

## Indonesia Growth Indicators

Real GDP by Expenditures, yoy	1Q23	2Q23
Household consumption	4.5%	5.2%
Government spending	3.5%	10.6%
Investment	2.1%	4.6%
Exports	12.2%	-2.8%
Import	3.8%	-3.1%
Real GDP by Sectors, yoy		
Agriculture	0.4%	2.0%
Mining and quarrying	4.9%	5.0%
Manufacturing	4.4%	4.9%
Electricity and gas	2.7%	3.2%
Water, wastewater, and waste Mgmt.	5.7%	4.8%
Construction	0.3%	5.2%
Wholesale and retail trade	4.9%	5.3%
Transportations & logistics	15.9%	15.3%
Accommodations and restaurants	11.6%	9.9%
Information and telecommunication	7.1%	8.0%
Financial and insurance services	4.5%	2.9%
Property	0.4%	1.0%
Business and corporate services	6.4%	9.6%
Government administration	2.1%	8.2%
Education	1.0%	5.4%
Health and social services	4.8%	8.3%
Other services	8.9%	11.9%
Real GDP, yoy	5.0%	5.2%
Growth indicators yoy		
Consumer confidence index	7.3%	3.1%
Real sales index	1.6%	3.0%
Commercial car sales	7.5%	-5.5%
Cement sales	-6.5%	-3.7%
Machineries Import	-2.1%	-1.1%
Fiscal revenue	29.0%	-6.7%
Fiscal spending	5.7%	-2.1%
Exports volume	26.9%	1.7%
Imports volume	4.4%	4.7%

Source: BPS, SSI Research

## Indonesia political business cycle has begun

Indonesia's 2Q23 economic growth came in at 5.2% yoy, beating consensus (5% yoy). The better-than-expected growth was mainly driven by the increase in government spending (10.6% yoy) ahead of the 2024 election. We believe that the government can maintain its double-digit spending growth rate through the end of the presidential election in February 2024 (1Q24), partly due to the impact of the 2022 commodity windfall. Therefore, we revised up our FY23 economic growth projection to 5.1% (Prev: 4.7%). Also, we project that the increase in government spending ahead of the election will positively impact health and social services, information and telecommunications, and construction sectors. Mobility-based sectors such as automotive manufacturing, accommodation and restaurants, as well as transportation and logistics, will remain the driving force for Indonesia's economic growth this year.

Indonesia's 2Q23 economic growth came in at 5.2% yoy, beating our estimate and consensus (1Q22: &Cons: 5% yoy; SSI: 4.6% yoy). Although exports fell by -2.8% yoy (1Q23: 12.2% yoy) due to global commodity slump, its impact was offset by the double-digit growth in government spending (10.6% yoy; 1Q23: 3.5% yoy), which had a multiplier effect (multiplier effect) on household consumption and investment growth, boosting them to 5.2% and 4.6% yoy respectively (1Q22: 4.5% and 2.1% yoy).

The spike in government spending this time was higher than the one before the 2019 election, which peaked at 8.2% in 2Q19 (see Chart 1). We believe that the impact of the 2022 commodity windfall helped boost this year's spike. **Based on this fact, we believe that President Joko Widodo's administration will be able to maintain government spending growth at double-digit levels through the end of the 2024 presidential election in February. Therefore, we raised our FY23F economic growth projection to 5.1% (Prev: 4.7%) with 3Q23 and 4Q23 growth rates of 5.1% yoy (Prev: 4.7% and 4.8% yoy, respectively).**

Even so, we decided to maintain our FY24 economic growth projection at 4.9%. With quarterly growth rates of 5.1% yoy (1Q24F), 4.8% yoy (2Q24F and 3Q24F), and 5% yoy (4Q24F). Our projection was made after considering the challenges that would be faced by the Indonesian economy in 2024, including a) the impact of commodity windfall will continue to fade away, b) the high base effect from the spike in government spending this year, and c) normalization of government spending growth, as was also the case in the previous elections.

