

06 May 2024

Macroeconomics Indicator

	2022	2023	2024F
GDP growth (%YoY)	5.31	5.05	5.06
Inflation (%YoY)	5.51	2.61	3.59
BI rate (% Year-end)	5.50	6.00	6.50
Rp/US\$ (Average)	14,855	15,234	15,742
CA deficit (% of GDP)	+1.1	-0.5	-0.3
Fiscal deficit (% of GDP)	2.38	1.65	1.72

1Q24 GDP of 5.1% possibly marks the highest quarterly growth in FY24

- GDP growth accelerated to +5.1% yoy in 1Q24 (+5.04% yoy in 4Q23), tad higher than consensus/ours expectation at 5.08/5.04% yoy.
- Consumption rose to +6.6% yoy in 1Q24, while investment decelerated to +3.8% yoy, both in-line with political year seasonality.
- We expect GDP growth to be relatively stable at c.5% yoy in FY24 due to higher consumption at c.6% but offset by investment at c.3.2% yoy.

Consumption was supported by three big events during 1Q24

GDP growth accelerated to 5.1% yoy in 1Q24 (+5.04% yoy in 4Q23), tad higher than consensus/ours expectation at roughly +5.08/5.04% yoy. This was supported by consumption at +6.6% yoy (4.5% yoy in 4Q23) but offset by further deceleration in investment +3.8% yoy (+5.0/+5.8% yoy in 4Q/3Q23) – see fig. 7. The increase in consumption and decelerating investment were in-line with the seasonality of political year, where election-related spending is rising and investments shift into a wait and see mode. In addition, the increase in consumption was also impacted by the coincidence of Chinese New Year, National Election and Eid Festivity.

Investment decelerated but helped by the spending on new capital city

Investment grew slower at +3.8% yoy in 1Q24 (+5.0% yoy in 4Q23) mostly from lower growth in the private sector at c.+3.5% yoy (c.+4.2% yoy in 4Q23). In the meantime, government investment stabilizing to c.+7.1% yoy (c.+11.2% yoy in 4Q23) due to lower spending growth for the new capital city development at +17.8% yoy (+56.5% yoy in 4Q23). Our discussion with officials suggests a continuation of IKN spending in FY25.

Net-export contracted

Net-export contracted by -5.2% yoy in 1Q24 (+10% yoy in 4Q23), due to lower growth in exports at +0.5% yoy (+1.6% yoy in 4Q23) compared to the rebound in imports at +1.8% yoy (-0.1% yoy in 4Q23). We think the net exports likely to drop further as the IMF forecast suggests further commodity price contraction at c.-2.7% yoy in FY24 from c.-6.3% yoy in FY23. In addition, the GDP growth in China is expected to be slower at c.+4.6% in FY24 (c.+5.2% yoy in FY23).

Mining sector was the bright spot

On sector breakdown, growth was mainly coming from Mining sector at +9.3% yoy in 1Q24 (+7.5% yoy in 4Q23), followed by Hotel & Restaurant at +9.4% yoy (+7.9% yoy in 4Q23) - see fig. 8.

Expect economic growth at c.5% in FY24

We think the growth in 1Q24 will be the highest quarterly growth in FY24, amid the aforementioned factors. We expect economic growth to be relatively stable at c.5% yoy in FY24 due to higher consumption at c.+6.0% but offset by investment at +3.2% yoy. Growth will also be supported on the back of (1) clear election outcome may attract higher-than-expected FDI in the 2H24 and (2) accelerating government consumption at c.+9.1% yoy (2.9% yoy in FY23) as more social aid to be distributed and acceleration of national projects.

