

The Economic Fundamentals in 4Q24 Remain Strong

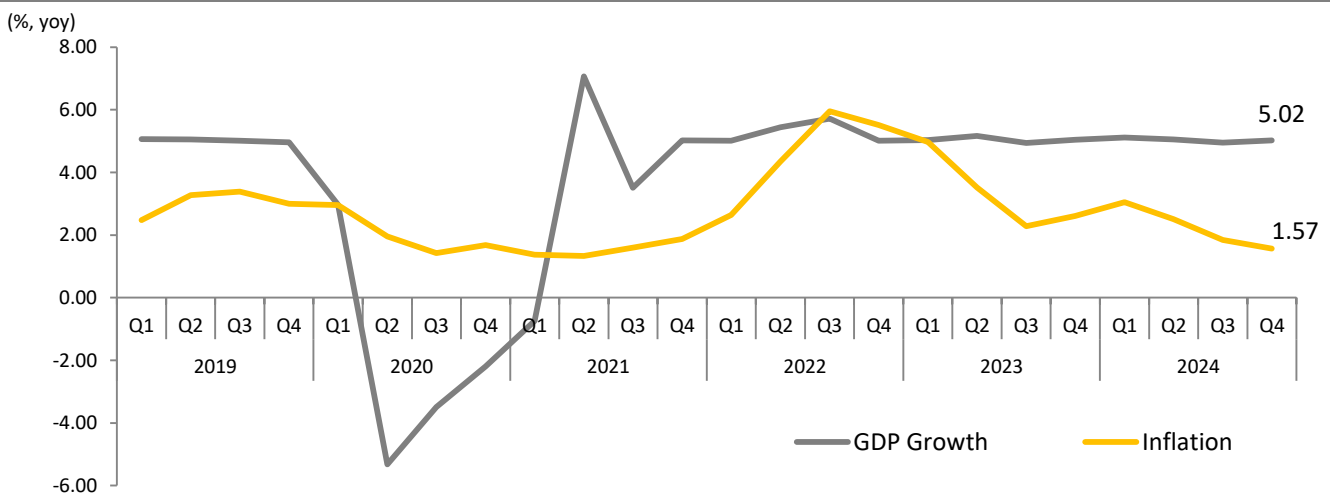
Indonesia’s economic growth in 4Q24 came in slightly below our expectations, registering at 0.53% QoQ or 5.02% YoY (Cons: 0.47% QoQ or 5.02% YoY, KBVS: 0.54% QoQ or 5.04% YoY, Prev: 1.50% QoQ or 4.95% YoY). This brought full-year 2024 GDP growth to 5.03% YoY, with nominal GDP reaching IDR22,139.0 tn and GDP per capita recorded at IDR78.6 mn or USD4,960.3 per person per year.

On the expenditure side, household consumption and gross fixed capital formation remained the primary drivers of growth, contributing 2.60% and 1.43%, respectively, to the overall expansion. Their respective growth rates stood at 4.98% YoY and 5.03% YoY. Additionally, government consumption rose by 4.17% YoY, while exports grew by 7.63% YoY. However, their contributions to GDP growth during this period were relatively modest, at 0.48% and 1.53%, respectively (see Table 2, P.2).

From a sectoral perspective, the Manufacturing Sector remained the primary driver of economic growth, contributing 0.90% to overall expansion and registering a growth rate of 4.89% YoY in 4Q24. However, this figure lagged behind the average growth of other sectors, particularly when compared to the robust expansion recorded in the Transportation and Warehousing sector (7.92% YoY), Business Services (8.08% YoY), and Other Services (11.36% YoY). Despite their high growth rates, these sectors made relatively small contributions to overall GDP growth in 2024, at 0.39%, 0.16%, and 0.19%, respectively. The relatively weak growth of the Manufacturing Sector raises concerns over the suboptimal impact of downstream industrialization efforts in strengthening the sector. Moreover, the sector’s ability to absorb the labor force remained limited, employing only 660,000 people out of the 4.4 mn new labor force entrants in 2024.

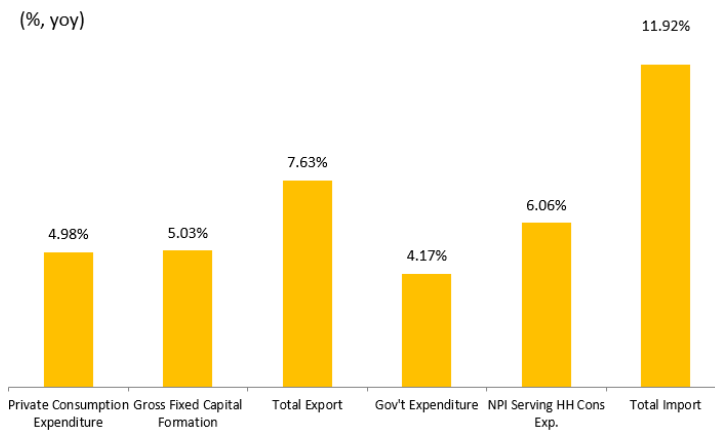
Looking ahead, several factors are expected to support economic growth in 1Q25, including the ongoing electricity discount program, which runs until Feb ‘25 and could increase the likelihood of monthly deflation in the first two months of the year. Additionally, the rollout of the free nutritious meal program on Jan 1, ‘25, along with its additional budget allocation, the 6.5% average increase in the provincial minimum wage (UMP), and the seasonal momentum of Eid celebrations are expected to positively impact disposable income and consumer purchasing power. However, concerns over potential Trump tariffs and retaliatory measures from various countries may slightly hinder Indonesia’s export performance. Moreover, investor sentiment may remain cautious, leading to a *wait-and-see* approach in both portfolio and direct investment inflows. In this context, we anticipate that Bank Indonesia may consider opening room for a policy rate cut by the end of 1Q25 or early 2Q25 to stimulate domestic investment. As a result, we expect GDP growth to remain above 5.0% YoY in 1Q25 and 2Q25.

