INDOPREMIER

MacroInsight

23 September 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	4.50
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 deficit remained modest despite pick-up in spending

- Revenue fell -7.8% yoy in 8M25 amid weak tax collection (-5.1% yoy) while spending rose +1.5% yoy, in-line with historical pace.
- Fiscal deficit widened to -Rp321.6tr or -1.35% of GDP in 8M25, financed mainly by Rp463.7tr net SUN issuance under front-loading strategy.
- Deficit is expected to approach 2.78% for FY25 as gov't accelerates spending. Sep-Dec25 expenditure projected at Rp1,015.1tr, up 9% yoy.

Tax revenue remained weak

Revenue reached Rp1,638.7tr in 8M25, equal to 57% of the FY25 outlook, but still fell -7.8% yoy (vs. -7.6% in 7M25). Realization remains below the 10Y average of 63% of FY target. Tax collection stayed weak, down -5.1% yoy to Rp1,135.4tr or 54.7% of FY25 outlook, weighed by large restitutions in corporate income tax (-8.7% yoy on net basis vs. +7.5% yoy gross) and VAT & luxury tax (-11.5% yoy net vs. -0.7% yoy gross). Duty and excise were the only growing revenue source, rising 6.4% yoy to Rp194.9tr, with excise up +4.1% yoy to Rp144.0tr. Export duty surged 71.7% yoy to Rp18.7tr, supported by resilient export despite earlier tariff concerns. Non-tax revenue still declined by -20.1% yoy. Finance Minister Purbaya stressed that economic growth-driven revenue improvement is the priority rather than increasing tax rate.

Spending improved in 8M25, now in-line with historical trend

Fiscal spending rose +1.5% yoy in 8M25 to Rp1,960.3tr, equal to 55.6% of the FY25 outlook, improving from +0.6% yoy in 6M25. The growth pace is now in line with the 10Y average. Spending on personnel/goods/social aid/subsidy plus compensation grew +7.6%/+2.4%/+5.5%/+4.5% yoy respectively, while capital spending contracted -8.5% yoy. Priority program spending reached Rp420.2tr or 45.5% of budget, with MBG showing one of the lowest realizations at Rp13tr (out of the Rp71tr budget) among the priority programs, which also reflected in the sluggish spending growth on goods at +2.4% yoy.

Fiscal deficit is still modest at -1.35%

The fiscal deficit widened to -Rp321.6tr, or -1.35% of GDP in 8M25 (vs. -0.81% in 6M25 and -0.69% in 8M24). The government still maintained a positive primary balance of Rp22tr, though fell from Rp52.8tr in 6M25. The wider deficit was financed by Rp425.7tr of net debt issuance, mainly from Rp463.7tr of net SUN issuance. The high issuance is a result of front-loading strategy implemented by MoF, taking advantage of falling yields (10Y yield: -67bps YTD) and stronger demand following the reduction in SRBI holdings (-Rp210.5tr YTD).

Expect fiscal deficit to widen as gov't continues spending acceleration

Looking ahead, we expect the fiscal deficit to widen toward the government's FY25 outlook of 2.78% as Minister Purbaya pushes for faster spending realization to support growth. He has urged ministries and agencies to accelerate budget disbursement by Oct25, warning of budget reallocation if there is no improvement. Excluding interest payment, government spending in Sep–Dec25 is projected at Rp1,015.1tr, up 9% yoy from the same period in 2024. The spending will include the new 8 imminent stimulus (see our report here) and the possibility of further expansion of existing social assistance.

