

GDP:

What can we expect from this “baby bump”?

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Executive Summary

- GDP growth accelerated to 5.02% YoY in Q4-24, thanks to government spending amid Regional Elections and a manufacturing recovery aided by efforts to front-run Trump tariffs.
- Consumption has been aided by “Elections effect” and mostly held up better than many feared. In contrast, investment slowed as the drive to expedite “legacy projects” faded.
- As the government makes a hard pivot from infrastructure spending towards free meals and other programs, growth may slow in the interim due to reallocation of resources.
- Rising inventories had been a very significant growth driver in 2024 amid a general oversupply of commodities and manufactured goods globally, further increasing the odds of a slowdown in 2025.
- Unwinding of inventory growth would be negative for real GDP growth but positive for nominal growth, and the ensuing reflation could spur growth in the longer-run.

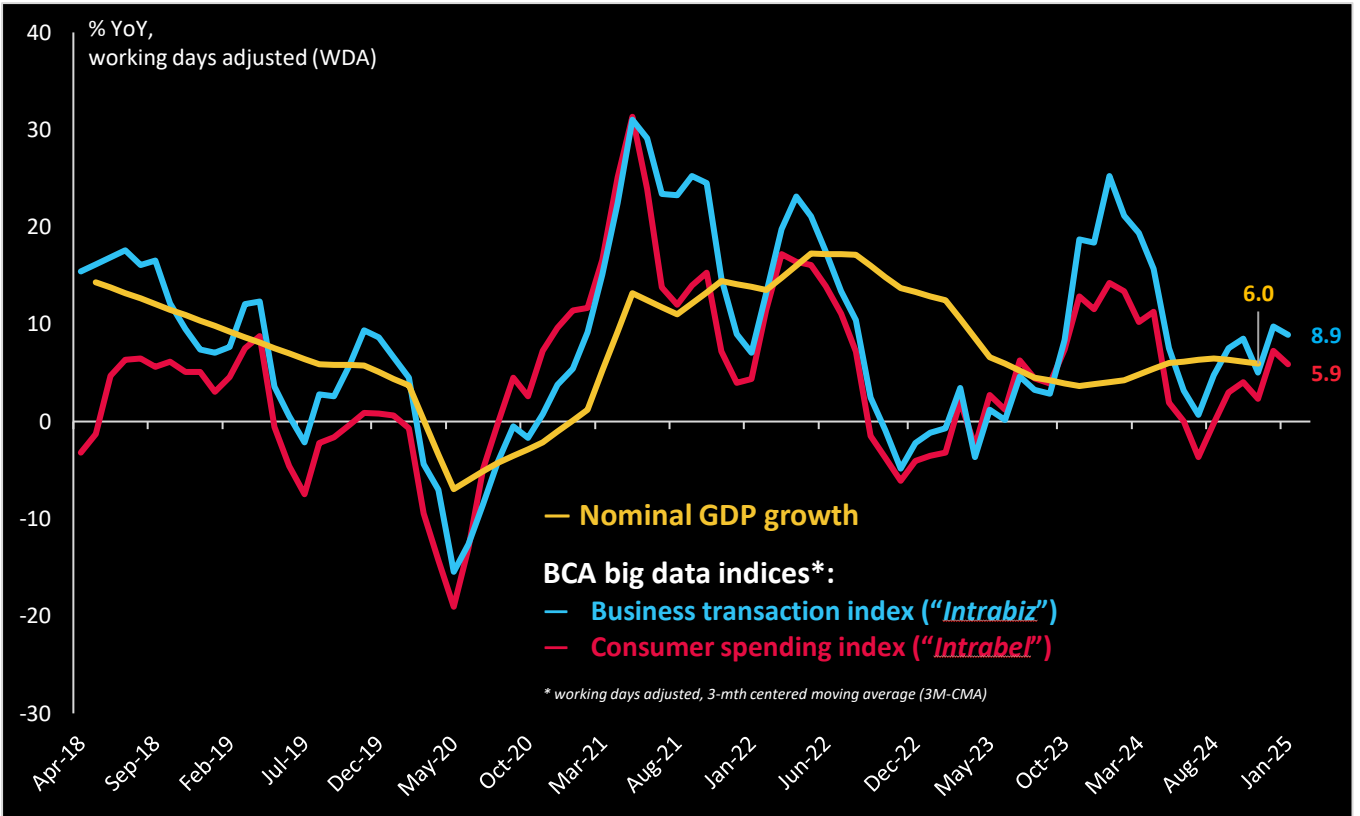
- Indonesia’s real (inflation-adjusted) GDP got a **small bump in Q4-24 to 5.02% YoY** (0.53% QoQ), bringing **full-year growth for 2024 to 5.03%**. This was above analysts’ consensus (Q4: 4.96%) but very close to our forecast (Q4: 5.03%), which was informed by the slight bump we saw in our Big Data during the quarter (see **Chart 1**).
- Given that this bump persists into January, does this mean our growth outlook for 2025 – or at least Q1-25 – is automatically better? Well, not really – **it depends whether the bump was temporary or a birth of something bigger and better**.
- In most respects, it appears to be temporary. In QoQ terms, last quarter’s growth was a bit higher than previous fourth quarters, just as Q1-24 was slightly higher than the usual first quarters (see **Chart 2**). In both cases, growth seems to have been bumped up by “**Elections effect**”, which led to higher growth in government spending.
- Basic household consumption (food, housing & utilities, healthcare & education) also benefited from this effect, thanks to disbursement of social spending and a concerted effort to control food prices. To that end, there had been massive rice importation (+166% QoQ), which may have partly explained the negative GDP contribution from net exports in Q4 (-0.25% YoY, see **Chart 3**).

