

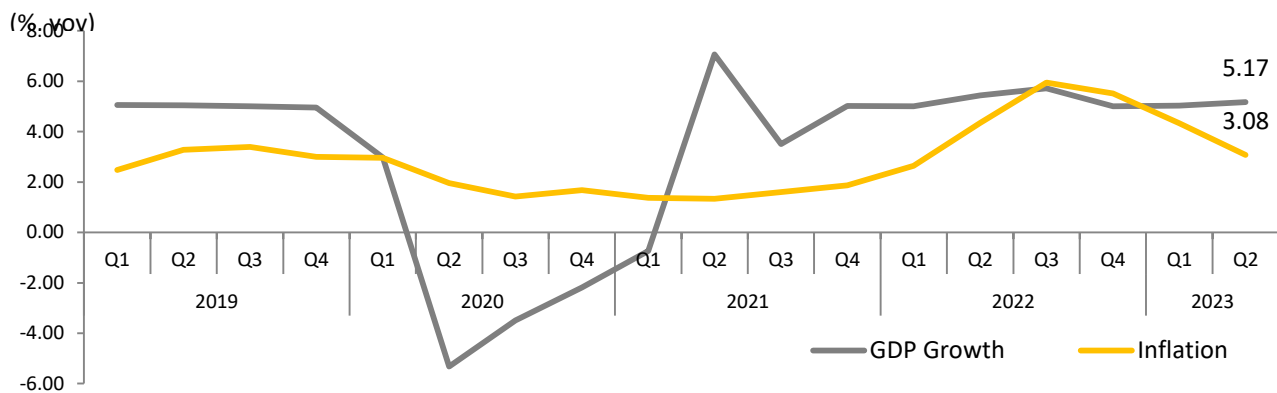
The Domestic Economic Growth Remains Robust

Indonesia's 2Q23 GDP growth stood at 3.08% qoq or 5.17% YoY, slightly below KBVS expectation of 5.25% YoY. However, it beats the consensus forecast of 5.00% YoY and the previous quarter's figures of -0.92% qoq or 5.03% YoY. The noteworthy contributors to this growth were the seasonal Lebaran festivities and increased societal mobility. These trends are evident in several indicators, including Gross Fixed Capital Formation with a growth of +4.63% YoY; Household Consumption with +5.23% YoY; and Government Consumption +10.62% YoY. However, net exports experienced a decline of 31.74% YoY, primarily due to sharp drops in domestic export commodity prices, such as coal (-66.96%) and Palm Oil (-38.33%) between Jun '22 and Jun '23. Consequently, this shift has elevated the structural dominance of Government Consumption to 7.51% (Prev: 5.29%) of Indonesia's GDP, while household consumption has risen to 53.31% (Prev: 52.88%), Gross Fixed Capital Formation decreased to 27.90% (Prev: 29.11%), and net exports declined to 1.71% (Prev: 3.13%).

From the supply perspective, among the 17 categories of Indonesian industries, 13 experienced growth. The most substantial growth in 2Q23 was observed in the Government Administration, Defense, and Compulsory Social Security sector, which grew by 8.15% YoY (Prev: 2.09% YoY); followed by the Education Services sector, which grew by 5.43% YoY (Prev: 1.02% YoY). Meanwhile, the industries with the largest distribution, such as the Manufacturing Industry, grew by +4.88% YoY (Prev: 4.43% YoY); Agriculture, Forestry, and Fisheries grew by +2.02% YoY (Prev: 0.43% YoY); and Wholesale and Retail Trade, Repair of Motor Vehicles&Motorcycles grew by +5.25% YoY (Prev: 4.92% YoY). Additionally, the Transportation & Trade sector continued to experience substantial growth at +15.28% YoY (Prev: 15.93% YoY) during 2Q23.

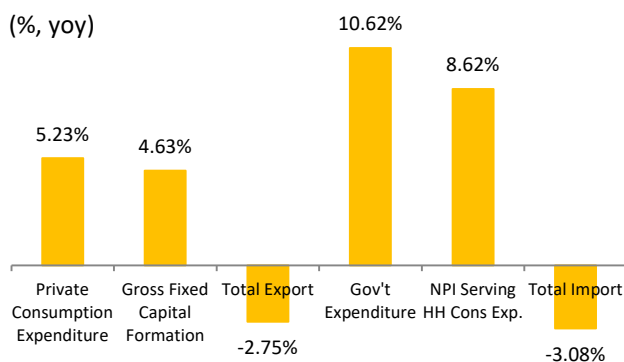
Looking ahead, we anticipate that this situation will be bolstered by the easing inflation trend and domestic political dynamics. It is hoped that this will encourage stronger consumption due to the onset of the political campaign season, although it may also lead to uncertainties in domestic investment. Furthermore, if complemented by a potential reduction in the benchmark interest rate (BI7DRRR) by the end of 3Q23, it could provide an additional impetus for future economic growth. Additionally, the favorable fiscal condition is expected to continue supporting government spending. Unfortunately, the downward trend in net exports is still a concern and could weigh on economic growth. Nonetheless, based on our current forecast, Indonesia's economic growth by the end of 2023 is likely to stable within the range of 5.03% to 5.23% YoY.

