

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	15,523
CA (% of GDP)	0.99	-0.65
BI 7-day RR Rate (%)	5.50	6.00

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

Key Rates (%)	Dec-22	Nov-23*
BI 7-day RR Rate	5.50	6.00
Deposit Facility Rate	4.75	5.25
Lending Facility Rate	6.25	6.75
IDR 10Y Bond Yield	6.92	6.73
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 6-Nov-23

Source: Bloomberg

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Indonesia's GDP Growth Soften in 3Q23, but Still Supported by Strong Domestic Activities.

Indonesia's economy witnessed a GDP growth slightly below 5% yoy in 3Q23.

- The economy registered a growth rate of 4.94% yoy during 3Q23, lower than market consensus and the previous quarter which recorded at 5.17% (2Q23).
- The lower growth is in line with the seasonal pattern as domestic activities tend to normalize in the 3rd quarter, following the surge due to the festive season in Q2. In addition, there was also some impact from global markets i.e. lower commodity prices, and dampened demand from major countries which impacted the net export performance.
- In a quarterly context, the economy exhibited 1.60% qoq growth in 3Q23, significantly lower than 3.86% qoq expansion in 2Q23.

Household consumption and fixed investments—the main backbones of Indonesia's GDP—still showed solid growth.

- **Household consumption still recorded strong growth at 5.06% yoy in 3Q23. Yet, it was lower than 2Q23 growth which surged to 5.23% yoy.** We see that several factors contributed to this deceleration. (1) There was a seasonal effect of domestic activities which usually softens in 3Q23, after surging in the 2Q23 amid Lebaran holidays. (2) The relatively higher inflation level which was recorded at 1.63% ytd in 3Q23 (vs. 1.24% ytd in 2Q23), to some extent, has held back people's purchasing power particularly for the lower income. This was reflected in the slowdown of some retail issuers that offer basic products.
- **Gross Fixed Capital Formation (GFCF) during the 3Q23 grew by 5.77% yoy in 3Q23, a notable increase from 4.63% yoy in the preceding quarter.** When looking at its components, most of GFCF still went to building & structure investment which contributed around 70%. Building & structure investment grew 6.31% in 3Q23 (vs. 3.32% yoy in 2Q23). This was supported by government's investments in public infrastructure projects in completing the National Strategic Programs (PSN) and development of New Capital City (IKN). Yet, non-building & structure investment growth slowed down from 8.30% yoy in 3Q23 (vs. 4.45% yoy in 2Q23).
- **Government spending showed a contraction of -3.76% yoy in 3Q23, a significant decline from 10.57% yoy high growth in 2Q23.** Looking at the state budget (APBN) realization, spending in some main channels such as personnel and material spending still recorded contraction, hence it is limiting the direct stimulus to the economy. Yet, for capital spending, it grew stronger by 31.1% yoy in 3Q23 (vs. 1.2% yoy in 2Q23), giving support to GFCF.
- **Both export and import activities underwent a contraction, worsening from the previous contraction in 2Q23.** This trend aligns with the broader slowdown in global trade activities, attributed to a less optimistic global economic outlook for the year 2023. Notably, exports contracted by -4.26% yoy in 3Q23 (vs. -2.75% yoy in 2Q23), and imports similarly contracted by -6.18% yoy in 3Q23 (-3.08% yoy in 2Q23).

Sectors tied to mobility sectors showed the faster growth in 3Q23.

