

3Q23 GDP Growth Slowed Down on Government Spending Contraction

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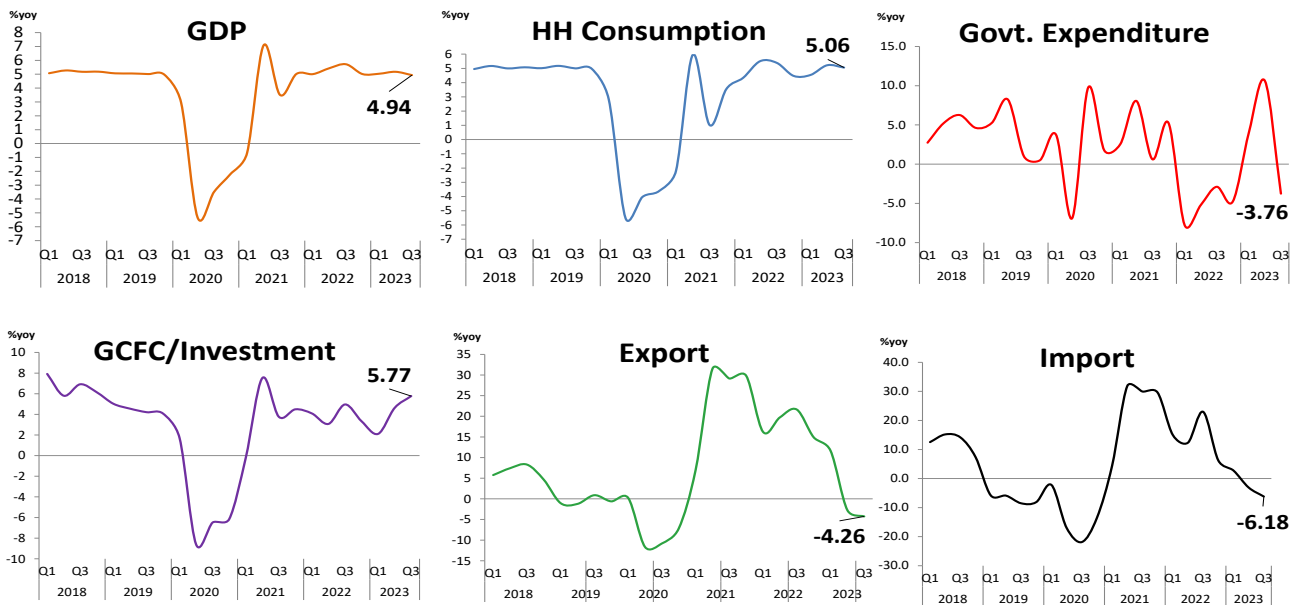
GDP Review

- Indonesia's economic growth in 3Q23 eased to 4.94%yoy from 5.17%yoy in the previous quarter. GDP growth in 3Q23 was driven mostly by household consumption and fixed investment. Fixed investment growth accelerated, while household consumption growth eased slightly. Yet, household consumption still managed to post a solid growth above 5%yoy. From the supply side, manufacturing, wholesales & retail trade, and transportation sectors contributed the most to Indonesia's GDP growth in 3Q23, confirming the resilience of domestic demand amid the risk of global economic slowdown.
- Household consumption remained resilient as it expanded by 5.06%yoy in 3Q23 albeit slower than previous quarter of 5.22%yoy. The main reason of easing in household consumption was more of the seasonal pattern following the surge in consumption during the Eid Al-Fitr holidays in 2Q23. Some of consumer indicators posted solid growth, such as Consumer Confidence Index (CCI), which rose by 3.8%yoy from previously -0.9%yoy in 2Q23. Meanwhile, other consumer indicators, including 4w sales, 2w sales, and retail sales slowed down, or even contracted compared to the previous quarter. Cumulatively, 4w sales posted -8.76%yoy compared to 1.96%yoy in 2Q23, cumulative 2w sales recorded 11.3%yoy compared to 40.0%yoy, and retail sales growth posted 1.0%yoy compared to 7.9%yoy. Despite slowing down, we consider that the household consumption remained robust amid the impact of increasing volatile price inflation due to El Nino leading to higher foodstuff prices, especially rice prices during 3Q23. This was mainly supported by various cash transfer and social assistance from the government to mitigate the impact of high foodstuff prices.
- Gross Fixed Capital Formation of fixed investment in 3Q23 continued to increase as it accelerated by 5.77%yoy from 4.63%yoy in 2Q23. Strong fixed investment growth was driven by buildings & structures investment, especially coming from rapid infrastructure development related to National Strategic Projects and New Capital City, which was reflected by cement sales. Cumulative cement sales in 3Q23 notably grew by 7.2%yoy to 18.4 million tons, bouncing back from -2.4%yoy in 2Q23. Strong domestic direct investment and foreign direct investment data also confirmed this high growth of fixed investment despite the political year related to the 2024 general election. Domestic investment grew by 28.2%yoy in 3Q23 from 17.6%yoy in 2Q23, while foreign investment grew by 12.7%yoy compared to 10.3%yoy in a quarter earlier.
- Meanwhile, government spending unexpectedly recorded a contraction, dragging down GDP growth in 3Q23 as it posted -3.76%yoy, significantly down from 10.57%yoy growth in 2Q23. The reasons of weaker government spending were high base effect related to the last year's high COVID-19 management spending, followed by lower social assistance disbursement in a form of goods. Most of social assistance was disbursed in cash, hence more reflected in household consumption. Lower government spending also suggests that the realization of election-related spending has not been fully realized in 3Q23.
- Exports still posted a negative contribution particularly due to the global economic slowdown. Export performance posted -4.26%yoy in 3Q23, compared to -2.97%yoy in 2Q23. Meanwhile, import performance also recorded contraction of -6.18%yoy, compared to -3.06%yoy in 2Q23, as most of export goods inputs were obtain from imports (around 70% of imports are raw material).

