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## ECONOMIC GROWTH IN INDONESIA, 2006

- ✓ Indonesia's economic growth in 2006 measured by the rise in the Gross Domestic Product (GDP) over 2005 reached 5.5 percent. Positive growth was recorded across all sectors, with the transport and communications sector in the lead at 13.6 percent and mining & quarrying behind all other sectors at 2.2 percent.
- ✓ Indonesia's GDP based on current prices reached Rp 3,338.2 trillion. In constant 2000 prices, GDP came to Rp 1,846.7 trillion.
- ✓ Indonesia's quarterly GDP in Q4/2006 was down 1.9 percent compared to Q3/2006 (q-t-q), despite recording 6.1 percent growth over Q4/2005.
- ✓ GDP growth in 2006 excluding oil and natural gas reached 6.1 percent, ahead of the overall GDP growth rate of 5.5 percent.
- ✓ On the expenditures side, the largest share of GDP at 62.7 percent was used for household consumption. Government consumption accounted for 8.6 percent, gross fixed capital formation 24.0 percent and net exports 4.8 percent (exports 30.9 percent and imports 26.1 percent).
- ✓ Growth took place in all GDP expenditure components during 2006. Leading in growth was government consumption at 9.6 percent, followed by exports at 9.2 percent, household consumption at 3.2 percent and gross fixed capital formation at 2.9 percent, with the effect of import growth recorded at 7.6 percent.
- ✓ The most important sources contributing to the 5.5 percent GDP growth were exports at 4.1 percent, followed by household consumption at 1.9 percent, government consumption at 0.7 percent and gross fixed capital formation at 0.7 percent before allowance for the 2.8 percent effect of imports.
- ✓ Per capita GDP based on current prices in 2006 came to Rp 15.0 million (US\$1,663.0), up from Rp 12.7 million (US\$1,320.6) in 2005. Per capita GNP in 2006 similarly reached Rp 14.4 million, also up from the previous year's level of Rp 12.1 million.

## I. Economic Growth in 2006

Compared to 2005, the Indonesian economy in 2006 recorded 5.5 percent growth. GDP based on constant prices reached Rp 1,846.7 trillion, up from Rp 1,750.7 trillion in 2005. Measured in current prices, the 2006 GDP expanded by Rp 553.2 trillion from Rp 2,785.0 trillion in 2005 to Rp 3,338.2 trillion in 2006.