Fig 1. Indonesia's Economic Growth & Inflation



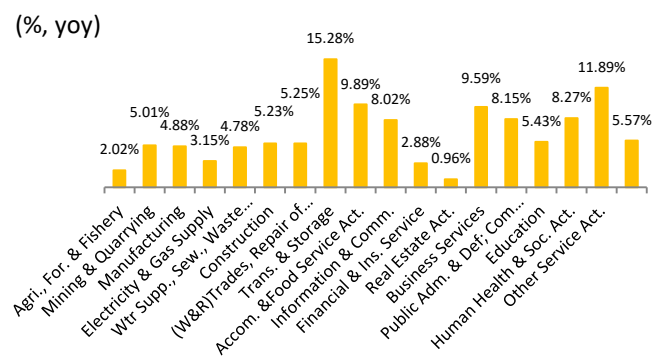
Sources: BPS, KBVS Research – treated (2023)

Fig 2. GDP Based On Expenditure, on 4Q '22



Sources: BPS, KBVS Research – treated (2023)

Fig 3. GDP Based On Industrial Origin on 4Q '22



Sources: BPS, KBVS Research – treated (2023)

Table 1. Indonesia's GDP at Current Price and at Constant Price (2010) – in IDR Tn

Types	Current Price				Constant Price (2010)			
	2020	2021	2022	2Q23	2020	2021	2022	2Q23
Based On Expenditure								
Private Consumption Expenditure	8,899.9	9,236.0	10,160.4	2,786.1	5,780.2	5,896.7	6,187.2	1,631.0
NPI Serving Household Consumption Expenditure	201.5	207.9	229.0	65.0	130.3	132.4	139.9	38.4
Government Consumption Expenditure	1,491.2	1,569.5	1,500.7	392.7	874.1	911.2	870.1	223.6
Gross Fixed Capital Formation	4,897.0	5,227.9	5,697.3	1,458.1	3,419.2	3,549.2	3,686.6	917.6
Changes in Inventories	97.9	111.1	129.4	116.0	51.3	62.7	70.7	59.3
Total Export	2,676.5	3,634.4	4,797.7	1,058.2	2,083.9	2,458.0	2,858.3	680.6
Total Import	2,415.5	3,189.9	4,094.2	969.0	1,686.0	2,105.2	2,415.8	567.5
Statistics Discrepancy	-405.1	179.8	1,168.1	319.6	70.0	215.1	313.4	92.7
By Industrial Origin								
Agri., For. & Fishery	2,115.5	2,254.5	2,428.9	697.6	1,378.4	1,404.2	1,435.9	391.0
Mining & Quarrying	993.5	1,523.7	2,393.4	547.9	790.5	822.1	858.2	222.1
Manufacturing	3,068.0	3,266.9	3,591.8	953.9	2,209.9	2,284.8	2,396.6	616.2
Electricity & Gas Supply	179.7	190.1	204.7	53.2	108.8	114.9	122.5	31.4
Wtr Supp., Sew., Waste M & Rem. Activities	11.3	12.0	12.5	3.3	9.4	9.9	10.2	2.7
Construction	1,652.7	1,771.7	1,913.0	492.8	1,072.3	1,102.5	1,124.7	281.4
(W&R)Trades, Repair of Motorcycles & MC	1,994.0	2,199.9	2,516.6	671.5	1,385.7	1,449.8	1,529.9	399.3
Transportation & Storage	689.5	719.6	983.5	306.7	393.4	406.2	486.9	138.7
Accom. & Food Service Act.	394.0	412.3	472.1	129.6	299.1	310.7	347.9	94.3
Information & Comm.	696.0	748.8	812.8	220.0	652.1	696.5	750.4	201.3
Financial & Ins. Service	696.1	736.2	809.3	214.4	457.5	464.6	473.6	122.5
Real Estate Act.	453.8	468.2	488.3	125.6	324.3	333.3	339.0	85.5
Business Services	294.3	301.1	341.4	96.3	195.7	197.1	214.4	58.5
Public Adm. & Def; Com Soc Security	586.0	586.7	605.1	172.5	365.4	364.3	373.4	103.2
Education	551.2	557.7	566.6	151.5	350.3	350.7	352.7	92.1
Human Health & Soc. Act.	201.5	227.2	236.2	62.6	142.2	157.1	161.4	41.8
Other Service Act.	302.6	312.2	354.2	101.3	196.6	200.8	219.8	60.8
Indonesia's GDP	15,443.4	16,976.7	19,588.4	5,226.7	10,723.0	11,120.1	11,710.4	3,075.7

Sources: BPS, KBVS Research – treated (2023)

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