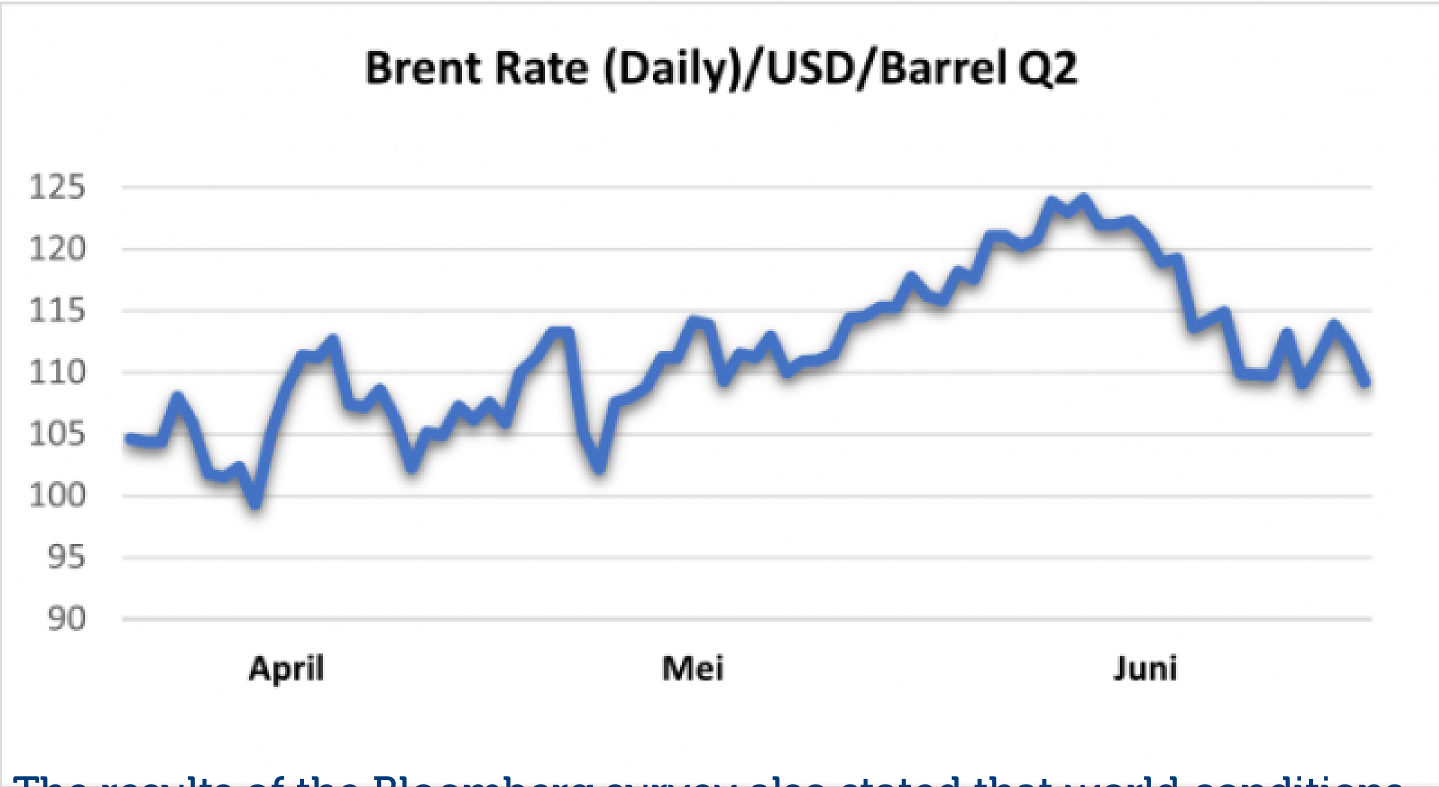
PT CRIF STUDY: THE IMPACT OF INDONESIA'S ECONOMIC PERFORMANCE IN Q2/2022 ON WORLD GEOPOLITICAL TENSIONS

The world is now hit by high inflation due to spikes in food and energy prices. This condition was exacerbated by the Russian invasion of Ukraine. As a result of the war between the two countries, the world is in danger of starvation. Rising tensions between Russia and Ukraine amid efforts to recover from the Covid-19 pandemic are weighing heavily on the dynamics of the global economy. This situation is reflected in the impact of the war being felt not only in Russia and Ukraine, but by most people around the world.

