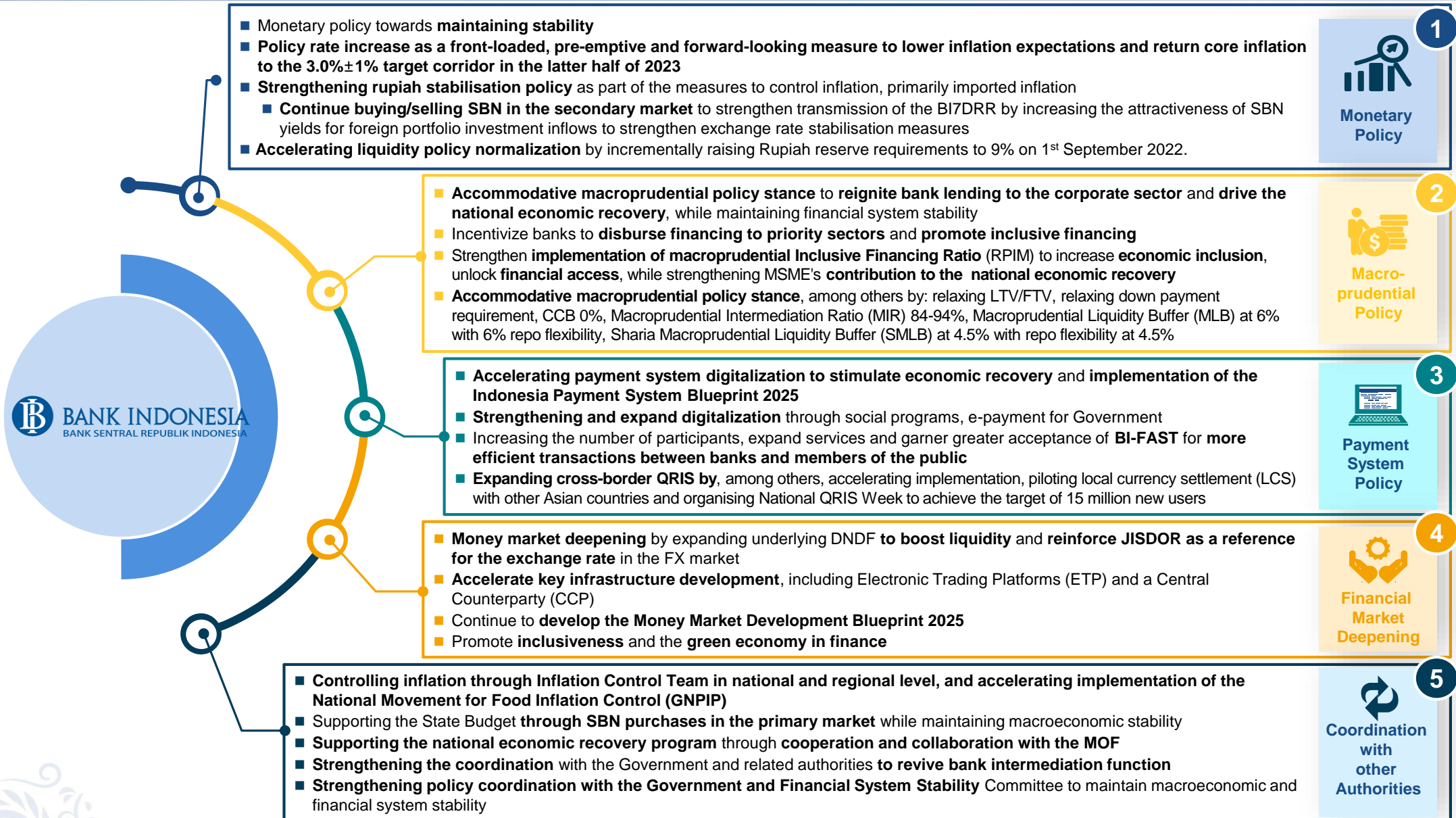
Source: Bank Indonesia





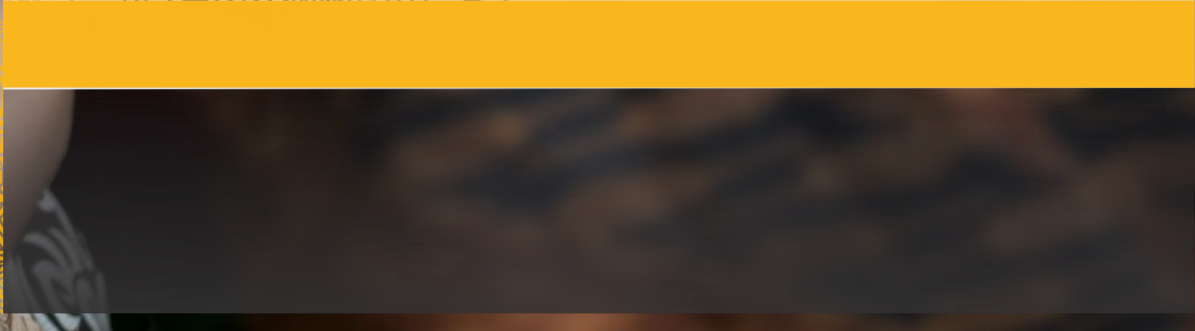
Bank Indonesia's policy mix

Synergy maintaining stability and recovery momentum





Thank you





Appendix





Excellent tax revenue performance

Driven by the trend of increasing commodity prices, expansive economic growth, low base in 2021 due to fiscal incentives, and impact of the implementation of tax reform (HPP Law)

