

GDP:

Planting the seeds for future growth

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Executive Summary

- GDP growth declined to 4.87% YoY due to a slowdown in FAI and government spending. However, nominal GDP stayed strong at 7.13% YoY.
- High agriculture growth was buoyed by food crops in real terms and plantation crops in nominal terms.
- Exports growth was robust due to tariff front-running by US importers while imports are held back by restriction on food imports.
- Faster realization of government programs is needed to counteract the likely slowdown in subsequent quarters amid trade war pressures, while Indonesia needs to position itself to benefit from the potential tailwind of industrial relocation in the future.

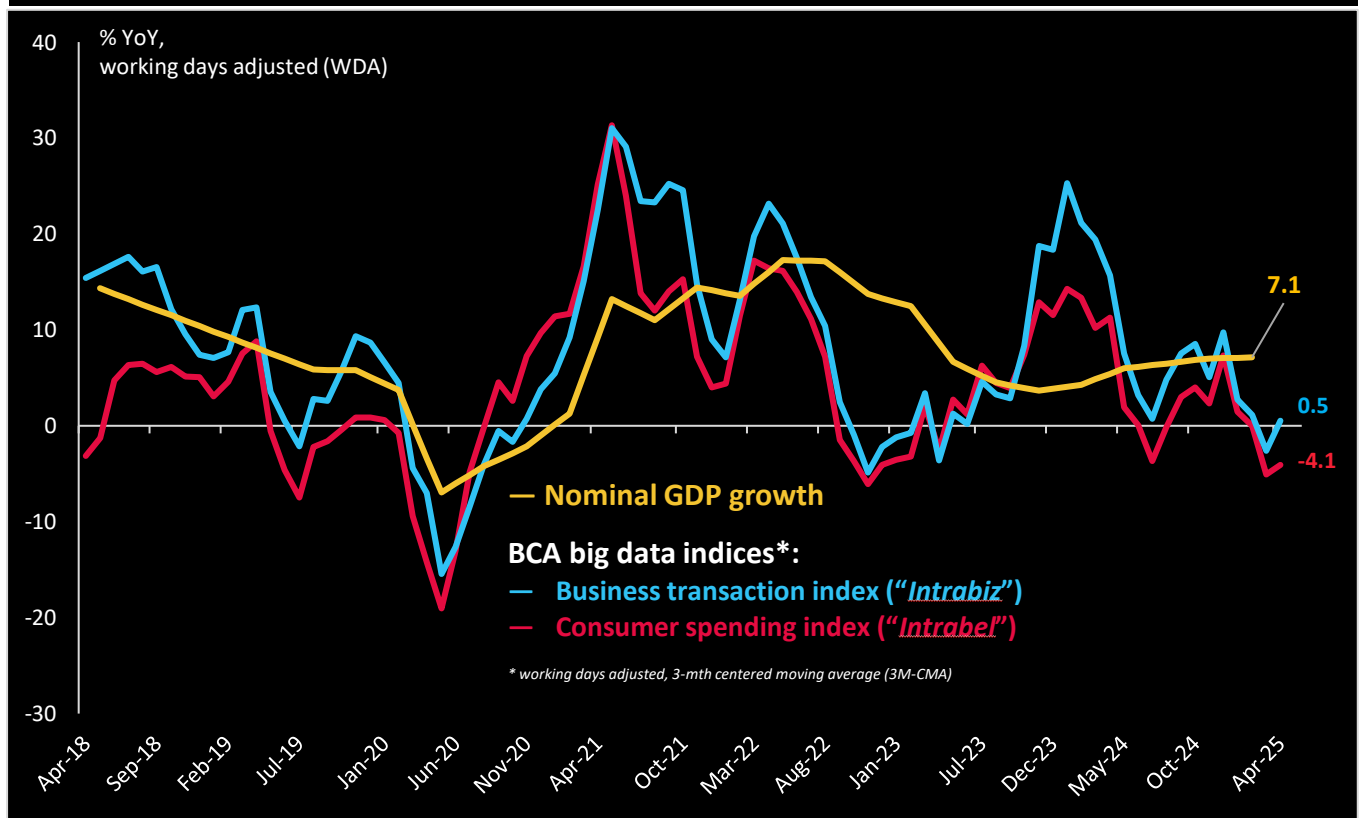
- Indonesia's real (inflation-adjusted) GDP grew by 4.87% YoY (-0.98% QoQ) in Q1-25, slightly below the consensus of 4.92% YoY. Fortunately, nominal GDP growth stayed stable at 7.13% YoY, surprisingly strong compared to our Big Data indices.
- Agriculture was a major source of growth, contributing 1.11% to overall real GDP growth—something we had already expected, but not to such an extent. Food crops recorded 42.3% YoY *real* growth, largely thanks to a return to normal rice harvest schedule. As we know, the harvests last year were largely delayed to April due to El Nino.
- While food crops grew in terms of volume, plantation crops show superlative growth (21.7% YoY) in nominal terms but meagre real growth (3.1%). This lopsided growth was mainly the result of the strong price increase in CPO (21.2% YoY), along with other crops such as coffee, cocoa, and rubber.
- In a sharp contrast to agriculture, mining activities contracted (-1.23% YoY). This contraction happened in coal (-0.91%) but especially metallic ores (-11.83%), as continued decline in prices had led some producers to cut production and slow down expansion plans. Another headwind is the continued push by the Chinese government to incentivize usage of LFP (which does not use nickel) over NMC batteries in Chinese EVs, slashing demand outlook for one of Indonesia's export staples.
- Manufacturing showed perfectly respectable growth (4.55% YoY), much of which are in export-driven industries including metals, furniture, and footwear. This aligns with our view that strong PMI in previous months (December to March) stemmed from efforts by importers

