

# Indonesia Investments

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## Indonesia's Q1-2023 GDP

- Indonesian Economy Expanded 5.03% (y/y) in the first quarter of 2023
- Annual Growth Particularly Supported by Household Consumption and Exports
- But Growth of Exports of Goods Is Still Further Losing Momentum in 2023
- Household Consumption Still Not Up to Full Speed If We Look at Retail Sales
- 2023 Could Be a Challenging Year for Direct Investment ahead of 2024 Elections

10 MAY 2023

Van Der Schaar Investments B.V.  
CV Indonesia Investments



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Update – 10 May 2023

**‘Indonesian Economy Expanded by 5.03  
Percent Year-on-Year in Q1-2023’**



# 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. Topics in these updates will often be discussed in more detail (and in an updated form) in forthcoming monthly reports.

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## - Economy -

# Economic Update Indonesia: Indonesian Economy Expands at a Rate of 5.03% (Y/Y) in Q1-2023

On 5 May 2023, Indonesia's Statistical Agency (*Badan Pusat Statistik*, BPS) released the latest official Gross Domestic Product (GDP) data of Indonesia. BPS announced that the Indonesian economy expanded by 5.03 percent year-on-year (y/y) in Q1-2023, a good result that is in line with our expectations.

Before we zoom in on the GDP data, we can inform that **household consumption** and **exports** were the key sources of growth for Indonesia in the first quarter of 2023.

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

Quarter	2017	2018	2019	2020	2021	2022	2023
Q1	5.01	5.06	5.06	2.97	-0.69	5.02	5.03
Q2	5.01	5.27	5.05	-5.32	7.08	5.46	
Q3	5.06	5.17	5.01	-3.49	3.53	5.73	
Q4	5.19	5.18	4.96	-2.17	5.03	5.01	
Full-Year	5.07	5.17	5.02	-2.07	3.70	5.31	

Source: Badan Pusat Statistik (BPS)

Another remark we need to make here is that economic growth has now normalized to a large extent. The COVID-19 crisis, which gave rise to an unprecedented decline in consumption, production, investment, trade and traveling amid the government's social and business restrictions, had first caused weak economic activity against a high base (hence we see contracting GDP between Q2-2020 and Q1-2021 in table 1).

However, once economic activity started to recover (while at the same time enjoying a low base), GDP growth was able to touch levels that were higher than normal (with Q2-2021 – showing a growth rate of 7.08 percent y/y – being the best example).

In fact, with a GDP growth rate of 5.46 percent (y/y) in Q2-2022, we can argue that Indonesia will have more difficulty to set an economic growth rate that is above five percent (y/y) in Q2-2023 (because the base is still a bit higher).

Table 1 shows that under normal circumstances Indonesia's economic growth was sort of on auto-pilot at around 5.0 percent (y/y) in 2017-2019 (with Q4-2019 being slightly dragged down as China started feeling the COVID-19 crisis in that quarter). The table also shows that Q1 and Q4 have normalized with two subsequent years of growth around 5.0 percent (y/y). Q2 and Q3, on the other hand, still need some time to normalize as those were the quarters that were affected the most by the crisis.

Meanwhile, we also like to point out at the start of this article that our projection for full-year 2023 economic growth of Indonesia remains at 5.0 percent (y/y).

**Table 2; Indonesia Investments' Outlook for Indonesia's Economic Growth in 2023:**

	Full-Year 2023
Projection (annual % change)	5.0

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