One of the most tangible impacts is the increase in global energy prices, especially for crude oil and gas commodities. Oil prices have been on an uptrend since before the war, but Russia's invasion of Ukraine has put further pressure on the upward trend. This is because the conflict directly disrupts global oil supplies, considering that Russia is one of the third largest oil producers after the United States and Saudi Arabia. In addition, sanctions imposed by several countries such as oil embargo from Russia also affected the pattern of supply and demand for crude oil from around the world, which inevitably led to price increase. On the other hand, the aggressive upward trend in crude oil prices has increased demand for other energy sources such as coal and vegetable oil. As a result, a similar upward trend in prices has begun for the commodity.

PT CRIF STUDY: THE IMPACT OF INDONESIA'S ECONOMIC PERFORMANCE IN Q2/2022 ON WORLD GEOPOLITICAL TENSIONS



The results of the Bloomberg survey also stated that world conditions were not good because 15 countries surveyed were affected by recession. The IMF also revised the global economic outlook in 2022 to 3.2% from 3.6% and next year (2023) from 3.6% to 2.9%.

Overall, the war between Russia and Ukraine has a negative impact on current economic reconstruction efforts. From rising energy prices to increasing risks of food crises, the impact of military aggression far outweighs Russian and Ukrainian society itself. Although the impact in Indonesia is relatively small compared to other developing countries, the ongoing war may still slowly affect the situation in Indonesia, mainly due to rising commodity prices which put pressure on inflation rates. As a result, people's purchasing power will be affected and domestic economic recovery will be hampered.

PT CRIF STUDY: THE IMPACT OF INDONESIA'S ECONOMIC PERFORMANCE IN Q2/2022 ON WORLD GEOPOLITICAL TENSIONS

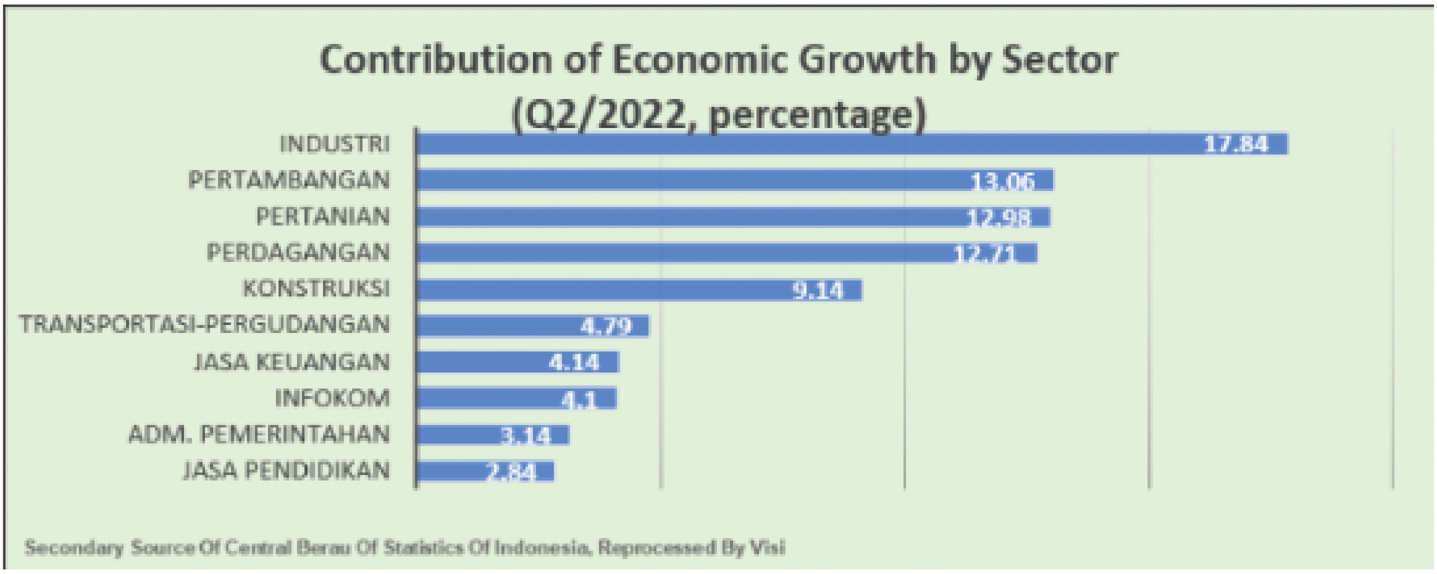
Despite being faced with uncertainty and the trend of global economic slowdown, the national economic recovery continued to strengthen in Q2/2022. Domestic GDP grew strongly at 5.44% (YoY) in Q2/2022, beating market expectations. This performance also strengthened the level of the economy to move beyond the pre-pandemic level. The relaxation of travel restrictions led to an increase in public consumption, especially during Ramadan and Eid, and the strong export performance of leading commodities was the main driver of growth in Q2.

