Indonesia GDP Update

Q2 2026 · Growth Composition · Fiscal Sustainability · 5 August 2026

# Indonesia's 2Q GDP beats at 5.29%, but fiscal engine fades before 2027's MBG cut

| GDP (Q2, YoY) | Govt Consumption (Q2, YoY) | MBG Budget 2027e | Household Consumption (Q2) |
|---|---|---|---|
| **5.29%** | **+15.97%** | **-35%** | **+5.06%** |
| Beat 5.10% consensus · eased from 5.61% in Q1 | Top driver, but contribution already fading 1.26 to 1.07pp | Cut to IDR174tn from IDR268tn · scheduled engine downgrade | 53% of GDP, softened from +5.52% · no hand-off yet |

## KEY TAKEAWAYS

- Indonesia's economy grew **5.29% year-on-year in the second quarter**, beating the 5.10% Bloomberg consensus but easing from 5.61% in the first quarter; on a quarterly basis it rebounded 3.73% from Q1's seasonal -0.77% contraction, and first-half growth was 5.45%. The headline is resilient and above consensus.
- The growth is fiscally driven, and the impulse has already peaked. **Government consumption led every lens · up 15.97% year-on-year, 18.62% in the first half, and 15.08% quarter-on-quarter**, but its contribution to growth slipped from **1.26 percentage points in Q1 to 1.07 in Q2, with year-on-year growth decelerating from 21.81%**. The year-on-year strength is flattered by a low base · the MBG free-meal programme was tiny in the first half of 2025 · so the sequential and forward read matters more than the headline rate.
- The hand-off to private demand is not happening yet. **Household consumption, 53% of GDP, softened to 5.06% from 5.52%**, showing no acceleration to fill a fiscal gap. Investment was the genuine bright spot at 6.87% (contributing 2.06 percentage points, the second-largest engine), but it is import-intensive, so with **imports up 8.82% far outpacing exports at 4.13%, net trade was a drag**. Mining stayed the only contracting sector, at -1.64%.
- The engine faces a scheduled downgrade. **MBG's 2027 budget is projected 35% lower, at IDR174tn from IDR268tn**, as the government trims the SPPG target from 27,000 to 21,000 sites after a programme review; combined with a normalizing base, the government-consumption contribution could swing toward neutral or negative next year. Our illustrative scenarios (overleaf) put FY2027 growth at roughly 4.3 to 5.4%, with the base case below 5%, hinging entirely on whether household consumption and investment accelerate as the fiscal impulse winds down. *Key watch: signs of a private-demand hand-off in the second half, against an APBN revenue run-rate that already limits room to sustain the spending surge.*

### GDP by Expenditure · Q1 vs Q2 2026

| Component | Q1 YoY | Q2 YoY | Q2 Contribution (pp) | Q2 Share (%) |
|---|---|---|---|---|
| Household consumption | 5.52 | 5.06 | 2.67 | 53.32 |
| Government consumption | 21.81 | 15.97 | 1.07 | 7.57 |
| Investment (PMTB) | 5.96 | 6.87 | 2.06 | 29.36 |
| Exports | 0.90 | 4.13 | 0.99 | 23.13 |
| Imports (deduction) | 7.18 | 8.82 | -1.77 | 24.06 |
| **GDP** | **5.61** | **5.29** | **5.29** | **100.00** |

*Source: BPS.*

# THE FISCAL CLIFF · CAN THE BATON BE PASSED?

The strength in 2026 growth has leaned heavily on the government, and specifically on the MBG free-meal programme that scaled from almost nothing in early 2025 to a IDR268tn budget in 2026. That base effect is why government consumption shows double-digit year-on-year growth. But the impulse is already rolling over: its contribution to growth fell from 1.26 percentage points in the first quarter to 1.07 in the second, and into the second half of 2026 the comparison base rises further as MBG was already ramping through late 2025, mechanically shrinking the year-on-year contribution even if spending stays high.

