

Indonesia Investments

Q1 Economic Growth Indonesia

- Indonesian Economy Expanded 5.01% (y/y) in the First Quarter of 2022
- Household Consumption Continues to Improve, Albeit Not Back at Normal Levels Yet
- Exports Show Impressive Growth on the Back of High Commodity Prices
- Investment Shows Promising Results
- Government Consumption Eases; Spends Less on Social & Corporate Assistance as Impact of COVID-19 Restrictions Wanes

13 MAY 2022

Van Der Schaar Investments B.V.
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Update – 13 May 2022

Economic Growth of Indonesia in Q1-2022



Preface

In addition to our reports, Indonesia Investments sends updates on key economic, political or social developments to our subscribers to make sure that our subscribers do not miss out on vital information. The topics in these updates may be discussed in more detail (and in an updated form) in the forthcoming report.

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- Macroeconomy -

Gross Domestic Product (GDP); Indonesia Starts 2022 with a Sound Economic Growth Rate

The Statistical Agency of Indonesia (*Badan Pusat Statistik*, BPS) released Indonesia's Q1-2022 gross domestic product (GDP) data on 9 May 2022. Based on its calculation the Indonesian economy expanded 5.01 percent year-on-year (y/y), which is in fact better –albeit very modestly– than our projection that was set at 5.0 percent (y/y).

While most macroeconomic indicators indeed pointed at a positive environment for economic growth in Q1-2022, there did occur the threat of the Omicron wave that peaked in Indonesia in mid-February 2022 (with the peak at almost 65,000 positive test results per day). Fortunately, this wave did not translate to a significant number of people requiring medical treatment, hence there was no need for the government to scale up existing social and business restrictions significantly. And so, economic activity was not overly burdened in Q1-2022, which is reflected in the GDP data.

Obviously, considering the Indonesian economy contracted in Q1-2021, the low base effect is also still at play, hence managed to push Indonesia's Q1-2022 rate to a level that is perhaps modestly misleading in the sense that the economy is not fully back to normal yet, despite the fact that the Indonesian economy typically posted growth

rates of around 5 percent (y/y) in 2016-2019 (see table 1 below). For example, the tourism industry is still miles away from recovery, implying Indonesia misses out on billions of US dollars in foreign exchange earnings.

Table 1; Gross Domestic Product Growth Indonesia per Quarter (annual % change):

Quarter	2016	2017	2018	2019	2020	2021	2022
Q1	4.94	5.01	5.06	5.06	2.97	-0.70	5.01
Q2	5.21	5.01	5.27	5.05	-5.32	7.07	
Q3	5.03	5.06	5.17	5.01	-3.49	3.51	
Q4	4.94	5.19	5.18	4.96	-2.17	5.02	
Full-Year	5.03	5.07	5.17	5.02	-2.07	3.69	

Source: Badan Pusat Statistik (BPS)

In short, what supported Indonesia's Q1-2022 economic growth were particularly the following factors (these factors will be discussed in more detail below):

- **Indonesia's export performance was very strong** thanks to high commodity prices (despite a small hiccup in coal exports in January 2022 amid state intervention);
- **Household consumption continued to recover** in Indonesia as the COVID-19 threat wanes (albeit not fully back to pre-COVID-19-crisis levels yet);

- **Investment continued to recover** in Indonesia on expectations that there will no need for tighter social and business restrictions in the foreseeable future; and
- The **low base effect** as weak economic growth (in fact: contraction) in the same quarter one year earlier facilitates a strong growth rate in Q1-2022.

Taking a Closer Look at the Data

When we take a look at current prices and constant prices (inflation-adjusted with BPS using 2010 as base year), it is clear that the Indonesian economy was bigger in Q1-2022 than it was in the corresponding quarters in previous years. Hence in terms of size, the economy of Indonesia has already recovered from the COVID-19 crisis (in fact, in terms of size, the Indonesian economy had already recovered last year).

Table 2; GDP Indonesia – Current Prices versus Constant Prices (in IDR trillion):

	Q1-2019	Q1-2020	Q1-2021	Q1-2022
GDP Current Prices	3,783.9	3,922.6	3,971.2	4,513.0
GDP Constant Prices (2010)	2,625.2	2,703.1	2,684.0	2,818.6

Source: Badan Pusat Statistik (BPS)

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This is the introduction of the article. Contact us to purchase the full article or the full May 2022 report that discusses a range of topics related to the Indonesian economy, politics and social matters.

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