

11 November 2024

## Macroeconomics Indicator

	2022	2024F	2025F
GDP growth (%YoY)	5.05	5.04	5.23
Inflation (%YoY)	2.61	2.10	3.16
BI rate (% Year-end)	6.00	5.50	4.75
Rp/US\$ (Average)	15,244	15,695	15,789
CA deficit (% of GDP)	-0.1	-0.6	-1.5
Fiscal deficit (% of GDP)	1.65	2.7	2.8

## Estimating the impact of simultaneous regional election in FY24

- Regional election will commence in late Nov and shall the winner is coming from ruling party, we expect more effective bureaucracy ahead.
- We expect regional election to add additional +0.6% to 4Q GDP. The relatively small figure was due to 37 single candidates (c.7% of total).
- We see short term catalyst to GDP growth and expect higher growth of +5.1% yoy in 4Q24. We keep our GDP expectation at 5.2% in FY25.

### Regional election results will determine bureaucracy effectiveness

The first simultaneous nationwide regional election will commence on 27th of Nov24 and will be held in 37 provinces (excluding Yogyakarta) and 508 regents/municipals (also around 202mn voters). We believe if the elected governor/municipality comes from the ruling party, the bureaucratic process of central government *vis-à-vis* regional government may be improved. Please note that PDIP is not defined as the ruling party.

### Region election example: Jakarta

We choose Jakarta as it accounts for roughly 17% of the national GDP and its strategic position as the former capital city. Furthermore, there are three candidates for the governor of Jakarta (1) Ridwan Kamil – Suswono, who is promoted by 12 political party named “Kim Plus coalition” (ruling party coalition), (2) Dharma Pongrekun – Kun Wardana who is an independent candidate and (3) Pramono Anung – Rano Karno who is promoted by PDIP (see fig. 11 for more information). Recent poll by various surveyor suggests that Pramono – Rano (c.38-42% of vote) has surpassed Ridwan – Suswono (c.35-37% of vote) to win Jakarta election. Shall it happen, the winner of the election is coming from PDIP which currently not the ruling party; this may affect bureaucracy going forward.

### More than expected single candidate

The upcoming 2024 regional election will be the largest in Indonesia’s history, which involve 1,553 candidates (see fig. 5) that will compete for regional leadership position (governor, mayor and regent). However, this was lower than our initial expectation of c.1,978 candidates, since the single candidate recorded at 37 regions. Furthermore, popularity wise, recent data from Google Trends also showed that people are relatively less aware of the upcoming election compared to the previous ones (see fig. 3 and 4). Both factors might affect to lower campaign spending in our view, as there will be no opponent to compete combined with less general public participation.

### Lesser economic impact from smaller candidate

Total spending for the election is expected to reach Rp87.6tr or around 0.4% of GDP. This figure mainly composed of (1) governor campaign spending at Rp11.1tr, (2) regent/mayor campaign spending at Rp39tr and (3) KPU (election committee) spending at Rp37.5tr. Overall, our simulation suggests an additional of +0.6% to the GDP figure as the baseline. Should the campaign activities is more festive, we expect an additional of +1.3% to the GDP figure (doubled vs. base case scenario).

### Near-term economic activity is well guarded

We expect higher GDP growth at c.+5.1% in the 4Q24 (+4.95% yoy in 3Q24) from the regional election and the year-end seasonality. We believe the consumption will recover to c.+6.4% yoy in 4Q24 (+5.0% yoy in 3Q24).

