

Indonesia: Economy dips into recession

Indonesia slipped into recession, with the pandemic muting growth momentum



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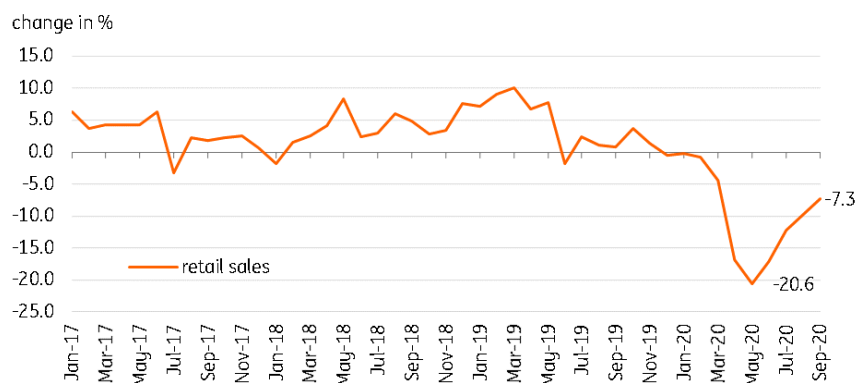
-3.5% 3Q GDP

Worse than expected

Economy stalls by more than expected, 3Q GDP at -3.5%

Indonesia's economy slipped into recession with 3Q GDP contracting by 3.5% as the pandemic weighed on overall economic momentum. Covid-19 new infections remain elevated in Indonesia with the 7-day moving average for new cases at 3,035 as of 4 November. Household consumption continues to be subdued, reflected in below-target inflation (1.5% in October) and negative retail sales at -7.3% as of September. Meanwhile, fiscal spending may not have helped bolster growth momentum as much as the authorities would have hoped for due to delays in disbursement of the aggressive fiscal stimulus package.

Indonesia retail sales



Source: Bank Indonesia

Economic momentum to be weighed down by the pandemic

We continue to expect growth momentum to be subdued for the next few quarters as Indonesia struggles to get a hold of the coronavirus. Meanwhile, GDP in 4Q will likely be weighed down after stringent lockdown measures were reinstated in Jakarta last October after cases spiked. We've noted trade surpluses over the past few months but the reversal in the trade balance may be traced to a steeper downturn in imports relative to the weakness in exports. Manufacturing activity remained in contraction over the past two months with the October PMI manufacturing index down to 47.8, which could translate into lower economic output over the next few quarters. We continue to forecast a contraction for GDP until 1Q 2021, with the [fate of the economic recovery tied to getting Covid-19 under control](#).