to front-run Trump's tariffs. Now that the proverbial tariff "axe" has actually fallen (albeit suspended for most countries), manufacturing faces a significant headwind, while our strong export growth in Q1 (6.78% YoY) may well represent a peak for 2025, absent a swift cooling in global trade tensions.

- In contrast to the strong exports, import growth has slowed (3.96% from 10.36%), mainly due to cessation of imports on certain foodstuffs as well as a weaker demand for imported consumer goods, especially compared to last year's Ramadan/Lebaran season. This one-sided decline meant that net export became a positive contributor (0.83%) to growth, after subtracting from growth (-0.25%) in the preceding quarter.
- Interestingly, the decline in consumer goods imports left little effect on overall consumption, whose growth remained stable in real terms at 4.99% YoY. However, nominal growth dipped to 6.35%, as numerous government subsidies (especially electricity) put a cap on the deflator. It is important to note that both these numbers reflect high consumption in absolute terms, considering the already-high base from Q1-24 (Elections).
- The strong consumption growth appears to contradict various indicators (such as the number of *mudik* sojourners) as well as our very own Big Data indices, which showed a sizable dip in transactions during this year's Ramadan/Lebaran. This discrepancy, however, might be explicable by the strong agricultural output, which likely boosted purchasing power in rural areas—something which our mostly urban transaction franchise may not fully capture.
- Compared to consumption, Fixed Asset Investment (FAI) growth has slowed dramatically to 2.12% YoY from 5.03% YoY, reflecting heightened caution amongst producers. Uncertainties, on policies and demand prospects at home and especially abroad, are liable to dampen the appetite to invest.
- Encouragingly, however, there has been noticeable divergence in the types of investment. Investment in structures/buildings only grew 1.4%, mirroring the sluggish growth of the construction (2.2%) and real estate (2.9%) sectors. On the other hand, investment in machinery and equipment grew by 7.95%, which was further supported by the strong overall capital goods imports in Q1-25. These data points could be an early sign of Indonesia benefiting from the US-China trade spat, through relocation of certain production facilities.
- Government spending contracted as widely expected (-1.38% YoY), due to a combination of spending curbs (in order to reallocate resources to the President's priority programs) as well as high-base effect from last year's Elections. Fortunately, this trend is likely to reverse in Q2, as the government seeks to expedite its programs while the spending restraints have recently been relaxed by the Ministry of Finance.
- The real worrying sign, unfortunately, is the persistence of inventory growth, which we noted as already abnormally high before (contributing 0.97% out of the 5.03% growth in 2024). High inventory level acts as a dampener to possible price increase, which could limit nominal GDP growth despite still-robust real growth—and thus negatively affect government revenue as well as loan/deposit growth.
- Altogether, if we remove growth contribution from inventory and statistical discrepancies, real GDP growth would fall to 4.26% YoY. And without agriculture, growth would be lower still at 3.76%. These suggest that—absent significant boosts from government spending and/or a