According to our observations, the increase in government spending benefited sectors affected by social spending, including **health and social services** sector, which grew 8.3% yoy in 2Q23 (1Q23: 4.8% yoy), as well as infrastructure spending, such as the **information and telecommunication** sector, which grew 8% yoy (1Q23: 7.1% yoy) and **construction**, which grew 5.2% yoy (1Q23: 0.3% yoy/see Chart 2).

Meanwhile, mobility-based sectors are expected to remain the main driver of Indonesia's post-pandemic economic recovery. These sectors consisted of the **transportation and logistics** sector, which grew 15.3% yoy in 2Q23 (1Q23: 15.9% yoy), **accommodation and restaurants**, which grew 9.9% yoy (1Q23: 11.6% yoy), and **automotive manufacturing**, which grew 9.7% yoy (1Q23: 17.3% yoy/see Chart 2). In addition, the **metal manufacturing** sector also recorded double-digit growth of 11.5% yoy (1Q23: 15.5% yoy) thanks to the government's commitment to its mine downstream policy.

**Lionel Priyadi**

Macro Strategist

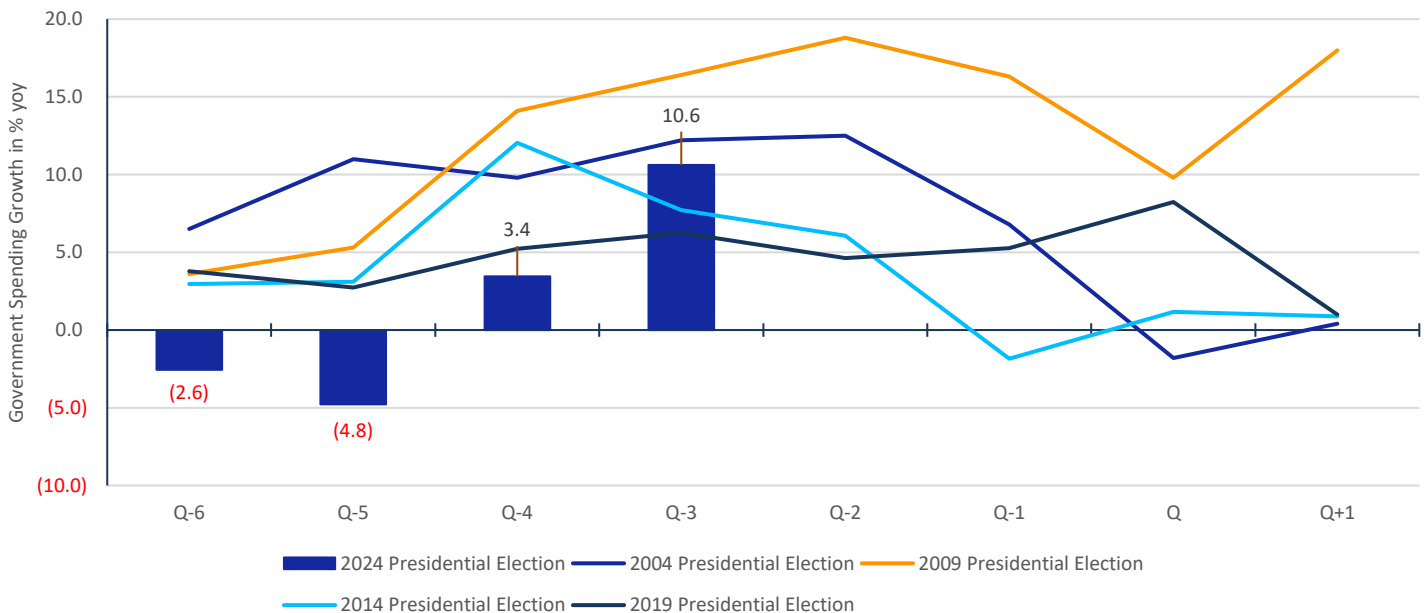
lionel.priyadi@samuel.co.id

+6221 2854 8854

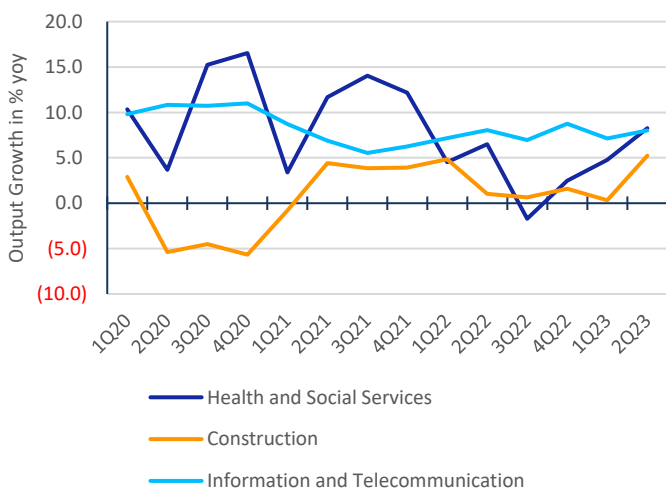
