

Snap | 5 February 2024

INDONESIA

Indonesia's GDP growth hits expectations

Fourth quarter, 2023 GDP growth settled at 5% YoY in Indonesia, in line with expectations



5.0%

Indonesia growth rate

4Q2023 (YoY)

As expected

2023 Full Year growth also at 5.0%

Indonesia's 4Q23 GDP growth settled at 5.0% YoY, in line with market expectations. The economy grew 0.45% compared to the previous quarter, and economic activity picked up ahead of the upcoming election on 14 February.

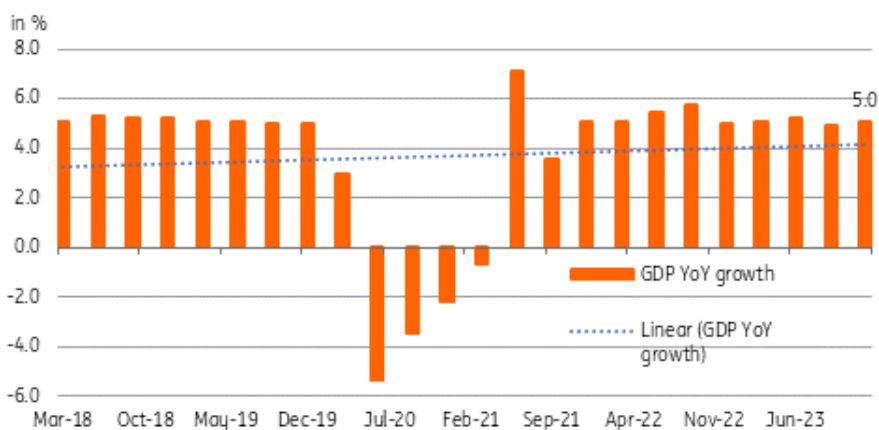
Household spending was a key support for growth, up 4.5% YoY, mirroring robust retail sales numbers reported by Bank Indonesia (BI). Government outlays posted growth but were more modest, up roughly 2.8% YoY.

Meanwhile, the economy received a boost from fixed capital formation, which expanded 5.0% YoY in 4Q23, managing to post decent growth despite seeing borrowing costs at elevated levels.

Indonesia's economic growth chugged along for the year, expanding a similar 5.0% YoY, which was also in line with market expectations.

Indonesia's 4Q GDP settles at 5.0%

Full year growth at a similar level



Growth momentum to continue in 1Q but attention shifts to elections

With inflation remaining subdued and economic activity expected to remain upbeat, given the fast-approaching election, we expect growth to pick up, albeit modestly, in the first quarter of 2024.

Meanwhile, with growth still robust and in line with their medium-term trend, we do not expect BI to resort to rate cuts anytime soon. Despite this expectation, BI Governor Warjiyo indicated he would be open to cutting rates sometime in the second half of the year.

Attention now quickly shifts to the upcoming elections on 14 February. Although frontrunner Defense Secretary Prabowo recently opened up a wider lead against his rivals, most still expect the presidential election to move on to a run-off election later in the year. Recently, [the IDR slipped on anxiety](#) ahead of the 14 February polls, so we'll be watching closely how election results unfold.

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