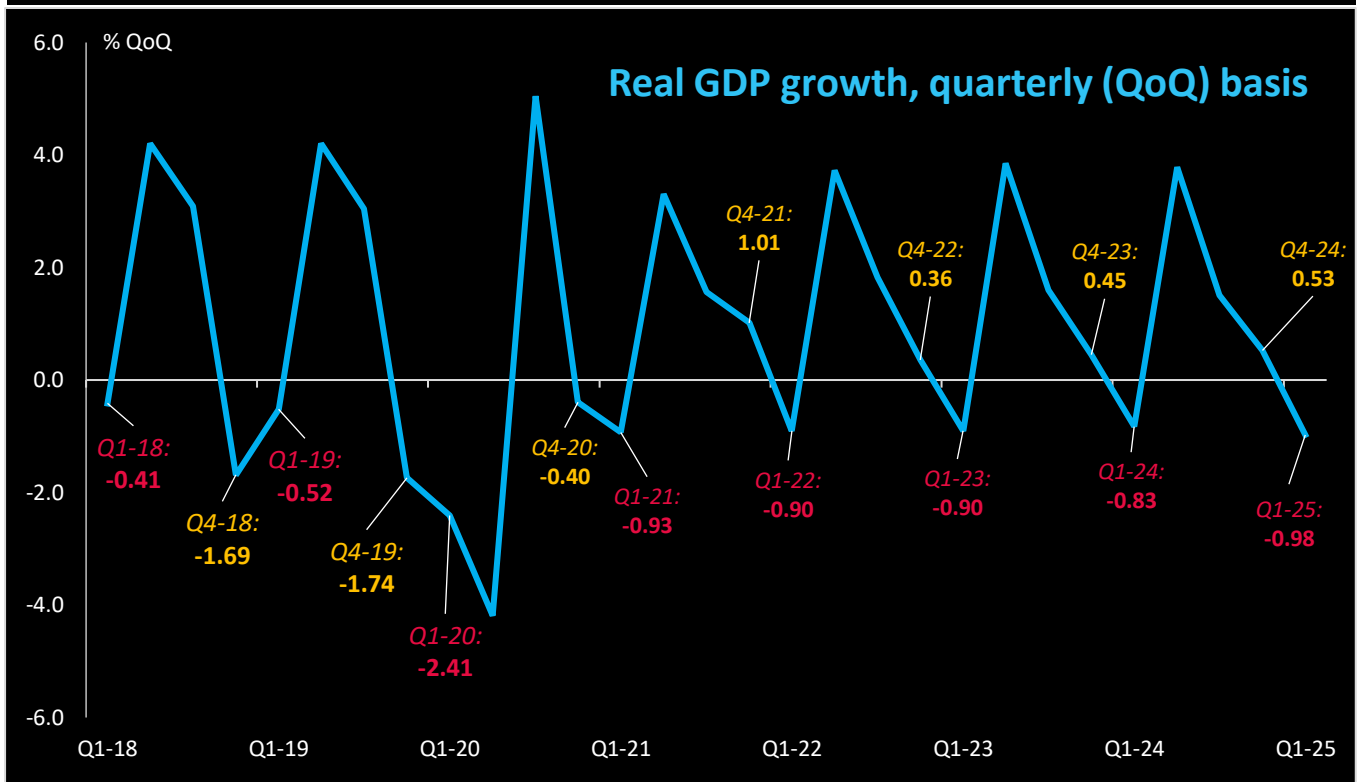
quick reversal of tariffs—growth is likely to slow further in the short-term. The strength of agriculture, manufacturing, and exports during Q1 is likely to reverse, while businesses’ investment plans may still be put on ice. The one truly positive driver, as we already noted, is the potential for manufacturing relocation; but capitalizing on this opportunity will require concerted effort to woo and facilitate (China-linked or US-linked) investors.