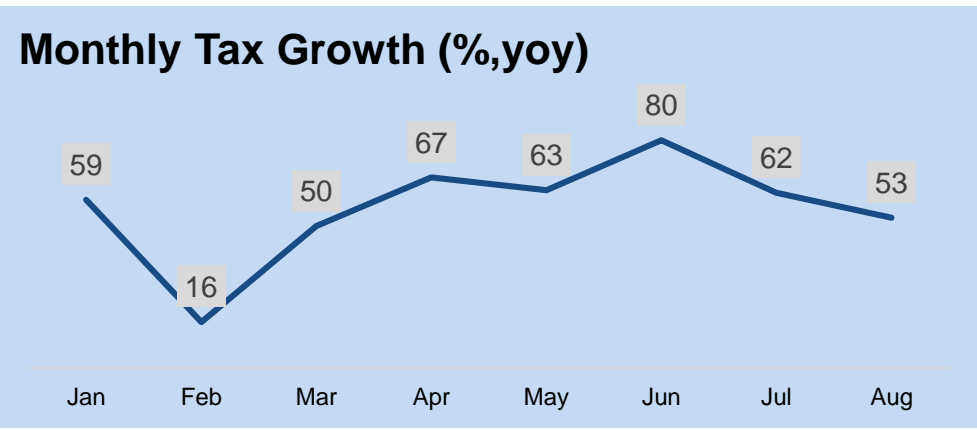
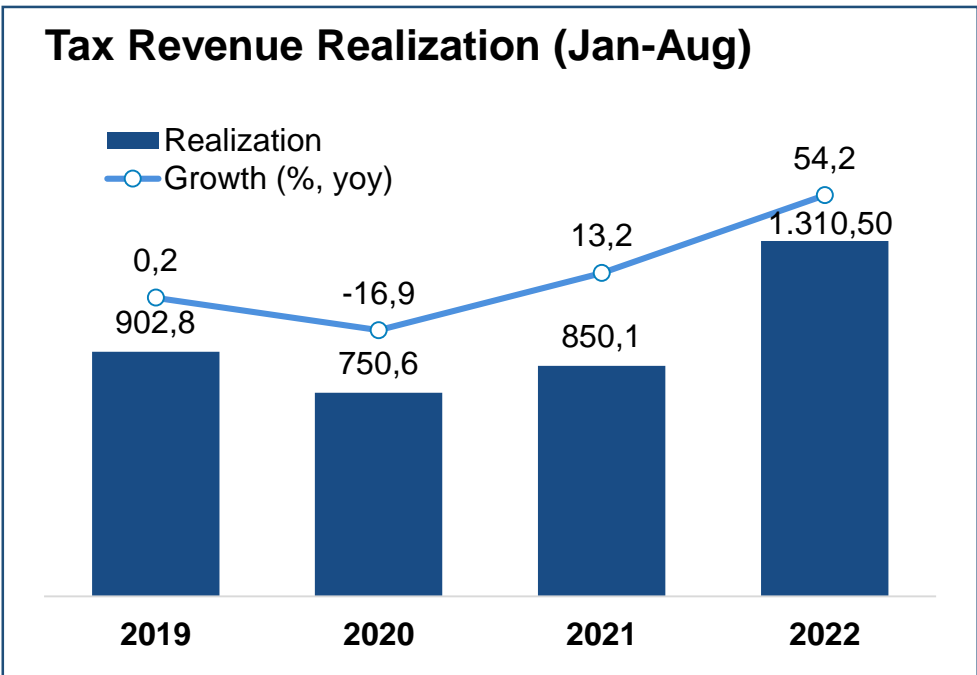
Jan-September Tax Revenue

IDR 1,310.5 T

88.3% of target

▲ 54.2%

<p style="color: yellow; font-weight: bold;">Income Tax (Non-Oil & Gas)</p> <div style="background-color: yellow; padding: 5px; font-weight: bold; font-size: 1.2em;">IDR 723.3 T</div> <p>(96.6% of target)</p>	<p style="color: yellow; font-weight: bold;">VAT & Luxury Tax</p> <div style="background-color: yellow; padding: 5px; font-weight: bold; font-size: 1.2em;">IDR 504.5 T</div> <p>(78.9% of target)</p>
<p style="color: yellow; font-weight: bold;">Property Tax & Other Taxes</p> <div style="background-color: yellow; padding: 5px; font-weight: bold; font-size: 1.2em;">IDR 20.4 T</div> <p>(63.2% of target)</p>	<p style="color: yellow; font-weight: bold;">Income Tax (Oil & Gas)</p> <div style="background-color: yellow; padding: 5px; font-weight: bold; font-size: 1.2em;">IDR 62.3 T</div> <p>(96.4% of target)</p>





Tax reform will raise tax ratio and maintain fiscal sustainability

Tax reform will improve tax collection; anticipate social, economic, and demographic dynamics and implement best practices



Tax Reform Details

<p>GENERAL PROVISIONS AND PROCEDURES</p> <ul style="list-style-type: none"> Integration of the ID Number with the Taxpayer Number, Appointment of third parties as withholding, collecting, depositing and/ or reporting tax (including e-commerce) 	<p>INCOME TAX</p> <ul style="list-style-type: none"> New bracket for income >IDR 5 billion at 35% tax rate, Corporate Income Tax in 2022 remains at 22%, Income Tax rate at 0.5% for MSME (threshold IDR 500million), Employee fringe benefits become tax object. 	<p>VALUE ADDED TAX</p> <ul style="list-style-type: none"> VAT rate hike from 10% to 11% from 1 April 2022, and to 12% by 2025, Reducing the VAT exemptions and facilities.
<p>CARBON TAX</p> <ul style="list-style-type: none"> Introduction of the carbon tax in 2022 in steps according to a roadmap taking into account the development of a carbon market, achievement of NDC targets, sector readiness, and economic conditions. 	<p>EXCISE</p> <ul style="list-style-type: none"> Strengthening the mechanism for determining excisable goods; and applying criminal sanctions as a last resort in excise crime. 	<p>VOLUNTARY DISCLOSURE PROGRAM</p> <ul style="list-style-type: none"> Improve taxpayers' compliance through voluntary disclosure program for unreported tax obligations at a final income tax rate.