Economic Implication and Future Projection

- Albeit slower than expected growth in 3Q23, we still expect Indonesia's economic growth for FY23 to be around 4.9-5.1%, since we estimate domestic demand to continue to be solid going forward. Moreover, the main driver holding back domestic demand growth in 3Q23 was only government spending. We expect that government spending would pick up in the last quarter of 2023 as the government should accelerate their spending ahead of the 2024 general election. On the other side, direct investment still recorded a solid growth despite the election. This implies that the impact of 'wait-and-see' action by investors usually seen during the election might be limited this year, hence fixed investment could still become growth driver.

GDP by Expenditure: HH Consumption and Fixed Investment were the Main Driver of GDP Growth



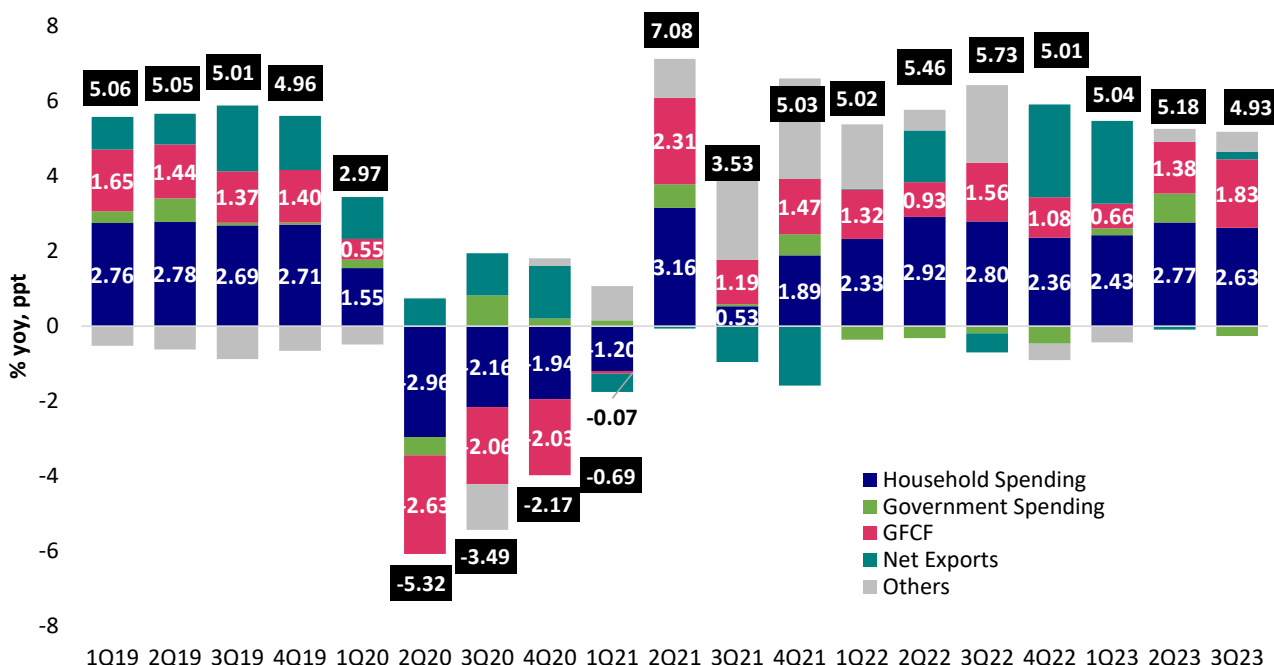
% yoy	2016	2017	2018	2019	2020	2021	2022	1Q23	2Q23	3Q23	Weight
GDP	5.03	5.07	5.17	5.02	-2.07	3.70	5.31	5.04	5.17	4.94	100.00%
Household Consumption	5.01	4.94	5.05	5.04	-2.63	2.02	4.93	4.54	5.22	5.06	52.62%
Food & Beverages	5.34	5.24	5.22	5.16	0.51	1.44	3.42	3.46	3.85	4.07	21.53%
Apparel & Footwear	3.36	3.37	4.30	4.27	-4.21	-0.06	4.28	3.79	7.02	3.59	1.68%
Equipments	4.68	4.19	4.63	4.66	2.28	2.19	2.79	2.77	3.78	3.77	6.49%
Health & Education	5.47	5.46	5.00	6.60	3.09	1.70	2.41	2.58	5.51	4.23	3.63%
Transportation & Restaurant & Hotel	5.23	5.39	5.47	4.78	-9.57	2.62	9.38	7.84	7.53	7.61	11.70%
Others	5.44	5.40	5.63	5.96	-8.14	3.87	6.58	5.88	6.75	6.52	5.24%