Chart 1. NGDP growth stays strong amidst slowdown in Big Data indices



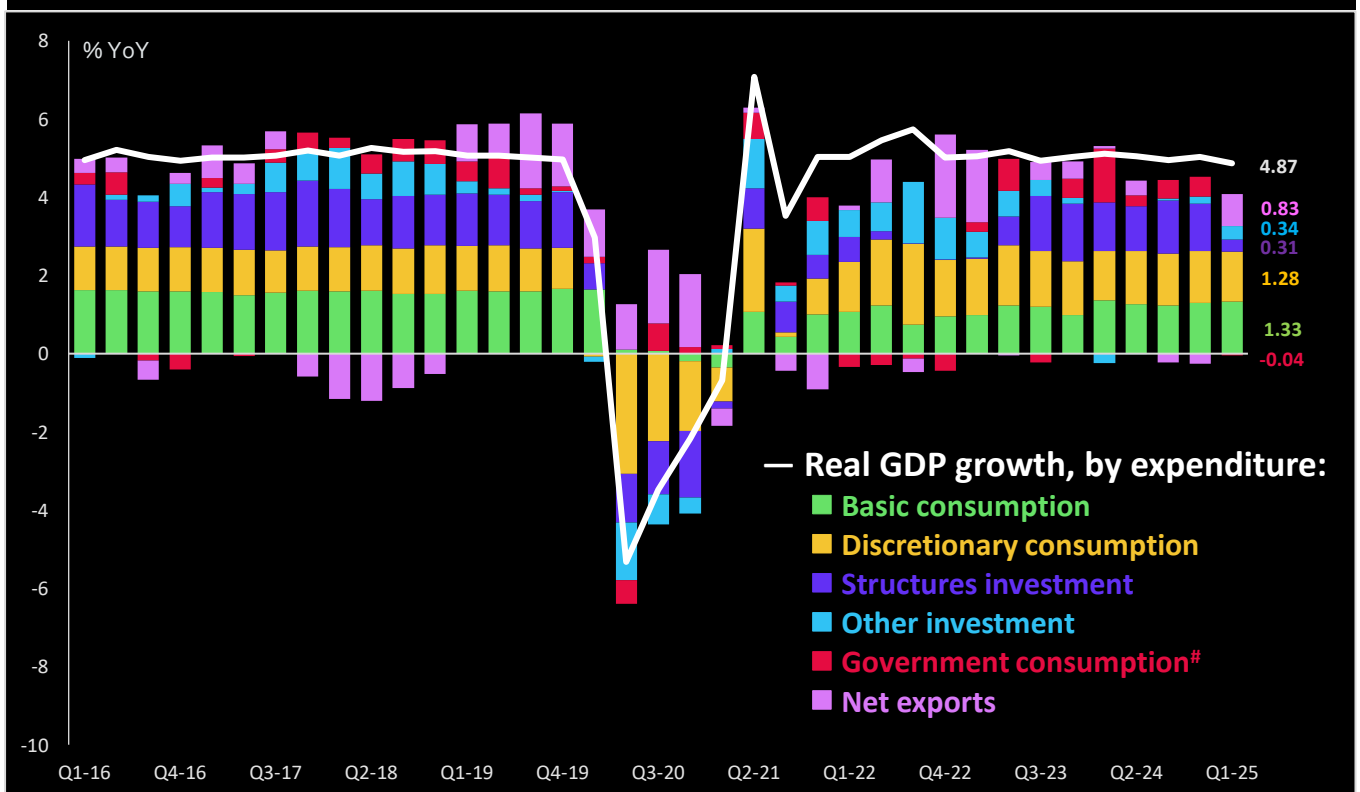
Source: BCA Big Data, calculation by BCA Economic Research

Chart 2. Deeper than usual QoQ contraction caused by slower FAI and government expenditure