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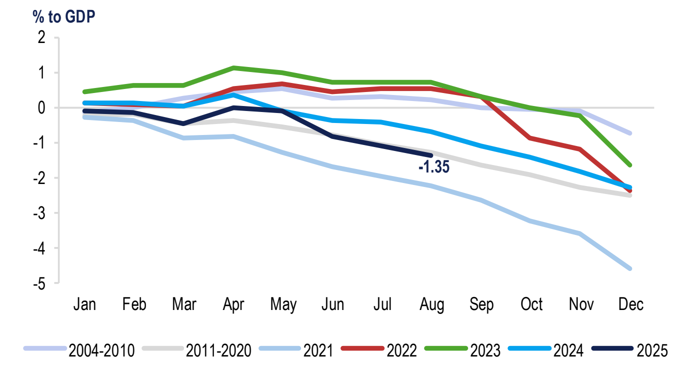
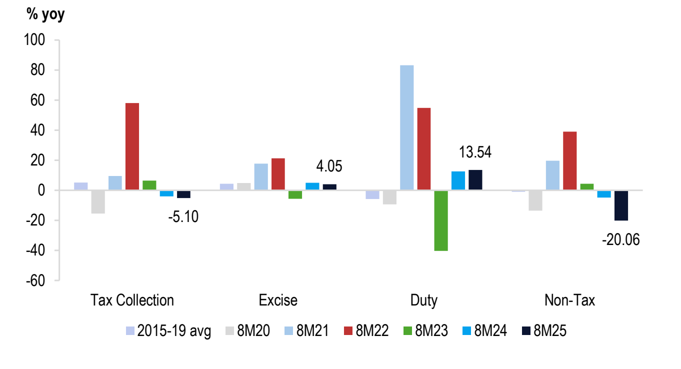
Fig. 1: Fiscal Deficit widened to -1.35% of GDP



