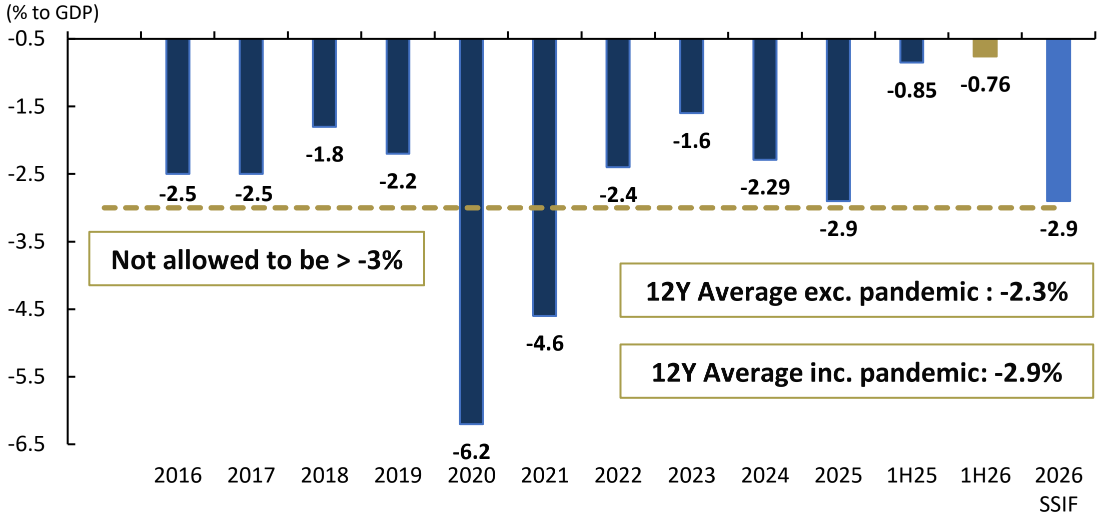
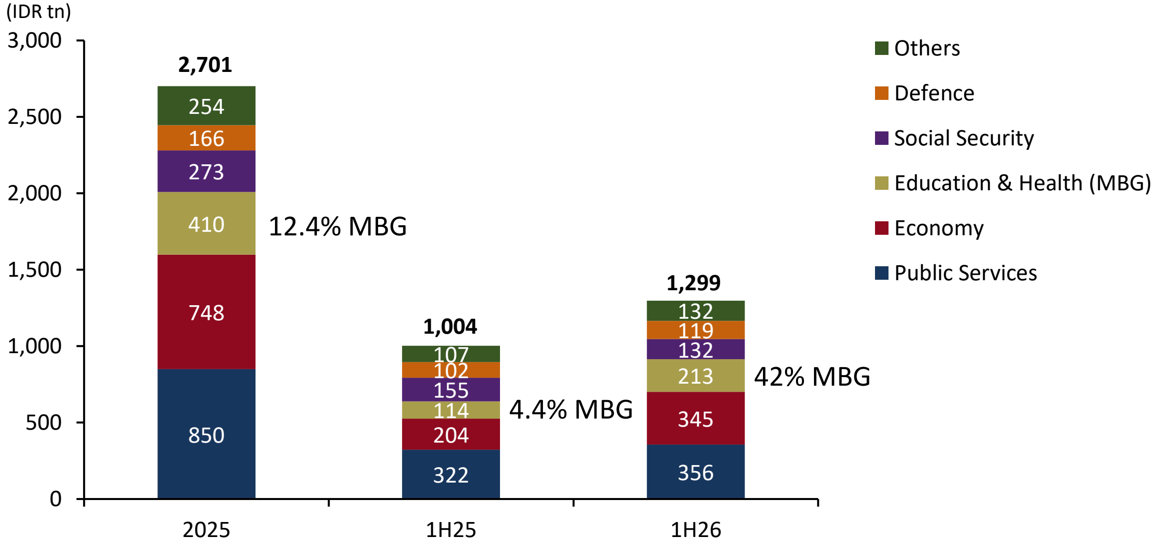
# State Budget 1H26: 13 July 2026

