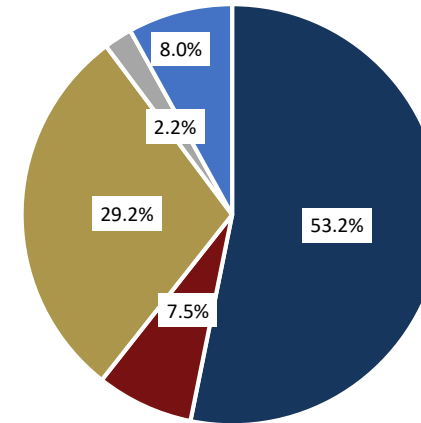


Gross Domestic Product 2024: 5 February 2025

- Indonesia's economy expanded by 5.02% year-over-year in Q4 2024, aligning precisely with our projection of 5.02% and slightly surpassing market expectations of 4.98%. Full-year growth (5.3%) is also in line with our projection (5.25%). While this growth demonstrates resilience, it remains below the country's 10-year average of 5.07% (excluding the pandemic years). This suggests that while Indonesia has maintained stability, it has yet to fully regain its historical economic momentum. The slightly below-average growth can be explained by the interplay of demand-side and supply-side factors, particularly weak inflation-driven consumption and constrained manufacturing expansion.
- On the demand side, inflation has been declining sharply, with the annual inflation rate in 2024 falling to 1.57%, the lowest since 1968. While this should, in theory, support consumer purchasing power, the depth of the decline indicates lack of strong demand-driven price pressures. Private consumption grew 4.98%, only marginally higher than 4.91% in Q3, signaling that household spending remained cautious despite stable prices. Since private consumption accounts for more than half of Indonesia's GDP, this weakness in spending has tempered overall growth.
- On the supply side, the manufacturing sector showed improvement, with the S&P Global Indonesia Manufacturing PMI reaching 51.2 in December. However, this followed two months of contraction in October (49.2) and November (49.6), which fell below the expected industrial expansion that usually begins in November as year-end festivities approach. Thus said, its impact on GDP remains moderate rather than transformative. The manufacturing sector expanded 4.89% in Q4, slightly higher than 4.72% in Q3, but still below the sector's historical highs. Moreover, export growth (7.63%) slowed from 8.79% in the previous quarter, while imports (10.36%) continued to outpace exports, reflecting pressure on our local currency on the back of persistent external imbalances and global demand headwinds.
- Looking ahead, Indonesia's economic trajectory remains broadly stable, though below its long-term potential. The government has set an official 2025 GDP growth target of 5.2%, but we expect the actual growth to be slightly below 5% (4.97%), reflecting a more cautious outlook given the challenges from global macroeconomic downturns. While the economy has proven resilient, the balance between sluggish demand and constrained supply-side growth will be key in determining whether Indonesia can achieve sustained, above-average expansion in the years ahead.

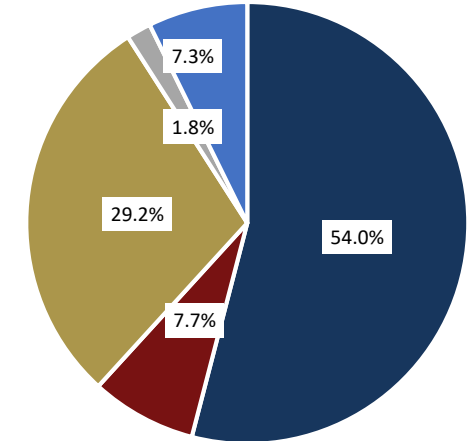
Distribution of GDP, 2023 vs 2024

2023



■ Household Consumption ■ Government Spending
■ Investment ■ Net Export
■ Others

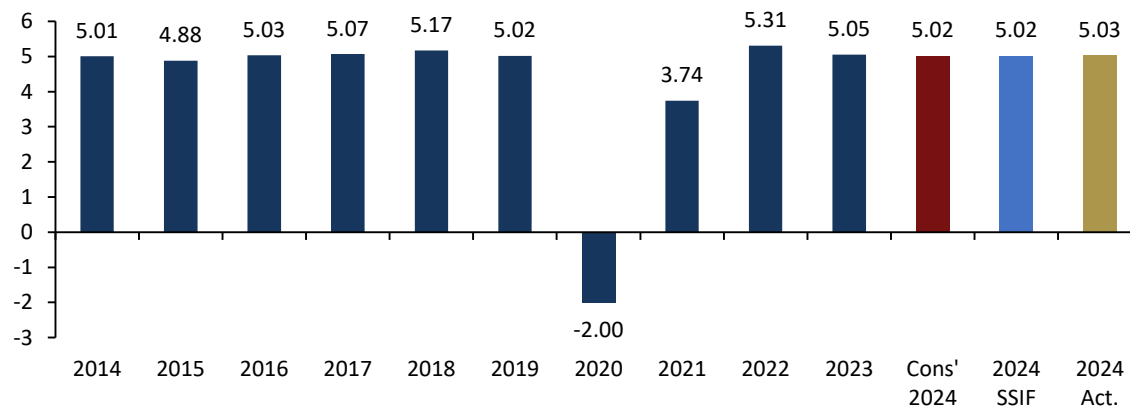
2024



■ Household Consumption ■ Government Spending
■ Investment ■ Net Export
■ Others

Indonesia's GDP Growth Annual (YoY)

(%)



Indonesia's GDP Growth Quartal (YoY)

(%)

