

Indonesia Investments

Indonesia's Q3-2023 GDP

- The Indonesian Economy Expanded at a Rate of 4.94% (y/y) in Q3-2023
- Household Consumption Growth Remains Stable above the 5.0% (y/y) Threshold
- Gross Fixed Capital Formation Grows Strongly Thanks to Construction
- Impact of Construction of the New Capital City Is Now Seen in the GDP Data
- We Expect Indonesia's Q4-2023 GDP to Be in the Range of 5.0%–5.1% (y/y)

10 NOVEMBER 2023

**Van Der Schaar Investments B.V.
CV Indonesia Investments**

Indonesia Investments

Update – 10 November 2023

‘Analysis of Indonesia’s Q3-2023 Gross Domestic Product Data’



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.

Content in these updates is copyright of Van Der Schaar Investments B.V. (all rights reserved), except when indicated otherwise (the majority of pictures were obtained from Pixabay). Our permission is required by those who seek to publish or distribute (parts of) the content in this update (Dutch law applies).¹

Disclaimer

Lastly, we would like to emphasize that – although we strive to present accurate, up-to-date, and objective information in our updates – Indonesia Investments cannot guarantee the accuracy of all data and information that is included in this update. We also do not intend to provide legal, investment, tax, or accounting advice through the contents of this update, and therefore the reader should not perceive this update as such. In short: Indonesia Investments cannot be held responsible for decisions made based on the content of this update.

¹ CV Indonesia Investments owns the exclusive right to sell and distribute reports/updates of Indonesia Investments on the markets in the Asia-Pacific (including Indonesia).

- Economy -

Economic Update Indonesia: Indonesian Economy Expands at a Rate of 4.94% (Y/Y) in Q3-2023

While we had hoped to see Indonesia's gross domestic product (or GDP) growth rate at 5.0 percent year-on-year (y/y) in the third quarter of 2023 (Q3-2023), it was not a real surprise to see the growth rate fall slightly below that level. After all, a range of economic data (discussed in our October 2023 report) did not show great results (such as retail sales, car sales, and remarkably low core inflation) in the second half of 2023 (so far). Not that they are particularly bad, but they do seem to indicate that the Indonesian economy has lost some steam.

But, we should also not forget that economic data in Q3-2023 were also affected by the high base effect that still stems from the COVID-19 crisis. Considering economic growth in Q3-2022 was higher-than-usual (at 5.73 percent y/y) due to the low base in Q3-2021 (at 3.53 percent y/y), we continue to see some normalization in Q3-2023 (see table 1).

And so, when the Statistical Office of Indonesia (in Indonesian: *Badan Pusat Statistik*, BPS) announced on 6 November 2023 that Indonesian GDP grew by 4.94 percent (y/y) in Q3-2023, it was quite in line with expectations. However, the latest result

does mean that the Indonesian government's target of 5.3 percent (y/y) in full-year 2023 requires a miracle to be achieved.

Indeed, when we take a quick look at the latest data (which will be discussed in detail below), we don't detect any particular weaknesses. Yes, government consumption did drop somewhat, but this category doesn't have a big impact on overall GDP. And yes, exports fell on a year-on-year basis, but imports slid more, thereby allowing the continuation of a comfortable trade surplus (although we certainly do not intend to give the impression that sliding imports are a good thing for the economy as it could point at weaker investment realization, weaker consumption, and even a weakening export performance as Indonesia's non-commodity exports contain a high import-content).

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	5.04
Q2	5.01	5.27	5.05	-5.32	7.08	5.46	5.17
Q3	5.06	5.17	5.01	-3.49	3.53	5.73	4.94
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	5.30	

Source: Badan Pusat Statistik (BPS)

And after seeing the latest data we become even more convinced that our 5.0 percent (y/y) projection for the Indonesian economy in 2023 is a highly realistic one, as we expect the country's GDP growth in the final quarter of 2023 to be in the range of 5.0 – 5.1 percent (y/y).

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

	Q4-2023	Full-Year 2023
Projection (annual % change)	5.0 – 5.1	5.0

Q3-2023 Indonesian GDP in Constant and Current Prices

Based on current prices, Indonesian GDP reached a level of IDR 5,296.0 trillion (or approx. USD \$341.68 billion using an IDR 15,500 per US dollar exchange rate) in Q3-2023. Interestingly enough, GDP in current prices shows sliding growth (expanding 4.0 percent y/y in Q3-2023 compared to a 6.2 percent y/y growth rate in Q2-2023).

[...]

These are the first two pages of the article (which consists of a total of 30 pages). This article (an electronic report) can be ordered by sending an email to info@indonesia-investments.com or a message to +62.882.9875.1125 (including WhatsApp).

Price of this report:

Rp 150,000

USD \$10

EUR €10