NPISH	2.42	2.30	2.38	3.09	-0.65	1.83	2.71	2.69	3.72	3.04	2.36%
Government Spending	6.64	6.93	9.15	10.62	-4.21	1.62	5.64	6.17	8.61	6.21	1.21%
Government Spending	-0.14	2.12	4.82	3.27	2.12	4.24	-4.51	3.34	10.57	-3.76	7.16%
Gross Fixed Capital Formation	4.47	6.15	6.68	4.45	-4.96	3.80	3.87	2.11	4.63	5.77	29.68%
Buildings & Structures	5.18	6.24	5.41	5.37	-3.78	2.32	0.91	0.08	3.32	6.31	21.64%
Machine & Equipment	-6.69	9.52	19.73	4.76	-11.54	11.66	22.44	4.62	7.67	-1.01	3.41%
Vehicles	12.03	8.86	8.24	-4.12	-13.07	11.69	10.27	24.09	15.50	21.27	1.80%
Other Equipments	12.92	9.25	8.34	-3.14	-10.56	9.26	-0.28	-5.26	-5.29	-5.64	0.40%
Cultivated Biological Resource	4.79	1.00	2.72	5.05	2.81	1.16	2.12	3.34	5.62	2.05	1.70%
Intellectual Property Products	7.69	-3.83	-1.35	-0.23	-7.36	4.59	5.21	5.06	9.28	7.74	0.74%
Export of Goods and Services	-1.66	8.90	6.51	-0.48	-8.42	17.95	16.28	11.94	-2.97	-4.26	21.26%
Goods	-2.46	9.29	6.41	-0.57	-3.46	19.95	14.41	8.49	-5.56	-6.91	18.67%
Non-Oil & Gas	-2.05	10.50	8.44	1.35	-3.32	20.28	16.28	7.58	-6.11	-7.72	17.43%
Oil & Gas	-4.92	1.92	-7.07	-15.40	-4.72	16.88	-3.74	19.27	0.38	2.89	1.24%
Services	5.30	5.73	7.40	0.29	-48.87	-12.84	56.06	81.30	38.14	33.82	2.59%
Imports of Goods and Services	-2.41	8.07	12.14	-7.13	-17.60	24.87	14.75	3.69	-3.06	-6.18	19.57%
Goods	-2.37	8.73	13.05	-8.31	-14.68	26.62	12.45	0.37	-5.57	-8.00	15.66%
Non-Oil & Gas	-2.72	9.54	16.93	-6.27	-14.43	28.04	11.48	-0.65	-6.59	-8.66	13.10%
Oil & Gas	-0.99	5.62	-2.44	-18.07	-16.07	18.72	18.32	6.72	0.36	-4.47	2.57%
Services	-2.61	4.08	6.39	0.73	-35.33	10.81	35.76	32.92	15.77	6.82	3.91%