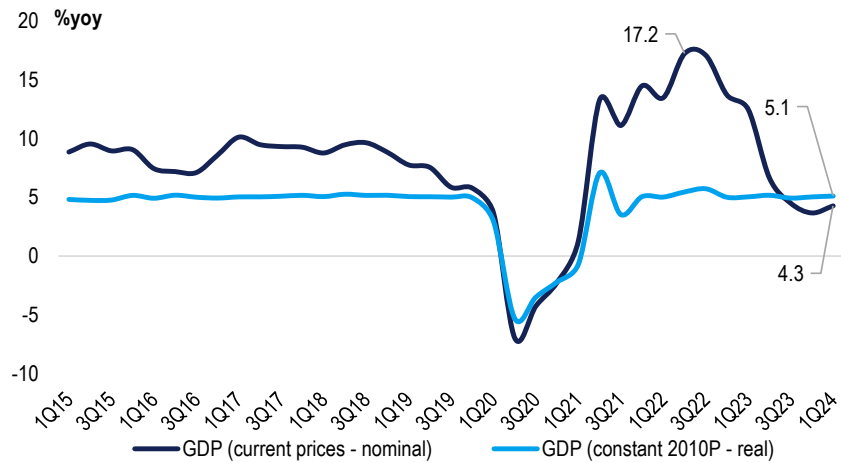
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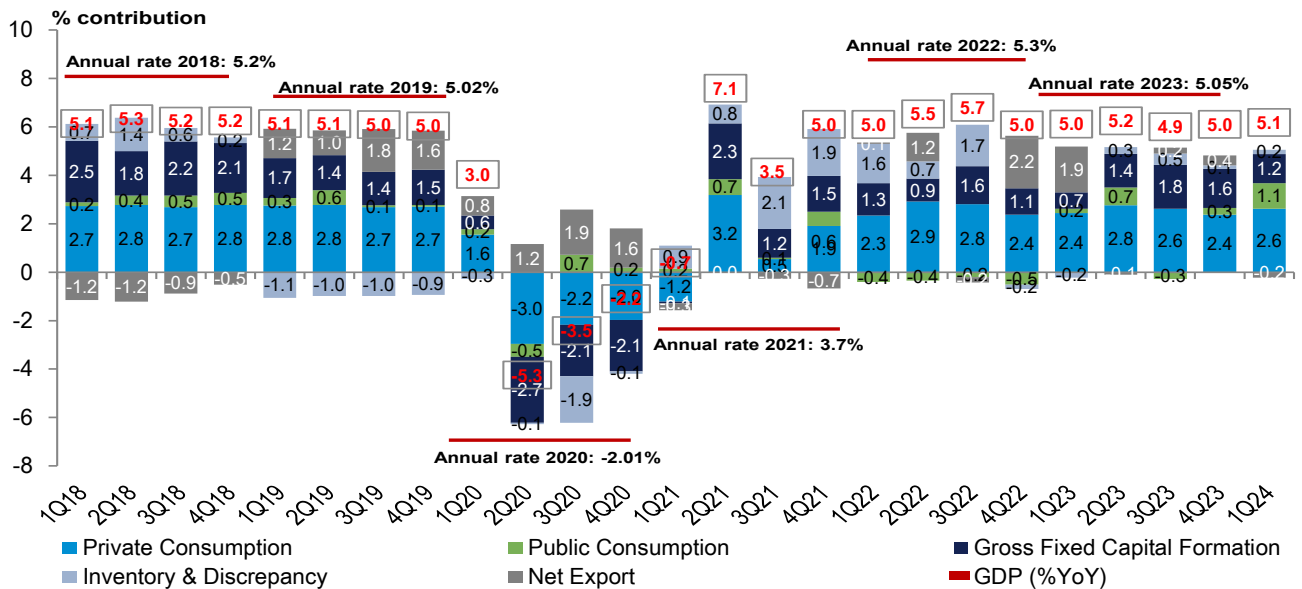
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Fig. 1: Nominal growth starting to rebound, but still below real growth