**Table 1**  
**GDP in 2005 and 2006**  
**and 2006 Growth Rates by Business Sector**

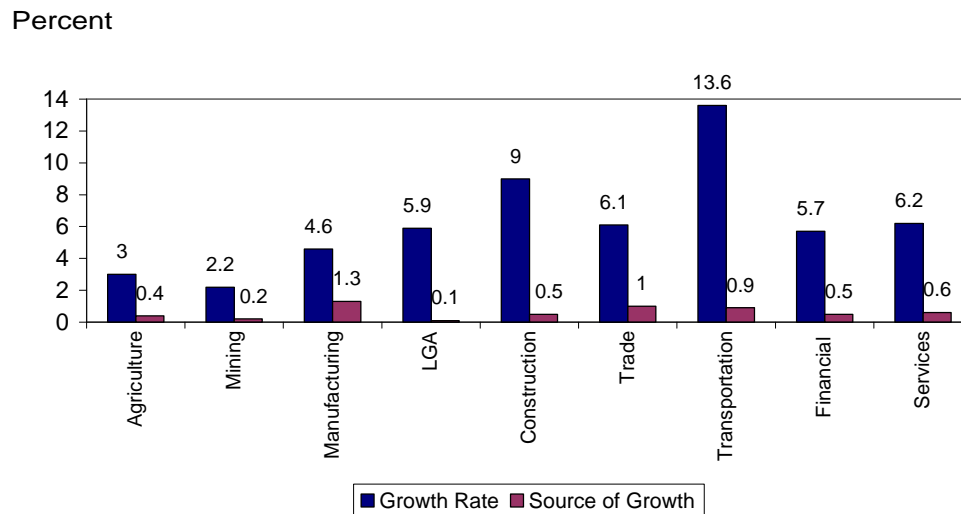
BUSINESS SECTOR	Based on Current Prices		Based on Constant 2000 Prices		Growth Rate	Source of Growth
	(Rp trillions)		(Rp trillions)		(Percent)	(Percent)
	2005	2006	2005	2006	2006	2006
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Agriculture, Estates, Livestock, Forestry and Fisheries	363.9	430.5	253.7	261.3	3.0	0.4
2. Mining and Quarrying	308.3	354.6	165.1	168.7	2.2	0.2
3. Manufacturing	771.7	936.4	491.4	514.2	4.6	1.3
4. Electricity, Gas and Water Utilities	26.7	30.4	11.6	12.3	5.9	0.1
5. Construction	195.8	249.1	103.5	112.8	9.0	0.5
6. Trade, Hotels and Restaurants	430.2	496.3	293.9	311.9	6.1	1.0
7. Transport and Communications	181.0	230.9	109.5	124.4	13.6	0.9
8. Financial, Real Estate and Corporate Services	230.6	271.6	161.4	170.5	5.7	0.5
9. Services	276.8	338.4	160.6	170.6	6.2	0.6
<b>GDP</b>	<b>2,785.0</b>	<b>3,338.2</b>	<b>1,750.7</b>	<b>1,846.7</b>	<b>5.5</b>	<b>5.5</b>
<b>NON-OIL AND GAS GDP</b>	<b>2,468.0</b>	<b>2,976.7</b>	<b>1,605.2</b>	<b>1,703.1</b>	<b>6.1</b>	<b>-</b>

During 2006, all economic sectors in the GDP recorded growth. The leading growth sector was transport and communications at 13.6 percent, followed by construction at 9.0 percent, services at 6.2 percent, trade, hotels and restaurants at 6.1 percent, electricity, gas and water utilities at 5.9 percent, financial services, real estate and corporate services at 5.7 percent, manufacturing at 4.6 percent, agriculture at 3.0 percent and mining and quarrying at 2.2 percent. Non-oil and gas GDP growth reached 6.1 percent, ahead of the overall GDP growth rate for 2006 recorded at 5.5 percent.

An interesting observation was the contribution of each sector to the rate of economic growth in 2006. Like before, sectors accounting for a large share of nominal GDP again represented the largest contributors to growth, despite their relatively modest growth rates. The transport and communications sector, despite leading in growth at 13.6 percent, contributed only 0.9 percent to the total 5.5 percent growth. In contrast,

manufacturing, despite charting only 4.6 percent growth, remained the leading sources of growth with a 1.3 percent contribution to the growth rate. Complete data on sources of growth is presented in Table 1.

**Graph 1**  
**Rate and Source of GDP Growth in 2006**  
**Based on Constant 2000 Prices**



## II. Economic Growth in Q4/2006

Indonesia's economic performance in Q4/2006, measured by GDP based on constant 2000 prices, fell by minus 1.9 percent from the preceding quarter (q-t-q). This decline is consistent with the trend recorded in previous years, with the economy experiencing a fourth quarter contraction following the expansion in the third quarter. The negative growth in Q4/2006 is explained largely by a significant decline in the agricultural sector at minus 19.8 percent, representing the effect of the seasonal cycle, in addition to minus 0.6 percent growth in trade, hotels and restaurants. Other sectors, however, recorded positive fourth quarter growth. The transport and communications sector widened by 3.9 percent, with mining and quarrying next at 3.2 percent, construction at 3.0 percent, financial, real estate and corporate services at 2.2 percent, electricity, gas and water utilities at 1.9 percent, the services sector at 0.8 percent and lastly manufacturing at 0.6 percent.