- **Commodities and downstream sectors** were also notable growth drivers (see **Chart 4**). While the jump in prices for tropical products (CPO, rubber, coffee, cocoa) did not show up in the plantation sector's growth, it likely boosted output in the downstream industries (food processing, rubber & plastics).
- Hard commodities, meanwhile, were a mixed bag. Metals (both mining and processing) have continued their decline since early 2024, while coal saw a massive upsurge in output (14.2% YoY). The latter was probably driven by anticipation of rising demand during the Northern Hemisphere winter, which has depleted EU gas storage and probably drives higher demand from China and Japan as well.
- Still, there appears to be a disconnect between coal's output growth and its modest export performance (volume-wise: 4.7% YoY), which suggests either higher domestic use or – more likely – rising inventories. In fact, the latter has been a consistent – and worrying – theme throughout 2024, with **inventory growth contributing a full 0.97% to FY growth**.
- Apart from coal, this inventory growth likely includes the aforementioned rice imports, as well as a general glut in manufactured products globally – which leads to unsold inventory by local manufacturers and rising imports particularly from China. **Since inventories cannot keep growing forever** – before 2024, the long-run average contribution from inventories to GDP growth was zero (see **Chart 5**) – **this is probably the single best argument as to why GDP growth is bound to slow down in 2025**.
- Despite this issue, however, it was not all bad news for Indonesia's non-food, non-commodity-related manufacturers. After a difficult period in mid-year when the import floodgates were reopened, output seems to have stabilized in the most affected industries (textiles, footwear), while electronics (10.3% YoY) actually showed a nice Q4 bump.
- As before, however, this bump may have a temporary cause, namely concerns over Trump tariffs which prompted the whole global supply chains to expedite production. This urgency explains the revival in our Manufacturing PMI in Dec-Jan, after languishing below 50 for five straight months (Jul-Nov).
- Outside of what we have mentioned – Election & Trump effects, commodities, and inventories – the Q4 data were not particularly positive. **Discretionary consumption, at least, seems to be holding up okay**, which should allay the widespread concerns about slowing demand.
- In particular, we see **the income crunch as being concentrated in a certain slice of the demographics, albeit a large one**: "aspiring middle-class" living in manufacturing centers in Java. Meanwhile, other segments of the economy – white-collar workers, poor households dependent on government handout, commodity-dependent households outside Java – retain relatively stable purchasing power.
- **Fixed-asset investments (FAI) growth slowed** (from 4.78% to 4.37% YoY), which is to be expected since part of the bump in Q3 was driven by the efforts to expedite then-President Jokowi's "legacy projects" like the new capital city (IKN). Instead, under Pres. Prabowo we expect less focus on infrastructure, and more emphasis on his favored food self-sufficiency and welfare (especially the free school meal/MBG) projects.
- To this end, the President has called for large-scale reallocation of government spending, in part by reducing "wasteful spending" such as meetings and trips by bureaucrats. But while

