

17 March 2025

## Macroeconomics Indicator

	2023	2024	2025F
GDP growth (%YoY)	5.05	5.03	5.23
Inflation (%YoY)	2.61	1.57	3.16
BI rate (% Year-end)	6.00	6.00	5.50
Rp/US\$ (Average)	15,244	15,853	16,288
CA deficit (% of GDP)	-0.1	-0.6	-1.5
Fiscal deficit (% of GDP)	1.65	2.3	2.8

F: forecast, P: preliminary; all baseline scenario

## Wider deficit from drop in tax revenue

- State revenue fell by -20.9% yoy in Feb25 (-4.6% yoy in Feb24), mostly from income tax at -48.7% yoy due to administrative reasons.
- Material/capital expenditure declined by -63%/-76% yoy, aligned with efficiency initiatives in infrastructure & opex (cut by -10% to -90% of total).
- Fiscal deficit recorded at -0.1% of GDP in Feb25 (+0.1% of GDP in Feb24). Financing reached Rp220.1tr (Rp184.3tr in Feb24).

### Higher tax restitution results in state revenue drop

State revenue fell by -20.9% yoy in Feb25 (-4.6% yoy in Feb24), led by a drop in income tax and value-added tax (VAT) at -48.7%/-3.5% yoy (-17.2%/+9.1% yoy in Feb24). The decline in income tax was coming from the delay on PPh 21 restitutions from FY24, recorded at Rp16.5tr. Meanwhile, the lower VAT collection was due to the Ministry of Finance policy to extend the payment of VAT by 10 days, creating a temporary revenue shortfall. International trade tax grew higher at +28.2% yoy (+2.2% yoy in Feb24). This was underpinned by an increase of export duties at +92.9% yoy (+30% in Feb24). Around c.98.1% of the export duties was coming from CPO amid the increase in price at +20.2% yoy in Feb25 (-0.5% yoy in Feb24).

### Decelerating state spending from efficiency initiatives

State spending declined by -7.0% yoy in Feb25 (+30.1% yoy in Feb24), with material and capital expenditures posted the largest drop at -62.9%/-76.2% yoy (+83.8%/+24.7% yoy in Feb24). This aligns with the government's push for efficiency in infrastructure spending and various operational costs (ranging from -10.2% to -90% of total, see fig. 12), totalling Rp306.7tr. In the meantime, both personnel/social assistance expense slowed to +15.1%/+3.8% yoy (+135.1%/17.1% yoy in Feb24). Moreover, the spending for free nutritious meal program was recorded at a modest level of Rp0.71tn for 2mn people recipients (0.4% vs. total budget of Rp171tn), suggesting slower than expected roll-out.

### Slightly wider fiscal deficit at -0.1% of GDP

Overall, fiscal deficit stood at -0.1% of GDP or -Rp31.2tr in Feb25 (vs +0.1% of GDP or +Rp26.1tr in Feb24). Accordingly, budget financing position inched up to Rp220.1tr (Rp184.3tr in Feb24). Furthermore, the government bond issuance recorded at Rp238.8tr (Rp178.9tr in Feb24). Around 24.2% of this bond issuance was denominated in foreign currency (valued at c.US\$3.5bn). Additionally, the government has recently allocated Rp6tr of investment capital towards BP Tapera to support the FLPP housing program.

### Potential revenue shortfall might bring higher fiscal deficit in FY25

In sum, we believe government revenue will rebound in the coming months, primarily through the settlement of the restitutions and the collection of personal income tax on Apr25. Nevertheless, we project the fiscal deficit to expand to 2.8% of GDP (vs 2.3% of GDP in FY24), given the potential revenue shortfall from SOE dividend income at Rp90tr (c.-0.4% to GDP) that will be reallocated to Danantara. In the meantime, we still waiting for the further details on the budget efficiency reallocation (expected to be informed on the 1H25 Fiscal Report). This shall give more clarity on the government fiscal strategy.