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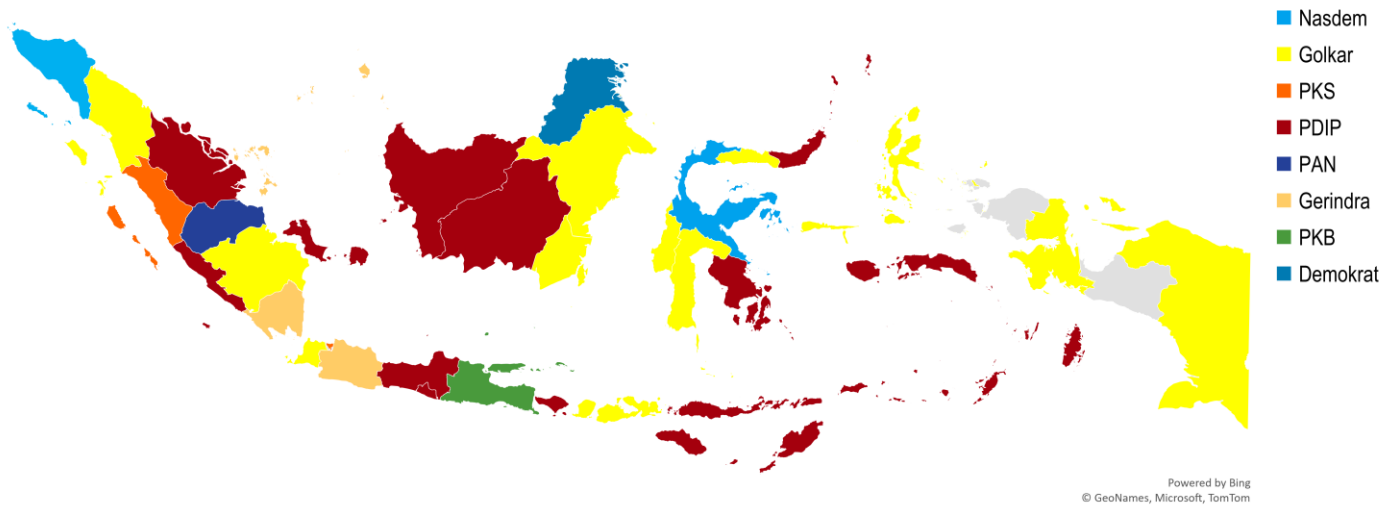
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Fig. 1: Political party distribution from the latest 2024 Regional House of Representatives (DPRD-RI) election

Political Map in Indonesia



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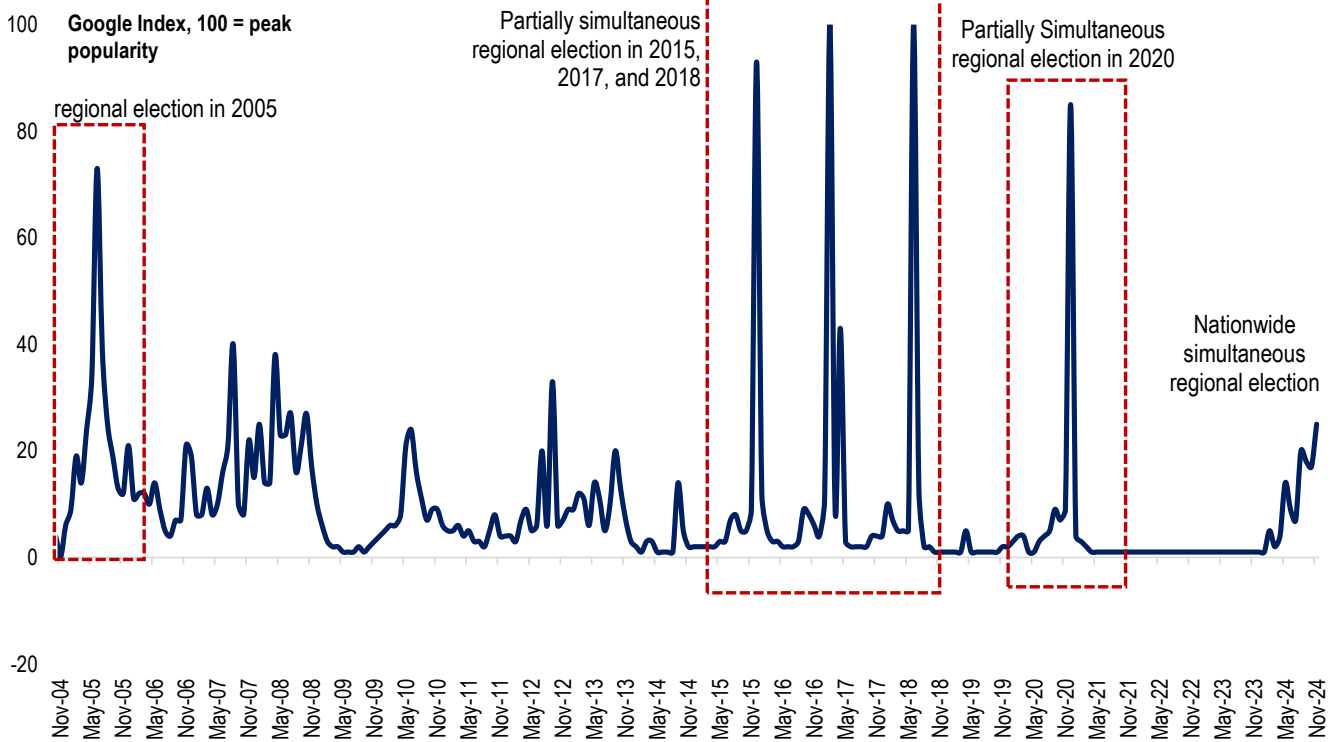
Source: KPU, Indo Premier

