

18 June 2025

Macroeconomics Indicator

	2023	2024	2025F
GDP growth (%YoY)	5.05	5.03	5.02
Inflation (%YoY)	2.61	1.57	1.97
BI rate (% Year-end)	6.00	6.00	5.00
Rp/US\$ (Average)	15,244	15,853	16,571
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

Fiscal balance turned to deficit amid state revenue challenges

- State revenue contracted by -10% yoy (-12.4% in May25), mostly due to improving VAT collections by -12.7% yoy (-29.0% yoy in Apr25).
- State spending contracted by -11.3% yoy on slow MBG roll-out; capex fared better at -4.9% yoy due to school revitalization projects.
- Fiscal balance fell into a deficit of -0.1% of GDP in May25. Front-loaded financing reached Rp324.8tr – the highest since pandemic era.

Improving tax revenue from better VAT collection

In May25, state revenue contracted less at -10% yoy (-12.4% yoy in Apr25), primarily due to improved value-added tax (VAT) collection, which moderated to -12.7% yoy (-29.0% yoy in Apr25), supported by the settlement of tax restitutions (valued at c.Rp152.4tr YTD May25) and a gradual economic activity recovery. Excise tax also improved by +17.2% yoy (-2.0% yoy in Apr25), due to a change in the excise payment term from three to two months. On the other hand, income tax contracted further at -7.3% yoy (-0.6% yoy in Apr25), reflecting the impact of weaker commodity prices at -4.6% yoy in May25 (+1.5% yoy in FY24).

Weaker overall state spending, but capital expenditure picked up

State spending contraction deepened to -11.3% yoy in May25 (-5.1% yoy in Apr25), primarily due to lower material and subsidy spending at -31.6%/-15.1% yoy (-35%/-8.5% yoy in Apr25), respectively. The decline in material spending was due to the slow roll-out of the free lunch program, which only Rp4.4tr (Rp3tr in Apr25). Meanwhile, the drop in subsidy spending was due to lower Indonesia Crude Oil Price (ICP), declined by -21.3% yoy (-15.1% yoy in Apr25). More positively, capex declined less at -4.9% yoy (-14.5% yoy in Apr25), due to the start of school revitalization projects (total budget at c.Rp22.9tr).

Government stimulus package shall underpin 2Q25 GDP

The government has announced further details on its stimulus package planned to be allocated in Jun–Jul25 (see fig. 15), with a total budget of Rp24.4tr. Key components include: (1) wage subsidy of Rp300k for 17.3mn workers (Rp10.7tr); (2) additional social assistance via groceries card of Rp200k/month for 18.3mn recipients (Rp11.9tr); and (3) discounts on toll-road and public transportation (Rp1.5tr). We expect this stimulus may support a more festive school holiday season and boost economic activity in 2Q25.

The highest YTD gross SUN issuance since the pandemic

The fiscal position shifted to a slight deficit of -0.1% of GDP in May25 (+0.02% of GDP in Apr25), accompanied by higher financing at Rp324.8tr in May25 (Rp279.2tr in Apr25). The government continued its front-loading strategy, with gross SUN issuance reaching Rp413tr in Apr25 (10Y average of c.Rp342tr, see fig. 11), marking the highest level since the pandemic. In addition, the government recently issued Samurai bonds worth c.US\$0.65bn and plans to issue Kangaroo and Panda bonds going forward.

Upcoming vital months for fiscal development

In sum, we expect state expenditure to accelerate in the coming months, supported by the budget reallocation settlement, which will be detailed in the 1H25 fiscal report (expected to be held on Jul25). This will be followed by the RAPBN 2026 launch in Aug25, which will provide clarity on the FY26 fiscal stance. For now, we expect fiscal deficit at c.-2.8% of GDP in FY25F (vs -2.3% of GDP in FY24), and keep our GDP growth forecast at c.+5.0% yoy in FY25F (5.0% yoy in FY24).