GDP by Industry: Agriculture Sector Slowed Down on El-Nino Effect, While Public Administration Recorded Contraction

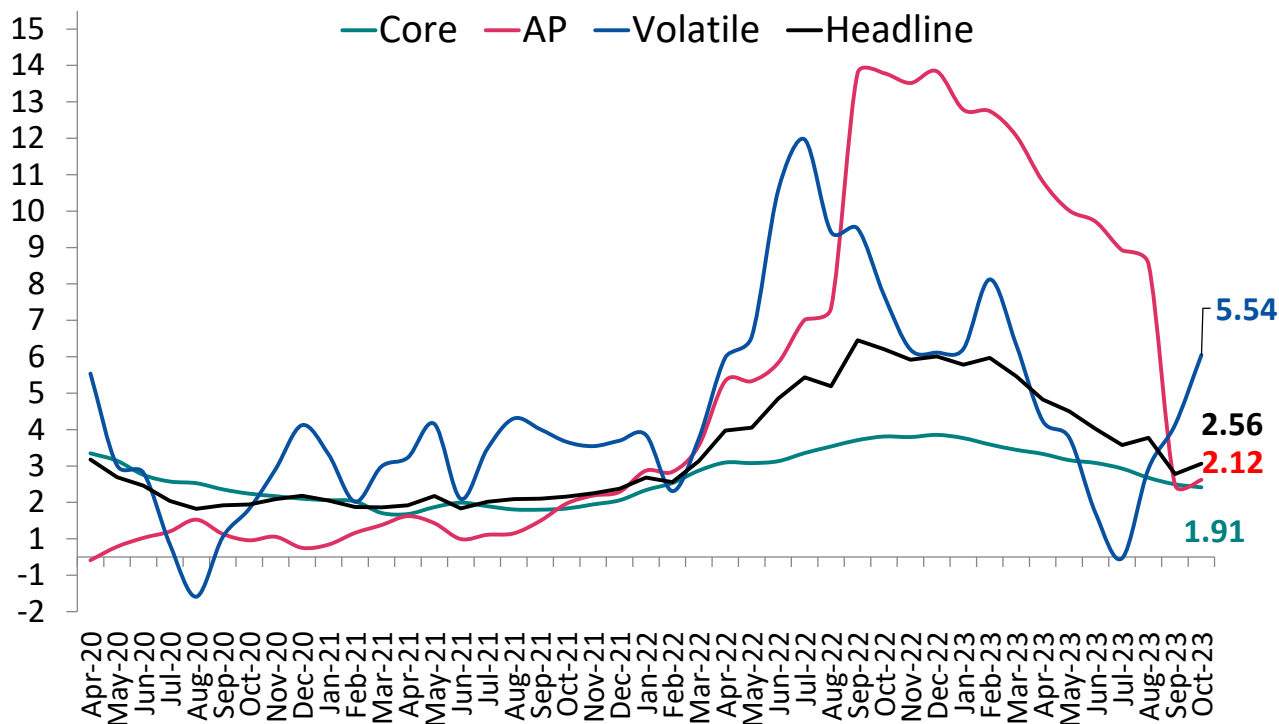
% yoy	2016	2017	2018	2019	2020	2021	2022	1Q23	2Q23	3Q23	Weight
GDP	5.03	5.07	5.17	5.02	-2.07	3.70	5.31	5.04	5.17	4.94	100.00%
Agriculture, Forestry and	3.37	3.92	3.88	3.61	1.77	1.87	2.25	0.43	2.02	1.46	13.57%
Mining & Quarrying	0.95	0.66	2.16	1.22	-1.95	4.00	4.38	4.92	5.01	6.95	10.18%
Manufacturing Industry	4.26	4.29	4.27	3.80	-2.93	3.39	4.89	4.43	4.88	5.20	18.74%
Electricity & Gas Supply	5.39	1.54	5.47	4.04	-2.34	5.55	6.61	2.67	3.15	5.06	1.05%
Water Supply, Sewerage, Waste & Recycling	3.60	4.59	5.56	6.83	4.94	4.97	3.23	5.69	4.78	4.49	0.06%
Construction	5.22	6.80	6.09	5.76	-3.26	2.81	2.01	0.32	5.23	6.39	9.86%
Wholesales and Retail Trade, Repair of Motor Vehicles and Motorcycles	4.03	4.46	4.97	4.60	-3.79	4.63	5.52	4.92	5.26	5.08	12.96%
Transportation & Storage	7.45	8.49	7.05	6.38	-15.05	3.24	19.87	15.93	15.28	14.74	5.98%
Accommodation & Food Beverages Activity	5.17	5.41	5.68	5.79	-10.26	3.89	11.97	11.55	9.89	10.90	2.51%
Information & Communication	8.88	9.63	7.02	9.42	10.61	6.82	7.74	7.13	8.05	8.52	4.22%
Financial & Insurance Activity	8.93	5.47	4.17	6.61	3.25	1.56	1.93	4.45	2.85	5.24	4.06%
Real Estate	4.69	3.60	3.48	5.76	2.32	2.78	1.72	0.37	0.96	2.21	2.40%
Business Services	7.36	8.44	8.64	10.25	-5.44	0.73	8.77	6.37	9.59	9.37	1.82%
Public Administration, Defense & Compulsory Social Security	3.20	2.05	6.97	4.66	-0.03	-0.33	2.52	2.09	8.15	-6.23	2.61%
Education Services	3.84	3.72	5.36	6.30	2.61	0.11	0.59	1.02	5.43	-2.07	2.65%
Human Health & Social Work Activity	5.16	6.84	7.15	8.66	11.56	10.45	2.74	4.77	8.27	2.92	1.20%
Other Services	8.01	8.73	8.95	10.57	-4.10	2.12	9.47	8.90	11.89	11.14	1.88%