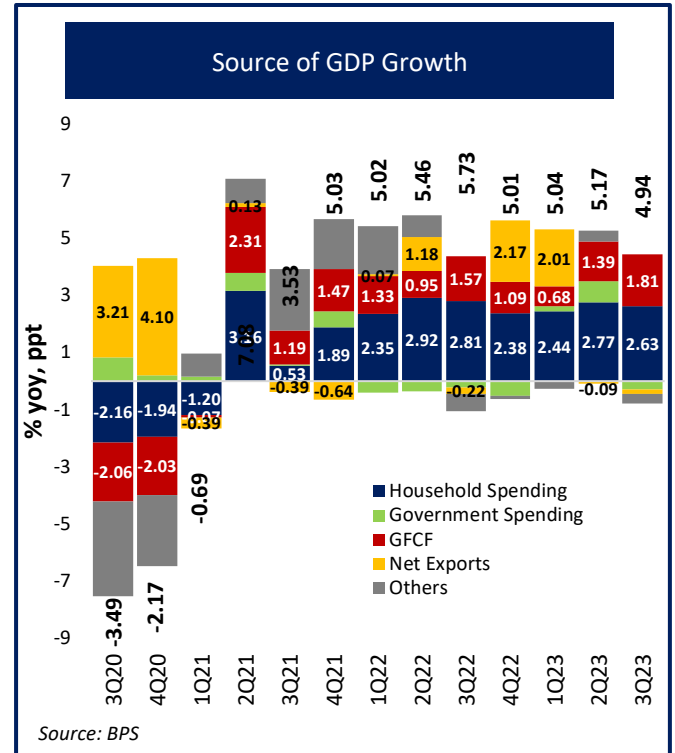
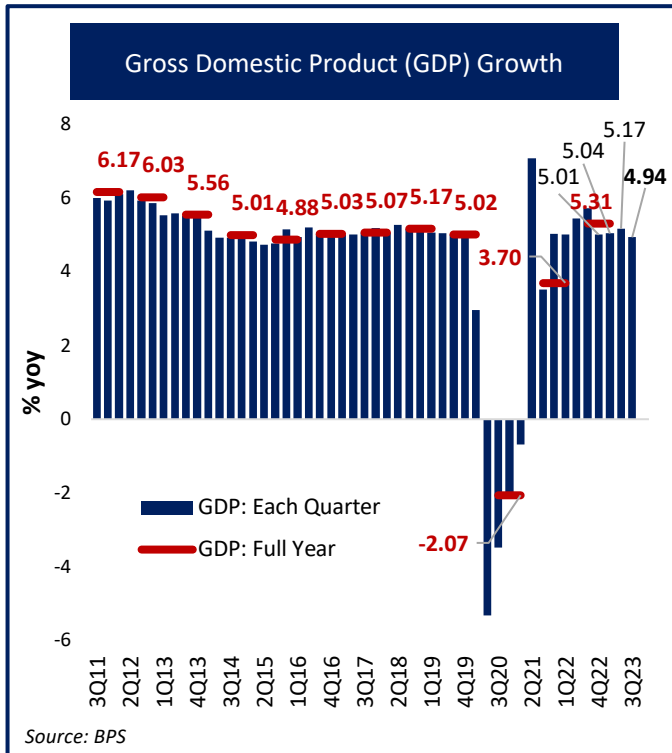
- The manufacturing sector upheld its position as the primary contributor to Indonesia's economy, accounting for approximately 20% to GDP. Its growth rate escalated from 4.89% yoy in 2Q23 to 5.20% yoy in 3Q23. This is in line with

Indonesia's Purchasing Managers' Index (PMI) which still consistently stood at expansionary level during 3Q23.

- Transportation & Storage maintained their status as sectors with the fastest growth among all sectors in 3Q23. This sector was growing by 14.7% yoy in 3Q23 (vs. 15.28% yoy in 2Q23), supported by increasing public mobility as tourism
- Accommodation & Food Beverages Activity also showed an acceleration, growing faster from 9.89% yoy in 2Q23 to 10.9% yoy in 3Q23.

OUR VIEW: The economy faced rising global challenges, hence the policymakers need to step up efforts to support the resiliency of the economy.

