

Strong Economic Growth: Mobility is the Key

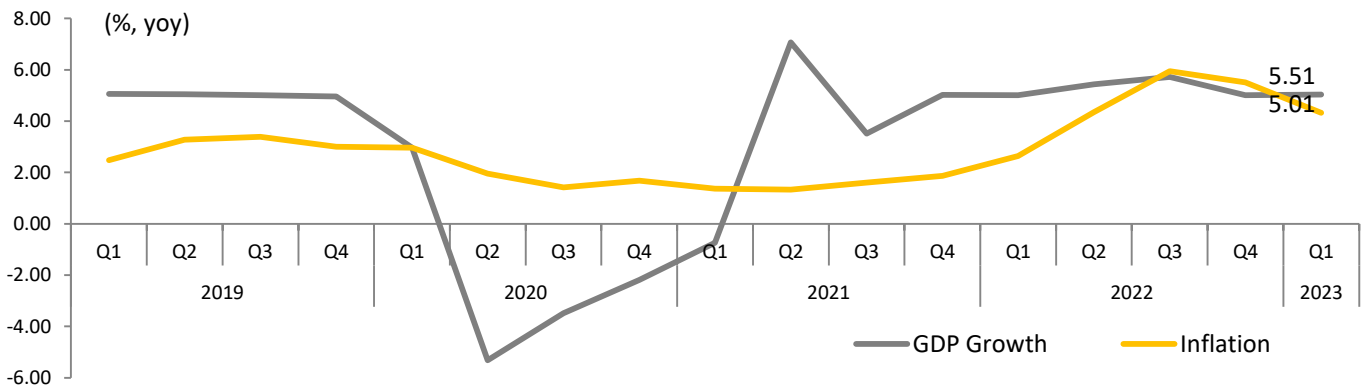
In line with expectations, Indonesia's 1Q23 GDP growth was 5.03% YoY (Cons: 4.95% YoY, KBVS: 5.03% YoY, Prev: 5.01% YoY). The official lifting of the PPKM (Community Activity Restrictions) on 30 Dec '22 played a significant role in driving economic growth, particularly in the Transportation & Warehousing sector, which saw impressive growth (15.93% YoY), followed by the Manufacturing Industry (4.43% YoY), Wholesale & Retail Trade, Motor Vehicle & Motorcycle Repair (4.89% YoY), and Mining & Quarrying (4.92% YoY) which collectively contributed 48.93% to Indonesia's total GDP. On the other hand, the Agriculture, Forestry & Fisheries sector grew by a slower rate of +0.34% (YoY) and the Construction Sector only grew by +0.32% (YoY), although they still contributed 21.65% to the country's GDP.

On the other hand, Household Consumption, which accounts for 52.88% of economic growth based on expenditure, grew by 4.54% (YoY), followed by robust growth in Exports of Goods & Services of 11.68% (YoY). Meanwhile, Government Consumption Expenditure grew by 3.99% (YoY), although the realization of Government revenue up to Mar '23 grew by 28.98% (YoY) and Government Spending grew by 5.70% (YoY). Similarly, the realization of Domestic Investment in 1Q23 which reached IDR328.9 tn (+16.46% YoY), only contributed 2.11% (YoY) to Gross Fixed Capital Formation (PMTB) during the same period. Thus, we see that this will be a saving grace for domestic economic growth, at least for the next two quarters.

The impact of better mobility is also evident in the spatial-based economic growth, where during 1Q23, Java Island grew by 4.96% YoY and contributed 57.17% to the total domestic economy in the same period. Meanwhile, the push from commodity prices, which remained strong in 1Q23, also drove solid growth in Sulawesi Island (+7.00% YoY) and Kalimantan Island (+5.79% YoY). However, Maluku and Papua Islands experienced a slowdown in growth to 1.95% YoY (Prev: 4.20% YoY).

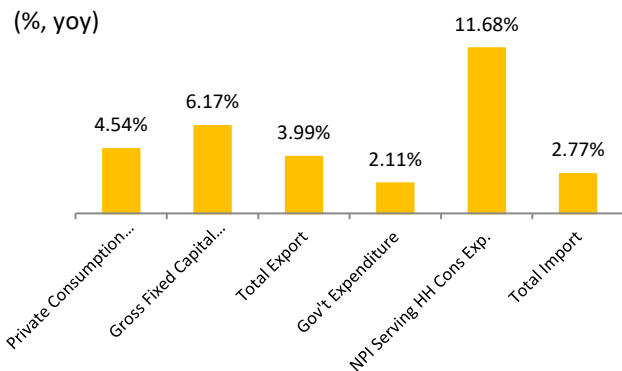
We are of the view that this situation will be supported by well-maintained inflation in the future, allowing BI to lower BI7DRRR in 3Q23 and stimulate stronger credit demand in 2H23. We anticipate these will drive better economic growth, with an upward bias estimate between 5.0% (YoY) - 5.3% (YoY) by the end of 2023. We also hope that this condition will be further driven by a conducive domestic political situation amid the emergence of presidential candidates facing the 2024 presidential election.

