

ABSTRACT

Indonesia's growing elderly population poses a potential threat to the country's fiscal sustainability. This study examines the impact of population aging on fiscal sustainability in Indonesia from 1990 to 2023. The study uses secondary data on the number of young elderly (60–69 years), middle elderly (70–79 years), and old elderly (80 years and above), life expectancy, and government debt. The data were collected from official government publications using a documentation method. The analysis was conducted using an Error Correction Model (ECM) with a Fiscal Reaction Function (FRF) approach.

The results show that an increase in the young and middle-aged elderly population improves the primary balance by approximately 4.8 percent in the long run. Conversely, an increase in the old elderly population and life expectancy reduces the primary balance by 11 and 1.3 percent, respectively. In the short term, the young elderly population increases the primary balance by 1.3%, while life expectancy and the debt ratio negatively affect it by 2.1% and 0.04%, respectively. In conclusion, this study finds that Indonesia's fiscal condition is unsustainable in both the short and long term due to population aging.

Keywords: Population Aging, Life Expectancy, National Debt Ratio, Fiscal Sustainability.