Source: Statistics of Indonesia & PermataBank Economic Research

Contribution of Investment to GDP Increased



Volatile Price Rose due to Impact of El-Nino



Source: Statistics of Indonesia & PermataBank Economic Research

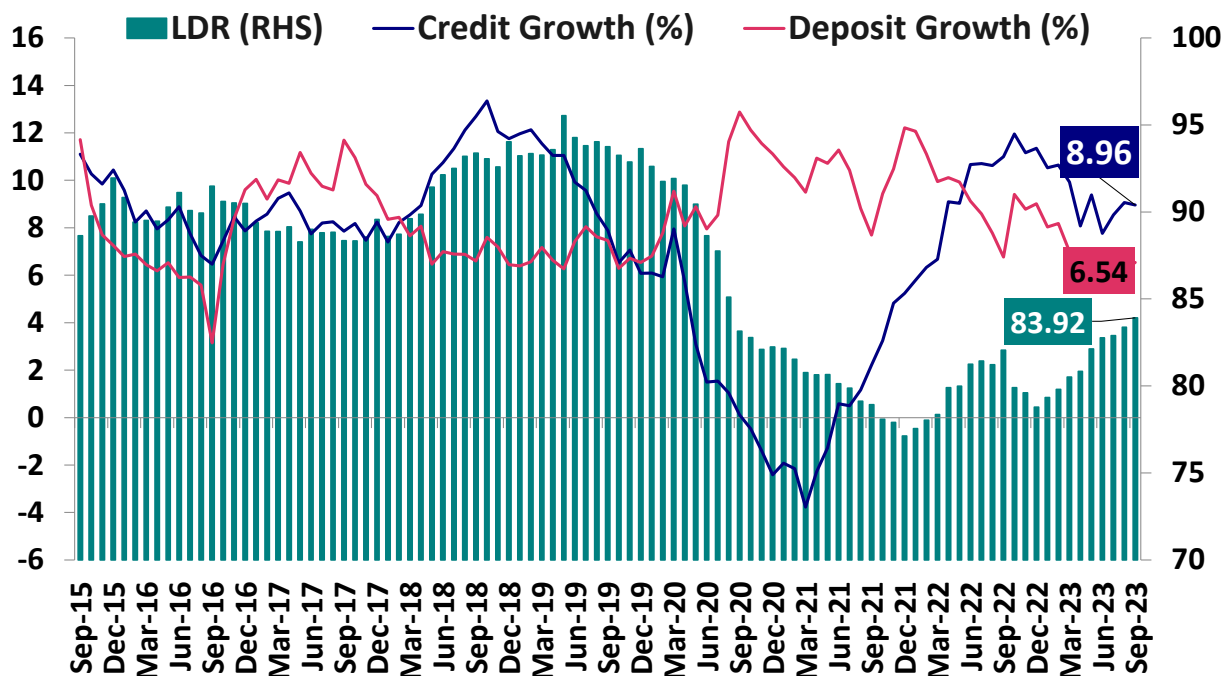
Consumer Indicators Slowed Down, While Industrial Indicators Strengthened