**Table 2**  
**Quarterly GDP Growth Rates by Business Sector**  
**(Percent)**

BUSINESS SECTOR	Q3/2006 to Q2/2006	Q4/2006 to Q3/2006	Q4/2006 to Q4/2005
(1)	(2)	(3)	(4)
1. Agriculture, Estates, Livestock, Forestry and Fisheries	6.1	-19.8	1.8
2. Mining and Quarrying	1.6	3.2	0.7
3. Manufacturing	3.6	0.6	5.9
4. Electricity, Gas and Water Utilities	2.5	1.9	8.1
5. Construction	3.6	3.0	10.4
6. Trade, Hotels and Restaurants	4.5	-0.6	7.0
7. Transport and Communications	4.5	3.9	15.9
8. Financial, Real Estate and Corporate Services	2.0	2.2	6.8
9. Services	2.4	0.8	6.0
<b>GDP</b>	<b>3.7</b>	<b>-1.9</b>	<b>6.1</b>
<b>NON-OIL AND GAS GDP</b>	<b>4.1</b>	<b>-2.2</b>	<b>6.6</b>

Measured year-on-year against Q4/2005, the Indonesian economy recorded 6.1 percent growth in Q4/2006. Growth was recorded across all sectors, led by transportation at 15.9 percent. Next was construction with 10.4 percent growth, followed by electricity, gas and water utilities at 8.1 percent, trade, hotels and restaurants at 7.0 percent, financial services, real estate and corporate services at 6.8 percent, the services sector at 6.0 percent, manufacturing at 5.9 percent, agriculture at 1.8 percent and the mining and quarrying sector at 0.7 percent.

### **III. GDP Structure by Business Sector, 2005 and 2006**

GDP distribution by sector based on current prices also provides an indication of the roles and changes in economic structures over the years. During 2006, the three leading sectors – agriculture, manufacturing and trade – accounted for 55.9 percent of the GDP. Manufacturing contributed 28.1 percent, followed by trade, hotels and restaurants at 14.9 percent and agriculture at 12.9 percent.

The year 2006 saw a shift in sectoral share of GDP compared to 2005. Agriculture, mining and quarrying, electricity, gas and water utilities, trade, hotels and restaurants and the financial services, real estate and corporate services sectors all declined in proportion

to total GDP. A significant drop took place in the trade, hotels and restaurants sector, which diminished from 15.4 percent of GDP in 2005 to 14.9 percent in 2006. In a similar vein, mining and quarrying narrowed from 11.1 percent to 10.6 percent, agriculture from 13.1 percent to 12.9 percent, the financial services, real estate and corporate services sector from 8.3 percent to 8.1 percent and electricity, gas and water utilities from 1.0 percent to 0.9 percent. On the other hand, construction widened from 7.0 percent in 2005 to 7.5 percent in 2006, transportation and communications from 6.5 percent to 6.9 percent, manufacturing from 27.7 percent to 28.1 percent and the services sector from 9.9 percent to 10.1 percent. Analysed in aggregate form, the proportion of non-oil and gas GDP increased from 88.6 percent in 2005 to 89.2 percent in 2006.

**Table 3**  
**GDP Structure by Business Sector, 2005 - 2006**  
**(Percent)**

BUSINESS SECTOR	2005	2006
(1)	(2)	(3)
1. Agriculture, Estates, Livestock, Forestry and Fisheries	13.1	12.9
2. Mining and Quarrying	11.1	10.6
3. Manufacturing	27.7	28.1
4. Electricity, Gas and Water Utilities	1.0	0.9
5. Construction	7.0	7.5
6. Trade, Hotels and Restaurants	15.4	14.9
7. Transport and Communications	6.5	6.9
8. Financial, Real Estate and Corporate Services	8.3	8.1
9. Services	9.9	10.1
<b>GDP</b>	<b>100.0</b>	<b>100.0</b>
<b>NON-OIL AND GAS GDP</b>	<b>88.6</b>	<b>89.2</b>

#### IV. Expenditure-Based GDP

GDP based on current 2006 prices reached Rp 3,338.2 trillion. Most of this, Rp 2,092.76 trillion, was expended on household consumption. Other expenditure components included Rp 288.1 trillion for government consumption, Rp 800.1 trillion on gross fixed capital formation, Rp 19.6 trillion on changes in inventory, Rp 1,030.8 trillion on export transactions and Rp 870.1 trillion on imports. In comparison to 2005, GDP measured in current prices mounted from Rp 2,785.0 trillion to Rp 3,338.1 trillion, with increases across all expenditure components as shown in the following table:

