

IMF Global Economic Outlook: Relatively Unchanged for 2023 but Slightly Revised Downward for 2024

A mixed economic picture: lower manufacturing activities but still robust consumptions.

- In the recently released World Economic Outlook (WEO) Oct-23, the International Monetary Fund (IMF) kept the global GDP growth forecast unchanged at 3% for 2023. In 2023, recent indicators continued to point to a slowing manufacturing sector in the global economy, as seen from declines in industrial production and investment. This is a result of a synchronous central bank policy tightening across the globe which led to higher investment costs. Yet, the remaining tight labor market in the US still created robust consumption activities, partly offsetting the downside growth risks.

- Meanwhile, forecast for the global inflation in 2023 is revised slightly upward from 6.8% to 6.9%. Upside risks of inflation come from a tight labor market and higher commodity prices resulting from geopolitical tensions and supply disruptions linked to climate change.

- World trade volume expectation in 2023 also adjusted notably lower by 1.1 ppt from 2.0% to 0.9%. The revision was mainly due to several factors; (1) global demand is expected to slow down along with a shift towards domestic services, (2) the rising trend of the Dollar Index due to the expectation of 'higher for longer' policy rates will result in a more costly trading activities, expected to furtherly dampening them.

- IMF had also revised downward the projection for global GDP growth from 3.0% in the previous projection (Jul-23) to 2.9%, while the global inflation forecast for 2024 was revised significantly upward by 0.6 ppt from 5.2% to 5.8%, driven by expectations of a more resilient labor market and commodity price risks.

Projection for advanced economies in 2023 are revised upward from 1.4% to 1.5%.

- Forecast for the US economy was raised from 1.8% to 2.1% in 2023. Key indicators still showed that labor market in the US remained tight, thus contributing as the main driver to its economy. Consequently, it creates a stronger business investment and resilient consumption growth in the second quarter. As for 2024, projection for the US was notably higher by 0.5 ppt from 1.0% to 1.5%.

- Economic growth in Japan is also adjusted higher by 0.6 ppt, currently estimated at 2.0%. The country is supported by accommodative policies that support demand recovery and a surge in inbound tourism.

- On the contrary, projection for Euro Area is revised down by 0.2 ppt, now standing at 0.7% growth rate estimation (vs. previous projection of 0.9%). This is related to a lower projection for some countries like Germany,

Economic Indicators	2022	2023F
Real GDP (% yoy)	5.31	5.04
Inflation (% yoy, eoy)	5.51	3.00
Inflation (% yoy, avg)	4.21	3.79
IDR/USD (eoy)	15,568	14,864
IDR/USD (avg)	14,874	15,031
CA (% of GDP)	0.99	-0.65
BI 7-day RR Rate (%)	5.50	5.75

F = OCE BMRI forecast
yoy = year-on-year
eoy = end of year
avg = average

Key Rates (%)	Dec-22	Oct-23*
BI 7-day RR Rate	5.50	5.75
Deposit Facility Rate	4.75	5.00
Lending Facility Rate	6.25	6.50
IDR 10Y Bond Yield	6.92	6.89
Fed Funds Rate	4.50	5.50
ECB Rate	2.50	4.50
BoE Rate	3.50	5.25
BoJ Rate	-0.10	-0.10

*) as of 11-Oct-23

Source: Bloomberg

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which is likely to experience a slight economic contraction amid weakness in manufacturing sector and lower demand from trading partners.

Forecast for emerging market and developing economies (EMDE) in 2023 is unchanged at 4.0%, but with a notable softer projection for China's economy.

