GADJAH MADA ECONOMIC BRIEF

POLICY NOTE

Real Economic Activity Indicators and Indonesia's Recent GDP Developments

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This note examines the consistency between Indonesia's recent Gross Domestic Product (GDP) acceleration and selected independent indicators of real activity and financial-market conditions. The exercise is descriptive and diagnostic; it does not assess whether official GDP estimates are correct or incorrect. The findings point to a weakening in household-consumption indicators after 2025Q2, while investment indicators provide partial support, though not enough to match the full magnitude of the official investment acceleration. Financial-market reactions are mixed and do not point to a uniformly positive interpretation of the post-2025Q2 GDP releases.

RELEVANT SDGS

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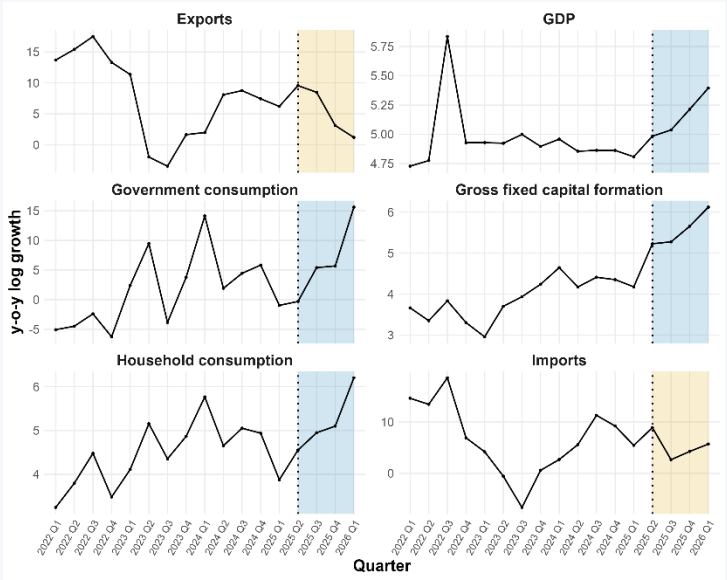
Technical note is available at https://github.com/macdashfebugm1/Gadjah-Mada-Economic-Brief

Official GDP data show stronger year-on-year (y-o-y) growth after 2025Q2. The growth rose from around 5 percent to 5.61 percent by 2026Q1 but this increase was not evenly spread across all GDP components. Household consumption, government consumption, and gross fixed capital formation (GFCF) rose sharply. In contrast, exports weakened after 2025Q2, while imports remained volatile and declined slightly.

FIGURE 1

GDP year on year (y-o-y) growth by selected expenditure component



Notes: The figure reports year-on-year growth rates of selected expenditure-side GDP components. The vertical dotted line marks 2025Q2.

Other than using GDP, real economic activity can also be observed through related household and investment indicators. The indicator scoreboard we built shows weaker support for household consumption than for investment. Most household-related indicators deteriorate after 2025Q2, while investment indicators are more mixed. Investment loans and bank-lending survey indicators for investment credit improve, but this may partly reflect government liquidity injections to state-owned banks in 2025Q4 rather than purely stronger private investment demand. Cement consumption also improves, but this should be read carefully because government infrastructure activity was relatively low in early 2025 after budget cuts, creating a low-base effect.

TABLE 1 Macroeconomic indicators shift, pre- and post-Q2 2025

Indicators	Shift	Interpretation
Indicators that support or partly support stronger activity		
Investment loans	+5.167	Supports stronger investment financing
BLS investment loans	+3.987	Supports stronger investment-credit demand
Cement consumption	+1.570	Supports construction-related activity
Capacity utilization	+0.038	Small positive signal
Retail sales real	+0.077	Broadly flat household-retail signal
Indicators that do not support stronger activity		
BLS consumption loans	-26.827	Weaker household credit demand
BLS housing/property	-18.520	Weaker housing/property-loan demand
BLS credit card	-10.480	Weaker consumer credit demand
Household motor-vehicle loans	-10.210	Weaker durable-consumption credit
Motor vehicle sales	-5.578	Weaker durable-consumption proxy
Housing loans	-3.506	Weaker housing-credit growth
CCI present	-2.004	Weaker consumer sentiment
CCI expectations	-2.299	Weaker consumer sentiment
Investment realization	-15.749	Does not support stronger realized investment
Working-capital loans	-5.387	Weaker production-financing proxy
Business activity survey	-2.306	Weaker business-cycle signal
Purchasing Managers' Index (PMI)	-1.304	Weaker business-cycle signal

Notes: Values are average year on year (y-o-y) value changes. BLS is Bank Lending Survey and CCI is Consumer Confidence Index. Both surveys are conducted by Bank Indonesia. The S&P Global Indonesia Manufacturing Purchasing Managers' Index measures the performance of the manufacturing sector and is derived from a survey of 400 manufacturing companies.

Against this backdrop, the note proceeds with two external-consistency layers. The first compares official household consumption and GFCF growth with principal component analysis (PCA)-based real-activity indices. The second uses an event study to examine whether domestic financial markets reacted differently to post-2025Q2 GDP announcements. These two analysis are complementary: one checks activity data, while the other checks market-based interpretation.