Industry Indicators		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	
%YOY	Consumer Indicators	Consumer Confidence Index	2.8%	8.2%	11.1%	11.5%	-0.5%	-0.8%	0.2%	0.4%	3.8%	
		Retail Sales Index	-0.6%	0.6%	4.9%	1.5%	-4.5%	7.9%	1.6%	1.1%	1.0%	
		4W Sales (Th Units)	12.0%	7.4%	2.7%	-28.8%	65.2%	4.7%	-6.7%	-8.3%	-20.1%	
		2W Sales (Th Units)	38.6%	56.3%	40.5%	-19.4%	113.4%	66.6%	45.6%	1.8%	-0.9%	
		Cement Sales (Mn Tons)	-5.0%	-2.7%	-8.6%	-29.9%	25.3%	-0.3%	13.5%	4.0%	4.9%	
		Passenger Movement: Air (Mn Pax)	41.2%	71.5%	31.9%	46.8%	10.7%	18.8%	21.8%	23.5%	17.0%	-1.3%
		Passenger Movement: Train (Mn Pax)	106.8%	136.7%	56.8%	90.3%	-3.9%	28.4%	17.7%	29.3%	26.6%	3.0%
		Passenger Movement: Land (Mn Pax)	41.3%	35.4%	27.2%	43.8%	-23.6%	-2.9%	-7.3%	-3.7%	6.6%	16.7%
		Hotel Occupancy Rate: Indonesia (% Diff)	2.4%	9.3%	1.1%	7.1%	-0.8%	3.4%	4.9%	5.1%	3.0%	
		Hotel Occupancy Rate: Bali (% Diff)	25.5%	26.4%	18.1%	25.3%	10.0%	20.8%	26.1%	22.3%	12.8%	
Hotel Occupancy Rate: Yogyakarta (% Diff)	-1.7%	14.0%	-2.1%	13.5%	-7.1%	-0.8%	0.5%	4.4%	6.7%			
Industry Indicators	Purchasing Manager Index (PMI)	NA	NA	NA	NA	NA	NA	NA	NA	NA		
	Import: Raw Materials (Bn)	0.4%	-8.1%	-11.2%	-25.3%	4.4%	-23.8%	-16.7%	-20.4%	-14.8%		
	Import: Capital Goods (Bn)	5.7%	6.1%	18.5%	-6.9%	60.3%	4.1%	18.9%	-4.0%	-10.0%		
	Logistic Vehicle Sales	9.9%	13.6%	0.0%	-40.1%	34.8%	5.7%	-19.1%	-14.0%	-20.8%		
	Heavy Equipment Sales: UT (Units)	29.4%	3.4%	-12.1%	-11.7%	63.6%	0.6%	-22.8%	-32.2%	-24.0%		
	Coal Export Vol (Mn Tons)	176.7%	24.8%	11.9%	9.5%	11.5%	-5.8%	-1.5%	-4.2%			
CPO Export Vol (Mn Tons)	47.7%	41.9%	0.8%	-4.1%	774.1%	56.9%	26.9%	-22.8%				

Wood Processing and Tobacco Processing Rebounded, Supported Strong Manufacturing Growth