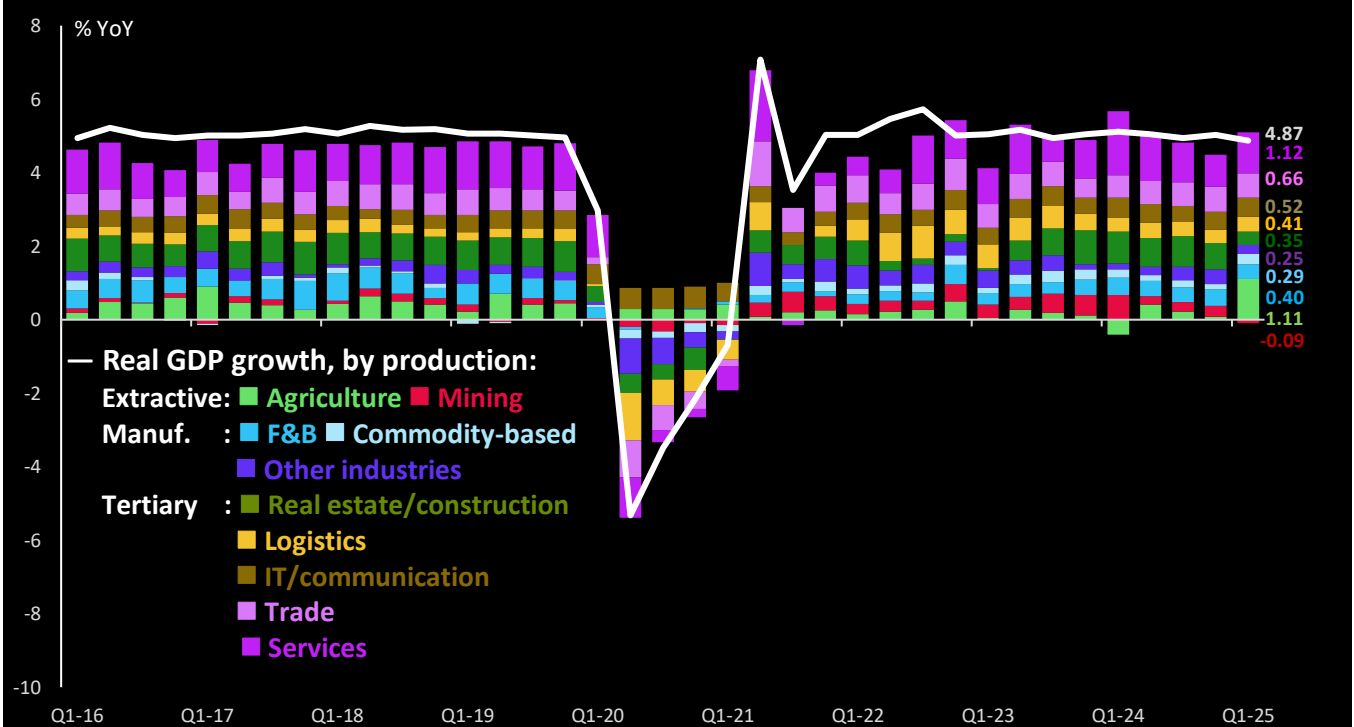
Source: BPS, calculated by BCA Economist