Indonesia obtains the profit from rising commodity prices in the global market. Some of Indonesia's trading partners experienced an economic slowdown and even recession, such as the United States and China. The two countries are Indonesia's trading partners. However, Indonesia's trade balance showed a surplus of USD 15.5 billion in Q2/2022, up 148% from Q1/2022.

Together to the next level

PT CRIF STUDY: THE IMPACT OF INDONESIA'S ECONOMIC PERFORMANCE IN Q2/2022 ON WORLD GEOPOLITICAL TENSIONS

Despite being faced with uncertainty and the trend of global economic slowdown, the national economic recovery continued to strengthen in Q2/2022. Domestic GDP grew strongly at 5.44% (YoY) in Q2/2022, beating market expectations. This performance also strengthened the level of the economy to move beyond the pre-pandemic level. The relaxation of travel restrictions led to an increase in public consumption, especially during Ramadan and Eid, and the strong export performance of leading commodities was the main driver of growth in Q2.



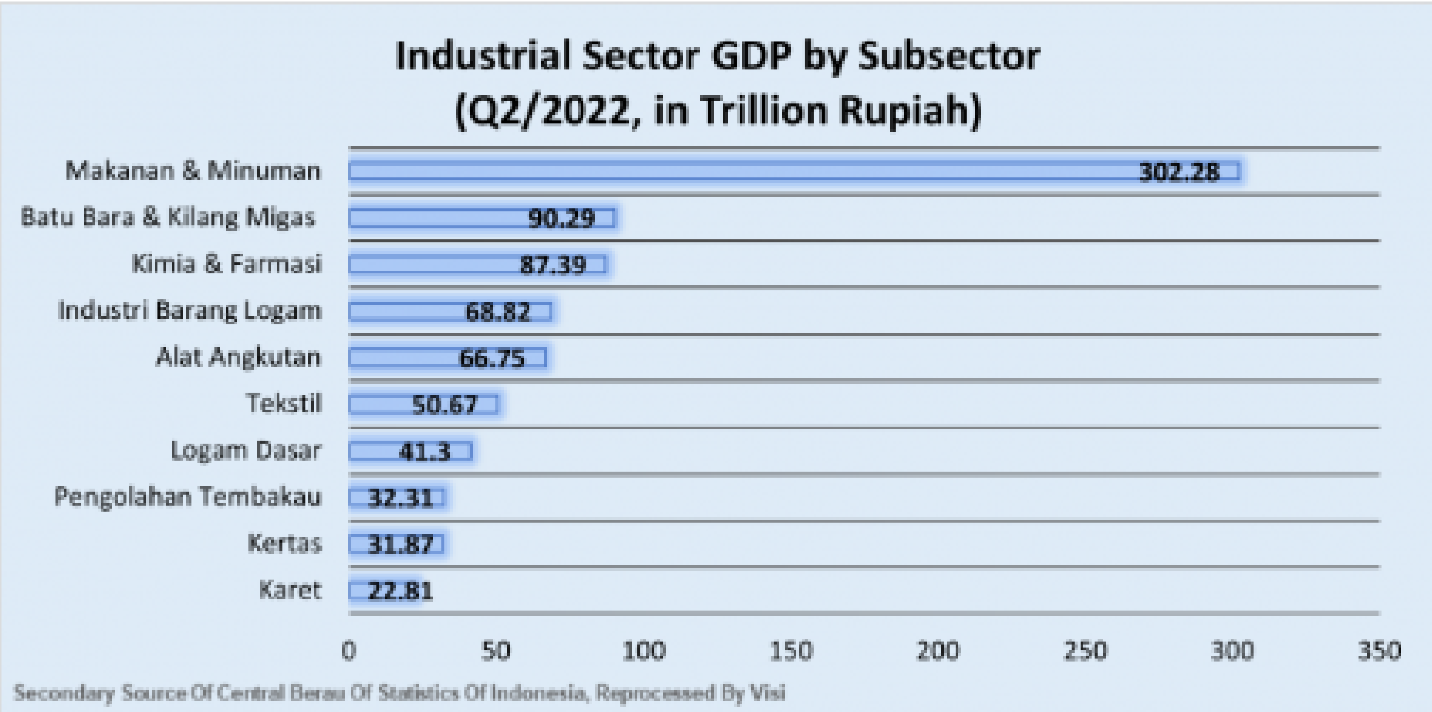
The industrial sector is still the biggest supporter of the Indonesian economy until Q2/2022. Based on data from Statistics Indonesia (BPS), the gross domestic product (GDP) at current prices (ADHB) in the industrial sector reached IDR 877.8 trillion in Q2/2022.