Fig 1. Indonesia’s Economic Growth & Inflation



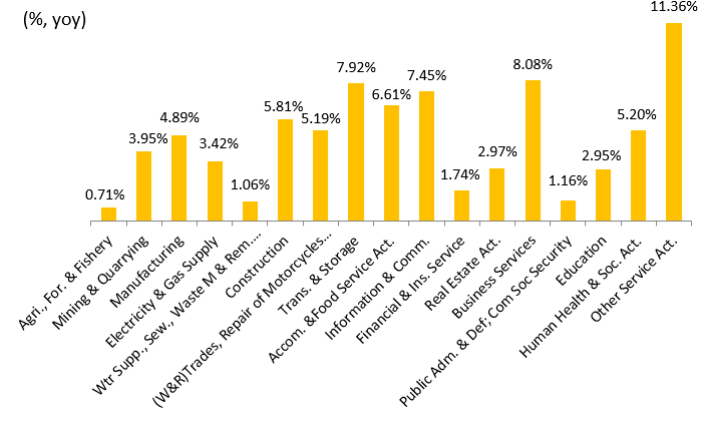
Sources: Bps, KBVS Research – treated (2025)

Fig 2. GDP Based On Expenditure on 4Q24



Sources: Bloomberg, KBVS Research - treated (2025)

Fig 3. GDP Based On Industrial Origin on 4Q24



Sources: Bloomberg, KBVS Research - treated (2025)

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

Types	Current Price			Constant Price (2010)		
	2022	2023	2024	2022	2023	2024
Based On Expenditure						
Private Consumption Expenditure	10,161.70	11,109.60	11,964.90	6,187.90	6,486.30	6,806.40
Gross Fixed Capital Formation	5,697.30	6,090.70	6,452.50	3,686.60	3,825.20	4,001.70
Total Export	4,799.80	4,544.90	4,911.20	2,858.00	2,896.40	3,085.10
Total Import	4,106.10	4,091.20	4,514.00	2,420.8	2,382.00	2,571.40
Government Consumption Expenditure	1,506.30	1,557.50	1,711.60	871.00	897.30	956.60
NPI Serving Household Consumption Expenditure	229.00	261.20	300.10	139.90	153.90	173.10
Changes in Inventories	129.40	248.60	498.30	70.70	127.70	246.70
Based On Industrial Origin						
Manufacturing	3,591.80	3,900.10	4,202.90	2,396.60	2,507.80	2,618.90
Agri., For. & Fishery	2,428.90	2,617.70	2,791.40	1,435.90	1,454.60	1,464.30
(W&R)Trades, Repair of Motorcycles & MC	2,516.70	2,702.60	2,892.70	1,530.00	1,604.20	1,682.30
Mining & Quarrying	2,393.40	2,198.00	2,026.60	858.10	910.70	955.30
Construction	1,913.00	2,702.40	2,233.50	1,530.00	1,604.20	1,682.80
Transportation & Storage	983.50	1,231.20	1,358.10	486.90	554.80	603.10
Information & Comm.	812.70	883.60	960.00	750.30	807.30	868.40
Financial & Ins. Service	809.40	869.20	922.80	473.60	496.20	519.70
Education	566.40	583.40	621.40	352.60	358.80	372.30
Public Adm. & Def; Com Soc Security	605.40	616.40	673.70	373.40	379.10	403.30
Accom. & Food Service Act.	471.90	526.20	584.50	347.90	382.60	415.40
Real Estate Act.	488.30	505.50	520.70	339.00	343.90	352.50
Other Service Act.	354.20	405.20	454.30	219.80	242.90	266.70
Business Services	341.40	383.10	424.20	214.40	232.10	251.50
Human Health & Soc. Act.	236.20	252.00	278.20	161.40	168.90	182.60
Electricity & Gas Supply	204.70	218.30	227.50	122.50	128.50	134.60
Wtr Supp., Sew., Waste M & Rem. Activities	12.50	13.30	14.30	10.20	10.70	10.90
Indonesia's GDP	19,588.10	20,892.30	22,139.00	11,710.20	12,310.50	12,920.30

Sources: BPS, KBVS Research - treated (2025)

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