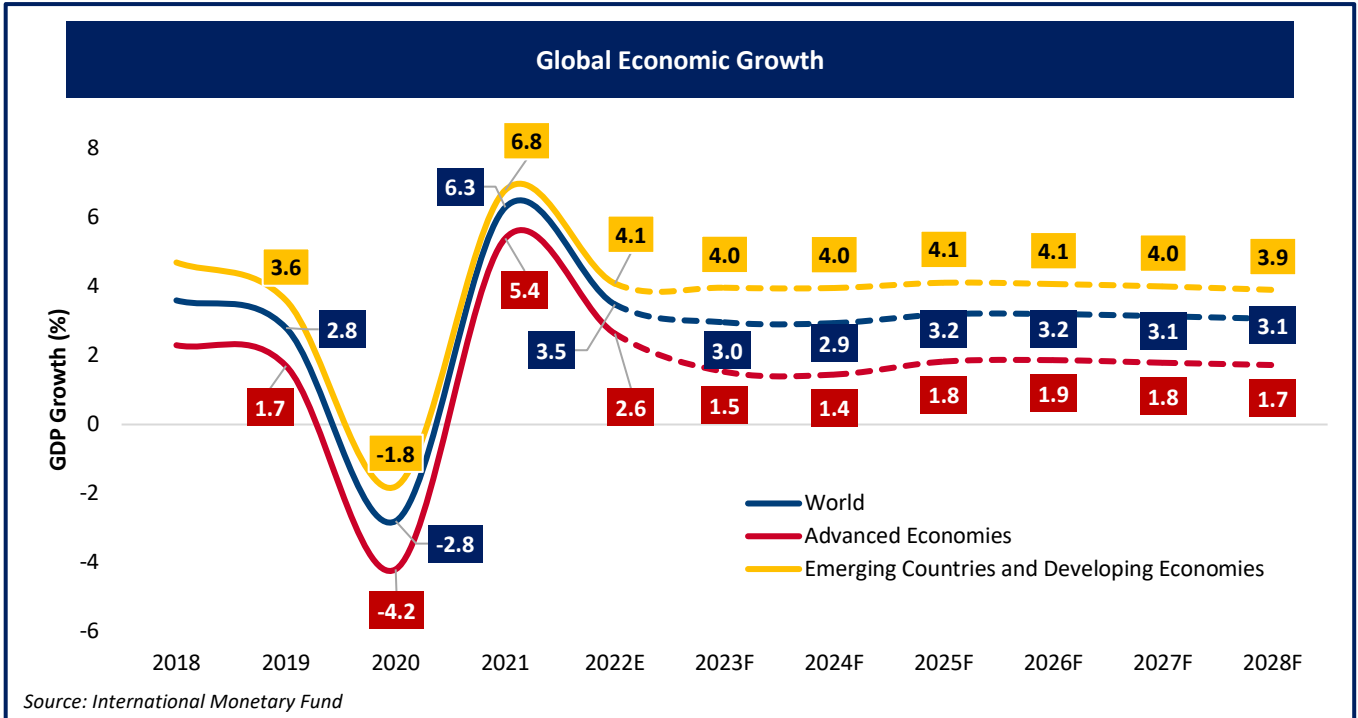
- Downward revision was seen in China growth projection at 5% in 2023 (vs. 5.2% in previous projection) which mainly due to the lingering crisis in property sector in China. Despite of major stimulus policy implemented by regulators to stimulate the sector; high-frequency indicators still suggest weakness. Several large property-related companies struggled with severe liquidity stress, thus weighing down investors' confidence and prolonging the downturn. As for 2024, economic growth projection was also revised down to 4.2% (vs. 4.5% in previous projection).
- Meanwhile, upward revisions were seen in other countries within this group. For 2023, India's economy is projected higher by 0.2 ppt to 6.3%, projection for Russia is up by 0.7 ppt to 2.2%, and Brazil was up by 1.0 ppt to 3.1% amid still strong demand consumption.

Projection for Indonesia's economy remained unchanged.

- For Indonesia, the economic projection remains unaltered, standing at 5.0% both for 2023 and 2024.

OUR VIEW: Expecting domestic key driver to support Indonesia's economy.

