APBN Kita Update

IH 2026 · Fiscal Realization · 23 July 2026

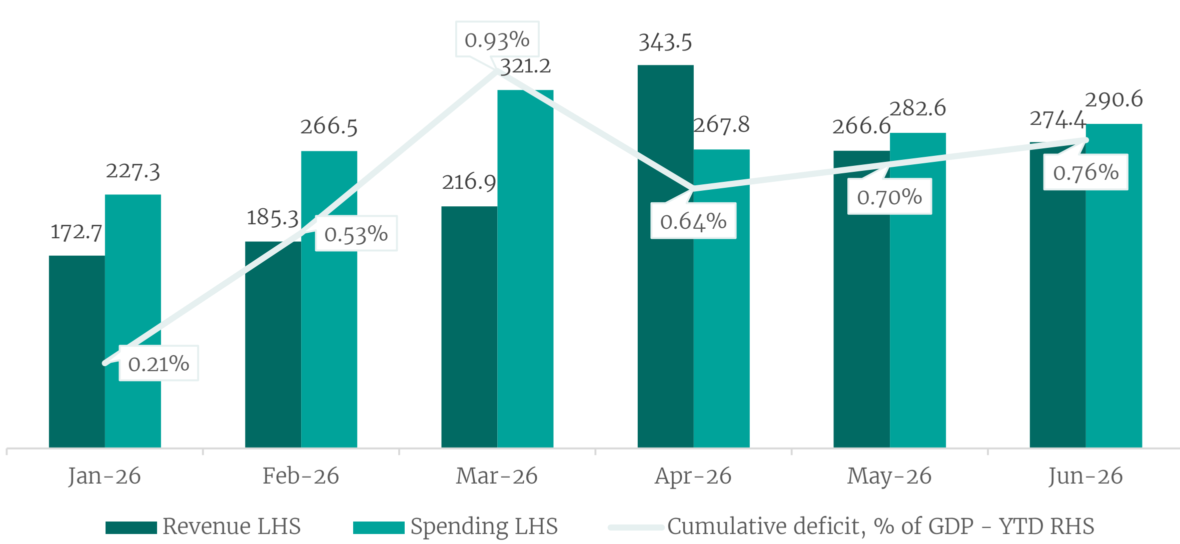
Contained H1 Deficit, but Subsidy Risks Build

Fiscal Balance H1	Revenue H1	Primary Balance	Subsidy & Comp.
-IDR196.5T	**IDR1,459.4T**	**+IDR85.1T**	**IDR233.0T**
0.76% of GDP; narrower vs 0.84% a year ago	+21.4% YoY; 46.3% of full-year target	surplus, widened from IDR58.6T at May	+44.4% YoY; 52.1% of budget, no ceiling

KEY TAKEAWAYS

- The H1 2026 deficit landed at -IDR196.5T (0.76% of GDP), narrower than the 0.84% booked a year earlier and comfortably inside both the 2.68% full-year target and the 3% legal cap. Revenue reached IDR1,459.4T, up 21.4% YoY at 46.3% of target, short of the 50% on-pace mark but a clear step up from 40.0% at this point last year.
- Revenue breadth is real: VAT rose 42.2% and corporate income tax 28.6%, the cleanest read on domestic demand, while the primary balance held a IDR85.1T surplus, up from IDR58.6T at end-May. June single-month revenue of about IDR274T shows the post-SPT organic run-rate held up far better than the May hangover implied.
- Spending tilted decisively to the centre. Central-government outlays rose 29.4% while transfers to regions were cut about 25% at the budget level and fell 11.2% in realization, a deliberate recentralization toward priority programmes. MBG drove goods spending to double, up 100.7%, with IDR98.8T disbursed.
- The structural watch item is subsidy and compensation at IDR233.0T (52.1% of budget, up 44.4% YoY). Energy compensation of IDR116.9T carries no formal ceiling, roughly IDR50T of deferred compensation is due to settle in a single September tranche, and 2026 has already spent a record 52.1% of the full-year subsidy budget by mid-year, against a 34% to 40% norm in prior years. Financing is 65.6% complete, with a IDR255.5T SiLPA buffer.
- *Our stance is that the H1 print is net constructive for SBN*, because a contained deficit, a widening primary surplus and two-thirds-complete financing all reduce H2 supply pressure, and because BI's decision to hold the rate at 5.75% and defend the Rupiah through inflow incentives rather than further hikes removes the rate-versus-issuance tension. We therefore stay constructive on carry and the belly of the curve, but would hold off on adding long-end duration until the September compensation settlement and the full-year deficit path confirm the trend, since two of the three rating agencies still carry Negative outlooks.