Fig 1. Indonesia's Economic Growth & Inflation



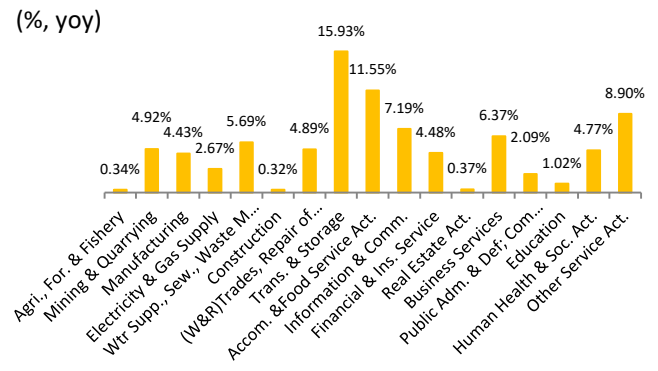
Sources: BPS, KBVS Research – treated (2023)

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	1Q23	2020	2021	2022	1Q23
Based On Expenditure								
Private Consumption Expenditure	8,899.9	9,236.0	10,160.4	2,682.0	5,780.2	5,896.7	6,187.2	1,582.1
NPI Serving Household Consumption Expenditure	201.5	207.9	229.0	59.5	130.3	132.4	139.9	35.4
Government Consumption Expenditure	1,491.2	1,569.5	1,500.7	269.6	874.1	911.2	870.1	159.1
Gross Fixed Capital Formation	4,897.0	5,227.9	5,697.3	1,476.5	3,419.2	3,549.2	3,686.6	929.3
Changes in Inventories	97.9	111.1	129.4	121.8	51.3	62.7	70.7	62.7
Total Export	2,676.5	3,634.4	4,797.7	1,151.6	2,083.9	2,458.0	2,858.3	716.6
Total Import	2,415.5	3,189.9	4,094.2	992.2	1,686.0	2,105.2	2,415.8	581.0
Statistics Discrepancy	-405.1	179.8	1,168.1	302.9	70.0	215.1	313.4	57.0
By Industrial Origin								
Agri., For. & Fishery	2,115.5	2,254.5	2,428.9	597.0	1,378.4	1,404.2	1,435.9	338.7
Mining & Quarrying	993.5	1,523.7	2,393.4	600.9	790.5	822.1	858.2	214.3
Manufacturing	3,068.0	3,266.9	3,591.8	941.6	2,209.9	2,284.8	2,396.6	613.3
Electricity & Gas Supply	179.7	190.1	204.7	52.7	108.8	114.9	122.5	31.0
Wtr Supp., Sew., Waste M & Rem. Activities	11.3	12.0	12.5	30.2	9.4	9.9	10.2	2.6
Construction	1,652.7	1,771.7	1,913.0	501.2	1,072.3	1,102.5	1,124.7	285.5
(W&R)Trades, Repair of Motorcycles & MC	1,994.0	2,199.9	2,516.6	656.8	1,385.7	1,449.8	1,529.9	389.4
Transportation & Storage	689.5	719.6	983.5	281.8	393.4	406.2	486.9	130.6
Accom. & Food Service Act.	394.0	412.3	472.1	124.9	299.1	310.7	347.9	91.3
Information & Comm.	696.0	748.8	812.8	212.4	652.1	696.5	750.4	194.8
Financial & Ins. Service	696.1	736.2	809.3	218.4	457.5	464.6	473.6	124.4
Real Estate Act.	453.8	468.2	488.3	124.8	324.3	333.3	339.0	85.0
Business Services	294.3	301.1	341.4	90.7	195.7	197.1	214.4	55.4
Public Adm. & Def; Com Soc Security	586.0	586.7	605.1	144.9	365.4	364.3	373.4	89.1
Education	551.2	557.7	566.6	133.1	350.3	350.7	352.7	82.3
Human Health & Soc. Act.	201.5	227.2	236.2	56.4	142.2	157.1	161.4	38.3
Other Service Act.	302.6	312.2	354.2	96.9	196.6	200.8	219.8	58.6
Indonesia's GDP	15,443.4	16,976.7	19,588.4	5,071.7	10,723.0	11,120.1	11,710.4	2,961.2