Thus, the industrial sector contributed 17.84% to the national GDP which amounted to IDR 4.92 quadrillion in the same period.

CRIF Together to the next level

PT CRIF STUDY: THE IMPACT OF INDONESIA'S ECONOMIC PERFORMANCE IN Q2/2022 ON WORLD GEOPOLITICAL TENSIONS

The industrial sector was also the largest source of economic growth in Q2/2022, which was 0.82% of the annual growth of 5.44% (yoy). However, this figure is lower than its share in Q1/2022 which reached 1.06% of the 5.01% (yoy) annual growth.



In Q2/2022, the food and beverage sub-sector became the largest contributor to the industrial sector's GDP, reaching IDR 302.28 trillion (34.44%). After that, there are coal processing and oil and gas refining sub-sectors of IDR 90.29 trillion (10.29%), chemical and pharmaceutical industries of IDR 87.39 trillion (9.96%), metal goods industry of IDR 68.82 trillion (7.84%), transportation equipment sub-sector of IDR 66.75 trillion (7.6%).

Together to the next level

PT CRIF STUDY: THE IMPACT OF INDONESIA'S ECONOMIC PERFORMANCE IN Q2/2022 ON WORLD GEOPOLITICAL TENSIONS

The industrial sector managed to grow 4.01% in Q2/2022 compared to Q2/2021 (year on year/yoy). With this achievement, the industrial sector contributed 0.82% to the national GDP growth of 5.44% (yoy) in the second quarter of this year.

Optimism for the Indonesian Economy in 2022

The Indonesian economy in the first half of 2022 performed very well amid challenges in the world economy. One of them is very high inflationary pressure in several countries such as 8.9% in the European Union; 10.1% in the UK; 8.5% in the US and 6.3% in South Korea. Meanwhile, Indonesia recorded inflation of 4.94% in July 2022, while China's inflation was only 2.7%. (tradingeconomics.com, Inflation Rate – World).

Based on these positive economic developments, it is important to pay attention to the faster absorption of job opportunities, especially those in the formal sector. In order to meet the needs of the community at controlled prices, it is necessary to accelerate production activities to meet the expansion of household consumption.

The economy is expected to continue to grow strongly until the end of 2022. Indicators reflecting future economic trends (leading indicators) continue to show a stable pace of recovery. Indonesia's manufacturing Purchasing Managers Index (PMI) was 51.3 points in July 2022. This figure increased by 2.19% compared to 50.2 points in the previous month. This increase was driven by higher new demand from the domestic market. (S&P Global)

Together to the next level

PT CRIF STUDY: THE IMPACT OF INDONESIA'S ECONOMIC PERFORMANCE IN Q2/2022 ON WORLD GEOPOLITICAL TENSIONS

The level of public spending is also expected to remain stable at a relatively high level throughout the end of 2022. However, pressures from global economic turmoil need to be watched out for. In addition, there is still volatility in the spread of COVID-19. Community involvement in immunization programs, including the provision of booster vaccines, should be accelerated. The sustained recovery momentum in 2022 is key to the medium-term recovery.