Monthly revenue and spending (IDR tn), and cumulative fiscal deficit (% of GDP), 2026



Bars: monthly revenue and spending, LHS. Line: cumulative (YTD) fiscal deficit as % of GDP, RHS. April's SPT-season revenue surplus temporarily narrows the YTD deficit ratio before it edges back up in May–June. Source: Kemenkeu, APBN Kita (January to June 2026).

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APBN realization, Semester I 2026 (through 30 June)

On the revenue side the H1 beat looks broad rather than one-off. Tax rose 24.6% to IDR1,035.7T as VAT and PPnBM jumped 42.2%, the cleanest read on domestic demand, while corporate income tax rose 28.6% on stronger profits and the Coretax rollout. Non-tax revenue of IDR271.0T is already 59.0% of budget, front-loaded on SOE dividends and resource royalties. In our May note we flagged the run-rate as roughly 40% light; June's single-month revenue of about IDR274T eases that concern and, in our view, largely vindicates the organic-recovery call.

IDR trillion	APBN 2026 Budget	May-26 (SM)	Jun-26 (SM)	MoM %	YTD Jun-25	YTD Jun-26	% Budget	YoY %
A. State Revenue	**3,153.6**	266.6	274.4	+2.9	1,202.1	**1,459.4**	46.3	**+21.4**
I. Tax Revenue	2,693.7	211.3	229.6	+8.7	978.7	1,187.8	44.1	+21.4
1. Tax (DGT)	2,357.7	188.1	201.3	+7.0	831.3	1,035.7	43.9	+24.6
2. Customs & Excise	336.0	23.2	28.2	+21.6	147.0	152.0	45.2	+3.4
II. Non-Tax Revenue (PNBP)	459.2	55.1	44.6	-19.1	222.9	271.0	59.0	+21.6
III. Grants	0.7	0.1	0.3	+200.0	0.6	0.7	100.0	+10.2
B. State Expenditure	**3,842.7**	282.6	290.6	+2.8	1,405.8	**1,656.0**	43.1	**+17.8**
I. Central Gov't Spending	3,149.7	233.3	239.3	+2.6	1,003.6	1,298.6	41.2	+29.4
1. Ministerial (K/L)	1,510.5	117.2	141.2	+20.5	470.5	658.9	43.6	+40.0
incl. Social Assistance	162.5	15.0	6.6	-56.0	78.0	78.3	48.2	+0.4
2. Non-Ministerial (Non-K/L)	1,639.2	116.1	98.1	-15.5	533.0	639.7	39.0	+20.0
incl. Subsidies	318.9	19.9	21.2	+6.5	92.8	116.0	36.4	+25.0
incl. Compensation	—	30.7	8.0	-73.9	68.6	116.9	—	+70.4
II. Regional Transfer (TKD)	693.0	49.3	51.3	+4.1	402.5	357.4	51.6	-11.2
C. Primary Balance	**-89.7**	30.6	26.5	-13.4	52.9	**85.1**	-94.9	**+61.0**
D. Surplus / Deficit	**-689.1**	-16.0	-16.1	-0.6	-180.4	**-196.5**	28.5	**n.m.**
% of GDP	*-2.7*				*-0.8*	*-0.8*		
E. Budget Financing	**689.1**	80.9	72.6	-10.3	283.6	**452.0**	65.6	**+59.4**
1. Debt Financing (net)	832.2	80.5	91.4	+13.5	315.4	477.4	57.4	+51.4
2. Non-Debt Financing (net)	-143.1	—	—	—	-31.8	-25.4	17.7	n.m.