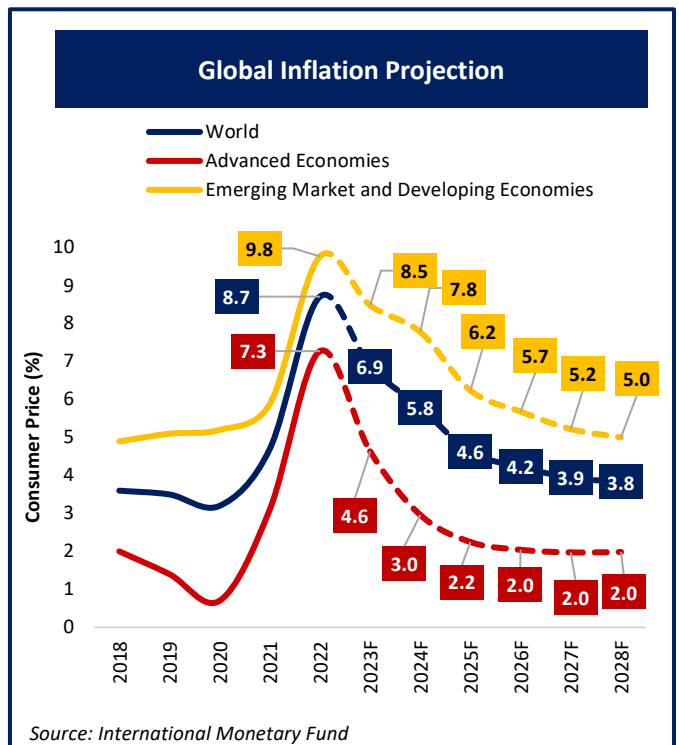
- We see that there are several external risks that may impact Indonesia's economy in the span of 2023 and 2024. (1) Despite of the elevated policy rates implemented altogether by central banks, global inflation is still projected to climb higher than previously expected amid rising geopolitical tension and climate change risks such as El Nino. This issue could be transmitted to higher domestic inflation. Hence, government's effort in managing inflation will play a major role in making sure that purchasing power remained robust to support our economy.
- (2) Dampened manufacturing activities in some countries could also weigh down the performance of export and import from Indonesia. Therefore, we again expect that domestic-related growth composition such as robust household spending and fiscal support will provide cushion to the overall economy.
- *Our projection for Indonesia's economic growth stands at 5.04% for 2023 and 5.06% for 2024. Our forecast is still relatively aligned with the IMF's forecast outlined in the Oct-23 WEO report, which also expects the Indonesian economy to expand by 5.0% in both 2023 and 2024.*