- In the remaining quarter of this year, we uphold our expectations that Indonesia's economic growth should be supported by domestic variables rather than external factors, considering that global economic slowdown and rising volatility in global market could still occur until the end of the year.
- Household consumption remained the crucial part to the economy, considering its contribution which amounted to more than half of the GDP. We expect consumption to remain solid, supported by the relatively low inflation rate. Yet, several risks from the global economy need to be monitored as it can impact lower-to-middle income households. El Nino is expected to persist until early 2024, which will be a risk to food inflation. Geopolitical and military tension could also be translated into higher global oil price, adding another risk to domestic inflation.
- Government spending can also play the role of shock absorber of the economy. Direct disbursement to households such as social assistance and subsidies will support consumption particularly the low-to-middle income households. Moreover, other main spending channels such as material, personnel, and capital spending should be disbursed faster as this is crucial to bring direct as well as multiplier effect to the economy.
- As per Sep-23, APBN still showed surplus of 0.32% of GDP. To reach target of deficit of -2.30% of GDP, Ministry of Finance has stated that spending in 3Q23 may reach IDR 1,155 tn. Assuming the fiscal deficit reached -2.30%, we estimate the net fiscal liquidity (government spending – tax – debt issuance) can reach IDR 454 tn. Thus, not also this would encourage stimulus to household consumption, it will also boost the liquidity in banking sector which is currently still in a relatively tight condition. In addition, regional government fund in banks is expected to decrease in 3Q23, which will indicate the usage of fund for infrastructure and other spending that could also support the economy.
- Further we also expect the Gross Fixed Capital Formation (GFCF) to continue to accelerate through the remaining this year, as infrastructure projects from National Strategic Program (PSN) and New Capital City (IKN) are pursued to achieve target in political year. Yet, risk remains particularly on the foreign investment which will depend on the state of the global economy going forward.
- *All in all, we maintain our forecast that Indonesia's economic growth will ease to 5.04% in 2023, a moderate decline from the 5.31% growth seen in 2022.*



GDP by Expenditure

	% yoy	2018	2019	2020	2021	2022	1Q23	2Q23	3Q23
GDP		5.17	5.02	-2.07	3.70	5.31	5.04	5.17	4.94
Household Spending		5.05	5.04	-2.63	2.02	4.93	4.54	5.22	5.06
Food & Beverages, Other than Restaurant		5.22	5.16	0.51	1.44	3.42	3.46	3.85	4.07
Apparel, Footwear & Maintenance Services		4.30	4.27	-4.21	-0.06	4.28	3.79	7.02	3.59
Equipments		4.63	4.66	2.28	2.19	2.79	2.77	3.78	3.77
Health & Education		5.00	6.60	3.09	1.70	2.41	2.58	5.51	4.23
Transportation & Communication		5.47	4.78	-9.57	2.62	9.38	7.84	7.53	7.61
Restaurant & Hotel		5.63	5.96	-8.14	3.87	6.58	5.88	6.75	6.52
Others		2.38	3.09	-0.65	1.83	2.71	2.69	3.72	3.04
Non-Profit Institutions Servings Households		9.15	10.62	-4.21	1.62	5.64	6.17	8.61	6.21
Government Spending		4.82	3.27	2.12	4.24	-4.51	3.34	10.57	-3.76
Gross Fixed Capital Formation		6.68	4.45	-4.96	3.80	3.87	2.11	4.63	5.77
Buildings & Structures		5.41	5.37	-3.78	2.32	0.91	0.08	3.32	6.31
Machine & Equipment		19.73	4.76	-11.54	11.66	22.44	4.62	7.67	-1.01
Vehicles		8.24	-4.12	-13.07	11.69	10.27	24.09	15.50	21.27
Other Equipments		8.34	-3.14	-10.56	9.26	-0.28	-5.26	-5.29	-5.64
Cultivated Biological Resources		2.72	5.05	2.81	1.16	2.12	3.34	5.62	2.05
Intellectual Property Products		-1.35	-0.23	-7.36	4.59	5.21	5.06	9.28	7.74
Export of Goods and Services		6.51	-0.48	-8.42	17.95	16.28	11.94	-2.97	-4.26
Goods		6.41	-0.57	-3.46	19.95	14.41	8.49	-5.56	-6.91
Goods: Non-Oil & Gas		8.44	1.35	-3.32	20.28	16.28	7.58	-6.11	-7.72
Goods: Oil & Gas		-7.07	-15.40	-4.72	16.88	-3.74	19.27	0.38	2.89
Services		7.40	0.29	-48.87	-12.84	56.06	81.30	38.14	33.82
Imports of Goods and Services		12.14	-7.13	-17.60	24.87	14.75	3.69	-3.06	-6.18
Goods		13.05	-8.31	-14.68	26.62	12.45	0.37	-5.57	-8.00
Goods: Non-Oil & Gas		16.93	-6.27	-14.43	28.04	11.48	-0.65	-6.59	-8.66
Goods: Oil & Gas		-2.44	-18.07	-16.07	18.72	18.32	6.72	0.36	-4.47
Services		6.39	0.73	-35.33	10.81	35.76	32.92	15.77	6.82