**Table 1. SSI Macroeconomic Forecast Table**

Indicators (% yoy)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23F	4Q23F	1Q24F	2Q24F	3Q24F	4Q24F	FY22	FY23F	FY24F
Real GDP (NSA % qoq)	(0.9)	3.7	1.8	0.4	(0.9)	3.9	1.8	0.3	(0.9)	3.6	1.7	0.6			
Real GDP	5.0	5.5	5.7	5.0	5.0	5.2	5.1	5.1	5.1	4.8	4.8	5.0	5.3	5.1	4.9
Unemployment rate (% nsa)	5.8	5.8	5.9	5.9	5.5	5.5	5.4	5.3	5.2	5.1	5.1	5.0	5.9	5.3	5.0
Consumer price	2.6	4.4	6.0	5.5	5.0	3.5	2.4	2.6	2.7	3.1	3.3	3.3	5.5	2.6	3.3
Current account balance (% to GDP)	0.2	1.1	1.3	1.3	0.9	(1.3)	(0.9)	(1.1)	(0.7)	(1.9)	(1.3)	(1.6)	1.0	(0.6)	(1.4)
12M rolling sum	0.4	0.9	0.8	1.0	1.2	0.5	(0.1)	(0.6)	(1.1)	(1.2)	(1.3)	(1.4)			
Fiscal balance (% to GDP)	0.1	0.5	0.3	(2.4)	0.6	0.7	(1.3)	(2.5)	(0.7)	(1.3)	(1.9)	(2.6)	(2.4)	(2.5)	(2.6)
Policy rate, 7 day reverse repo rate (%)	3.50	3.50	4.25	5.50	5.75	5.75	5.75	5.25	4.75	4.25	4.25	4.25	5.50	5.25	4.25
10-year government bond yield (%)	6.74	7.22	7.37	6.94	6.79	6.26	6.20	6.00	5.80	5.50	5.70	5.60	6.94	6.00	5.60
Exchange rate (USD/IDR)	14,369	14,898	15,228	15,568	14,995	14,993	14,700	14,900	15,000	14,900	14,800	14,700	15,568	14,900	14,700

Source: SSI Research.