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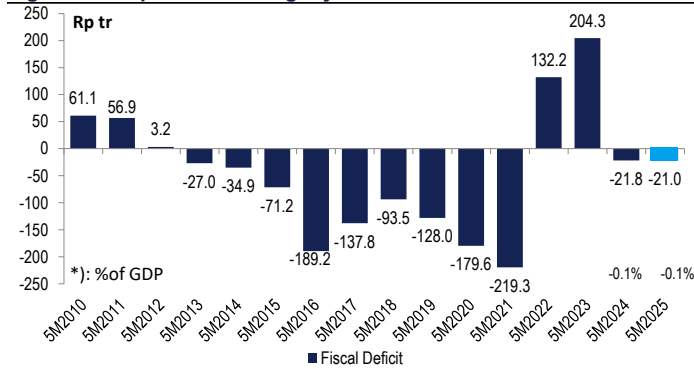
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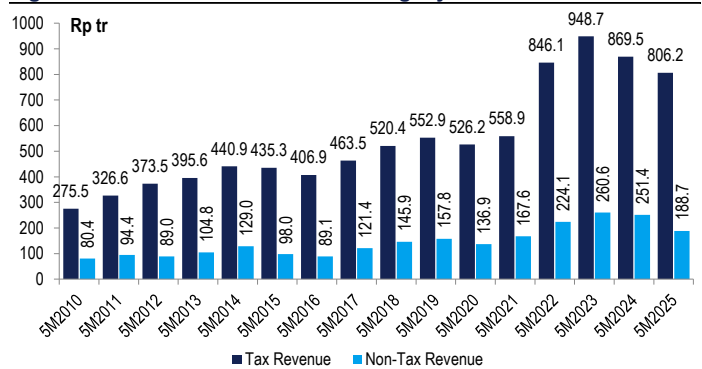
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Fig. 1: Fiscal position fell slightly to deficit of -0.09% to GDP