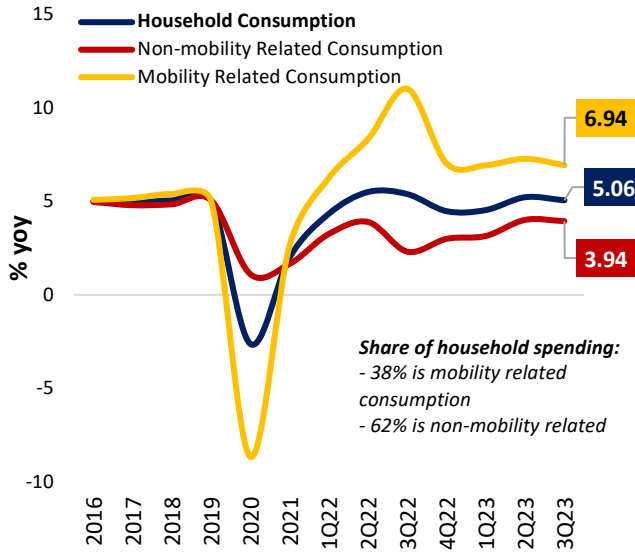
Source: BPS

GDP by Sector

	% yoy	2018	2019	2020	2021	2022	1Q23	2Q23	3Q23
GDP		5.17	5.02	-2.07	3.70	5.31	5.04	5.17	4.94
Agriculture, Forestry and Fisheries		3.88	3.61	1.77	1.87	2.25	0.43	2.02	1.46
Mining & Quarrying		2.16	1.22	-1.95	4.00	4.38	4.92	5.01	6.95
Manufacturing Industry		4.27	3.80	-2.93	3.39	4.89	4.43	4.88	5.20
Electricity & Gas Supply		5.47	4.04	-2.34	5.55	6.61	2.67	3.15	5.06
Water Supply, Sewerage, Waste & Recycling Management		5.56	6.83	4.94	4.97	3.23	5.69	4.78	4.49
Construction		6.09	5.76	-3.26	2.81	2.01	0.32	5.23	6.39
Wholesales and Retail Trade, Repair of Motor Vehicles and Motorcycles		4.97	4.60	-3.79	4.63	5.52	4.92	5.26	5.08
Transportation & Storage		7.05	6.38	-15.05	3.24	19.87	15.93	15.28	14.74
Accommodation & Food Beverages Activity		5.68	5.79	-10.26	3.89	11.97	11.55	9.89	10.90
Information & Communication		7.02	9.42	10.61	6.82	7.74	7.13	8.05	8.52
Financial & Insurance Activity		4.17	6.61	3.25	1.56	1.93	4.45	2.85	5.24
Real Estate		3.48	5.76	2.32	2.78	1.72	0.37	0.96	2.21
Business Services		8.64	10.25	-5.44	0.73	8.77	6.37	9.59	9.37
Public Administration, Defense & Compulsory Social Security		6.97	4.66	-0.03	-0.33	2.52	2.09	8.15	-6.23
Education Services		5.36	6.30	2.61	0.11	0.59	1.02	5.43	-2.07
Human Health & Social Work Activity		7.15	8.66	11.56	10.45	2.74	4.77	8.27	2.92
Other Services		8.95	10.57	-4.10	2.12	9.47	8.90	11.89	11.14