Fig. 2: Estimation for total spending in the regional election

Election Year	Position	Seats	Candidate	Avg. spending/ candidate (Rp bn)	Total Spending (Rp tr)	Election Year	Position	Seats	Candidate	Avg. spending/ candidate (Rp bn)	Total Spending (Rp tr)
2015	Governor	9	20	80.2	1.6	2020	Governor	9	25	96.8	2.4
	Regent & Mayor	259	790	20.0	15.8		Regent & Mayor	261	713	24.2	17.3
	KPU				7.1		KPU				20.4
<b>Total</b>					<b>Rp24.5tr</b>	<b>Total</b>					<b>Rp40.1tr</b>
2017	Governor	7	25	88.4	2.2	2024	Governor	37	103	57.1	5.9
	Regent & Mayor	94	303	22.1	6.7		Regent & Mayor	508	1,450	26.9	39.0
	KPU				6.0		KPU				37.5
<b>Total</b>					<b>Rp14.9tr</b>	<b>Total</b>					<b>Rp87.6tr</b>
2018	Governor	17	53	91.7	4.9						
	Regent & Mayor	154	431	22.9	9.9						
	KPU				15.2						
<b>Total</b>					<b>Rp29.9tr</b>						

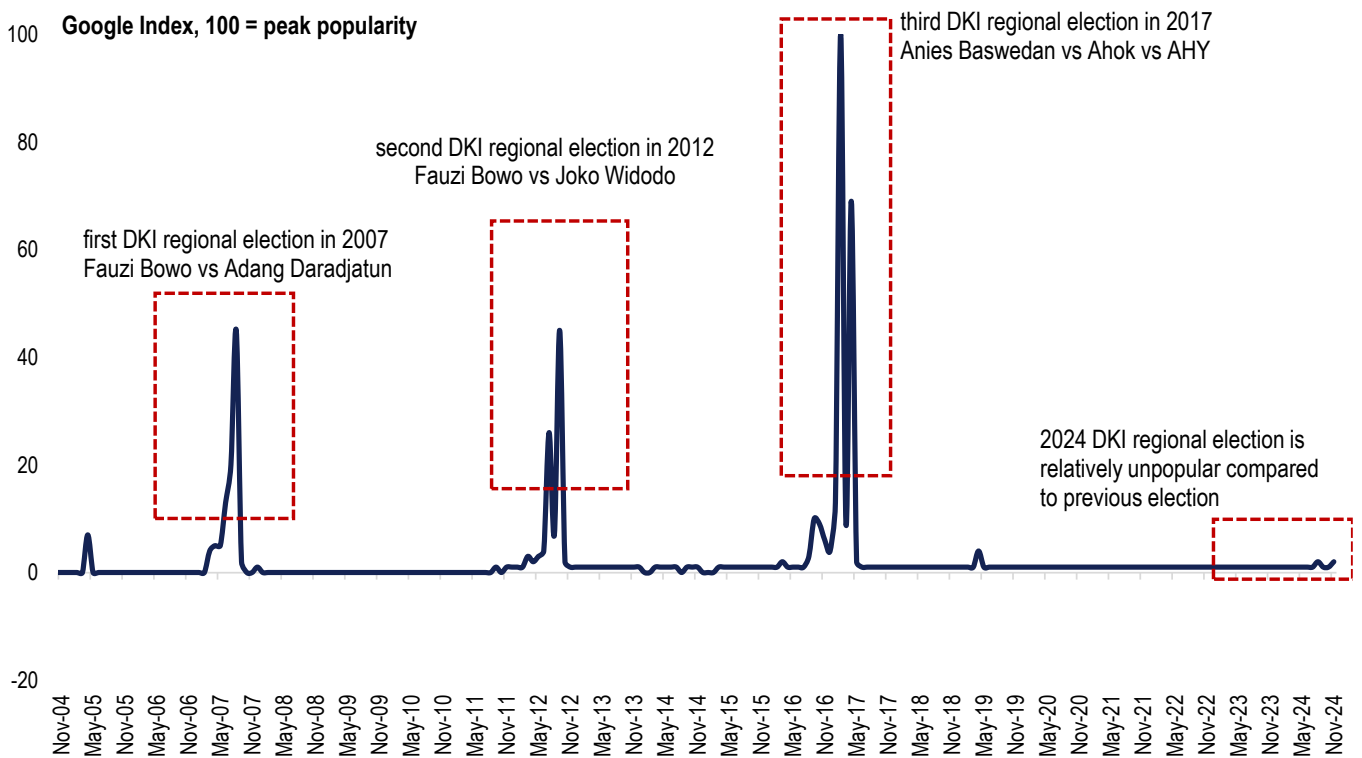
Source: KPU, Indo Premier simulation

**Fig. 3: Regional election popularity in Google Trend since 2004**



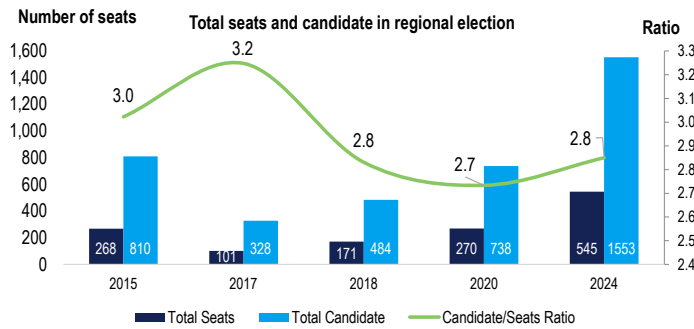
