

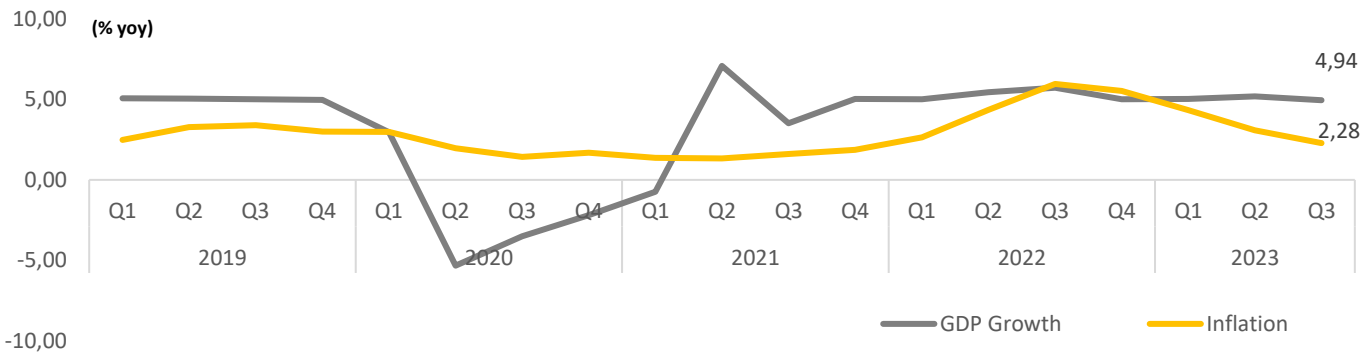
Anticipating Stronger Economic Growth in 4Q23

As expected, the reduction in economic growth in our trade partner countries and the decline in the trade surplus have led to Indonesia's economic growth in 3Q23 reaching only 1.60% qoq or 4.94% yoy (Cons: 5.00% yoy, KBVS: 4.88% yoy, Prev: 5.17% yoy). The signs of this decline were evident in the trade surplus during 3Q23, which dropped to USD7.86 bn (compared to USD14.90 bn in 3Q22). Furthermore, Indonesia's exports in 3Q23 also suffered a significant decline of -17.95% yoy, primarily driven by reduced exports to major trading partners such as China (-12.36% yoy), the US (-16.47% yoy), and India (-20.28% yoy) – see Fig. 4, Page 2. Additionally, based on expenditure, the decline was also influenced by Government Expenditure (-3.76% yoy), despite the government's expenditure realization reaching IDR1,967.93 tn by 30 Sep '23 (growing 2.84% yoy compared to 9M22) – see Table 1, Page 2. On the other hand, GDP Growth is still driven by Household Consumption (5.06% yoy) and Gross Fixed Capital Formation (5.77% yoy).

Meanwhile, based on Industry Origins, economic growth was primarily led by Manufacturing (5.20% yoy); Wholesale&Retail Trade, Repair of Motor Vehicles&Motorcycles (5.08% yoy); Transportation&Warehousing (14.74% yoy); and Construction (6.39% yoy). In contrast, Agriculture, Forestry, and Fisheries, which constitute 13.57% of Indonesia's GDP – the second-largest of GDP based on Industry and the largest employer– only grew by 1.46% yoy in 3Q23. On the other hand, the Government Administration sector (-6.23% yoy) and the Education Services sector (-2.07% yoy) have hindered economic growth in the period.

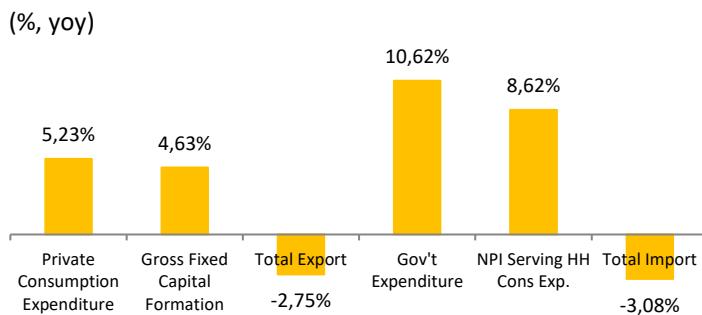
Looking ahead, we anticipate that inflation will remain below 3.0% yoy through the end of 2023. While we acknowledge the challenges of rising cost of funds and the persisting risk of El Nino affecting some volatile food prices, we anticipate these to be offset by improved supplies from the fisheries and livestock sectors, as well as enhanced Rupiah stability. We assume this will also be accompanied by a stronger economic recovery in our major trade partner countries, leading to an improved trade surplus in 4Q23. Furthermore, with the onset of political events until Feb '24, coupled with the seasonal year-end consumer demand, we also expect increased demand from the Manufacturing, Trade, Agriculture, Accommodation, Transportation, and Financial Services sectors. Moreover, various fiscal stimulus measures, such as direct assistance to low-income households (e.g., rice and rice cooker subsidies), pro-cyclical policies (such as electric vehicle incentives and housing tax exemptions-PPN), and various development programs (e.g., IKN), are expected to have a positive impact in 4Q23. Consequently, as a whole, we anticipate that economic growth will rebound to over 5.1% yoy in 4Q23.