Chart 3. Basic consumption and net exports drove higher growth in Q1-25



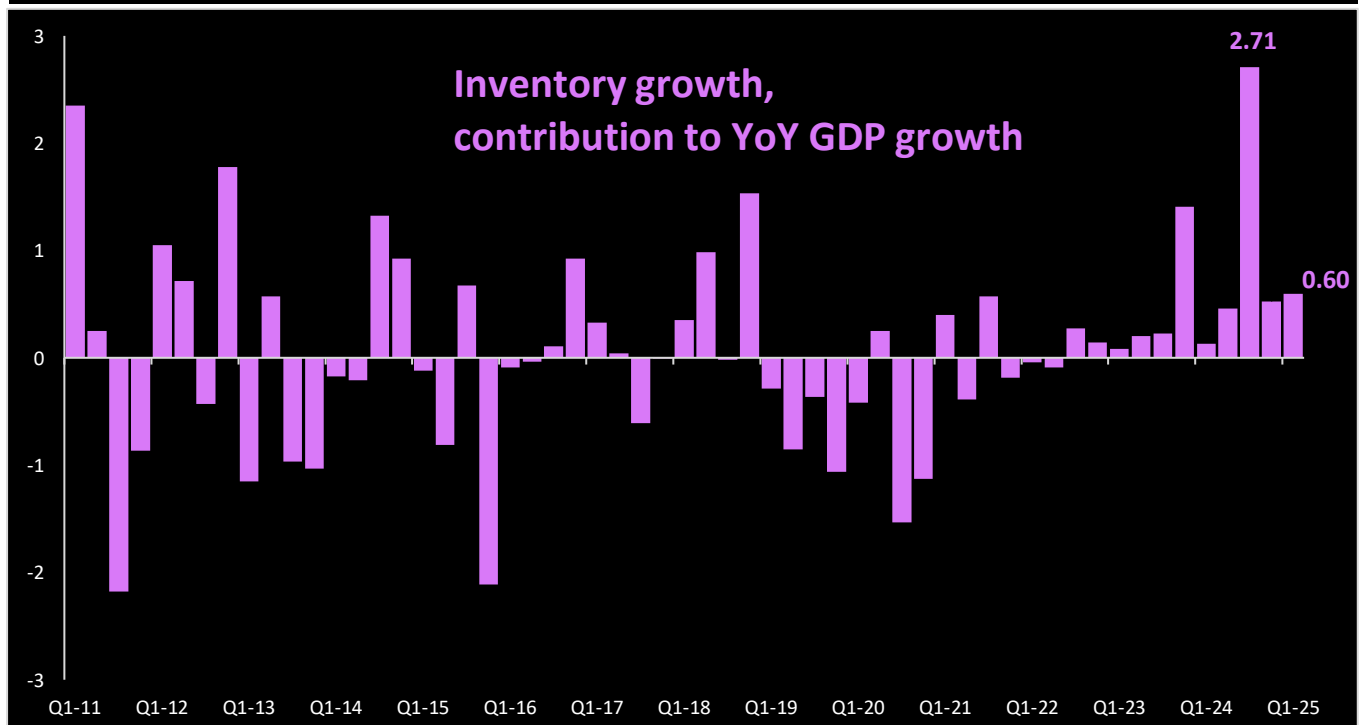
Source: BPS, calculated by BCA Economist

Chart 4. Manufacturing growth concentrated in export-oriented sectors as US importers try to front-run Trump's tariffs



Source: BPS, calculated by BCA Economist

Chart 5. Inventory growth remains a significant contributor to GDP growth, pointing to a potential slowdown in the future



Source: BPS, calculated by BCA Economist

Table 1. Gross Domestic Products by Sector (nominal)

	2023		2024		Q1-24	Q2-24	Q3-24	Q4-24	Q1-25
	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	613.8	762.6	773.2	641.8	717.3
Mining and quarrying	2,198.0	10.5	2,026.6	9.2	493.9	485.9	511.1	535.7	509.2
Manufacturing industry	3,900.1	18.7	4,202.9	19.0	1,019.7	1,025.1	1,072.6	1,085.6	1,090.5
Electricity and gas	218.3	1.0	227.5	1.0	55.3	56.0	57.9	58.4	58.5
Water provisioning and waste recycling	13.3	0.1	14.3	0.1	3.5	3.6	3.6	3.7	3.6
Construction	2,072.4	9.9	2,233.5	10.1	541.2	533.3	567.3	591.6	557.3
Wholesale trade and repairs	2,702.4	12.9	2,892.7	13.1	695.4	719.4	738.2	739.7	749.0
Transportation and warehousing	1,231.2	5.9	1,358.1	6.1	313.4	345.6	347.9	351.2	344.8
Hotels, restaurant, and catering	526.3	2.5	584.4	2.6	138.5	145.9	147.6	152.5	150.1
Information and communication	883.6	4.2	960.0	4.3	232.9	239.8	241.1	246.2	251.5
Financial services and insurance	869.2	4.2	922.8	4.2	227.9	235.0	230.9	229.1	240.7
Real estate	505.5	2.4	520.7	2.4	128.5	128.9	130.9	132.3	121.0
Business services	383.1	1.8	424.2	1.9	102.0	106.7	106.3	109.2	112.1
Govt. administration , defence, and social security	616.4	3.0	673.7	3.0	177.7	179.3	147.4	169.3	190.4
Educational services	583.6	2.8	621.4	2.8	147.3	158.0	147.7	168.5	158.2
Healthcare and social services	252.0	1.2	278.2	1.3	64.7	69.2	69.8	74.5	69.9
Other services	405.2	1.9	454.3	2.1	108.2	113.1	111.6	121.4	119.6
GROSS DOMESTIC PRODUCT	20,892.4	100.0	22,139.0	100.0	5,288.6	5,536.6	5,638.9	5,674.9	5,665.9

