

Indonesia's 3Q GDP narrowly beats expectations

Indonesia's recovery continues aided by robust exports and retail sales but headwinds loom



Source: Stenly Lam

5.7% YoY growth

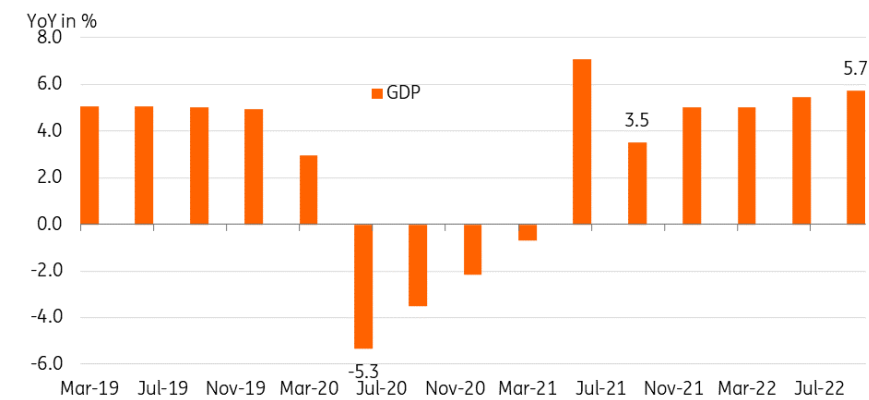
Higher than expected

3Q GDP up 5.7%

Indonesia's economy grew 5.7% year-on-year which was a shade better than the market consensus of 5.6%. Economic activity was underpinned by robust export performance with Indonesia recording substantial trade surpluses during the period. Also supporting growth for the quarter was still-solid household spending with retail sales up an average of 5.3% for 3Q.

Growth, however, is expected to face challenges as early as 4Q22 as both core and headline inflation accelerate, a development which could undercut domestic consumption. Meanwhile, expectations for a slowdown in global trade could also weigh on Indonesia's export sector in the coming months.

Growth momentum could be challenged as early as 4Q



Source: Badan Pusat Statistik

Solid growth report suggests hawkish BI

Bank Indonesia (BI) had been one of the more reluctant rate hikers in 2022. BI Governor Perry Warjiyo opted to delay his tightening cycle for as long as inflation allowed him to but the central bank has since hiked rates, with the first increase last July. The better-than-expected GDP report should give BI some space to tighten aggressively, especially with the recent slide in the rupiah.

We are pencilling in a 50bp rate hike by BI at the 17 November meeting.