this drive towards efficiency is certainly welcome, this could have notable impact on certain industries (hotels, transportation) that traditionally benefit from these spending. Incidentally, these sectors have been among the outperformers in 2023-24, but they have begun to slow in H2-24.

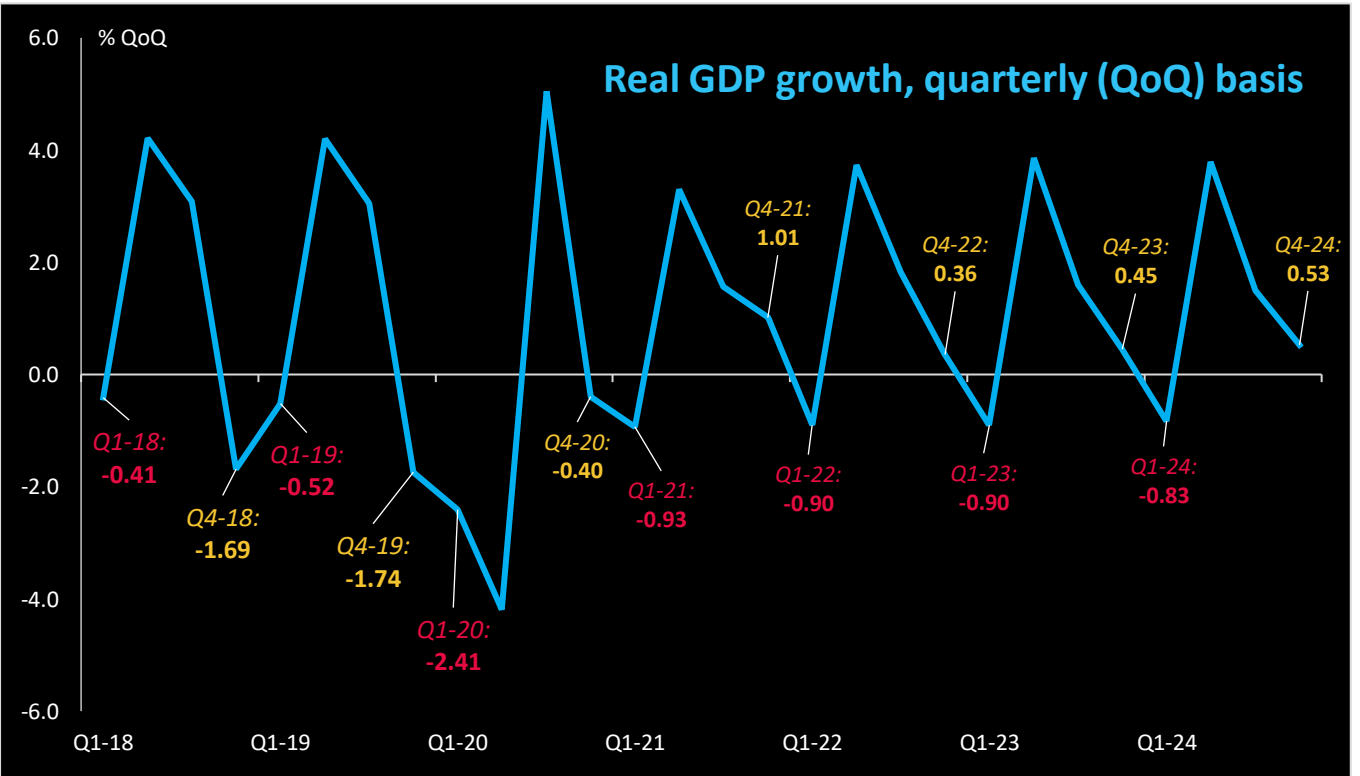
- And *there* is the big quandary as we ponder growth outlook for H1-25. While the President's initiatives would eventually have positive effects on the sectors involved (agriculture, food processing, healthcare & education), **the need to reallocate resources could lead to a short-term growth "valley" before the positive effects would be felt.**
- With this in mind, the government should move as quickly as possible, while at the same time trying to avoid liquidity crunch due to late payments to its (sub-)contractors in the SOEs and private sector. There are, to be sure, encouraging precedents from Pres. Jokowi's successful reallocation of resources towards infrastructure earlier, but we should remember that it took about two years (2015-16) before "*Jokowinomics*" could run at full speed.
- Considering the myriad global uncertainties – from Trump's tariffs to the oversupply in China – it is difficult to see the "baby bump" in Q4-24 being anything other than temporary. **GDP growth had benefited from so many short-term bumps at the same time, that there needs to be a big enough catalyst if we are to overcome the natural regression.**
- That said, while we are slightly cautious with regards to real GDP growth (**FY 2025: 4.9%**), we are more sanguine about NGDP growth (**FY 2025: 7.6%**). The big increase in inventories in 2024 has a lot to do with the low inflation and weak increase in GDP deflator (FY 2024: 0.89%), and a normalization of inventories – while a drawback for real growth – should thus improve nominal growth.
- From businesses' perspective, it is NGDP – rather than real GDP – that is being seen in their P/L statements. **This return to reflation** – in line with BI's tentative pivot towards a more accommodative stance – **should, in due time, enable a return of the private sector's animal spirits.**