**Chart 1. Indonesia Political Business Cycle by SSI**


Source: BPS, Bloomberg, SSI Research

**Chart 2. Sectors that Benefits from Increasing State Expenditure**


Source: BPS, SSI Research

**Chart 3. Sectors that Lead Post-Pandemic Recovery**


Source: BPS, SSI Research

Research Team			
Prasetya Gunadi	Head of Equity Research, Strategy, Banking, Digital Banks	prasetya.gunadi@samuel.co.id	+6221 2854 8320
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
Muhamad Alfatih, CSA, CTA, CFTe	Senior Technical Analyst	m.alfatih@samuel.co.id	+6221 2854 8129
William Mamudi, CFTe, CMT, CCT	Senior Technical Analyst	william.mamudi@samuel.co.id	+6221 2854 8382
Yosua Zisokhi	Cement, Cigarette, Paper, Plantation, Telco Infra, Chemicals	yosua.zisokhi@samuel.co.id	+6221 2854 8387
M. Farras Farhan	Media, Poultry, Oil & Gas, Technology	farras.farhan@samuel.co.id	+6221 2854 8346
Pebe Peresia	Automotive, Consumer Staples, Retail	pebe.peresia@samuel.co.id	+6221 2854 8339
Juan Oktavianus Harahap	Coal, Metal Mining	juan.oktavianus@samuel.co.id	+6221 2854 8846
Jonathan Guyadi	Banking, Healthcare, Telco	jonathan.guyadi@samuel.co.id	+6221 2854 8321
Adolf Richardo	Editor	adolf.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri Yuliana	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389
Daniel Aditya Widjaja	Research Associate	daniel.aditya@samuel.co.id	+6221 2854 8322
Laurencia Hiemas	Research Associate	laurencia.hiemas@samuel.co.id	+6221 2854 8392
Brandon Boedhiman	Research Associate	brandon.boedhiman@samuel.co.id	+6221 2854 8392

Equity Institutional Team			
Benny Bambang Soebagjo	Head of Institutional Equity Sales	benny.soebagjo@samuel.co.id	+6221 2854 8312
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
Anthony Yunus	Institutional Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
Widya Meidrianto	Institutional Equity Sales	widya.meidrianto@samuel.co.id	+6221 2854 8317
Fachruly Fiater	Institutional Sales Trader	fachruly.fiater@samuel.co.id	+6221 2854 8325
Lucia Irawati	Institutional Sales Trader	lucia.irawati@samuel.co.id	+6221 2854 8173
Alexander Tayus	Institutional Equity Dealer	alexander.tayus@samuel.co.id	+6221 2854 8319
Leonardo Christian	Institutional Equity Dealer	leonardo.christian@samuel.co.id	+6221 2854 8147

Equity Retail Team			
Joseph Soegandhi	Head of Equity	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Clarice Wijana	Head of Equity Sales Support	clarice.wijana@samuel.co.id	+6221 2854 8395
Gitta Wahyu Retnani	Equity Sales & Trainer	gitta.wahyu@samuel.co.id	+6221 2854 8365
Vincentius Darren	Equity Sales	darren@samuel.co.id	+6221 2854 8348
Michael Alexander	Equity Sales	michael.alexander@samuel.co.id	+6221 2854 8369
Sylviawati	Equity Sales	sylviawati@samuel.co.id	+6221 2854 8112
Wandha Ahmad	Equity Sales	wandha.ahmad@samuel.co.id	+6221 2854 8316
Handa Sandiawan	Equity Sales	handa.sandiawan@samuel.co.id	+6221 2854 8302
Denzel Obaja	Equity Sales	denzel.obaja@samuel.co.id	+6221 2854 8342
Wahyudi Budiyo	Dealer	wahyudi.budiyo@samuel.co.id	+6221 2854 8152

Fixed Income Sales Team			
R. Virine Tresna Sundari	Head of Fixed Income	virine.sundari@samuel.co.id	+6221 2854 8170
Rudianto Nugroho	Fixed Income Sales	rudianto.nugroho@samuel.co.id	+6221 2854 8306
Sany Rizal Keliobas	Fixed Income Sales	sany.rizal@samuel.co.id	+6221 2854 8337
Safitri	Fixed Income Sales	safitri@samuel.co.id	+6221 2854 8376
Khairanni	Fixed Income Sales	khairanni@samuel.co.id	+6221 2854 8104
Saldy Achmad Yanuar	Fixed Income Sales	saldy.achmad@samuel.co.id	+6221 2854 8384
Nadya Attahira	Fixed Income Sales	nadya.attahira@samuel.co.id	+6221 2854 8305

**DISCLAIMERS** :Analyst Certification : The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. This document is for information only and for the use of the recipient. It is not to be reproduced or copied or made available to others. Under no circumstances is it to be considered as an offer to sell or solicitation to buy any security. Any recommendation contained in this report may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy, completeness and reliability cannot be guaranteed. All rights reserved by PT Samuel Sekuritas Indonesia.