

Snap | 6 November 2023

INDONESIA

Growth in Indonesia dips on softer exports and elevated rates

Third-quarter GDP settled at 4.9% year-on-year in Indonesia, slightly below market consensus



The dip in GDP was largely attributed to slower export growth which resulted in a less robust net exports figure

4.9% YoY growth

Lower than expected

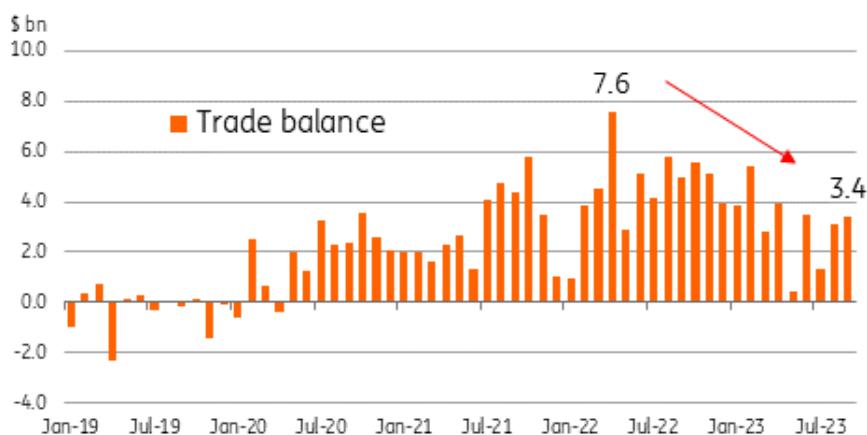
Third-quarter GDP at 4.9%

Indonesia's economy managed to grow 1.6% from the previous quarter, translating to a 4.9% year-on-year increase. This was slightly below expectations with market consensus pegged at 5.0% YoY. The slower-than-expected performance was attributed to slower export growth resulting in a less robust net exports figure, which was mirrored in the gradual narrowing of the trade surplus.

The trade surplus averaged \$4.5 billion in 2022 but has recently slid to \$2.5 billion as of the third quarter of this year. Slower export growth also impacted domestic industrial output and weighed on overall growth.

Meanwhile, mainstay household consumption could have also been impacted by elevated borrowing costs, offsetting the slowdown in CPI inflation. Growth could pick up in the coming months ahead of the Presidential elections in February 2024 – however, the trend slower of exports and elevated interest rates could continue to dampen overall growth momentum.

Slower exports resulted in a narrowing of the trade surplus



Source: Badan Pusat Statistik

BI reluctant to hike rates further

The disappointing third-quarter GDP report highlights one possible reason for the reluctance of Bank Indonesia (BI) to hike rates. BI had previously held off on increasing policy rates until finally relenting at their most recent meeting, taking the policy rate to 6% last 19 October.

We expect BI to remain open to hiking rates if the IDR comes under significant pressure, but the likely preference for the BI is to hold rates at current levels to help support economic growth.

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.