Chart 1. BCA's big data showed a small bump in activity in Q4-24 and into Jan-25



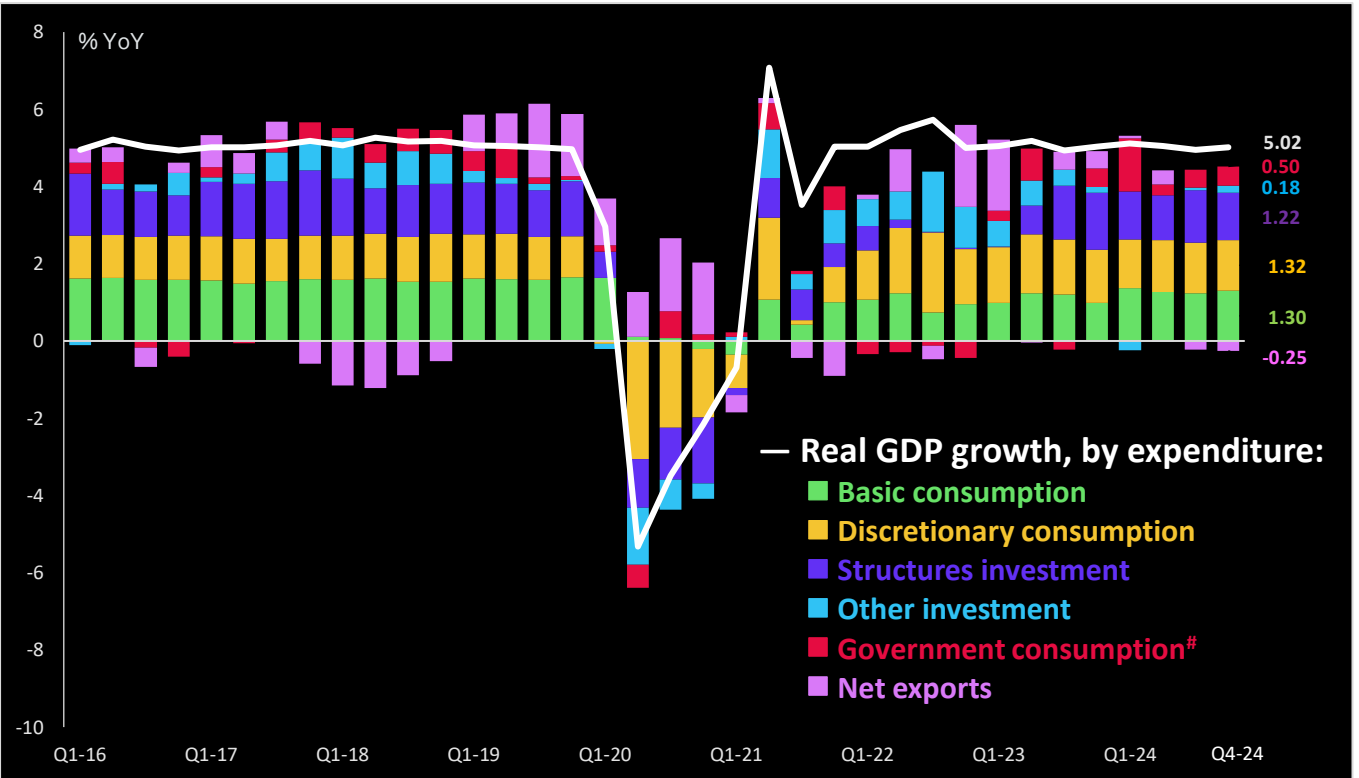
Source: BCA Big Data, calculation by BCA Economic Research