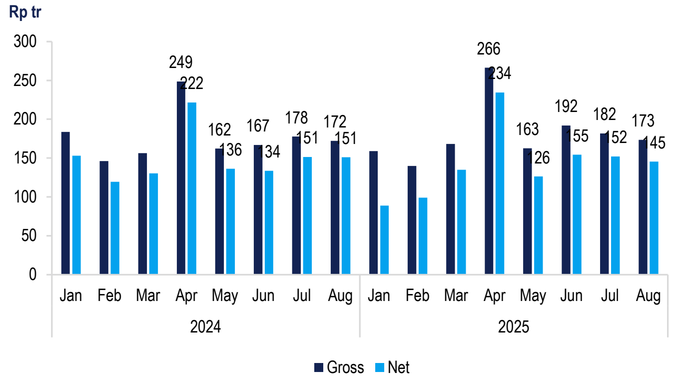
Source: MoF, Indo Premier

Fig. 2: Tax collection remained weak amid growing excise…



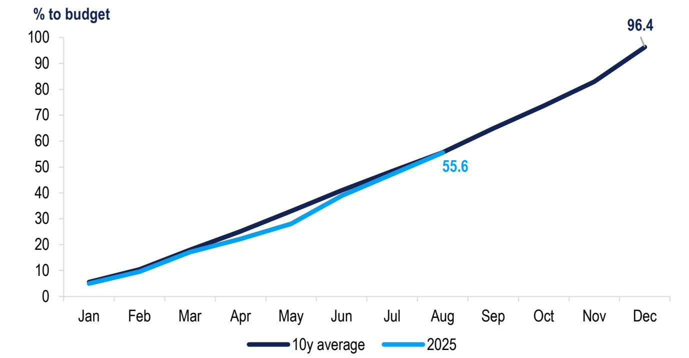
Source: MoF, CEIC, Indo Premier

Fig. 3: …with large restitution offset growth in gross tax collection



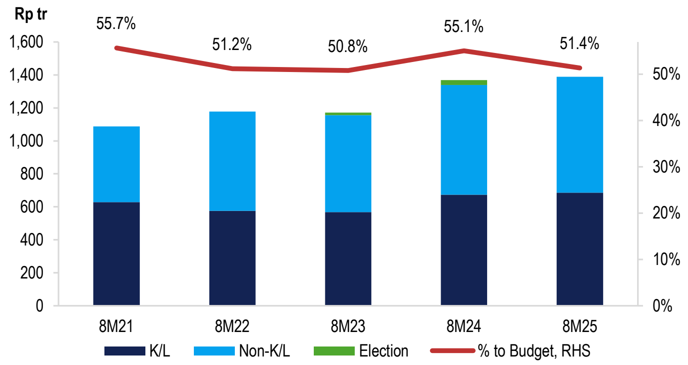
Source: MoF, Indo Premier

Fig. 4: Fiscal Spending is now aligned with historical trend



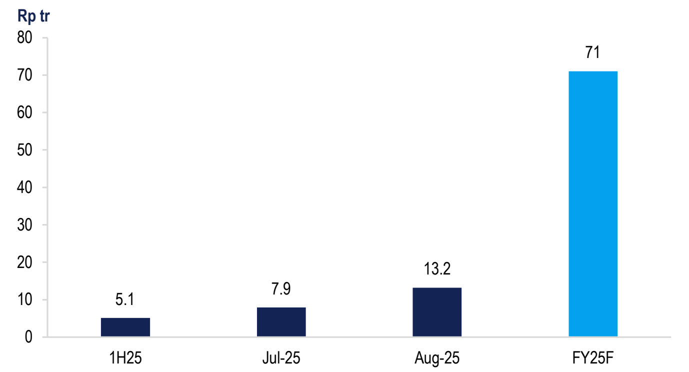
Source: MoF, Indo Premier

Fig. 5: Central gov't spending still lagging behind 2021-24 trend



Source: MoF, Indo Premier

Fig. 6: Acceleration in MBG to be the key driver in fiscal spending



Source: MoF, CEIC, Indo Premier

Fig. 7: 8 imminent stimulus aims to restore confidence in domestic economy

No	2025 Program Acceleration	Freed income/person (Rp/month)	Beneficiaries (person)	Total Budget (Rp bn)	Notes
1	Income Tax borne by gov't for tourism worker	72,464	552,000	120	Income Tax on Oct-Dec25 wages
2	Cash-for-work	2,583,015	609,465	5,300	Daily wages for construction in irrigation and regional projects
3	Rice Aid	20,260	18,277,083	7,000	10kg rice for Oct-Nov25
4	Cash for Fresh Grads	1,650,000	20,000	198	6 months work, wage wil be based on UMP
5	Discount on Work Accident and Death Insurar	49,233	731,361	36	Borne by BPJS. Death benefit = 48x wage ; disability = 56x wage; scholarship = Rp174mn for 2 children
6	Discount for BPJS Employment Housing Prog	150,000,000*	1,000**	150	Borne by BPJS. Housing loan rate cut: buyers 5%→3% + BI Rate, developers 6%→4% + BI Rate.
7	Faster Deregulation on PP No.28/2025			175	Expand regions with RDTR–OSS integration.
8	Improving Gig Economy ecosystem			2,700	Pilot project starts in Jakarta, expands to other cities next year
	Total			**15,660**	**Rp12.8tr from Fiscal and Rp2.87tr from Non-Fiscal**

** Expected discount per beneficiary per house purchase
** House units

Source: MoF, Indo Premier

Fig. 8: Summary of State Budget Realization as of 8M25

	8M24 (Rp tr)	% to Budget	Growth (% yoy)	8M25 (Rp tr)	% to Budget	Growth (% yoy)	Delta
Revenue	1,777.3	63.4	-2.5	1,638.7	57.2	-7.8	-138.6
Tax	1,379.8	62.2	-2.7	1,330.4	55.7	-3.6	-49.4
Tax Revenue	1,196.5	62.3	-4.0	1,135.4	54.7	-5.1	-61.1
Excise	183.2	61.8	6.8	194.9	62.8	6.4	11.7
Non-Tax	384.1	69.9	-4.7	306.8	64.3	-20.1	-77.3
Spending	1,930.7	57.7	15.3	1,960.3	55.6	1.5	29.6
Central Gov't	1,368.6	55.1	16.9	1,388.8	52.1	1.5	20.2
K/L	703.3	64.5	20.9	686.0	53.8	-2.5	-17.3
Non-K/L	665.2	47.7	12.9	702.8	50.6	5.6	37.6
Regional Transfer	562.1	65.5	11.6	571.5	66.1	1.7	9.4
Primary Balance	162.1	370.9	-61.6	22.0	-20.0	-86.4	192.1
Fiscal Balance	**-153.4**	**28.4**	**-204.0**	**-321.6**	**48.6**	**109.6**	
% to GDP	*-0.7*			*-1.4*			
Financing	295.0	54.5	83.1	425.7	64.3	44.3	

Source: MoF, Indo Premier

ANALYSTS CERTIFICATION

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