Progress Update on Tax Reform

- Voluntary Disclosure Program (Jan-June 2022)**

247,918	IDR61.01T	IDR594.82T	
Taxpayers	Tax Collected	Total Net Assets	
308,059	IDR512.57T	IDR59.91T	IDR22.34T
Report	Domestic Declaration and Repatriation	Declaration from overseas	Investment
- Tax on digital economy**

VAT on Ecommerce **IDR8.69 T**

Tax on Fintech - P2P Lending **IDR90.05 B** **IDR40.04 B**

Starting May 2022 Domestic Taxpayer Foreign Taxpayer

Tax on Crypto **IDR76.27 B** **IDR82.85 B**

Starting May 2022 Income Tax VAT
- VAT Rate Hike (Starting April 2022)**

(IDR Trillion)

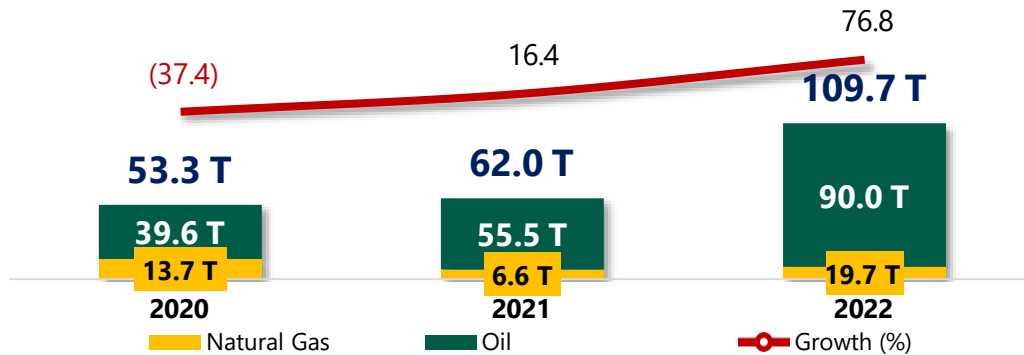
1,96	5,74	6,25	7,15	7,28	6,87
April	May	June	July	Aug	Sept



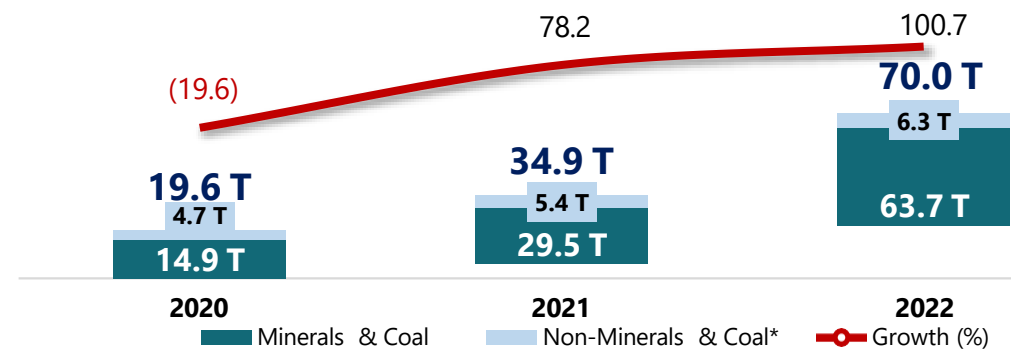
Non-tax revenue grew strongly supported by an increase almost in all components

Driven by the increase in commodity prices, the good performance of state-owned banks

Oil and Gas Revenue (IDR T)¹

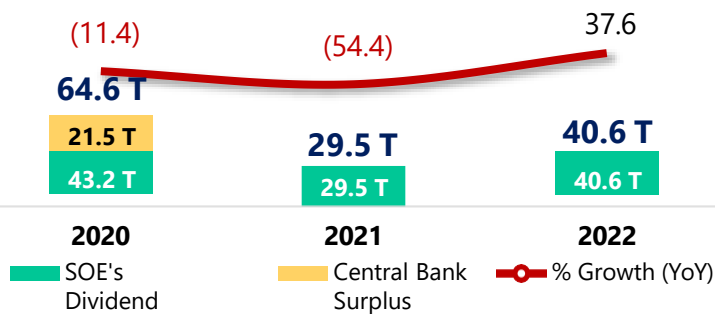


Non-Oil Gas Revenue (IDR T)¹

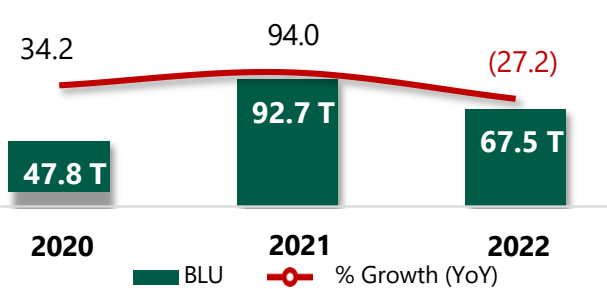


Including: Forestry, Fisheries, and Geothermal

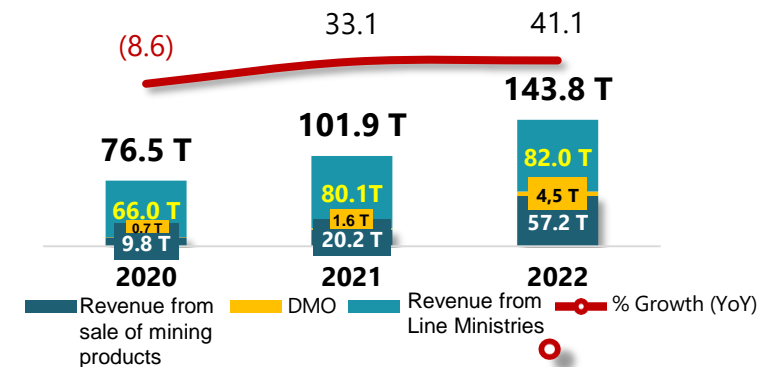
National Separated Asset Revenue (IDR T)¹