Chart 2. Slight growth increase during Q1-24 and Q4-24 compared to previous Q1's and Q4's point towards significant "Elections effects"



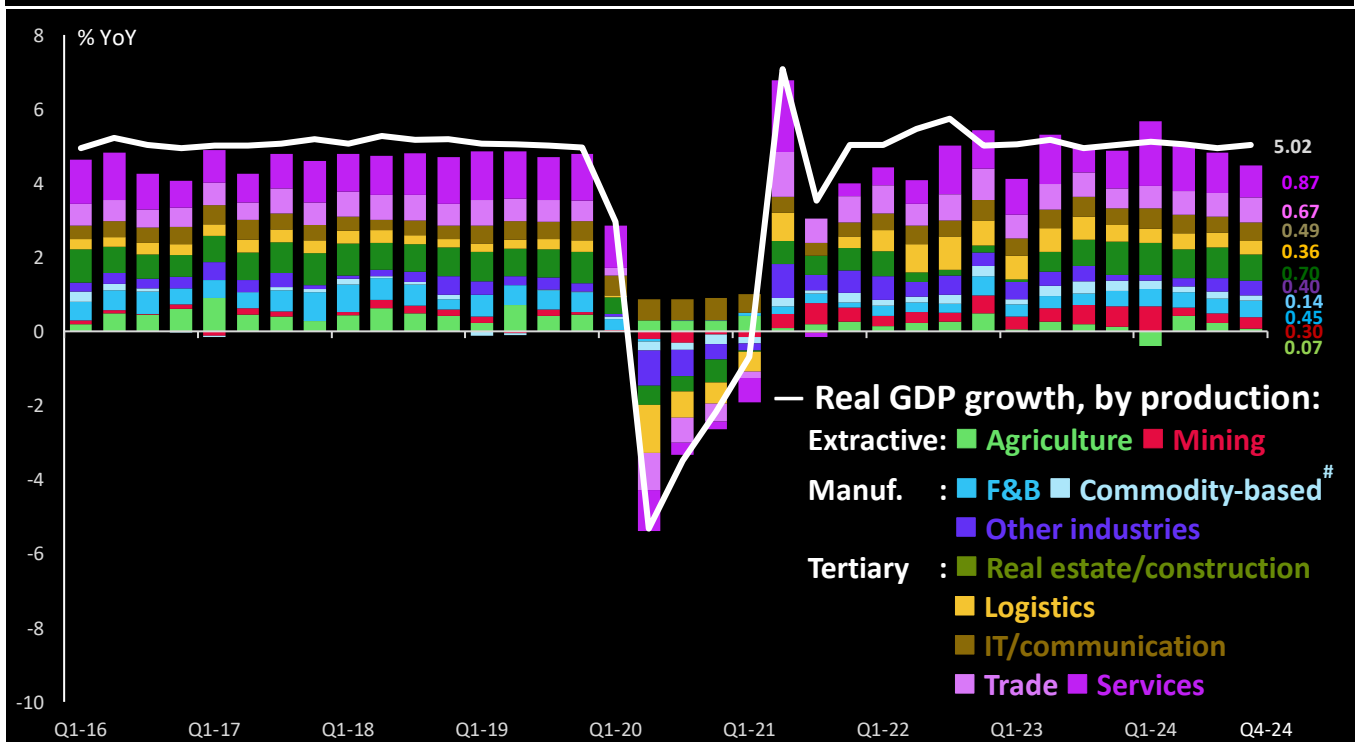
Source: BPS, calculated by BCA Economist