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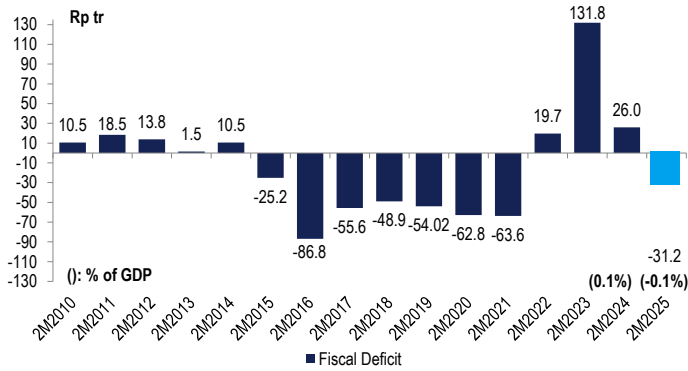
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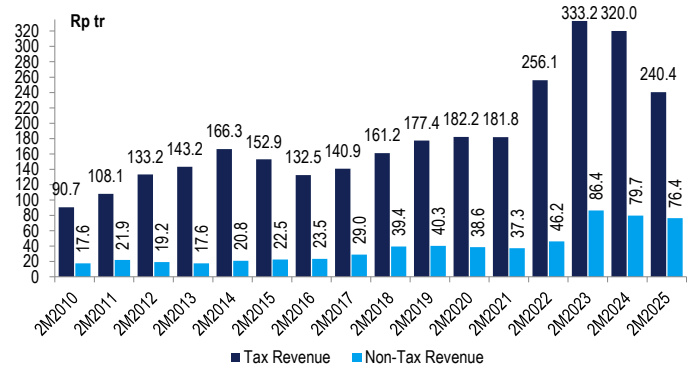
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**Fig. 1: February fiscal deficit of -0.1% to GDP**