Public Services Agency (BLU) Revenue (IDR T)¹



Other Non-Tax Revenue (IDR T)¹

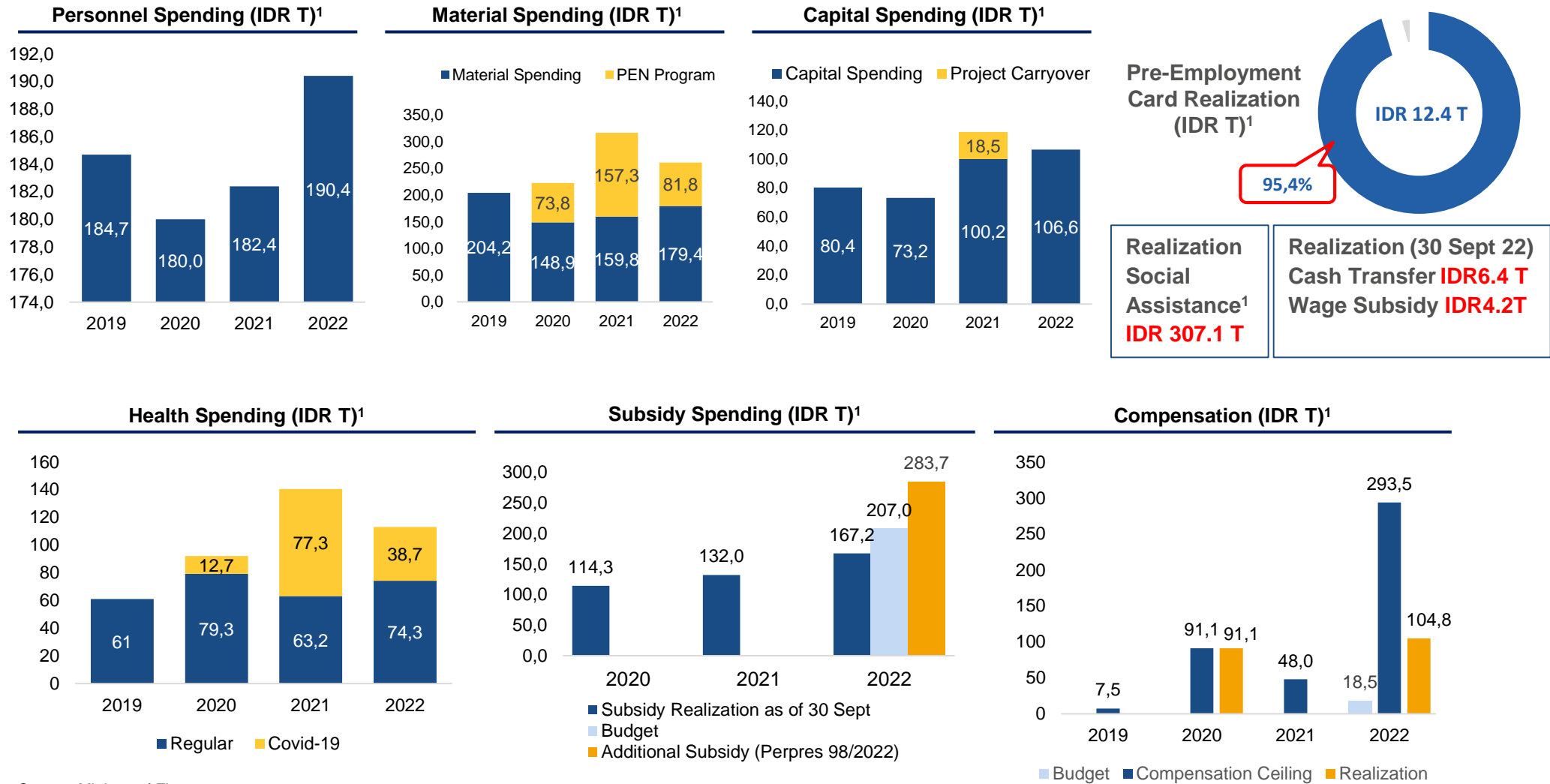


Source: Ministry of Finance
Notes: ¹ Realization up to YTD September



Maintained acceleration of government spending

The success of controlling Covid-19 reduces overall costs and increases capacity for other government spending



Source: Ministry of Finance
Notes: ¹ Realization up to YTD September



Transfer to region performance was improved

Local Government Budget performance needs to be optimized, as the local gov't saving remains higher

Transfer to Region Fund (January – September)



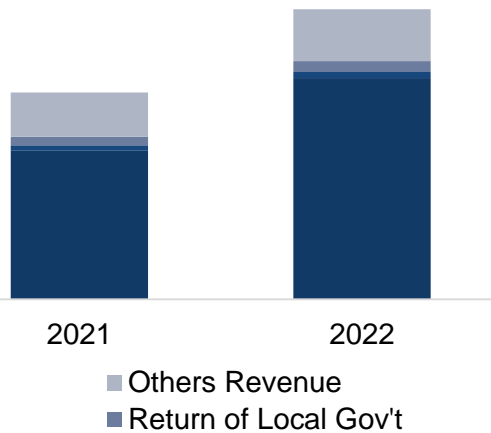
- Local government compliance on meeting administrative requirements have improved, driving higher realization on various items of transfer
- Several items of transfer realization, such as DID was lower compared to previous year, mainly due to lower budget allocation

- Revenue Sharing (DBH)
- Physical Special Allocation (DAK Fisik)
- Incentive for Local Gov't (DID)
- Village Fund
- General Allocation (DAU)
- Non- Physical Special Allocation (DAK Non Fisik)
- Special Autonomy & Privilege Allocation for Yogyakarta

Local Government Performance

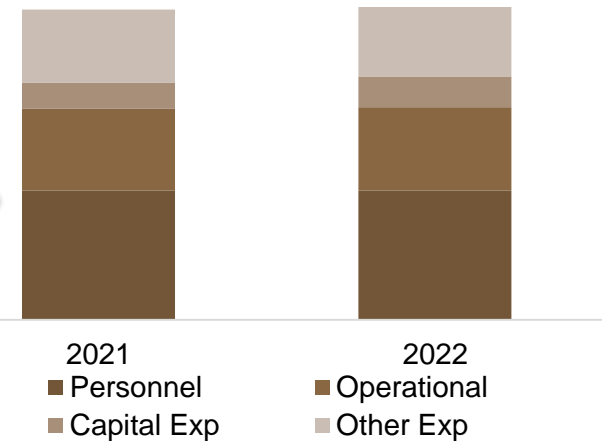
REVENUE

- Local Gov't revenue was dominated by local tax (76.3%)
- Local tax performance was improved and grew high return to pre-pandemic level. Tax on consumption goods booked excellence performance along with economic recovery



SPENDING

- Up to Sept, local Gov't spending grew by 0.1% (yoy) contributed by increasing in capital and operational spending.
- The spending reached 53.4% to local budget