Chart 3. Basic consumption and government spending drove higher growth in Q4-24



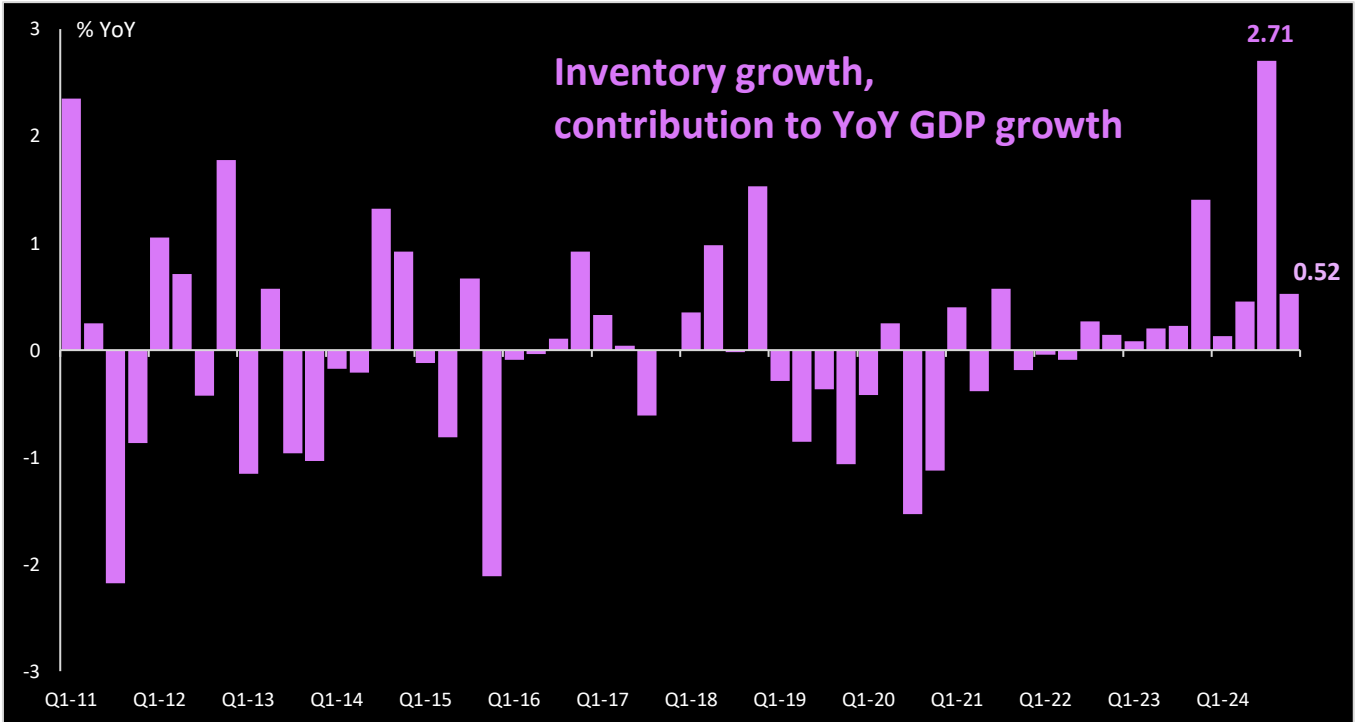
Source: BPS, calculated by BCA Economist

