

**GDP Growth  
2Q22**

**August 31, 2022**

**GDP growth 2Q22: a point-to-point shoot to 2019**

**Second Quarter 2022 GDP grows by 5.44%**

Indonesia's economy in 2Q22, on an annual basis, expanded by 5.44% YoY, and by 3.72% over the first quarter of this year. . The 2Q22 annual GDP growth figure (1Q21: 5.01% YoY, 2021: 3.69% YoY, 2020:-2.07%YoY, 2019:5.02% YoY ) came in higher than most expectations of within 5.17% YoY.

**New (and Higher) Normal of Private Consumption Spending**

Household Final Consumption Expenditure (Private Consumption) from January to June this year (1H22) amounted to a total IDR4,953.7tr in the current price, representing an annual growth of 8.6% (2021: 3.78% YoY, 2020:-0.7% YoY, 2019:5.04% YoY).

Taking into account the general price increase (GDP deflator) for the period of January to June 2022 of 3.5% (2Q22: 4.34%, 1Q22: 2.7%), in real-term, Indonesia's Household Final Consumption Expenditure has expanded more than twice that of the pre-pandemic level year 2019.

In 2019, Private Consumption spending amounted to IDR8,965.8tr in current price (+5.04% YoY), while general price increase (GDP deflator) was recorded at 3.16%.

**Loose Fiscal and Monetary Policies Effect since the 2Q20**

Accommodative fiscal and monetary policies initiated by the government and the central bank Bank Indonesia since the start of the pandemic in the 1Q20 (please see Report dated July 31, for detail) have fertilized the domestic private consumer sector to easily benefit from the higher commodity prices happen afterward.

The sensitivity of Net exports to the overall performance of the domestic economy is the possible factor that mostly is overlooked.

**Basket of Indonesia Export Commodities**

The Index of Indonesia Export Commodity Price (IIECP) consists of eight main export commodities of copper, coal, Crude Palm Oil or CPO, rubber, nickel, tins, aluminum, and coffee. End of 2019, the Index was down by 3% YoY, and by 10.4% YoY in the 2Q20 being dragged by the coal price (-28.2% YoY), rubber (-

22.7% YoY), tins (-20.4% YoY), but supported by the higher price of CPO (+14% YoY). In the 3Q20, rubber price turned around (+3.8% YoY), so was tins (+11.8% YoY), while CPO price spiked (+35.5% YoY), and coal price started to increase (-27.9% YoY). The prices increase continued to have brought the IIECP to change into -1.7% YoY in the 3Q20, +7.5% in the last quarter of 2020, and 7.5% YoY for the full year of 2020. The increasing trends linger until this year (see Table 1).

Being the two biggest shares, both coal and CPO and its derivative products make -up 30.7% of Indonesia's total non-oil&gas export in January-July this year (2021:29.9% 2020:24.5%, 2019:11.4%), while the other main commodities in the IIECP contributed 17.2% this year.

The foreign currencies that exported commodities bring in during the pandemic years have been a major bonus to the domestic financial and real sectors and eventually the GDP growth figures.

### **Pandemic COVID-19 Effects Have Yet to Leave for Good**

The recovery of Private Consumption items, since the pandemic year 2020, peaked in the 2Q22, led by the Transportation and Communication account which registered a growth of 14.2% YoY, followed by Food and Beverages, Other than Restaurants of 10.5% YoY, and Household Housing and Equipment spending of 6.2% YoY, resulting in total Private Consumption's expansion of 10.1% YoY.

However, pictures of the four biggest components of Household Final Consumption Expenditures in Chart No 2 show that the Transportation and Communication component lost 204.4 basis points of contribution in the 2Q22 (20.7%) as compared to the share in 2019 (22.8%), whereas Restaurant and Hotels are lost 21.1 basis points. This was the case as in the pandemic year 2020, Transportation and Communication suffered the most with a contraction of 12.0% YoY, followed by Restaurants and Hotels spending of -5.6% YoY, while total Private Consumptions spending declined by 0.7% YoY.

That the above narration is interpreted that the pandemic COVID-19 occurred in 2020 may have caused a permanent change in the Private Consumption spending pattern, is still subject to further observations.

### **The Pinnacle of Household Final Consumption Expenditure and Export**

Private Consumption spending and Net Export of Goods and Services in 2Q22 pulled their heights since the COVID-19 pandemic year 2020, each contributed by 2.92 and 2.14 percentage points, respectively, to 5.44% YoY GDP growth in 2Q22 (in Chart No. 3). The pattern seems to be a main trait of the Indonesia economy. With the latest progress of other macroeconomic indicators, the country's GDP growth this year is estimated to be in the high range of 4.5%-5.3%.