Source: Google, Indo Premier

**Fig. 4: Jakarta's regional election popularity in Google Trend since 2004**



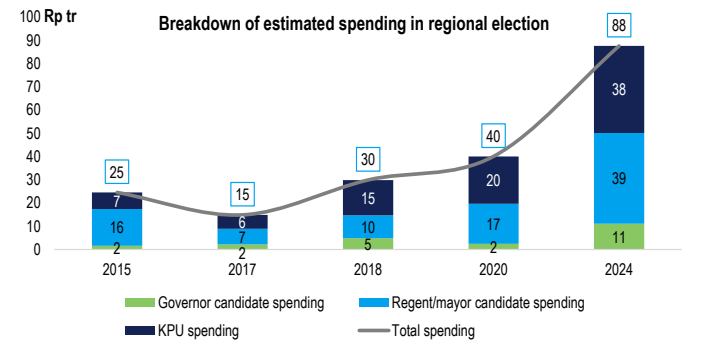
Source: Google, Indo Premier

**Fig. 5: With 1,553 candidates, it will be the largest regional election**



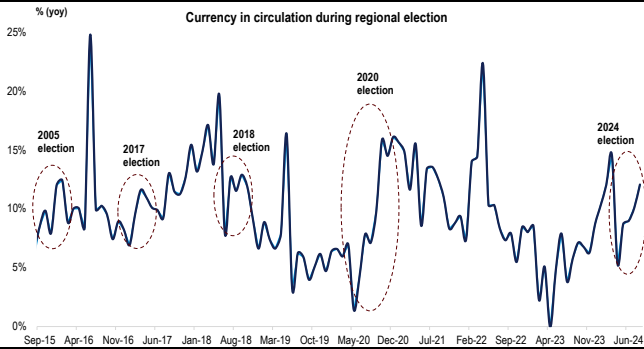
Source: KPU, Indo Premier

**Fig. 6: Election spending is expected to increase as candidate grows**



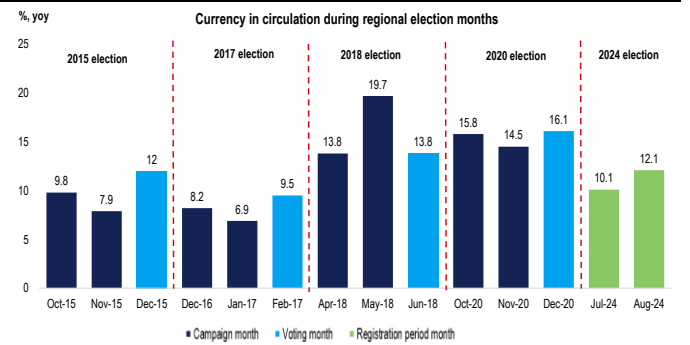
Source: KPU, Indo Premier simulation

**Fig. 7: Circulation currency tend to rise during regional election**



Source: BI, Indo Premier

**Fig. 8: Mainly during campaign and voting month**



Source: BI, KPU, Indo Premier

**Fig. 9: Independent candidate declined in the 2024 regional election**

Regional Election Year	Single-Candidate	Independent Candidate	Total Candidate
2015	3	135	810
2017	9	68	328
2018	16	129	484
2020	25	70	738
2024	37	51	1450