Chart 4. Manufacturing saw some limited recovery, particularly in F&B and some "Trump-sensitive" industries



Source: BPS, calculated by BCA Economist

Chart 5. Throughout 2024, GDP has been greatly propped up by inventory growth, suggesting a risk of future normalization



Source: BPS, calculated by BCA Economist

Table 1. Gross Domestic Products by Sector (nominal)

	2023		2024		Q4-23	Q1-24	Q2-24	Q3-24	Q4-24
	Rp Tn	Share	Rp Tn	Share	Rp Tn	Rp Tn	Rp Tn	Rp Tn	Rp Tn
Agriculture, livestock, forestry, and fishery	2,617.7	12.5	2,791.4	12.6	603.8	613.8	762.6	773.2	641.8
Mining and quarrying	2,198.0	10.5	2,026.6	9.2	510.0	493.9	485.9	511.1	535.7
Manufacturing industry	3,900.1	18.7	4,202.9	19.0	1,011.9	1,019.7	1,025.1	1,072.6	1,085.6
Electricity and gas	218.3	1.0	227.5	1.0	56.8	55.3	56.0	57.9	58.4
Water provisioning and waste recycling	13.3	0.1	14.3	0.1	3.4	3.5	3.6	3.6	3.7
Construction	2,072.4	9.9	2,233.5	10.1	556.1	541.2	533.3	567.3	591.6
Wholesale trade and repairs	2,702.4	12.9	2,892.7	13.1	687.0	695.4	719.4	738.2	739.7
Transportation and warehousing	1,231.2	5.9	1,358.1	6.1	326.2	313.4	345.6	347.9	351.2
Hotels, restaurant, and catering	526.3	2.5	584.4	2.6	139.0	138.5	145.9	147.6	152.5
Information and communication	883.6	4.2	960.0	4.3	228.0	232.9	239.8	241.1	246.2
Financial services and insurance	869.2	4.2	922.8	4.2	221.3	227.9	235.0	230.9	229.1
Real estate	505.5	2.4	520.7	2.4	127.8	128.5	128.9	130.9	132.3
Business services	383.1	1.8	424.2	1.9	99.4	102.0	106.7	106.3	109.2
Govt. administration, defence, and social security	616.4	3.0	673.7	3.0	164.3	177.7	179.3	147.4	169.3
Educational services	583.6	2.8	621.4	2.8	160.3	147.3	158.0	147.7	168.5
Healthcare and social services	252.0	1.2	278.2	1.3	69.6	64.7	69.2	69.8	74.5
Other services	405.2	1.9	454.3	2.1	107.3	108.2	113.1	111.6	121.4
GROSS DOMESTIC PRODUCT	20,892.4	100.0	22,139.0	100.0	5,302.5	5,288.6	5,536.6	5,638.9	5,674.9

*Numbers in recent quarters are subject to revision from BPS

Table 2. Gross Domestic Products by Expenditure (nominal)

	2023		2024		Q4-23	Q1-24	Q2-24	Q3-24	Q4-24
	Rp Tn	Share	Rp Tn	Share	Rp Tn	Rp Tn	Rp Tn	Rp Tn	Rp Tn
Household consumption	11,109.6	53.2	11,964.9	54.0	2,854.1	2,905.1	3,019.1	2,992.6	3,048.1
Consumption by non-profit organizations	260.7	1.2	300.1	1.4	72.2	75.8	73.3	73.0	77.9
Government consumption	1,555.5	7.4	1,711.6	7.7	526.3	332.0	407.2	407.4	565.0
Fixed-asset investment	6,127.7	29.3	6,452.5	29.1	1,621.1	1,541.3	1,535.4	1,666.7	1,709.2
Exports of goods and services	4,543.4	21.7	4,911.2	22.2	1,198.7	1,135.9	1,183.6	1,266.3	1,325.5
Imports of goods and services	4,088.4	19.6	4,514.0	20.4	1,077.6	1,042.6	1,086.9	1,176.7	1,207.8
GROSS DOMESTIC PRODUCT	20,892.4	100.0	22,139.0	100.0	5,302.5	5,288.6	5,536.6	5,638.9	5,674.9