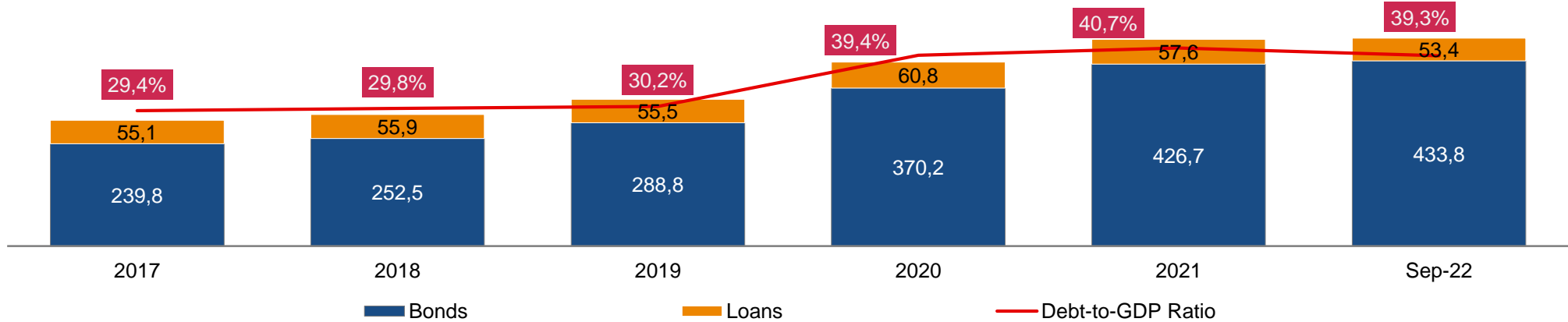
Source: Ministry of Finance
Notes: Realization up to YTD September



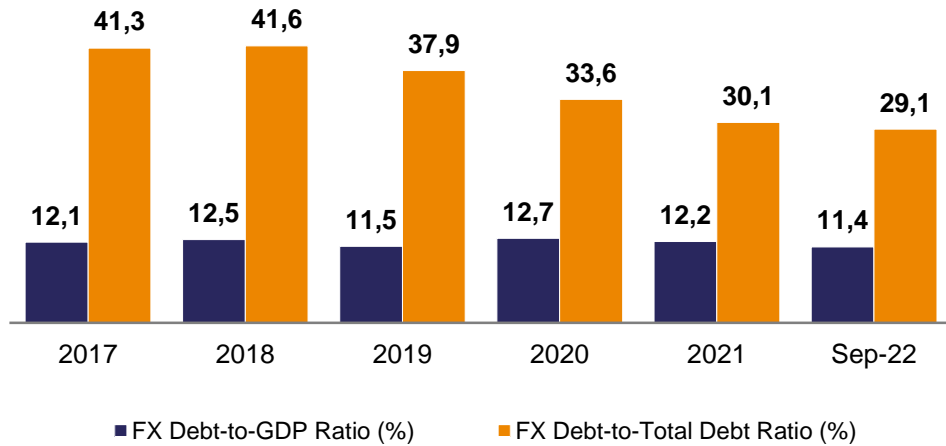
Prudent debt portfolio management

Well-disciplined debt portfolio management characterized by a stable debt-to-GDP ratio and Currency Diversification

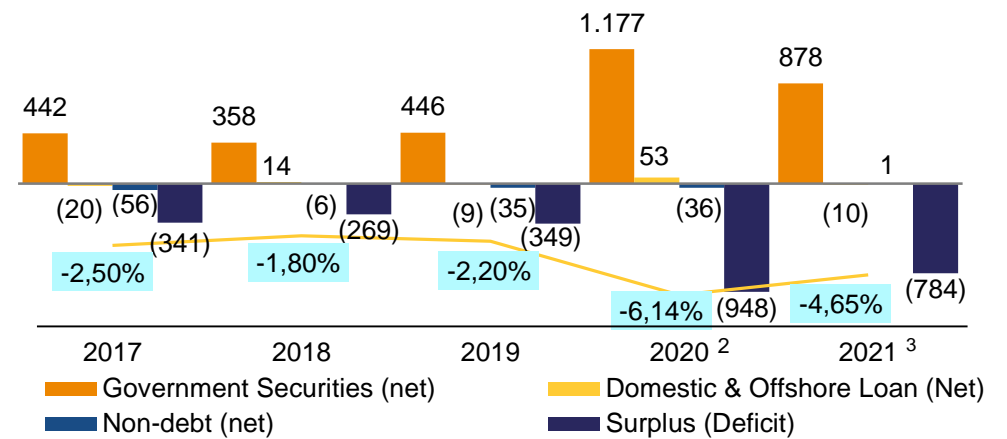
Stable Debt-to-GDP Ratio Over the Years (USD Billion)¹



Foreign Currency Debt Ratio¹ (%)



Higher Domestic Public Markets Funding (IDR Trillion)



Source: Ministry of Finance

1. Converted from IDR into USD as the applicable BI middle exchange rate as of the respected dates indicated;
2. Based on 2020 budget realization;
3. Based on 2021 budget realization

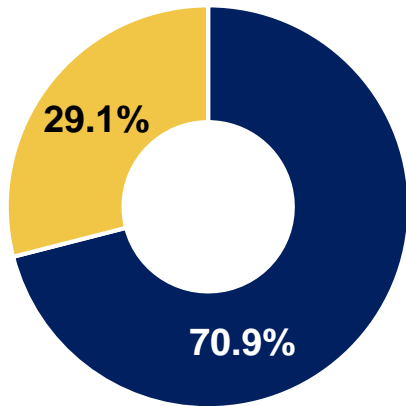


Prudent debt portfolio management (cont'd)

Well-disciplined debt portfolio management characterized by a stable debt-to-GDP ratio and Currency Diversification