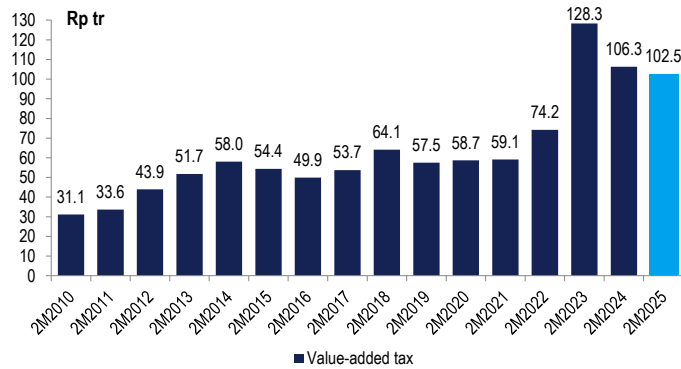
Source: MoF, CEIC, Indo Premier

**Fig. 2: Primarily from lower tax and non-tax revenue**



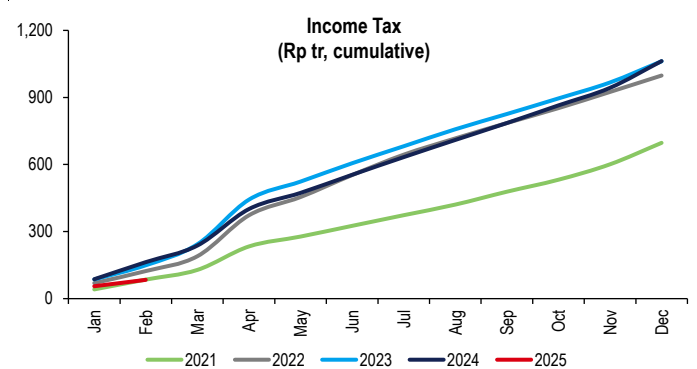
Source: MoF, CEIC, Indo Premier

**Fig. 3: Slightly lower VAT collection, primarily from higher restitution**



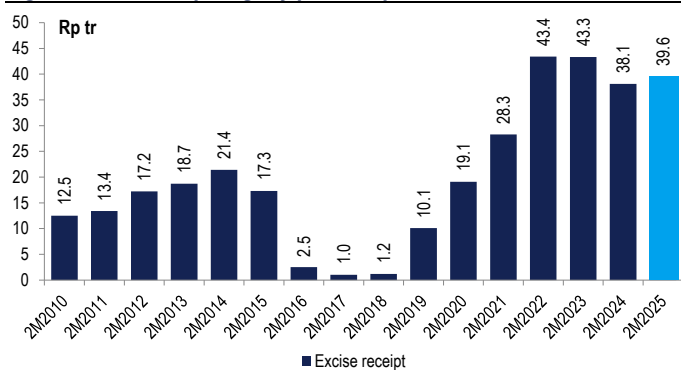
Source: MoF, CEIC, Indo Premier

**Fig. 4: Income tax revenue is lower relative to last year's level**



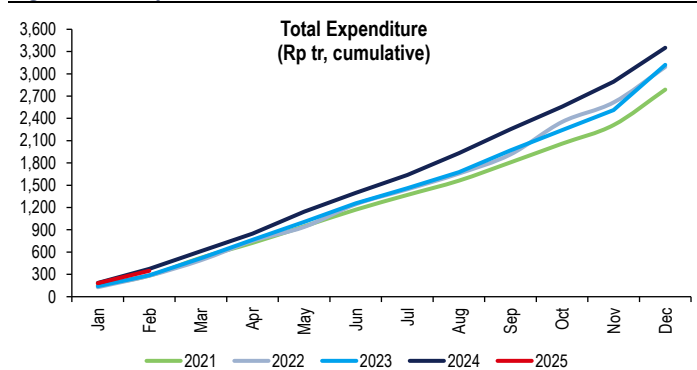
Source: MoF, CEIC, Indo Premier

**Fig. 5: Excise receipt slightly picked-up**



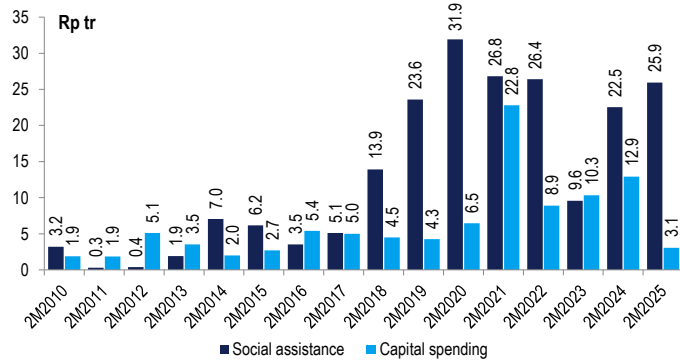
Source: MoF, CEIC, Indo Premier

**Fig. 6: Total expenditure inched down**



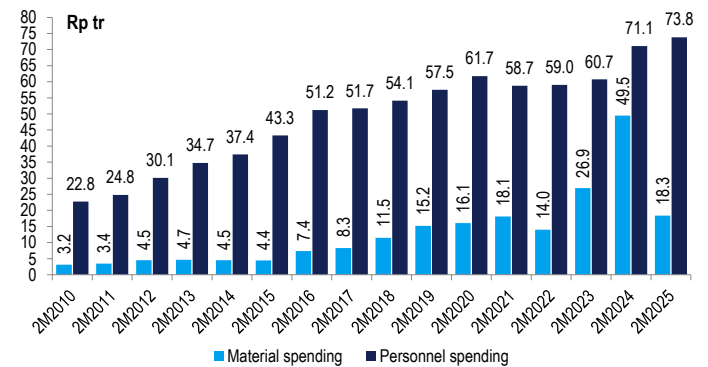
Source: MoF, CEIC, Indo Premier

**Fig. 7: Social assistance expenditure grew higher**



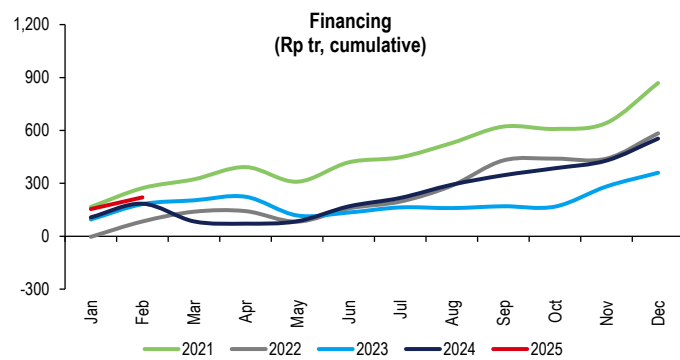
Source: MoF, CEIC, Indo Premier

**Fig. 8: Lower material spending but personnel spending inched up**



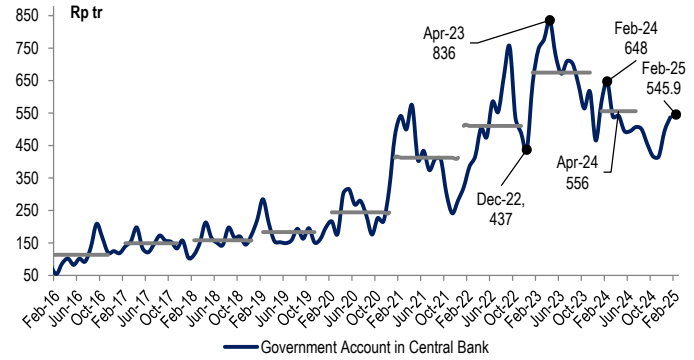
Source: MoF, CEIC, Indo Premier

**Fig. 9: Government financing to be higher than last year**



Source: MoF, CEIC, Indo Premier

**Fig. 10: Government account in central bank grew higher YTD**



Source: MoF, CEIC, Indo Premier

**Fig. 11: Summary of state budget realization as of Feb25**

	APBN 2024	2024 Realization (as of February)		%YoY (Feb24)	APBN 2025	2025 Realization (as of February)		Δ (Feb25-Feb24)	%YoY (Feb25)
		Rp tr	% of APBN			Rp tr	% of APBN		
<b>Revenue</b>	<b>2,802.3</b>	<b>400.4</b>	<b>14.3</b>	<b>-4.6</b>	<b>3,004.5</b>	<b>316.9</b>	<b>10.5</b>	<b>-83.5</b>	<b>-20.9</b>
1. Tax Revenue	2,309.9	320.0	13.9	-4.0	2,490.9	240.4	9.7	-79.6	-24.9
A. Income tax	1,139.8	163.4	14.3	9.1	1,209.3	83.8	6.9	-79.6	-48.7
B. VAT	811.4	106.3	13.1	-17.2	945.1	102.5	10.8	-3.8	-3.5
C. International trade	74.9	10.1	13.5	2.2	57.4	13.0	22.6	2.9	28.2
D. Excise & other tax	256.6	7.5	2.9	-83.4	279.1	41.1	14.7	33.5	446.7
2. Non-tax revenue	492.0	79.7	16.2	-7.7	513.6	76.4	14.9	-3.3	-4.1