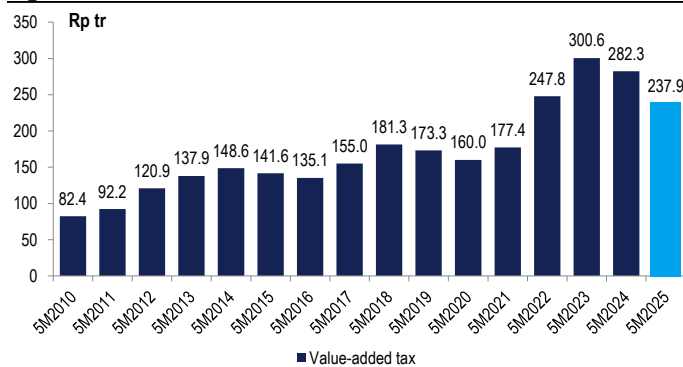
Source: MoF, CEIC, Indo Premier

Fig. 2: Both tax and non-tax revenue slightly decreased



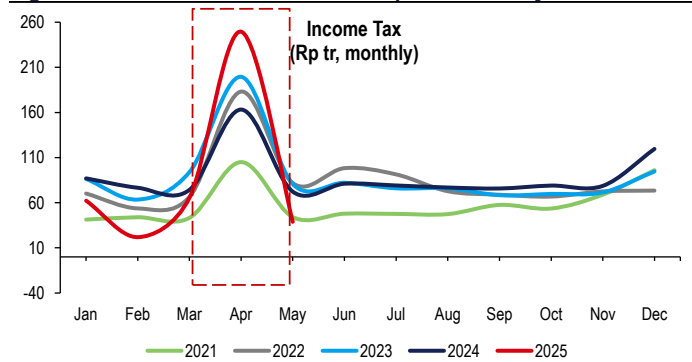
Source: MoF, CEIC, Indo Premier

Fig. 3: Value-added tax collection declined



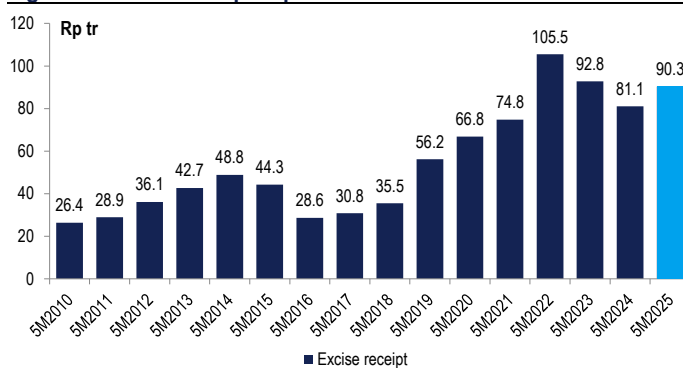
Source: MoF, CEIC, Indo Premier

Fig. 4: Income tax collection fell after April seasonality



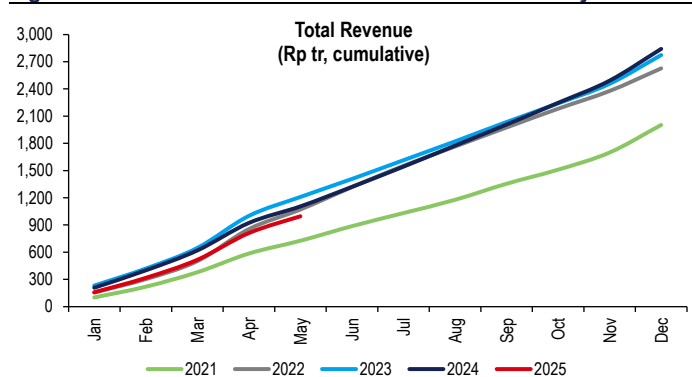
Source: MoF, CEIC, Indo Premier

Fig. 5: But excise receipt improved



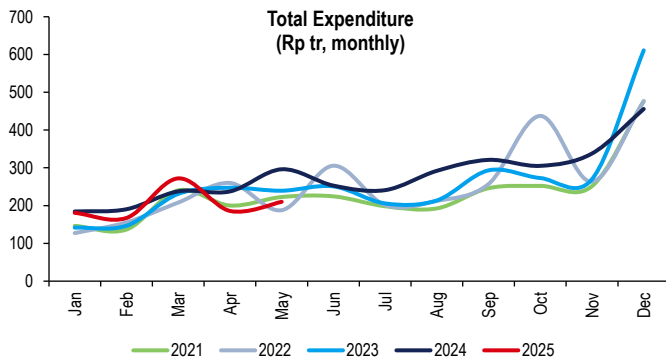
Source: MoF, CEIC, Indo Premier

Fig. 6: Revenue collection still the lowest in the last three years



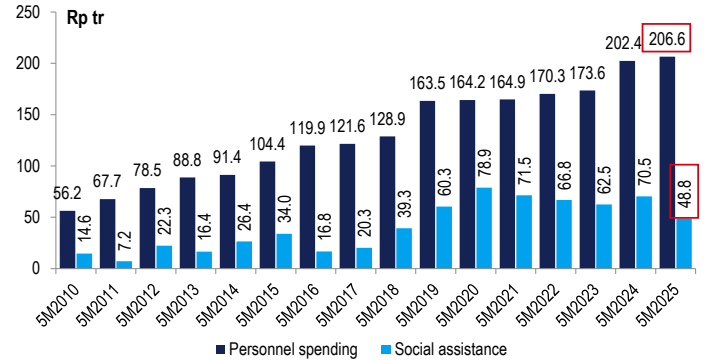
Source: MoF, CEIC, Indo Premier

Fig. 7: Government expenditure starts to pick-up



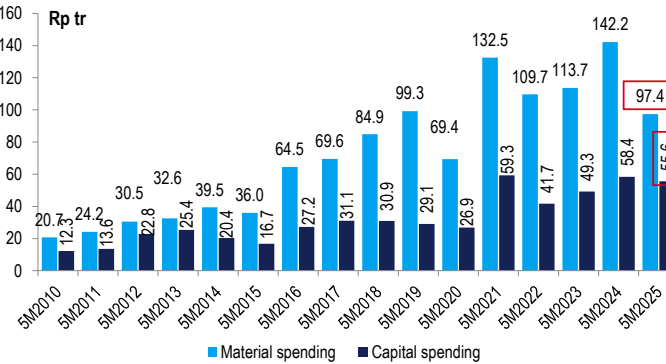
Source: MoF, CEIC, Indo Premier

Fig. 8: Personal spending increased from 13th civil-servant wage



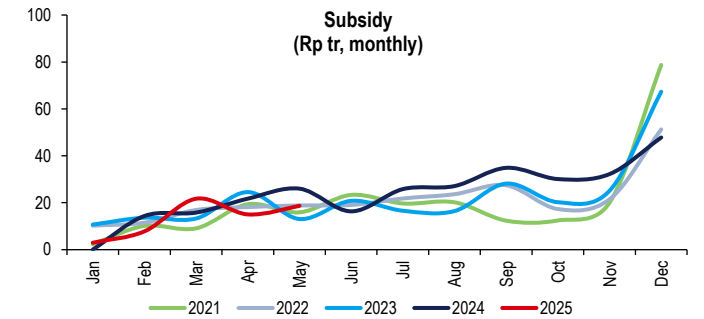
Source: MoF, CEIC, Indo Premier

Fig. 9: Material and capital spending still relatively low



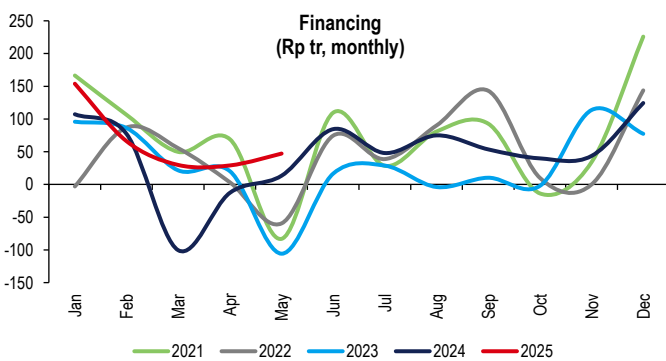
Source: MoF, CEIC, Indo Premier

Fig. 10: Subsidy payments remained stable amidst lower ICP



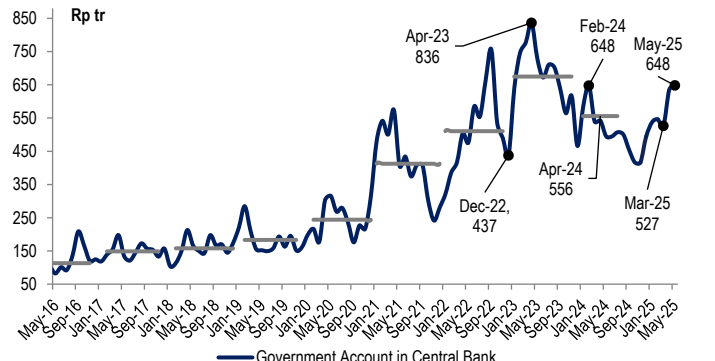