Fig 1. Indonesia's Economic Growth & Inflation



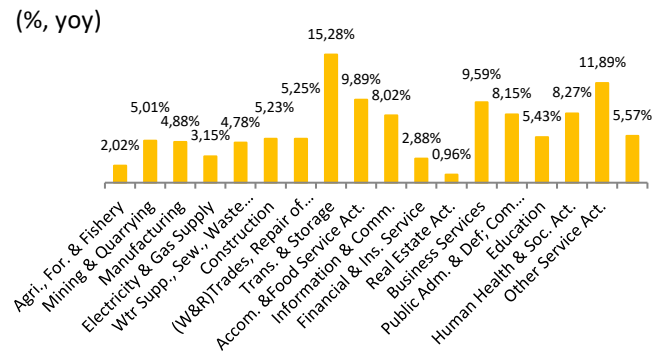
Sources: Bps, KBVS Research – treated (2023)

Fig 2. GDP Based On Expenditure on 3Q '23



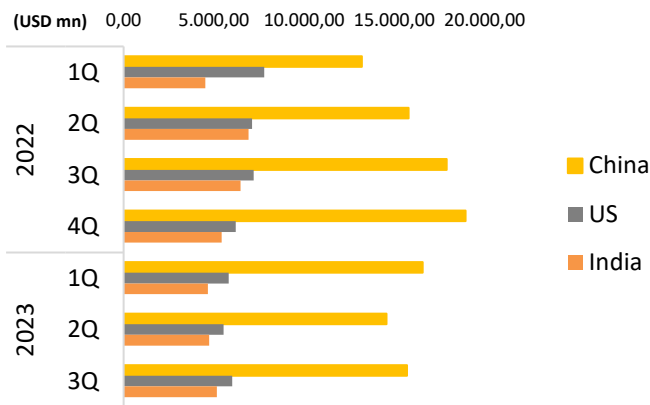
Sources: Bloomberg, KBVS Research – treated (2023)

Fig 3. GDP Based On Industrial Origin on 3Q '23



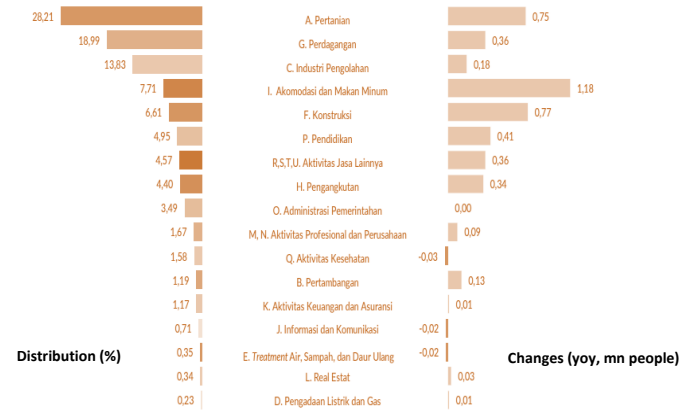
Sources: Bloomberg, KBVS Research – treated (2023)

Fig 4. Value of Indonesia Export to Top 3 Countries



Sources: BPS, KBVS Research - treated (2023)

Fig 5. Distribution and Changes of Working Population by Industry Origin, Aug '23



Sources: BPS(2023)