- Indonesia's mid-year fiscal metrics appear positive, but a deeper look reveals domestic pressures, weak consumer demand, and execution risks. State revenues reached IDR1,459.4tn (46.3% of full-year target), up 21.4% YoY, primarily supported by 24.6% jump in tax collection, which was, however, caused by a low base effect from 7% contraction in 1H25. Note that the MoF anticipates IDR47tn tax shortfall by end-2026, caused by lower corporate income tax on collection issues.
- On the spending side, government expenditures rose 17.8% YoY to IDR1,656.0tn (43.1% of FY26 budget). The 29.4% YoY acceleration was mainly driven by the central government, including 40% hike in ministry and agency spending. The stronger expenditure was heavily weighted toward non-productive areas like civil servant holiday bonuses, 13th-month salaries, and 44% surge in subsidy spending to fight the weak currency.
- While the mid-year deficit reached 0.76% of GDP, the government's revised full-year outlook projects the deficit to balloon to 2.85% of GDP (IDR734.3tn). This overshoots the initial legal APBN target of 2.68% and signals heavy, unstable reliance on 2H26 debt financing, particularly given fiscal support will gain momentum ahead of government priority programs. In our view, backloading fiscal disbursement into 2H26 risks inefficient spending, bureaucratic bottlenecks, and rapid depletion of accumulated budget surplus (SAL).
- We note also that several external and domestic risks remain. Global growth projections have been revised down, while uncertainty surrounding geopolitics, energy prices, global interest rates, and trade policies could continue to generate volatility in local financial markets. Domestically, the narrowing cumulative trade surplus—amid stronger growth in imports of raw materials and capital goods—should be monitored.
- Looking ahead, the government is transitioning to more aggressive expansionary stance in 2H26 to fund priority development programs. Dealing with this rapid acceleration in government expenditure will test fiscal discipline. Maintaining long-term macroeconomic stability will hinge on sustaining revenue collection and managing cash buffers.

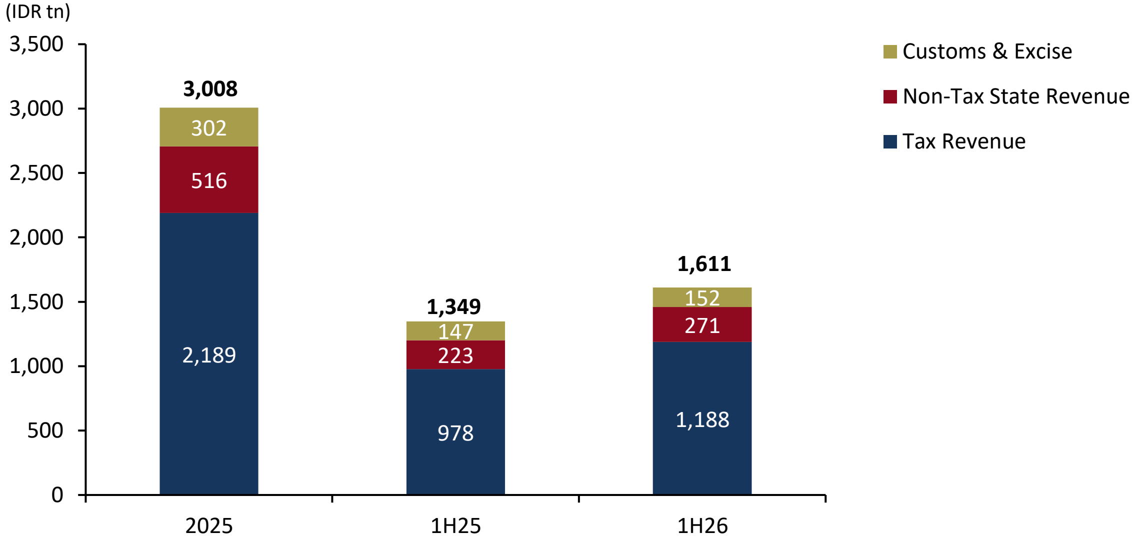
## Budget Deficit to GDP,2016 – 2026F




## Government Spending Breakdown




## State Revenues Breakdown




*Sources: MoF, Bloomberg, SSI Research*

*Macro Strategy Team*