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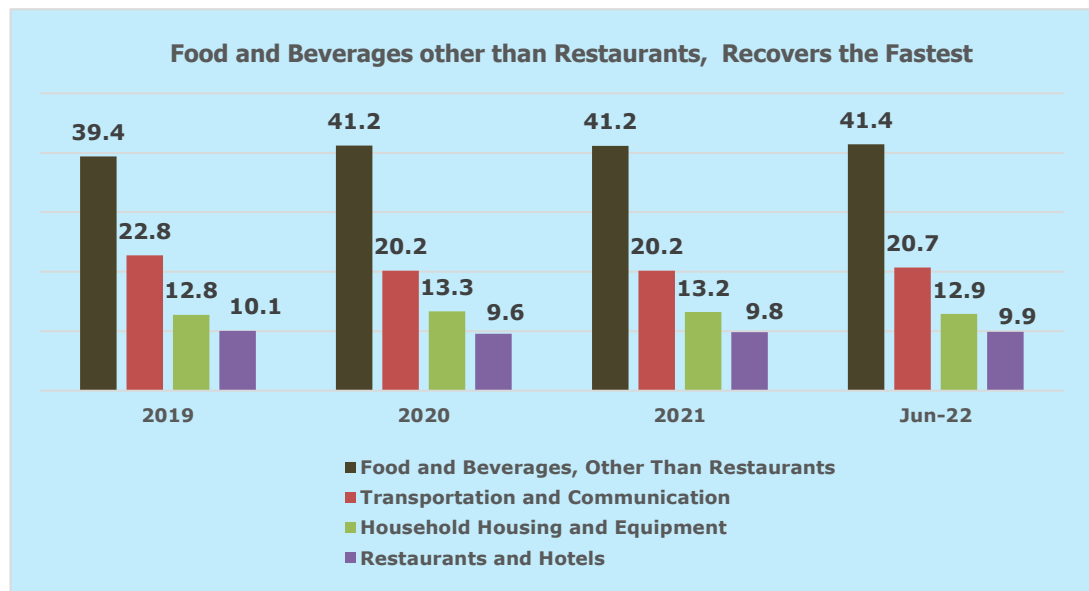
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**Table 1: Under-investments, lag-time, geopolitical issues have been major drivers**

	2019	2Q20	2020	2021	1Q22	2Q22
<b>Coal</b>	-8.6	-28.2	-18.5	123.2	94.1	73.2
<b>CPO</b>	-2.3	14	29.4	59.9	56.7	55.1
<b>IECPI</b>	-3	-10.4	-0.8	57	47	37.7

Source: "Tinjauan Kebijakan Moneter Agustus" Bank Indonesia, Analisa Saham Indonesia

**Chart 2: Four Biggest Shares of Indonesia Household Final Consumption Expenditure**

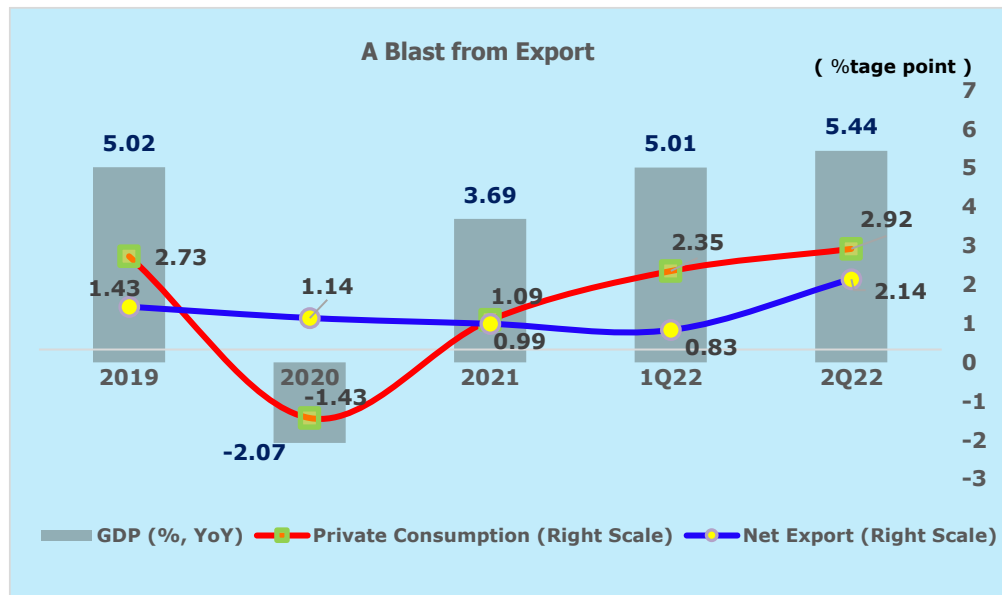


Source: Indonesia Central Statistics, Analisa Saham Indonesia

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Chart 3: Private Consumption and Export, a nice tango within the Pandemic years



Source: Indonesia Central Statistics, Analisa Saham Indonesia

At the end of the report

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