The forward risk is sharper still. **The 2027 budget for MBG is projected to fall about 35%, to IDR174tn from IDR268tn, after the government cut its kitchen-site target from 27,000 to 21,000 following a programme review.** Combined with the normalizing base, the government-consumption contribution to growth could move from a support of roughly one percentage point toward neutral, or even a modest drag, in 2027.

Whether headline growth holds near 5% then depends on a hand-off to the other engines · and on current data that hand-off has not begun. Household consumption, 53% of GDP, is steady near 5% but decelerating rather than accelerating; investment is helping but leaks into imports, so net trade subtracts from growth. To offset a fiscal withdrawal of roughly one percentage point, private consumption and investment would need to collectively add about that much · which, on the second-quarter trajectory, they are not.

### FY2026 / FY2027 Growth Sensitivity · Aldiracita Illustrative Estimate

*Anchor: FY2026 GDP approx. 5.1% (H1 actual 5.45%, H2 assumed to ease near 4.8%). Illustrative estimates, not a forecast; assumes MBG 2027 at IDR174tn. Government reallocation of MBG savings would cushion the government drag.*

| Scenario | Govt Contribution | Household | Investment | Net Exports | Implied FY2027 GDP |
|---|---|---|---|---|---|
| Bear · hand-off fails | ~ -0.2pp | flat ~5.0% (2.6pp) | slows ~5% (1.5pp) | drag -0.5pp | **~4.3-4.5%** |
| Base · partial hand-off | ~ +0.2pp | ~5.2% (2.7pp) | steady ~6.5% (1.9pp) | drag -0.3pp | **~4.7-4.9%** |
| Bull · private demand revives | ~ +0.3pp | ~6.0% (3.1pp) | strong ~8% (2.3pp) | neutral | **~5.2-5.4%** |

*Source: Aldiracita Research (illustrative estimate); MBG budget per Various Source.*

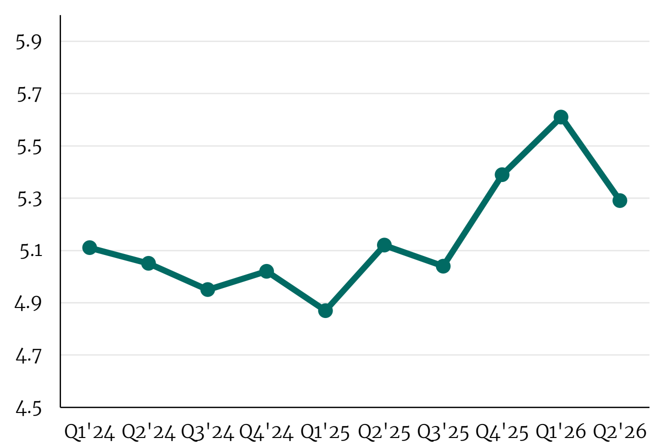
One important offset tempers the bear case: the government could reallocate the MBG savings to other spending, such as infrastructure or social transfers, which would cushion the government-consumption drag. The scenarios below are illustrative estimates by Aldiracita Research, not a forecast, and the 2027 MBG figure remains a parliamentary budget-committee projection rather than a finalized allocation.