SM = single month. Growth on income-tax and financing sub-lines derived from official YoY; % of GDP shown against the 2.68% full-year design. Source: Kemenkeu, APBN Kita (21 July 2026).

Spending tells a recentralization story: central-government outlays surged 29.4% while transfers to regions fell 11.2% in realization against a pagu cut of roughly 25%. The primary balance stayed in surplus at IDR85.1T, up from IDR58.6T at end-May and 61.0% higher than a year ago. We read this as evidence that, debt service aside, the budget is running tighter than the deficit headline alone suggests, which supports the fiscal-credibility narrative now underpinning SBN.

Key revenue drivers (IDR trillion)

The tax engine is led by consumption and corporate profitability. VAT and PPnBM at IDR380.0T (up 42.2%) and corporate income tax at IDR196.1T (up 28.6%) account for most of the H1 upside, while final and personal income taxes are comparatively flat. Of the two, we would treat the VAT strength as the more durable

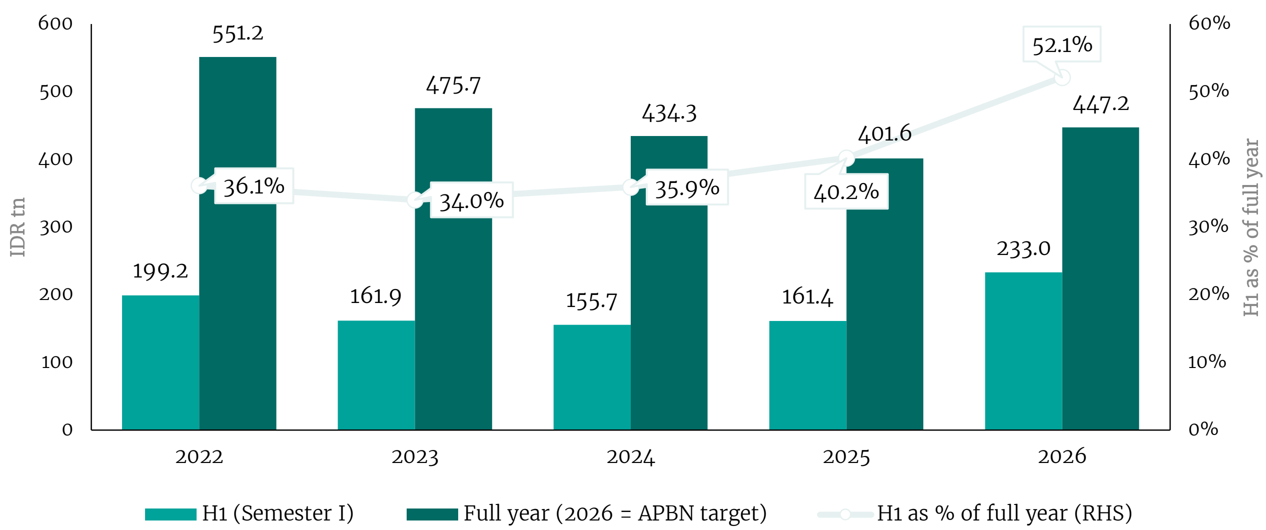
Component	May-26 (SM)	Jun-26 (SM)	MoM %	YTD Jun-25	YTD Jun-26	YoY %
Corporate Income Tax & instalments	32.4	28.5	-12.0	152.5	**196.1**	+28.6
Personal Income Tax & Art. 21	22.0	22.9	+4.1	128.5	**146.0**	+13.6
Final Tax, Art. 22 & Art. 26	29.6	21.2	-28.4	157.7	**159.9**	+1.4
VAT & Luxury-Goods Tax (PPnBM)	94.5	64.3	-32.0	267.2	**380.0**	+42.2
Customs & Excise	23.2	28.2	+21.6	147.0	**152.0**	+3.4
Non-Tax Revenue (PNBP)	55.1	44.6	-19.1	222.9	**271.0**	+21.6