Source: BPS

Table 3. Gross Domestic Products by Sector (%YoY)

	Last 3 Years			Last 3 Quarters		
	2022	2023	2024	Q2-24	Q3-24	Q4-24
Agriculture, livestock, forestry, and fishery	2.29	1.29	0.53	3.24	1.69	0.72
Mining and quarrying	4.38	6.12	4.97	3.17	3.46	3.95
Manufacturing industry	4.89	4.64	4.42	3.95	4.72	4.89
Electricity and gas	6.61	4.91	4.80	5.39	5.02	3.42
Water provisioning and waste recycling	3.24	4.90	1.59	0.84	0.03	1.06
Construction	2.01	4.91	7.04	7.29	7.48	5.81
Wholesale trade and repairs	5.50	4.83	4.87	4.86	4.82	5.20
Transportation and warehousing	19.86	13.96	8.69	9.56	8.64	7.92
Hotels, restaurant, and catering	11.94	10.01	8.60	10.15	8.30	6.60
Information and communication	7.73	7.61	7.58	7.66	6.82	7.45
Financial services and insurance	1.93	4.77	4.76	7.90	5.49	1.74
Real estate	1.72	1.43	2.50	2.16	2.32	2.97
Business services	8.77	8.24	8.40	7.96	7.93	8.08
Govt. administration , defence, and social security	2.52	1.50	6.72	2.84	3.95	1.19
Educational services	0.58	1.79	3.81	2.38	2.51	2.93
Healthcare and social services	2.73	4.66	8.27	8.57	7.65	5.21
Other services	9.47	10.52	9.77	8.85	9.95	11.36
GROSS DOMESTIC PRODUCT	5.31	5.05	5.03	5.05	4.94	5.02

Table 4. Gross Domestic Products by Expenditure (%YoY)

	Last 3 Years			Last 3 Quarters		
	2022	2023	2024	Q2-24	Q3-24	Q4-24
Household consumption	4.94	4.82	4.94	4.93	4.91	4.98
Consumption by non-profit organizations	5.66	9.83	13.06	9.98	11.69	6.30
Government consumption	-4.46	2.95	7.93	2.09	4.78	4.37
Fixed-asset investment	3.87	4.40	3.96	3.84	4.47	4.33
Exports of goods and services	16.27	1.32	6.53	8.21	8.80	7.64
Imports of goods and services	14.99	-1.65	7.94	7.77	11.83	10.68
GROSS DOMESTIC PRODUCT	5.31	5.05	5.03	5.05	4.94	5.02



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Indonesia – Economic Indicators Projection

	2019	2020	2021	2022	2023	2024	2025E
Real GDP growth (% YoY)	5.0	-2.1	3.7	5.3	5.0	5.0	4.9
Nominal GDP growth (% YoY)	6.7	-2.5	9.9	15.4	6.7	6.0	7.6
GDP per capita (USD)	4175	3912	4350	4784	4920	4960	5005
CPI inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	1.6	2.3
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	5.50
SBN 10Y yield (%)	7.04	5.86	6.36	6.92	6.45	6.97	7.47
USD/IDR exchange rate (end of year)	13,866	14,050	14,262	15,568	15,397	16,102	16,887
Trade balance (USD Bn)	-3.2	21.7	35.3	54.5	37.0	31.0	26.2
Current account balance (% of GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.6*	-0.9

Notes:

- USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time
- Numbers marked with (*) for 2024 are our projections; other numbers for 2024 are final

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