Debt Portfolio Composition as of September 2022¹

Outstanding by Source



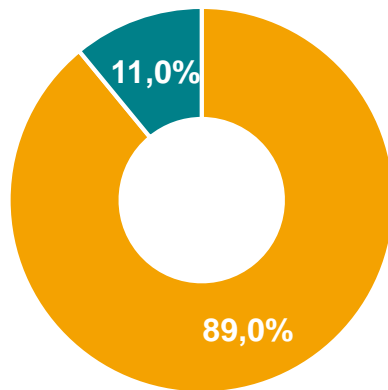
Foreign:
USD 142bn

Domestic:
USD 345bn

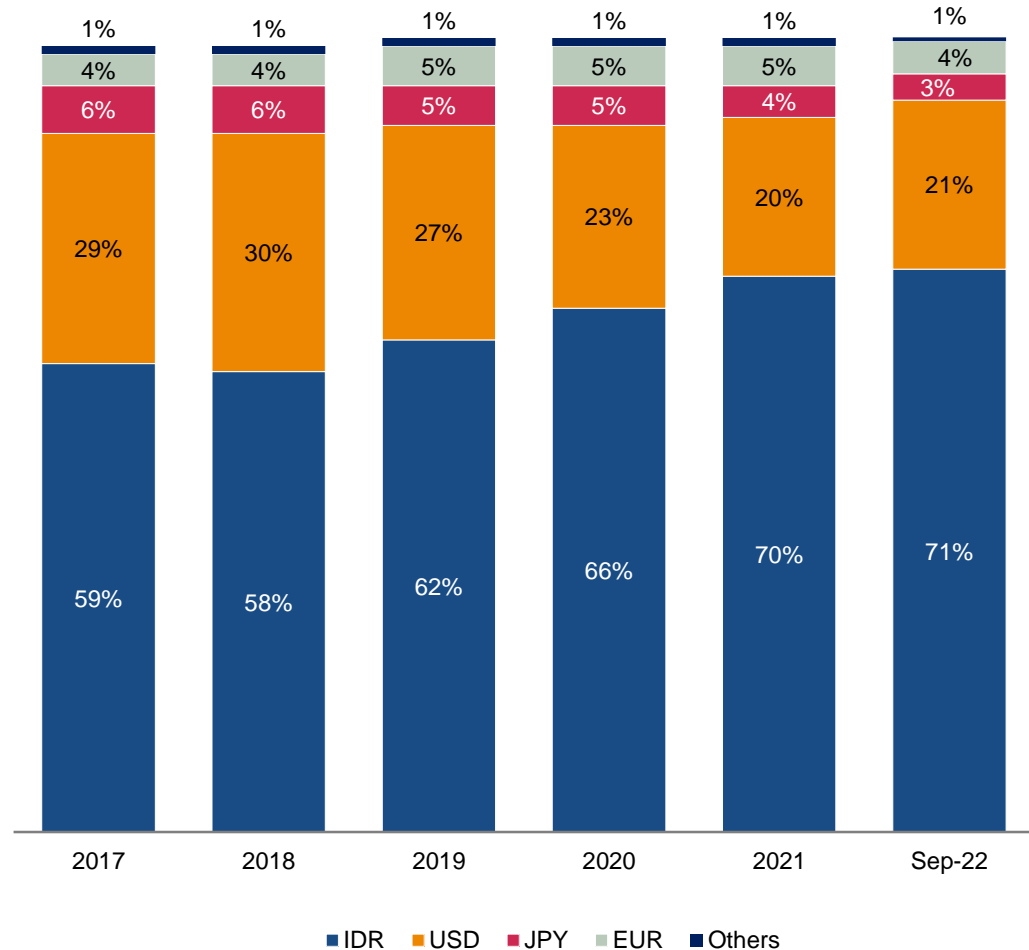
Outstanding by Instrument

Loans:
USD 53bn

Govt. Securities:
USD 434bn



Proven Access to Funding Across Multiple Currencies & Markets



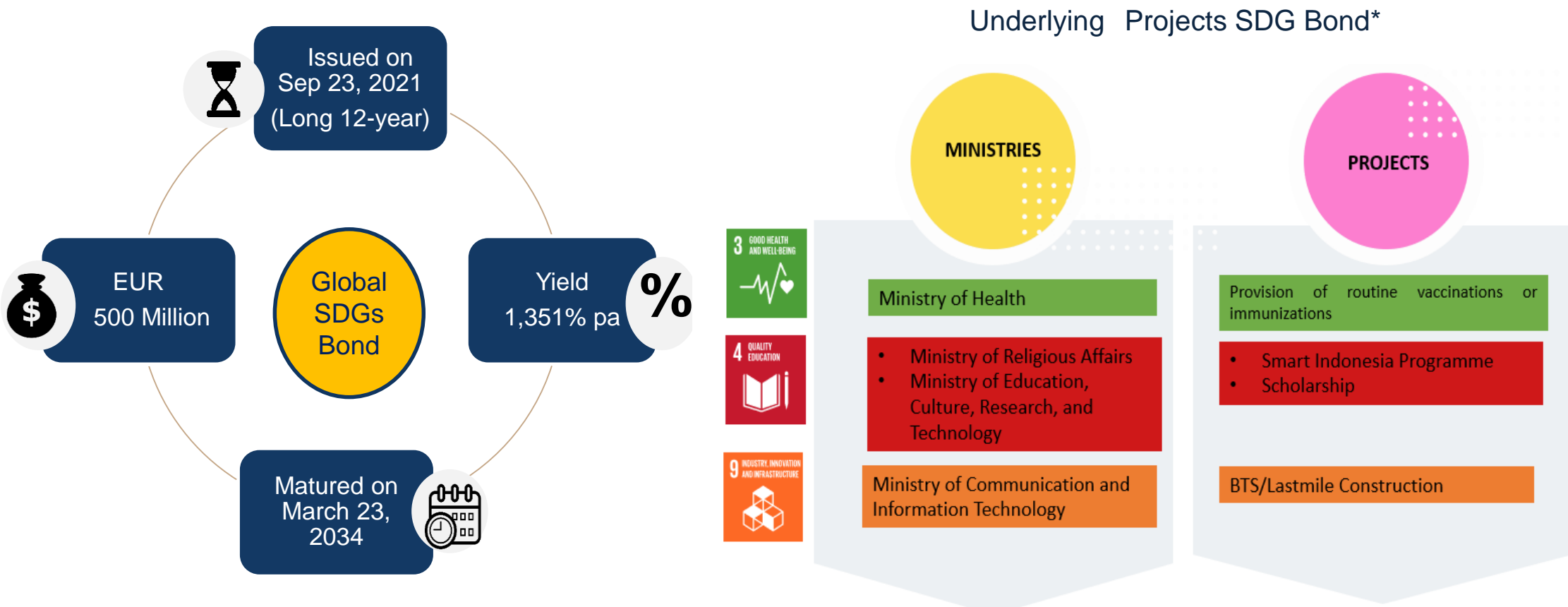
Source: Ministry of Finance

1. Converted from Rupiah into USD as the applicable BI middle exchange rate as of the respected dates indicated



SDG bonds Issuance

Demonstrate RoI's major advance for sustainable finance



- The first Sustainable Development Goals (SDG) EUR Bonds issuance by an Asian Sovereign
- Important step forward in the Republic's commitment to the achievement of the SDGs, and a major advance for sustainable finance
- The proceeds of the 2021 SDG Bond issuance are used to finance four different projects in three sectors under 4 (four) ministries based on coordination with the Ministry of National Development Planning as Indonesia's SDGs Coordinator.