Industry	Growth (%)						Proportion to Manufacture Industry (%)					
	2020	2021	2022	2023			2020	2021	2022	2023		
				Q1	Q2	Q3				Q1	Q2	Q3
Coal; Oil & Gas Refinery	-6.8	0.6	3.7	1.9	8.2	7.2	10.0	9.8	10.1	9.7	10.7	10.2
Food & Beverages	1.6	2.5	4.9	5.3	4.6	3.3	34.5	34.3	34.5	34.9	35.0	35.1
Tobacco Processing	-5.8	-1.3	-1.6	-7.3	2.5	13.3	4.4	4.1	3.8	3.7	3.6	4.0
Textile & Wearing Apparel	-8.9	-4.1	9.3	-0.1	-1.7	-2.7	6.1	5.5	5.6	5.4	5.4	5.1
Leather, Leather Products & Footwear	-8.8	7.8	9.4	-2.7	-0.4	-3.0	1.3	1.3	1.3	1.3	1.3	1.2
Wood, Articles of Wood-Cork & Woven Goods of Bamboo, Rattan and the like	-2.2	-3.7	1.2	-6.2	-1.9	7.5	2.6	2.3	2.2	2.1	2.1	2.1
Paper, Paper Product, Printing & Reproduction	0.2	-2.9	3.6	2.2	4.5	5.5	3.6	3.5	3.6	3.6	3.7	3.6
Chemicals, Pharmaceutical and Traditional Medicine	9.4	9.6	0.7	-3.5	-1.4	4.5	9.7	10.4	10.0	9.5	9.3	9.5
Rubber and Product of Rubber and Plastics	-5.6	1.1	-4.1	1.7	-7.2	-4.3	2.7	2.7	2.4	2.3	2.2	2.1
Non-Metallic Quarrying	-9.1	0.9	-1.8	-2.1	1.4	7.2	2.8	2.7	2.5	2.3	2.4	2.7
Basic Metals	5.9	11.5	14.5	15.5	11.5	10.9	3.9	4.2	4.7	4.8	4.9	5.1
Metal Product, Computer, Electronic, Optic and Electricity Equipment	-5.5	-1.6	6.5	12.8	17.3	13.7	8.2	7.9	7.9	8.5	8.6	8.3
Machinery and Equipment	-10.2	11.4	10.4	1.0	0.0	1.9	1.4	1.5	1.5	1.5	1.4	1.5
Transport Equipment	-19.9	17.8	10.5	17.3	9.7	7.3	6.8	7.7	7.9	8.7	7.8	7.8
Furniture	-3.4	8.2	-1.6	-8.4	-2.7	-2.6	1.3	1.3	1.2	1.1	1.1	1.0
Other Manufacturing, Repair Services and Installation of Machinery	-0.9	-1.6	5.9	1.7	-1.1	-3.0	0.8	0.7	0.7	0.7	0.6	0.6
Manufacture Industry	-2.9	3.4	4.6	4.4	4.9	5.2	100.0					

Credit Growth Slightly Rose in 3Q23



Source: Indonesia Financial Services Authority & PermataBank Economic Research

Macro Economic Indicator

Indicators	2018	2019	2020	2021	2022	2023F	2024F
Inflation (%YoY)	3.1	2.7	1.7	1.9	5.51	2.89	3.17
Exchange Rate Eop (Rp/US\$)	14,390	13,866	14,050	14,253	15,568	15,300	15,124
Curent Account (% GDP)	-3.0	-2.7	-0.4	0.28	1.00	-0.28	-1.75
Fiscal Balance (% GDP)	-1.8	-2.2	-6.1	-4.7	-2.4	-2.3	-2.3
BI 7RR	6.00	5.00	3.75	3.50	5.50	6.00	5.50
Credit Growth (%)	11.8	6.1	-2.1	5.2	11.4	8.6	8.7
Deposit Growth (%)	6.4	6.5	11.1	12.2	9.0	5.7	5.9
Car Sales (1000 Units)	1,150	1,030	532	887	1,048	1,062	1,084
Car Sales Growth (%)	6.50	-10.61	-48.35	66.73	18.16	1.32	2.10
Motorcycle Sales (1000 Units)	6,383	6,487	3,663	5,057	5,221	5,997	6,169
Motorcycle Sales Growth (%)	8.45	1.63	-43.54	38.06	3.25	14.84	2.87
Unemployment Rate (%)	5.40	5.16	7.07	6.49	5.86	5.60	5.40
International Reserve (US\$ bn)	120.7	129.2	135.9	144.9	137.2	137.0	148.6
Fed Rate	2.50	1.75	0.25	0.25	4.50	5.75	5.25
GDP Growth (%)	5.17	5.02	-2.07	3.69	5.31	5.07	5.09

Note : the red numbers are forecast

Source : PermataBank Economic Research

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