Indonesia: 3Q GDP slips below consensus as mobility curbs weigh on momentum

Mobility curbs implemented to slow Covid infections weighed on overall economic activity

Source: Stenly Lam

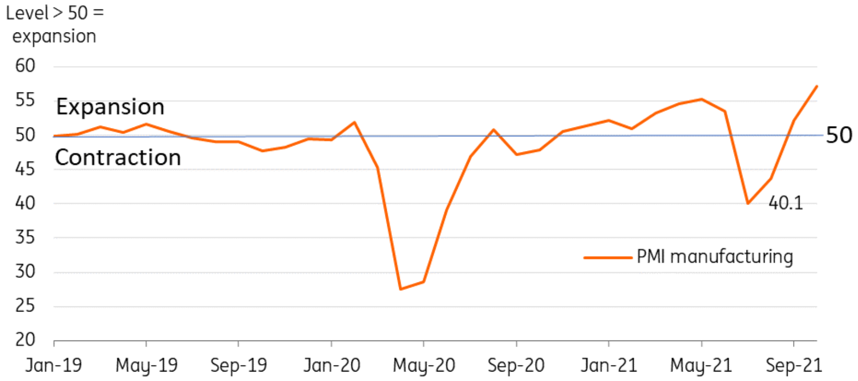
3.5% 3Q GDP YoY growth

Lower than expected

3Q GDP at 3.5% as mobility curbs hampered recovery efforts

Indonesia's 3Q GDP slipped below market consensus after mobility curbs implemented during the period weighed on economic growth. Household consumption was subdued due to the restrictions and possibly due to concerns about catching the virus, offsetting robust export growth. The negative impact of mobility restrictions was highlighted in the contraction in PMI in July and August. We forecast Q4 GDP to improve as movement restrictions have been relaxed since Covid-19 daily infections steadied to below 1,000 over the past two months. Overall we expect resurgent consumption alongside a sustained export rebound to help Indonesia have a stronger finish to the year.

Indonesia PMI manufacturing



Source: IHS Markit

Growth miss justifies central bank pause

Bank Indonesia has kept policy rates at accommodative levels as BI Governor Warjiyo signalled that he would retain his "pro-growth" stance. Governor Warjiyo also indicated that measures to bolster bank lending (zero down payment for cars and property) would remain in play until 2023 in a bid to boost loan growth. With inflation benign and the currency relatively stable, we expect Bank Indonesia to keep policy rates untouched to close out the year and well into 2022. Pressure on the IDR to depreciate has been modest of late and BI has stepped up its triple intervention to stabilize the currency during times of stress.

Author

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com