*) SDG Bond Annual Report is in the assurance process



Comprehensive reform will boost medium term growth prospects

COVID-19 as a momentum to bolster fundamental reform to accelerate economic transformation towards “Indonesia Maju” (Advanced Indonesia)

President’s Five Strategic Directions



Structural Reform		Fiscal Reform		
Human Capital	Economic Transformation	Revenue	Expenditure	Financing
<ul style="list-style-type: none"> Quality and competitive education Integrated and reliable health system Lifelong and adaptive social protection 	<ul style="list-style-type: none"> Increasing production capacity and sustainable growth (infrastructure connectivity, mobility and productivity) Institutional reform (bureaucratic and regulatory reform) 	<ul style="list-style-type: none"> Broadening tax base and increasing compliance Regional Government Revenue Sharing Law (HKPD) 	<ul style="list-style-type: none"> Zero based budgeting, focus on priority programs, efficient, synergistic, and results based 	<ul style="list-style-type: none"> Innovative, prudent, and sustainable financing Strengthening the SWF, PPP scheme, and efficient fiscal buffer



Expediting structural reforms is critically important

Fiscal reform will facilitate further structural reform to bolster productivity and economic transformation



Several Structural Reform Agenda has Taken Place

<p>OSS Online Single Submission <small>Program Pengantar Berusaha Berintegrasi Secara Elektronik</small></p> <p>Launched on Aug 9th 2021 to speed up business licensing progress</p>	<p>Implementation of Wages and Job Loss Guarantee Program</p>	<p>Establishment of Sovereign Wealth Fund (INA)</p>	<p>Positive investment list to improve priority sectors</p>	<p>Acceleration on National Strategic Project (PSN) (208 Projects & 10 Programs, with Estimated Investment Value of USD 396.23bn</p>	<p>Implementing Risk-Based Business Analysis to Encourage FDI</p>	<p>Climate Change Fiscal Framework (CCFF) & Energy Transition Mechanism</p>
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Fiscal Reform	<h3>Tax Reform</h3> <ul style="list-style-type: none"> • Voluntary Disclosure Program completed successfully • VAT rate increasing to 11% since April 1st • Other policy changes to be anticipated: <ul style="list-style-type: none"> • Integration of ID number and taxpayer number • Strengthening excise mechanism • Income tax policy change • Introduction of carbon tax <p>Impact: <i>Broadening the tax base, raising tax ratio, improving compliance, enhancing fairness, and supporting MSMEs.</i></p>	<h3>Law on Intergovernmental Transfer</h3> <ul style="list-style-type: none"> • Reducing vertical and horizontal inequalities • Harmonization of central and local government spending • Quality local government spending • Strengthening local taxing power <p>Impact: <i>Efficient Allocation of National Resources by Developing Transparent and Accountable Financial Relationships Between the Central and Local Governments</i></p>
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<p>Further Structural Reform Agenda</p> <ul style="list-style-type: none"> • Reforms on Financial Sector • Reforms on Logistic (LSNW) • Budgeting reforms 	<p>UTILIZATION OF STRUCTURAL REFORM OPPORTUNITIES FOR ACCELERATION OF ECONOMIC GROWTH</p>
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Source: Ministry of Finance



Policy Direction for Financial Sector Development

Policy Direction for Financial Sector Structural Reform

- 
1 Banking
Consolidation, digital banking, consumer protection, regulation of Financial Information Service Systems (SLIK), **stronger supervision**, financial conglomerates, and law enforcement
- 
2 Capital Market, Money Market and Forex Market
 Regulation and supervision of **financial instrument** transactions and market participants, **coordination** among authorities, expansion of access and competitiveness, creation of a variety of financial instruments and its risk mitigation, improved information disclosure, **governance**, law enforcement, and **investor protection**.
- 
3 Insurance
 Improving **literacy**, increasing public trust through improving **market conduct**, **mutual insurance** regulation, and the establishment of **policyholder protection program**
- 
4 Pension Fund
 Accelerating the accumulation of long-term sources of funds through **increasing participation**, overcoming the issue of **early withdrawal**, as well as **improving governance and investment policies**
- 
5 Other Financial Services
Principle-based arrangements, development of a **same-level playing field**, ultimatum **remedium** sanctions, enhancing **supervision of Savings and Loans Cooperatives**, and strengthening of finance supporting **ecosystems**
- 
6 Fintech
 Strengthening the **definition and scope**, confirming the legal bodies that administer and coordinate their **regulation and supervision**, **licensing** and associations, and consumer protection issues.

Consumer Protection

Affirmation and supervision, improved financial **literacy and inclusion**, regulation of **principles and coverage, supervision, and regulation** of rights, obligations, and agreements between consumers and financial sector actors, as well as improved dispute resolution



Sustainable Finance

Strengthening the **role of the financial sector in sustainable financing** and strengthening **policies and coordination between authorities**



Human Resources

Affirmation, supervision, and financing of professions in the Financial Sector, collaboration in **improving the quality and number of professions**, and enhancing the **implementation of GCG** through the **monitoring and evaluation** process



Financial Reporting

Improving the quality of **financial reporting integration**, including **sustainable reporting**, through reporting entity leveling and the development of a financial report data center and standards committee.



Institutional Strengthening and Coordination

Synchronization of regulation and coordination in macro-, microprudential policy, and handling of banking issues through **coordination forum**, strengthening institutional authority in **supervision, bank resolution**, and the **functions, duties, and governance** of BI, OJK, and LPS.