Source: MoF, CEIC, Indo Premier

Fig. 11: Front-loading in financing is evident in 1H25



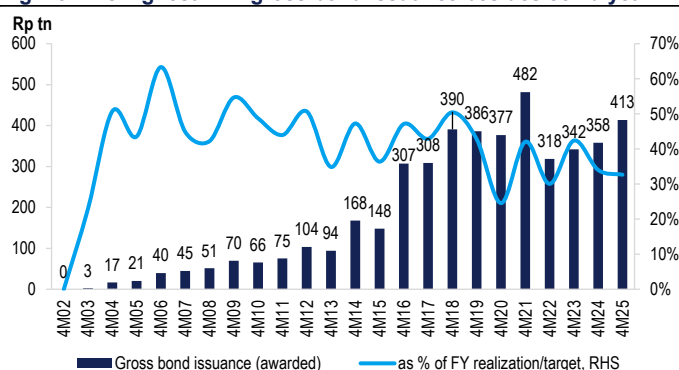
Source: MoF, CEIC, Indo Premier

Fig. 12: Higher government account in central bank



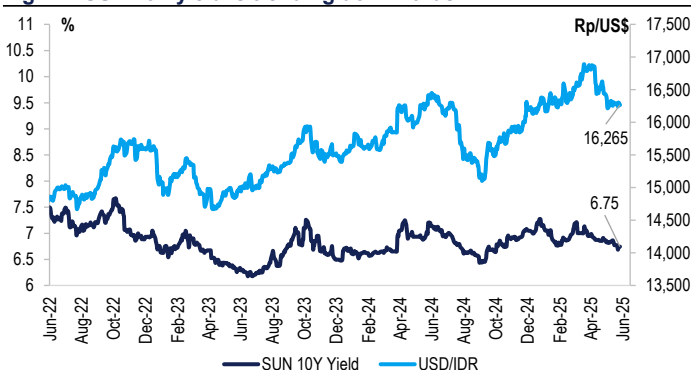
Source: BI, Indo Premier

Fig. 13: The highest YTD gross bond issuance besides covid year



Source: MoF, Indo Premier

Fig. 14: SUN 10Y yield is trending downwards



Source: Bloomberg, Indo Premier

Fig. 15: Details of stimulus package provided by the government

Stimulus Package	Details	Budget Allocation (Rp tr)
Transportation	Train fare (30% discount)	0.94
	Airline ticket (free PPN DTP 6%)	
	Passenger ship ticket (50% discount)	
Toll Road*	20% discount, targeted at 110mn drivers	0.65
Additional social assistance	Additional groceries card (<i>Kartu Sembako</i>) at Rp200k/month	11.93
	Food assistance (10kg rice/month)	
	Each targeted at 18.3mn recipients	
Wage subsidy	Rp300k towards 17.3mn workers and teachers	10.72
Additional work accident insurance*	50% for 6 months towards 2.7mn workers in labour-intensive industries	0.20
Total		24.44

*Non-APBN funding

Source: MoF, Indo Premier

ANALYSTS CERTIFICATION

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