# Indonesia GDP Update

Q2 2026 · Growth Composition · Fiscal Sustainability · 5 August 2026

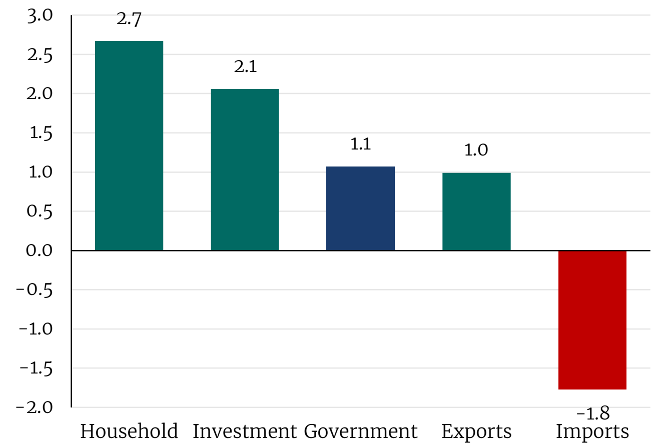
aldiracita SEKURITAS INDONESIA

### GDP Growth (YoY %), Q1 2024 – Q2 2026



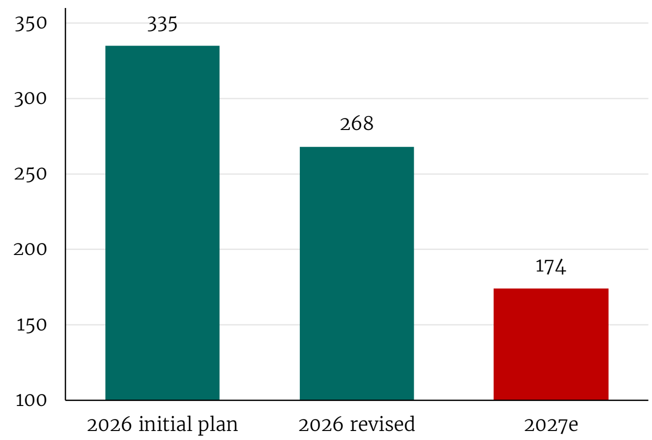

*Growth eased to 5.29% from a 5.61% peak in Q1, the softest since Q3 2025. Source: BPS.*

### Contribution to Q2 2026 Growth by Engine (ppt)



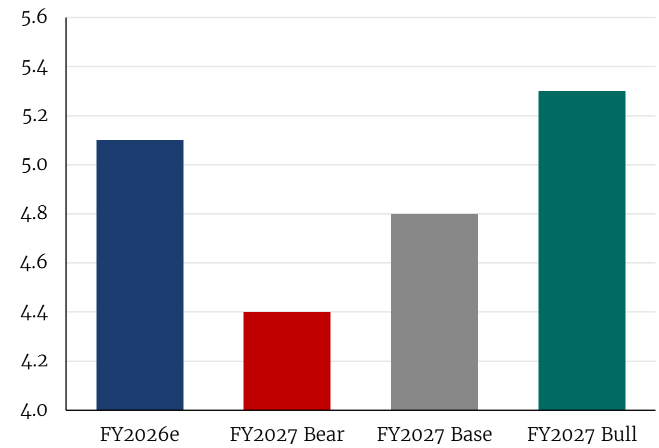

*Household and investment did most of the work; government added just 1.07pp and imports were a 1.77pp drag. Source: BPS.*

### MBG Programme Budget (IDR trillion)




*The free-meal programme that powered 2026 growth is budgeted about 35% lower in 2027. Source: Various Source.*

### GDP Growth Scenarios · FY26 vs FY27 (Aldiracita illustrative, %)




*Holding 5% in 2027 requires a private-demand hand-off that has not yet begun; the base case sits below 5%. Source: Aldiracita Research (illustrative).*

## Market Implications

| Dimension | Assessment | Analysis |
|---|---|---|
| Growth Trajectory | Cautious | The above-consensus headline masks a fiscal impulse that has already peaked; without a hand-off to household consumption and investment, sequential momentum skews lower into the second half of 2026 and 2027. |
| Fiscal Sustainability | Cautious | The MBG-led spending that drove 2026 growth is projected about 35% lower in 2027, and the APBN revenue run-rate gap limits room to sustain the impulse; reallocating the savings could cushion, but is unlikely to fully replace, the growth contribution. |
| BI & Rating | Watch | A resilient headline plus benign July inflation reduces near-term easing pressure, but fiscally dependent, import-heavy growth keeps the current-account and sustainability concerns that Fitch and Moody's have flagged firmly in view. |

*Source: BPS, Bloomberg, Various Source, Aldiracita Research. For informational purposes only.*

**PT Aldiracita Sekuritas Indonesia**
Menara Tekno Lt. 9,
Jl. H. Fachrudin No.19, Kampung Bali, Tanah Abang,
Jakarta Pusat, 10250
Indonesia
Phone: +61 21 39705858

**Contact**
Research: research@aldiracita.com
Phone: +62 21 39705860

## ANALYST CERTIFICATION & DISCLAIMER