<b>Expenditure</b>	<b>3,325.1</b>	<b>374.3</b>	<b>11.3</b>	<b>30.1</b>	<b>3,621.3</b>	<b>348.1</b>	<b>9.6</b>	<b>-26.2</b>	<b>-7.0</b>
A. Personnel	484.4	71.1	14.7	17.1	521.5	73.8	14.2	2.7	3.8
B. Material	407.0	49.5	12.2	83.8	486.9	18.3	3.8	-31.2	-62.9
C. Capital	247.5	12.9	5.2	24.7	234.1	3.1	1.3	-9.8	-76.2
D. Subsidy	286.0	14.3	5.0	-41.0	307.9	10.7	3.5	-3.7	-25.5
Energy	189.1	14.3	7.6	21.6	203.4	10.6	5.2	-3.7	-25.9
Non-Energy	96.9	0.0	0.0	-100.0	104.5	0.1	0.1	0.1	n.a
E. Other Expenses	388.0	107.2	27.6	77.8	1,151.1	105.6	9.2	-1.6	-1.5
F. Transfers & Village fund	857.6	134.7	15.7	28.0	919.9	136.6	14.8	1.9	1.4
General allocation	427.7	98.7	23.1	14.2	638.9	100.4	15.7	1.7	1.7
Special transfer fund	188.1	28.6	15.2	128.2	185.2	30.2	16.3	1.6	5.7
Village fund	71.0	7.4	10.4	18.1	71.0	5.9	8.3	-1.5	-20.3
Regional incentive fund	1.4	0.0	0.0	N.a.	6.0	0.1	1.1	0.1	n.a
Others	17.2	0.0	0.0	N.a.	18.7	0.0	0.0	0.0	n.a
<b>Overall balance</b>	<b>-522.8</b>	<b>26.1</b>			<b>-616.2</b>	<b>-31.2</b>			
<b>% of GDP</b>	<b>-2.3</b>	<b>0.1</b>			<b>-2.8</b>	<b>-0.1</b>			

Source: MoF, Indo Premier

**Fig. 12: List of targeted efficiency of various government expenditure categories**

No.	Item	Efficiency Percentage
1	Office Stationery	90.0%
2	Ceremonial Activities	56.9%
3	Meetings, Seminars, and Similar Events	45.0%
4	Studies and Analysis	51.5%
5	Training and Technical Guidance	29.0%
6	Honorarium for Activities and Professional Services	40.0%
7	Printing and Souvenirs	75.9%
8	Building, Vehicle, and Equipment Rental	73.3%
9	Software Licenses	21.6%
10	Consulting Services	45.7%
11	Government Assistance	16.7%
12	Maintenance and Repairs	10.2%
13	Business Travel	53.9%
14	Equipment and Machinery	28.0%
15	Infrastructure	34.3%
16	Other Expenses	59.1%
<b>President Instruction No. 1 2025 on Budget Efficiency:</b>		<b>Rp306.69tr</b>

Source: MoF, Indo Premier

## **ANALYSTS CERTIFICATION**

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