Source: KPU, Indo Premier

**Fig. 10: The phase for 2024 regional election**

Regional Election Phase	Date (s)
Fulfillment of Individual Candidate Support Requirements	5 May 24 - 19 Aug 24
Announcement of Candidate Registration	24 Aug 24 - 26 Aug 24
Candidate Registration Period	27 Aug 24 - 29 Aug 24
Candidate Review & Assessment	27 Aug 24 - 21 Sep 24
Final Candidate Announcement	22 Sep 24
Campaign Period	25 Sep 24 - 23 Nov 24
Regional Election Voting Day	27 Nov 24
Vote Result Counting & Recapitulation	27 Nov 24 - 16 Des 24

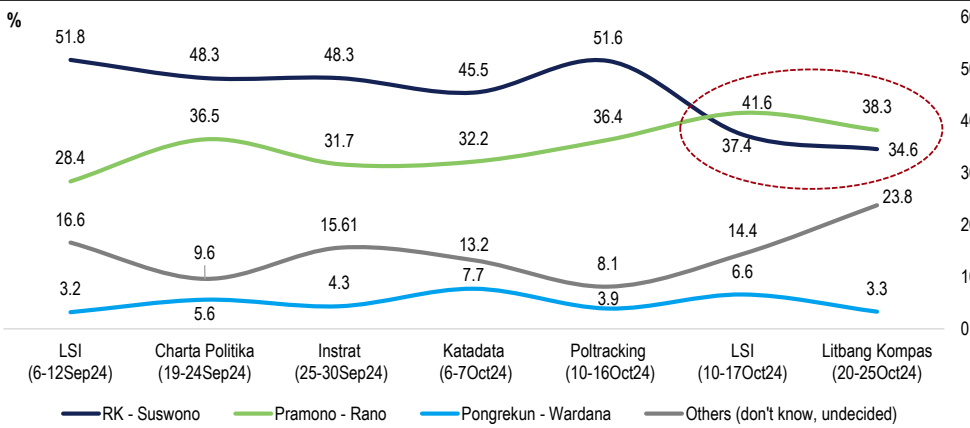
Source: KPU, Indo Premier

Fig. 11: The profile for Jakarta’s governor candidate in 2024 regional election

Candidate	(1) Ridwan Kamil - Suswono	(2) Dharma Pongrekun - Kun Wardana	(3) Pramono Anung - Rano Karno
<b>Political Party</b>		Independent	
<b>Vision</b>	Make Jakarta a global city with innovative, just, and prosperous growth.	Make Jakarta a safe national and global economic center through identity reform for a civilized, prosperous, and happy people.	Ensure equitable economic development across Jakarta, creating widespread prosperity for all.
<b>Key programs &amp; goals - economics related</b>			
	1 Provide Rp200mn fund for each RW (Rp1bn for 5 years) to encourage deeper decentralization. 2 Credit for Economic Welfare (Mesra) to assist citizens with credit needs and free Health BPJS for all citizens. 3 Create a law that requires at least 30% tenants in shopping mall to display and sell SMEs products & services to foster SMEs growth. 4 Create 1 million additional jobs, consist of 600k formal jobs, 300k SMEs jobs, and 100k labour-intensive jobs.	1 Kartu Jakartaku Aman as access to employment, education, healthcare, and transportation services. 2 Provide free internet access for Jakarta citizens with minimum speed of 100mbps 3 Free Health & Labour BPJS for online taxi drivers (ojol) to encourage driver's welfare. 4 Digitalize government data & supply chain using blockchain technology to encourage transparency, tackle down corruption, and stabilize prices.	1 Create "Jakarta Collaboration Fund" to manage endowment fund for development programs in Jakarta, targeting Rp20tn within 2 years. 2 Free breakfast program for Jakarta citizens to support national free lunch program. 3 Implement contract farming system to reduce supply chain length, resulting in more affordable prices of goods. 4 Create 500k additional jobs and allocate Rp300bn for SMEs development, prioritizing women labour force.

Source: KPU, Indo Premier

Fig. 12: Pramono-Rano overcome RK-Suswono in the recent LSI survey



Source: various, Indo Premier

## **ANALYSTS CERTIFICATION**

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