***Numbers in recent quarters are subject to revision from BPS**

Table 2. Gross Domestic Products by Expenditure (nominal)

	2023		2024		Q1-24	Q2-24	Q3-24	Q4-24	Q1-25
	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	2,905.1	3,019.1	2,992.6	3,048.1	3,089.5
Consumption by non-profit organizations	260.7	1.2	300.1	1.4	75.8	73.3	73.0	77.9	78.6
Government consumption	1,555.5	7.4	1,711.6	7.7	332.0	407.2	407.4	565.0	333.3
Fixed-asset investment	6,127.7	29.3	6,452.5	29.1	1,541.3	1,535.4	1,666.7	1,709.2	1,588.3
Exports of goods and services	4,543.4	21.7	4,911.2	22.2	1,135.9	1,183.6	1,266.3	1,325.5	1,263.3
Imports of goods and services	4,088.4	19.6	4,514.0	20.4	1,042.6	1,086.9	1,176.7	1,207.8	1,118.5
GROSS DOMESTIC PRODUCT	20,892.4	100.0	22,139.0	100.0	5,288.6	5,536.6	5,638.9	5,674.9	5,665.9

Source: BPS

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

	Last 3 Years			Last 3 Quarters		
	2022	2023	2024	Q3-24	Q4-24	Q1-25
Agriculture, livestock, forestry, and fishery	2.29	1.29	0.53	1.69	0.72	10.52
Mining and quarrying	4.38	6.12	4.97	3.46	3.95	-1.23
Manufacturing industry	4.89	4.64	4.42	4.72	4.89	4.55
Electricity and gas	6.61	4.91	4.80	5.02	3.42	5.11
Water provisioning and waste recycling	3.24	4.90	1.59	0.03	1.06	0.18
Construction	2.01	4.91	7.04	7.48	5.81	2.18
Wholesale trade and repairs	5.50	4.83	4.87	4.82	5.20	5.03
Transportation and warehousing	19.86	13.96	8.69	8.64	7.92	9.01
Hotels, restaurant, and catering	11.94	10.01	8.60	8.30	6.60	5.75
Information and communication	7.73	7.61	7.58	6.82	7.45	7.72
Financial services and insurance	1.93	4.77	4.76	5.49	1.74	3.98
Real estate	1.72	1.43	2.50	2.32	2.97	2.94
Business services	8.77	8.24	8.40	7.93	8.08	9.27
Govt. administration , defence, and social security	2.52	1.50	6.72	3.95	1.19	4.78
Educational services	0.58	1.79	3.81	2.51	2.93	5.03
Healthcare and social services	2.73	4.66	8.27	7.65	5.21	5.78
Other services	9.47	10.52	9.77	9.95	11.36	9.84
GROSS DOMESTIC PRODUCT	5.31	5.05	5.03	4.94	5.02	4.87

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

	Last 3 Years			Last 3 Quarters		
	2022	2023	2024	Q3-24	Q4-24	Q1-25
Household consumption	4.94	4.82	4.94	4.91	4.98	4.89
Consumption by non-profit organizations	5.66	9.83	13.06	11.69	6.30	3.07
Government consumption	-4.46	2.95	7.93	4.78	4.37	-1.38
Fixed-asset investment	3.87	4.40	3.96	4.47	4.33	2.12
Exports of goods and services	16.27	1.32	6.53	8.80	7.64	6.78
Imports of goods and services	14.99	-1.65	7.94	11.83	10.68	3.96
GROSS DOMESTIC PRODUCT	5.31	5.05	5.03	4.94	5.02	4.87



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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	4.8
Nominal GDP growth (% YoY)	6.7	-2.5	9.9	15.4	6.7	6.0	5.7
GDP per capita (USD)	4175	3912	4350	4784	4920	4960	4996
CPI inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	1.6	2.1
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	7.68
USD/IDR exchange rate (end of year)	13,866	14,050	14,262	15,568	15,397	16,102	16,943
Trade balance (USD Bn)	-3.2	21.7	35.3	54.5	37.0	31.0	26.0
Current account balance (% of GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.6	-1.0

Notes:

- USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time

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