The PCA and bridge-model exercise gives official GDP data a good benchmark. The best-fit indicator exercise suggests that official post-2025Q2 growth is higher than what related activity indicators imply. For household consumption, the selected indicators imply growth of 3.988 percent, below the official 5.202 percent, pointing to weak alignment. For GFCF, the implied growth rate is also lower than the official figure.

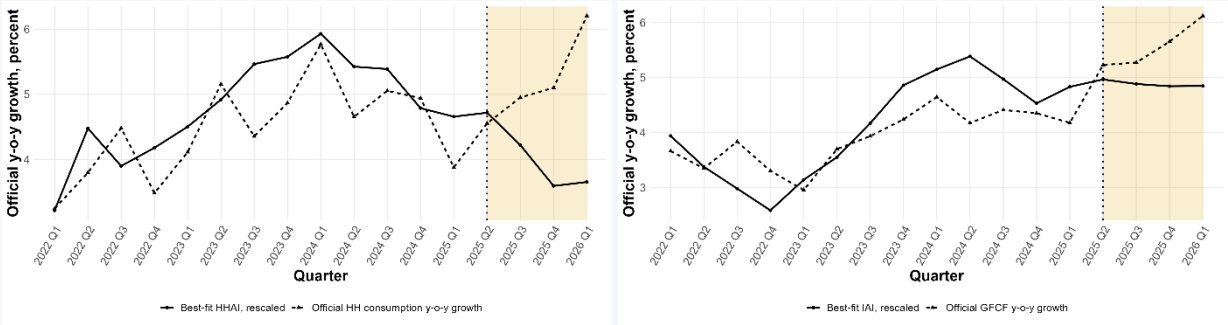
TABLE 2 Best-fit indicator signal

Component	Best-fit indicator signal	Official post	Implied post	Gap	Interpretation
Household consumption	CCI present; retail sales; motor-vehicle loans; housing loans; vehicle sales	5.202	3.988	+1.214	Weak validation
GFCF	Investment realization; capacity utilization; business activity	5.571	4.403	+1.168	Partial but incomplete validation

Notes: Official and implied post values mean post-2025Q2 y-o-y growth rates in percent. Gap is official minus indicator-implied growth.

Figure 1 shows that the relationship between official growth and activity indicators weakens after 2025Q2. Before 2025Q2, the best-fit indices broadly track their corresponding official GDP components. After 2025Q2, the pattern becomes less aligned, especially for household consumption. Official household consumption growth rises, while the best-fit Household Consumption Activity Index (HHAI) declines. For GFCF, the best-fit Investment Activity Index (IAI) improves on average after 2025Q2, but not enough to match the official GFCF acceleration. This suggests that investment indicators provide partial support, while household indicators provide weaker support.

FIGURE 2
Best-fit activity indices and official private-demand growth



Notes: Left panel shows official household consumption growth and the best-fit HHAI, while right panel shows official GFCF growth and the best-fit IAI. Both activity indices are rescaled to the same mean and standard deviation as the corresponding official growth series for visual comparison. The vertical dotted line marks the candidate break in 2025Q2.

The financial-market event study provides a second, complementary check. It compares market responses to earlier non-COVID GDP announcements with responses to GDP announcements after 2025Q2. The analysis uses daily data for the IDX Composite, BI spot

USD/IDR, JISDOR, and 1-year and 10-year government bond yields. A positive exchange-rate return means rupiah depreciation.[2]

Financial-market reactions are mixed. Equity responses are more positive after post-2025Q2 GDP announcements but weakens after controlling for global and cross-market factors. The positive IDX response should be interpreted carefully because the equity market is now more domestically held, with foreign ownership declining to around 40 percent in March 2026. A stronger IDX response can therefore coexist with rupiah depreciation if domestic investors support equities while foreign investors reduce ownership of the currency. Bond-yield responses are small and statistically weak, while the domestic stress index is slightly lower but statistically insignificant.

TABLE 3 Summary of event-study evidence

Market signal	Result	Interpretation
IDX Composite	More positive response	Suggestive, weaker after controls
JISDOR	Depreciation signal	Uncontrolled difference significant; weaker with controls
Bond yields	Small yield changes	Limited market-validation signal
Domestic stress index	Difference = -0.152	No evidence of broad-based stress increase

Notes: Bond yields refer to 1-year and 10-year government bond yields. The domestic stress index combines equity, exchange rate, and 10-year bond-yield movements; a higher value indicates greater market stress. Further details on the construction of the domestic stress index are provided in the technical note. The results should be interpreted as suggestive evidence because several signals weaken after controlling global and cross-market factors.

The evidence we find broadly points to partial and uneven alignment with the recent GDP acceleration. Household-consumption indicators provide limited support, as most weaken after 2025Q2 while official consumption growth rises. GFCF receives relatively more support from investment loans, bank-lending survey investment demand, cement consumption, and capacity utilization, but the signal is incomplete. These results should not be interpreted as evidence that official GDP estimates are incorrect. Rather, they suggest the need for greater transparency and a more component-specific reading of recent growth.

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[2]IDX Composite refers to the Indonesia Stock Exchange Composite Index, which tracks the overall performance of listed stocks on the Indonesia Stock Exchange. JISDOR refers to Bank Indonesia’s Jakarta Interbank Spot Dollar Rate, a reference exchange rate for rupiah per US dollar.