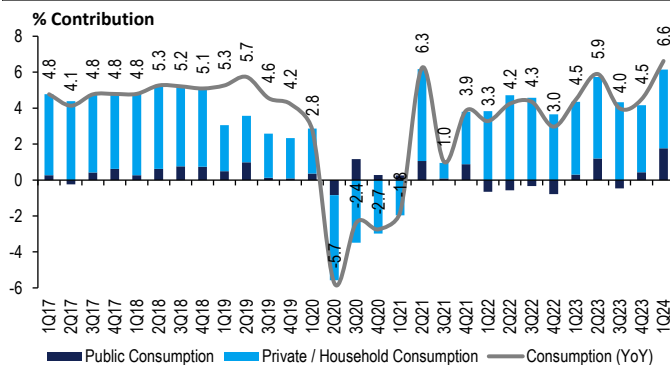
Source: BPS, CEIC, Indo premier

Fig. 2: Consumption contribute the most



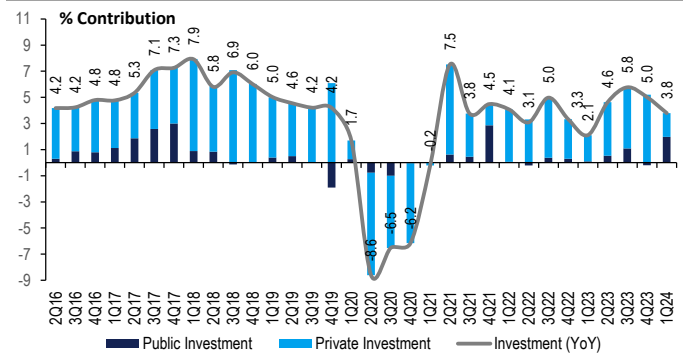
Source: BPS, CEIC, Indo premier

Fig. 3: Consumption will be on increasing trajectory



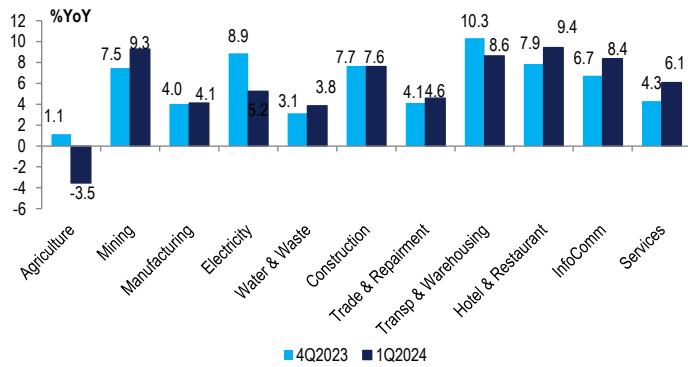
Source: BPS, CEIC, Indo Premier

Fig. 4: while investment on wait and see mode



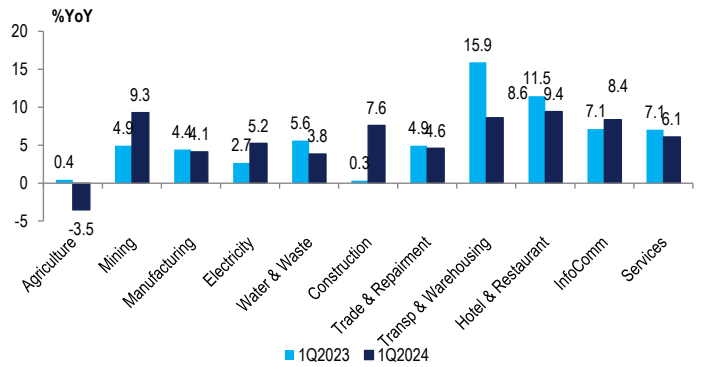
Source: BPS, CEIC, Indo Premier

Fig. 5: Mining sector is the brightest



Source: BPS, CEIC, Indo Premier

Fig. 6: also compared to last year



Source: BPS, CEIC, Indo Premier

Fig. 7: GDP by expenditure (% yoy in real terms)

	1Q2023	2Q2023	3Q2023	4Q2023	1Q2024	2023	2024base
GDP	5.0	5.2	4.9	5.0	5.1	5.0	5.0
Domestic Demand	3.3	5.4	4.7	4.8	5.6	4.6	5.2
Consumption	4.5	5.9	4.0	4.5	6.6	4.7	6.0
Private Sector	4.5	5.2	5.1	4.5	4.9	4.8	5.4
Non-Profit Institution	6.2	8.6	6.2	18.1	24.2	9.8	13.2
Public Sector	3.3	10.5	-3.9	2.8	19.9	2.9	9.1
Gross Fixed Capital Formation	2.1	4.6	5.8	5.0	3.8	4.4	3.2
Private Sector	2.2	4.6	5.4	4.2	3.5	4.1	3.1
Public Sector *)	1.0	5.0	9.3	11.2	7.1	7.0	3.6
Inventory (inc. Discrepancy)	-3.6	4.7	6.4	-24.8	4.1	3.5	11.3
Net export	67.0	-1.2	11.9	10.1	-5.2	17.8	0.3
Export of Goods & Services	11.7	-2.9	-3.9	1.6	0.5	1.3	-4.5
Import of Goods & Services	4.2	-3.2	-6.8	-0.1	1.8	-1.6	-5.5

Source: BPS, CEIC, Indo premier *) inhouse calculation

Fig. 8: GDP by sector (% yoy in real terms)

	2022				2023				2024
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
GDP	5.0	5.5	5.7	5.0	5.0	5.2	4.9	5.0	5.1
Agriculture, Livestocks, Forestry & Fisheries	1.2	1.7	2.0	4.6	0.4	2.1	1.5	1.1	-3.5
Mining & Quarrying	3.8	4.0	3.2	6.5	4.9	5.0	6.9	7.5	9.3
Manufacturing Industries	5.1	4.0	4.8	5.6	4.4	4.9	5.2	4.0	4.1
Electricity & Gas	7.0	9.3	8.1	2.3	2.7	3.1	5.1	8.9	5.2
Water Supply & Waste Recycling	1.4	4.5	4.3	2.8	5.6	4.7	4.5	3.1	3.8
Construction	4.8	1.0	0.6	1.6	0.3	5.2	6.4	7.7	7.6
Trade & Repairment	5.7	4.4	5.3	6.5	4.9	5.3	5.1	4.1	4.6
Transportation & Warehousing	15.8	21.3	25.8	17.0	15.9	15.3	14.7	10.3	8.6
Hotel & Restaurant	6.6	9.8	17.8	13.9	11.5	9.8	11.0	7.9	9.4
Information & Communication	7.2	8.1	7.0	8.8	7.1	8.0	8.5	6.7	8.4
Services	4.6	8.2	7.2	1.0	7.1	4.0	1.7	4.3	6.1

Source: BPS, CEIC, Indo premier

ANALYSTS CERTIFICATION

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