Sources: BPS, KBVS Research – treated (2023)

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KB Valbury Sekuritas

Headquarters

Sahid Sudirman Center Lantai 41 Unit AC
Jl. Jenderal Sudirman No. 86
Kelurahan Karet Tengsin, Kecamatan Tanah Abang
Jakarta Pusat 10220, Indonesia
T +62 21 250 98 300
F +62 21 255 33 778

Branch Office

Jakarta - Kelapa Gading

Rukan Plaza Pasifik
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta 11620
T +62 21 - 29451577

Jakarta - Puri Indah

Rukan Grand Aries Niaga
Blok E.1 No. 1 V Jl. Taman Aries, Kembangan,
Jakarta 14450
T +62 21 - 22542390
F +62 21 - 29264310

Jakarta - Pluit

Jl. Pluit Putra Raya No. 2
Jakarta 14240
T +62 21 - 29264300
F +62 21 - 22542391

Bandung

Jl. HOS Cokroaminoto No. 82
Bandung 40171
T +62 22 - 87255888
T +62 22 - 87255800
F +62 22 - 87255811

Semarang

Candi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T +62 24 - 3521888
T +62 24 - 8501122
F +62 24 - 8507450

Yogyakarta

Jl. Magelang KM 5.5 no. 75
Yogyakarta 55284
T +62 274 - 4469500
T +62 274 - 6231111
F +62 274 - 623222

Galeri Investasi

Jakarta

Citra Garden 6 Ruko Sixth Avenue
Blok J.1 A/18 Cengkareng,
Jakarta Barat 11820
T +62 21 52392181

Semarang

Jl. MT Haryono 637 Semarang
T +62 24 8415195

Solo

Jl. Ronggowarsito No. 34
Surakarta 57118

Surabaya

Pakuwon Center Tunjungan Plaza Lantai 21
Jl. Embong Malang No.1
Surabaya 60261
T +62 31 - 2955777
T +62 31 - 2955788
F +62 31 - 2955716

Solo

Jl. Ronggo Warsito no. 34
Solo 57118
T +62 271 632888
F +62 271 656988

Malang

Jl. Pahlawan Trip no. 7
Malang 65112
T +62 341 - 585888
F +62 341 - 560056

Denpasar

Komplek Ibis Styles Hotel
Jl. Teuku Umar No. 177
Denpasar Bali 80114
T +62 361 - 255888
T +62 361 - 225229
F +62 361 - 225339

Banjarmasin

Jl. Gatot Subroto No.33 Kel. Kebun Bunga
Kec. Banjarmasin Timur
Kalimantan Selatan 70235
T +62 511 - 3265918
F +62 511 - 3253432

Manado

Kawasan Megamas, Ruko Megapfront
Blok IF2 No. 38 Manado. 95254
T +62 431 7917 836
F +62 431 880 2129

Padang

Jl. Kampung Nias II no. 10,
Kel. Belakang Pondok,
Kec. Padang Selatan
T +62 751 8955747

Salatiga

Jl. Diponegoro No. 68, Rt. 007 Rw. 011,
Kel. Salatiga, Kec. Sidorejo 50711
T +62 298 313007

Medan

Komplek Jati Junction No. P5-5A
Jl. Perintis Kemerdekaan
Medan 20218
T +62 61 - 88816222
F 62 61 - 88816333

Pekanbaru

Komplek CNN Blok A no. 3
Pekanbaru 28291
T +62 761 - 839393
F +62 761 - 839313

Padang

Jl. Kampung Nias II no. 10,
Kel. Belakang Pondok,
Kec. Padang Selatan
T +62 751 8955747

Palembang

Komp. PTC Mall Blok I No. 7 Jl. R. Sukanto
Kel. 8 Ilir Kec. Ilir Timur II
Palembang 30114
T 07115700281

Makassar

Kompleks RUKO Citraland City Losari Makassar,
Business Park, Blok B2 No. 09
Jl. Citraland Boulevard
Kel. Maccini Sombala, Kec. Tamalate
Makassar, Sulawesi Selatan 90111
T +62 411 6000818

Galeri Investasi BEI - KBVS

Yogyakarta
Universitas Kristen Duta Wacana
T +62 274 - 544032

Manado
Universitas Prisma Manado
T 0431 8800850

Jakarta
Universitas Gunadarma
T +62 21 - 8727541