Table 1. APBN Realization, as of 30 Sep '23

APBN (tn rupiah)	2022				2023			
	Perpres 98/2022	Realization until September 30	% Presidential Regulation 98/2022		APBN	Realization until September 30	% APBN Realization	Growth (%)
			Realization	Growth (%)				
A. State Income	2,266.20	1,974.85	87.14	45.75	2,463.02	2,035.62	82.65	3.08
I. Domestic Income	2,265.62	1,974.25	87.14	45.81	2,462.62	2,034.88	82.63	3.07
1. Tax Revenue	1,783.99	1,542.54	86.47	49.33	2,021.22	1,583.34	78.34	2.64
a. Tax	1,484.96	1,310.40	88.24	54.15	1,718.03	1,387.78	80.78	5.90
b. Customs and Excise	299.03	232.14	77.63	26.91	303.19	195.56	64.50	(15.76)
2. PNBPN	481.63	431.71	89.64	34.50	441.39	451.54	102.30	4.59
II. Grant Acceptance	0.58	0.60	103.51	(41.60)	0.41	0.74	180.69	23.26
B. State Spending	3,106.43	1,913.66	61.60	5.91	3,061.18	1,967.93	64.29	2.84
I. Central Government	2,301.64	1,360.98	59.13	7.55	2,246.46	1,396.90	62.18	2.64
1. K/L Spending	945.75	674.39	71.31	(8.12)	1,000.84	669.56	66.90	(0.72)
2. Non-K/L Spending	1,355.89	686.59	50.64	29.20	1,245.61	727.34	58.39	5.39
II. Transfer to Regions	804.78	552.68	68.67	2.07	814.72	571.03	70.09	3.32
C. Primary Balance	(434.36)	339.68	(78.20)	271.35	(156.75)	389.73	(248.63)	14.74
D. Surplus/(Deficit) Budget	(840.23)	61.19	(7.28)	113.54	(598.15)	67.69	(11.32)	10.62
% Surplus/(Deficit) to GDP	(4.50)	0.31				(2.84)	0.32	
E. Financing Budget	840.23	431.82	51.39	(30.57)	598.15	162.99	27.25	(62.26)

Sources: MoF RI, KBVS Research - treated (2023)

Table 2. Indonesia's GDP at Current Price and at Constant Price (2010) – in IDR TN

Types	Current Price				Constant Price (2010)			
	2022	1Q23	2Q23	3Q23	2022	1Q23	2Q23	3Q23
Based On Expenditure								
Private Consumption Expenditure	10,160.4	2,682.0	2,786.1	2,787.0	6,187.2	1,582.1	1,631.0	1,623.6
NPI Serving Household Consumption Expenditure	229.0	59.5	65.0	64.1	139.9	35.4	38.4	37.7
Government Consumption Expenditure	1,500.7	269.6	392.7	378.9	870.1	159.1	223.6	215.4
Gross Fixed Capital Formation	5,697.3	1,476.5	1,458.1	1,572.0	3,686.6	929.3	917.6	988.2
Changes in Inventories	129.4	121.8	116.0	43.9	70.7	62.7	59.3	22.4
Total Export	4,797.7	1,151.6	1,058.2	1,125.9	2,858.3	716.6	680.6	727.0
Total Import	4,094.2	992.2	969	1,036.4	2,415.8	581.0	567.5	601.0
Statistics Discrepancy	1,168.1	302.9	319.6	360.6	313.4	57.0	92.7	111.6
By Industrial Origin								
Agri., For. & Fishery	2,428.9	597	697.6	718.4	1,435.9	338.7	391.0	397.3
Mining & Quarrying	2,393.4	600.9	547.9	539.3	858.2	214.3	222.1	233.9
Manufacturing	3,591.8	941.6	953.9	992.7	2,396.6	613.3	616.2	637.6
Electricity & Gas Supply	204.7	52.7	53.2	55.5	122.5	31.0	31.4	32.6
Wtr Supp., Sew., Waste M & Rem. Activities	12.5	30.2	3.3	3.3	10.2	2.6	2.7	2.7
Construction	1,913.0	501.2	492.8	522.2	1,124.7	285.5	281.4	297.9
(W&R)Trades, Repair of Motorcycles & MC	2,516.6	656.8	671.5	686.5	1,529.9	389.4	399.3	408.0
Transportation & Storage	983.5	281.8	306.7	316.6	486.9	130.6	138.7	141.2
Accom. & Food Service Act.	472.1	124.9	129.6	132.8	347.9	91.3	94.3	96.4
Information & Comm.	812.8	212.4	220.0	223.4	750.4	194.8	201.3	203.9
Financial & Ins. Service	809.3	218.4	214.4	215.2	473.6	124.4	122.5	123.0
Real Estate Act.	488.3	124.8	125.6	127.3	339.0	85.0	85.5	86.6
Business Services	341.4	90.7	96.3	96.7	214.4	55.4	58.5	58.5
Public Adm. & Def; Com Soc Security	605.1	144.9	172.5	138.4	373.4	89.1	103.2	84.9
Education	566.6	133.1	151.5	140.4	352.7	82.3	92.1	86.1
Human Health & Soc. Act.	236.2	56.4	62.6	63.6	161.4	38.3	41.8	42.6
Other Service Act.	354.2	96.9	101.3	99.6	219.8	58.6	60.8	59.6
Indonesia's GDP	19,588.4	5,071.7	5,226.7	5,296.0	11,710.4	2,961.2	3,075.7	3,124.9

Sources: BPS, KBVS Research - treated (2023)

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