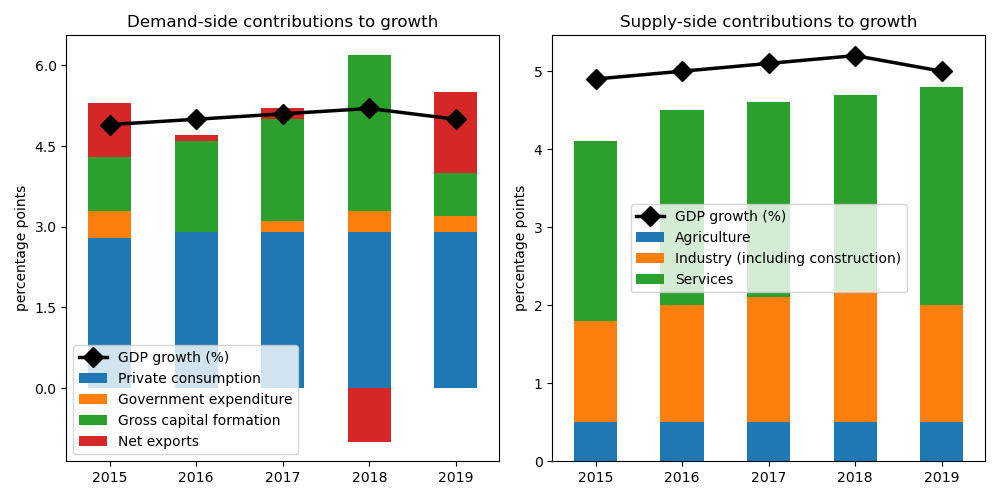
Indonesia: Recent Economic Developments and Outlook

# GDP growth in 2019 slowed down

GDP growth slowed down from 5.2% in 2018 to 5.0% in 2019. On the demand side, private consumption, accounting for 57.9% of GDP, contributed the most with 2.9 percentage points (pp). Net exports added 1.5pp. Gross capital formation shared 0.8pp. Government expenditure gave 0.3pp. On the supply side, services, accounting for 44.2% of GDP, contributed the most with 2.8pp. Industry (including construction) gave 1.5pp. Agriculture shared 0.5pp.



## Private consumption achieved largest gain on the demand side

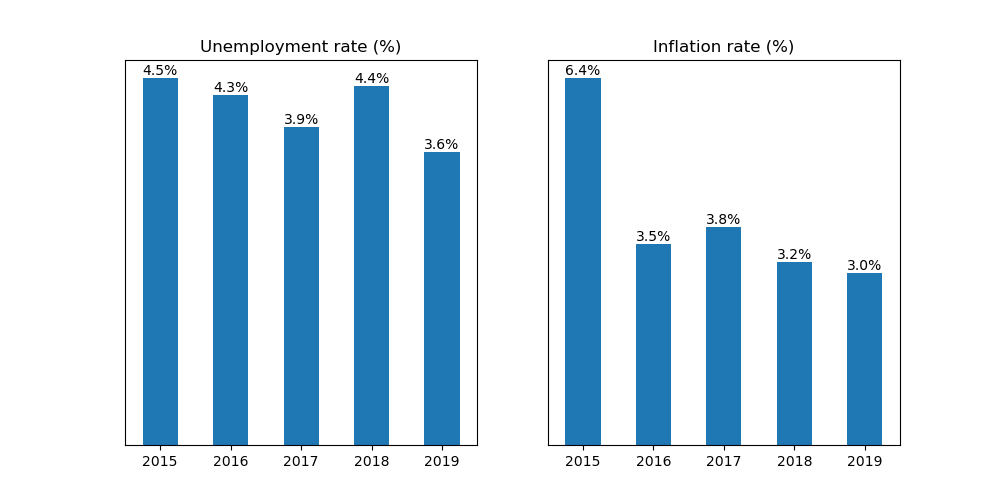
Private consumption increased by the biggest margin at 5.2% annual growth. Government expenditure expanded by 3.2%. Gross capital formation grew by 2.4%. On the other hand, net exports plunged by 50.4%.

## On the supply side, growth in services accelerated the fastest

Services jumped by the largest edge at 6.4% annual growth. Industry (including construction) expanded by 3.8%. Agriculture expanded by 3.6%.

## Unemployment declined; inflation plunged

Unemployment rate declined from 4.4% in 2018 to 3.6% in 2019. Consequently, inflation plunged from 3.2% to 3.0%. At the end of the year, the central bank set the policy rate at 5.0%.



## Current account balance posted a deficit

Current account balance (CAB) recorded a deficit at 2.7% of GDP in 2019. Net trade in goods and services reached USD -4.2 billion. In 2018, CAB posted a deficit at 2.9% of GDP.

China is the country's top export destination accounting for 16.7% of total exports in 2019. Other major exports partners include USA (10.6%), Japan (9.5%), Singapore (7.7%), and India (7.1%). Top export commodities are mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes, accounting for 20.8% of total exports.

For imports, top imports origin in 2019 is China (26.3% of total imports), followed by Singapore (10.1%), Japan (9.2%), USA (5.5%), and Thailand (5.5%). Major import commodities are nuclear reactors, boilers, machinery and mechanical appliances; parts thereof, accounting for 15.7% of total imports.

# Output contracted in Q3 2020

Output plunged by 3.5% year-on-year in Q3 of 2020. Growth in overall economic activity improved from a contraction of 5.3% in the previous quarter. Net exports jumped by the biggest margin at 73.4% annual growth. Government expenditure picked up by 10.0%. On the other hand, gross capital formation, private consumption, as well as household consumption, contracted by 10.8%, 4.0%, and 4.0%, respectively.

## Consumer confidence up

Meanwhile, consumer confidence index was in the positive territory at 79.0 points in Q4 of 2020. Confidence contracted from 83.4 points in the previous quarter. Expectations of consumers about the general economic situation in the next 12 months turned optimistic at 106.6 points from 112.6 points over the same period, reflecting worsened consumer sentiments.

## Industrial output expanded

Manufacturing expanded by 2.0% year-on-year in February, an increase from 0.6% growth in the previous month.

## Inflation worsened

Overall inflation worsened to 1.6% year-on-year in November from 1.4% in the previous month.

Indonesia's central bank eased the official policy rate to 3.75% in November from 4.0% in October.

# Outlook tilted downwards this year

On November 2020, Consensus Economics panelists project Indonesia's economic growth ending in 2020 at -2.0%. In 2021, the panelists foresee growth at 4.7%. Over the same period, consumption is expected to grow by -2.6% and 4.6%, while investment is projected to grow by -5.1% and 5.8%. Industrial production is seen to grow by -3.0% and 3.7%.

Meanwhile, Consensus Economics panelists foresee inflation averaging in 2020 at 2.0%. In 2021, the panelists project inflation at 2.3%.