MSME Access to Finance

Regulation of Regulation of criteria for write-offs of bad debts by state-owned banks/non-banks, moral hazard prevention, and the development of bank **guidance principles**





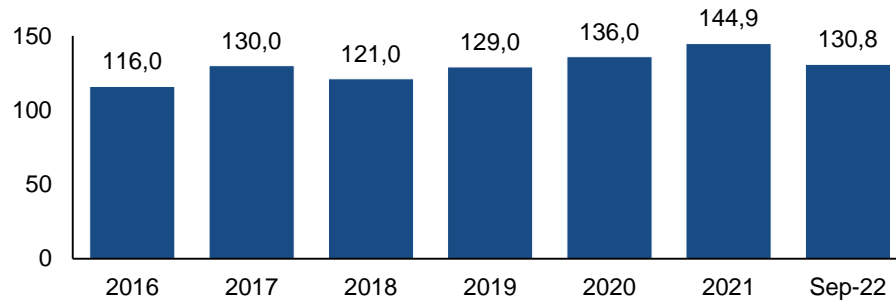
Maintained resilience against external shocks

Supported by prudent regulation on external debt and ample lines of defense

Prudent regulation on external debt

Regulation Key Points	Jan 1, 2017 and beyond
Object of Regulation	Governs all foreign currency Debt
Hedging Ratio	
≤ 3 months	25%
> 3 – 6 months	25%
Liquidity Ratio (≤ 3 months)	70%
Credit Rating	Minimum rating of BB- (State-owned Enterprises)
Hedging transaction to meet hedge ratio	Must be done with a bank in Indonesia
Sanction	Applied

Ample International Reserves (USD bn)

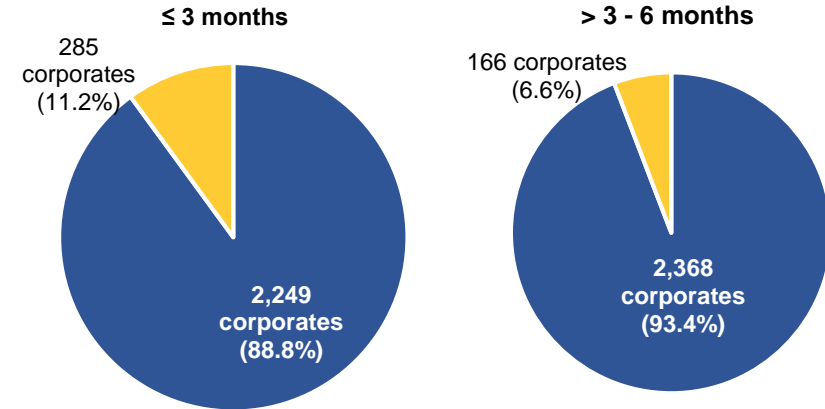


Ample foreign reserves to buffer against external shocks and increased portfolio inflows with USD 130.8bn as of Sep 2022

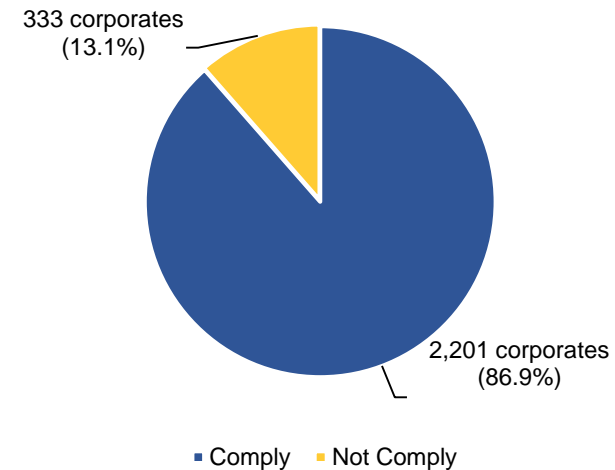
Source: Bank Indonesia
 Notes: ¹ Data as of Q1 2022, with total population of 2,534 corporates

Encouraging compliance on hedging & liquidity ratio

Hedging ratio¹



Liquidity ratio¹





Maintaining stability through monetary policy

Normalizing liquidity policy while ensuring the banking's ability to extend financing and purchase Government securities

Normalizing Liquidity Policy

Monetary policy in 2022 will focus on maintaining stability, while mitigating the global impact of policy normalization in advanced economies

Normalizing liquidity policy, while safeguarding the banking industry's ability to extend financing to the corporate sector and purchase Government Securities to fund the State Revenue and Expenditure Budget (APBN), via the following adjustments to rupiah reserve requirements

- a) Accelerating liquidity policy normalization by incrementally raising Rupiah reserve requirements as follows:
 - i. Bank Indonesia will raise the Rupiah reserve requirements for conventional commercial banks from 5.0% currently to 6.0% on 1st June 2022, to 7.5% on 1st July 2022 and to 9.0% on 1st September 2022.
 - ii. Bank Indonesia will raise the Rupiah reserve requirements for sharia banks and sharia business units from 4.0% currently to 4.5% on 1st June 2022, to 6.0% on 1st July 2022 and to 7.5% on 1st September 2022.
 - iii. Bank Indonesia will provide 1.5% remuneration to banks fulfilling reserve requirements obligations after taking into account the incentives for banks disbursing loans/financing to priority sectors and MSMEs and/or meeting the target Macroprudential Inclusive Financing Ratio (RPIM).
 - iv. The higher reserve requirements will not affect the banking industry's ability to disburse loans/credit to the corporate sector or purchase SBN to fund the State Revenue and Expenditure Budget (APBN)
- b) Increasing incentives for banks disbursing loans/financing to priority sectors and MSMEs and/or meeting the target Macroprudential Inclusive Financing Ratio (RPIM) from 1st September 2022 as follows:
 - i. Relaxing statutory reserve requirements (SRR) by a maximum of 2%, namely through an incentive for disbursing loans/ financing to priority sectors up to a maximum of 1.5% from 0.5% previously, with the maximum incentive for achieving the target RPIM remaining at 0.5%.
 - ii. Expanding the scope of priority subsectors from 38 to 46 across three categories, namely resilient sectors, growth drivers and slow starters.
 - iii. The incentives aim to increase the banking industry's contribution to inclusive financing and the national economic recovery

Source: Bank Indonesia