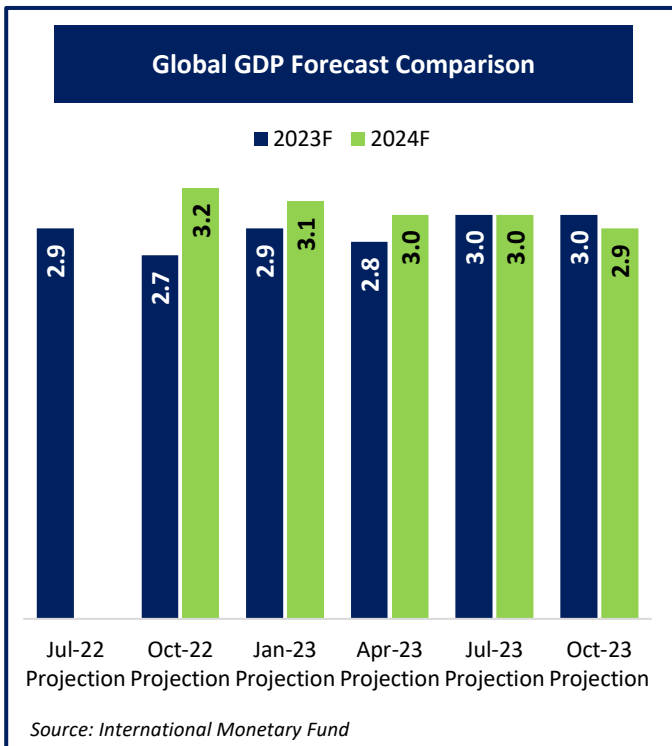
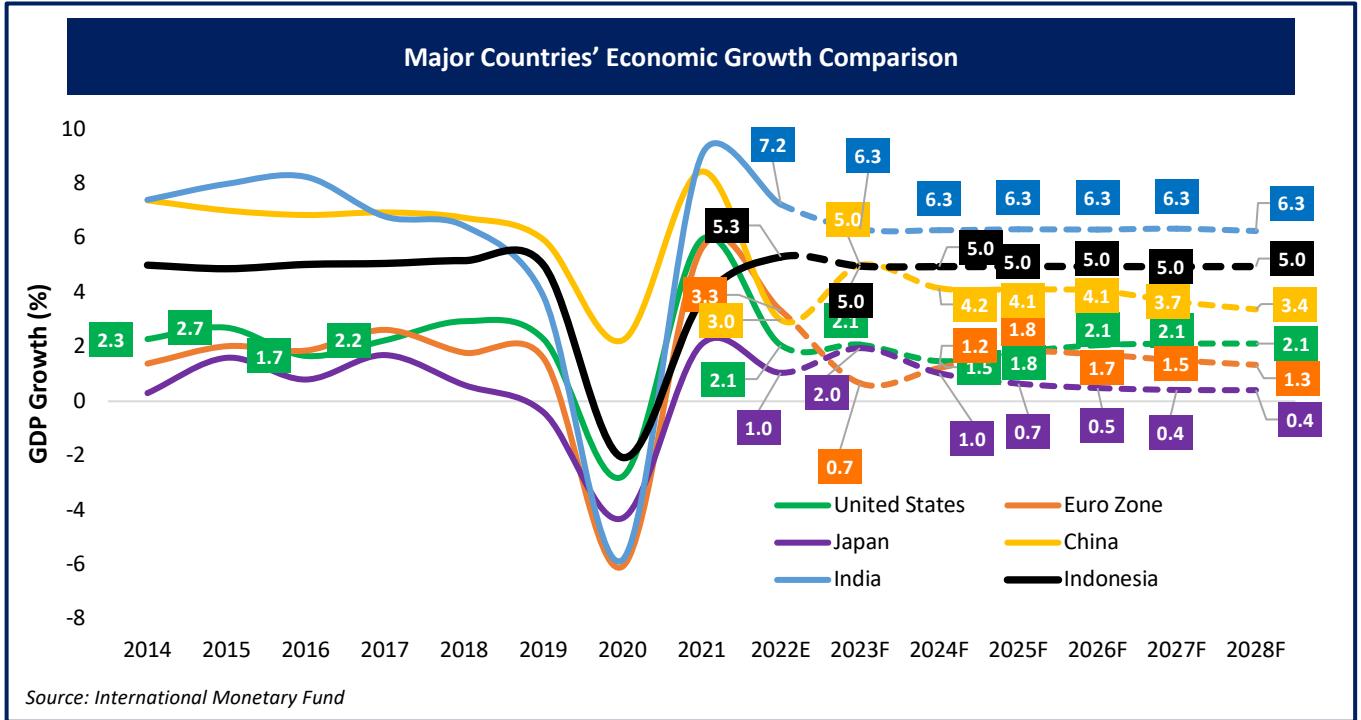


Global Economic Projection

	Oct-23 WEO		Difference from Jul-23 WEO	
	2023F	2024F	2023F	2024F
World	3.0	2.9	0.0	-0.1
Advanced Economies	1.5	1.4	0.0	0.0
Emerging Market and Developing Economies	4.0	4.0	0.0	-0.1
World Trade Volume	0.9	3.5	-1.1	-0.2
Inflation	6.9	5.8	0.1	0.6

Source: International Monetary Fund





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