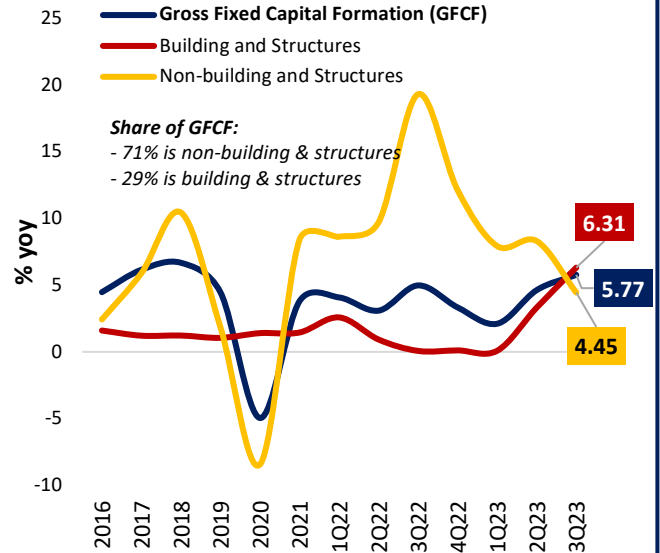
Source: BPS

Household Consumption



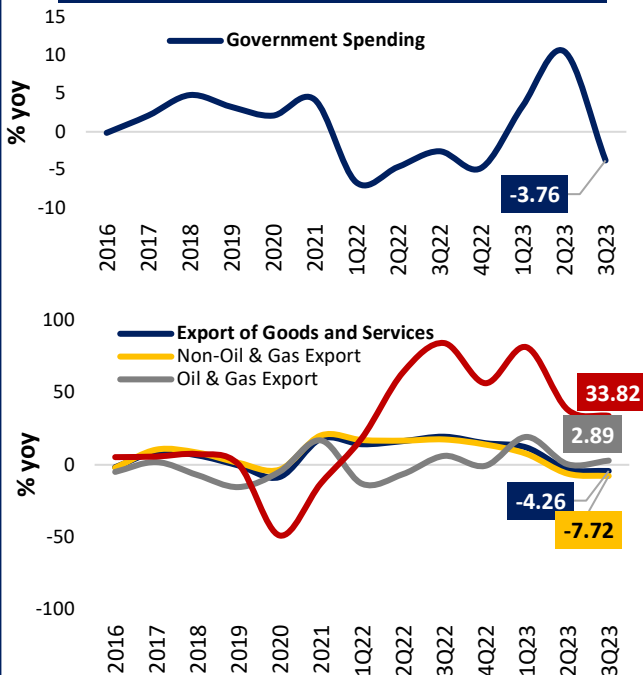
Source: BPS

Gross Fixed Capital Formation



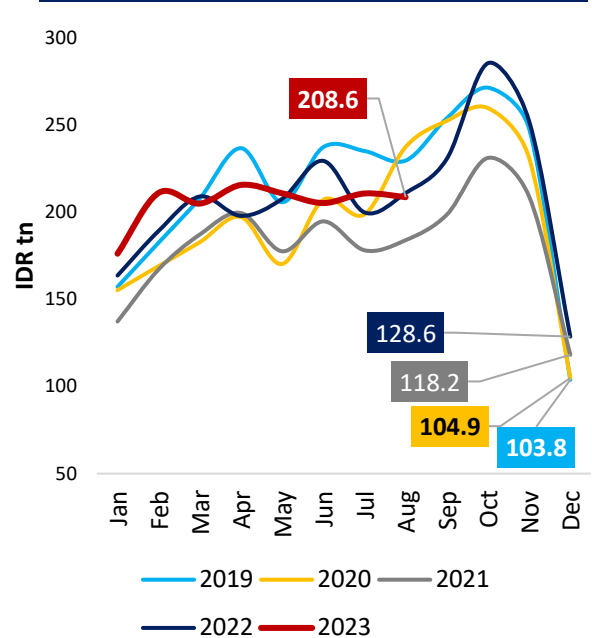
Source: BPS

Government Spending and Export



Source: BPS

Regional Government Fund in Banks



Source: BPS

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