Key spending breakdown (IDR trillion)

Goods spending more than doubled to IDR267.4T on the Makan Bergizi Gratis rollout, with IDR98.8T disbursed of the IDR101.1T total, while social assistance was broadly flat. Regional transfers are the release valve, down 11.2% as the centre absorbs the priority-programme load.

Component	May-26 (SM)	Jun-26 (SM)	MoM %	YTD Jun-25	YTD Jun-26	YoY %
Personnel Spending	28.2	48.7	+72.7	163.3	**203.8**	+24.8
Goods Spending (incl. MBG)	45.1	58.1	+28.8	133.2	**267.4**	+100.7
Capital Expenditure	29.0	27.8	-4.1	96.0	**109.4**	+14.0
Social Assistance (Bansos)	15.0	6.6	-56.0	78.0	**78.3**	+0.4
Subsidies & Compensation	50.6	29.3	-42.1	161.4	**233.0**	+44.4
Regional Transfer (TKD)	49.3	51.3	+4.1	402.5	**357.4**	-11.2

Subsidy & Compensation: H1 Spending Reaches 52% of Full-Year 2026 Target



Bars compare H1 realization with full-year spending; for 2026, the full-year figure represents the APBN target. The line shows H1 spending as a share of full-year spending, rising to 52.1% in 2026 from 34%–40% in 2022–2025, indicating a more front-loaded spending profile. Source: Kemenkeu, APBN Kita editions, 2022–2026; 2024 full-year figure from Kemenkeu APBN 2024 pre-conference (6 Jan 2025).

Compensation is where the risk concentrates. It has climbed to IDR116.9T in H1, almost matching the full subsidy line and nearly double the IDR68.6T booked a year ago, and unlike subsidies it carries no formal APBN ceiling. With ICP averaging USD91.9 per barrel against a USD70 assumption and the Rupiah at 17,197 versus 16,500, the deferred tranche due in September is the single largest known claim on H2 spending. As the chart shows, 2026 has already absorbed 52.1% of the full-year subsidy budget by mid-year, well above the 34% to 40% typical of 2022 to 2025, which is why we treat the September settlement, rather than the H1 beat, as the swing factor for the full-year deficit.

Macroeconomic assumptions vs realization, 2026

Indicator	APBN 2026 Target	Realization / Outlook (Semester I)
GDP Growth (% YoY)	5.4	5.61 (Q1-26)
Inflation / CPI (% YoY)	2.5	3.34 (Jun-26)
10Y SBN Yield (%, avg)	6.9	6.57 (per 23-Jun auction)
Exchange Rate (IDR/USD, avg)	16,500	17,197
ICP Crude Oil (USD/bbl, avg)	70	91.87 (YTD May)
Oil Lifting (kbph)	610	564.66 (YTD May)
Gas Lifting (kboepd)	984	933.41 (YTD May)

Source: Kemenkeu (APBN Kita, 21 July 2026); BPS; Bank Indonesia; Aldiracita Research. For informational purposes only.

The macro frame is running hot against budget: growth at 5.61% beats the 5.4% assumption, while inflation (3.34%), the Rupiah (17,197) and ICP (USD91.9) all exceed APBN anchors, driving higher compensation costs. Our view is constructive but conditional. BI's 5.75% hold, supported by Rupiah defense through inflow incentives rather than hikes, reinforces fiscal credibility and keeps SBN carry attractive despite near-20-year-low foreign ownership. We would fade long-end rallies and favour the belly until the September compensation settlement and full-year deficit path, projected toward 2.85% of GDP, confirm the H1 improvement is durable.

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