**Table 4**  
**Value and Growth Rates for Expenditure-Based GDP**  
**2005 and 2006**

Expenditure Component	Based on Current Prices		Based on Constant 2000 Prices		Growth Rate	Source of Growth
	(Rp trillions)		(Rp trillions)		(Percent)	(Percent)
	2005	2006	2005	2006	2005	2006
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Household Consumption	1,785.6	2,092.7	1,043.8	1,076.9	3.2	1.9
2. Government Consumption	225.0	288.1	134.6	147.6	9.6	0.7
3. Gross Fixed Capital Formation	657.6	800.1	393.2	404.6	2.9	0.7
4. a. Change in Inventories	27.7	19.6	18.7	13.1		
b. Statistical Discrepancies	-30.5	-23.0	4.3	24.1		
5. Exports	936.0	1,030.8	792.0	864.5	9.2	4.1
6. <u>Minus Imports</u>	816.4	870.1	635.9	684.1	7.6	2.8
<b>GDP</b>	<b>2,785.0</b>	<b>3,338.2</b>	<b>1,750.7</b>	<b>1,846.7</b>	<b>5.5</b>	<b>-</b>

Indonesia's economic growth in 2006 was recorded at 5.5 percent. Growth was supported by all GDP expenditure components, with household consumption up 3.2 percent, government consumption rising 9.6 percent, gross fixed capital formation up 2.9 percent and exports and imports each climbing 9.2 percent and 7.6 percent. The annual GDP growth rate is the cumulative figure for quarterly GDP growth during the year under review, as reported in detail in Table 4.

Growth in 2006 was driven mainly by exports of goods and services. Of the 5.5 percent growth in 2006 (c-t-c), 4.1 percent was contributed by exports of goods and services. The largest GDP component, household consumption, contributed only 1.9 percent. Government consumption and gross fixed capital formation each contributed 0.7 percent to economic growth.

**Table 5**  
**Quarterly Growth Rates for GDP Components, 2005-2006**  
**(Percent)**

EXPENDITURE CATEGORY	Q3/2006 to Q2/2006	Q4/2006 to Q3/2006	Q4/2006 to Q4/2005
(1)	(2)	(3)	(4)
1. Household Consumption	1.7	1.9	3.8
2. Government Consumption	-5.0	28.6	2.2
3. Gross Fixed Capital Formation	3.4	1.4	8.2
4. Exports	4.1	1.7	6.1
5. <u>Minus Imports</u>	5.5	-4.3	9.7

Third quarter growth in each expenditure component was up in comparison to the second quarter with the exception of government expenditures, which underwent contraction. The highest growth rates were recorded in imports and exports, which climbed 5.5 percent and 4.1 percent. However, no significant change took place in household consumption. Following from this, in Q4/2006 almost all GDP components recorded expansion in relation to Q3/2006. The exception to this was imports, which fell by minus 4.3 percent. On the other hand, the highest growth was recorded in government consumption at 28.6 percent.

Measured against the same quarter in 2005, most expenditure components were up in Q4/2006. Leading in growth was imports at 9.7 percent, followed by gross fixed capital formation at 8.2 percent. Growth in exports and household consumption came to 6.1 percent and 3.8 percent.

Analysis of the distribution of GDP expenditures shows that household expenditures are still the largest contributor to GDP expenditures in Indonesia despite a narrowing in its proportion to total expenditures from 64.1 percent in 2005 to 62.7 percent in 2006. Other components that recorded decline were exports, down from 33.6 percent to 30.9 percent, and imports, similarly down from 29.3 percent to 26.1 percent in 2006. In contrast, the other expenditure component widened with government consumption up from 8.1 percent to 8.6 percent and gross fixed capital formation increasing from 23.6 percent to 24.0 percent.

**Table 6**  
**Distribution of GDP by Expenditures**  
**Based on Constant Prices (Percentages)**

EXPENDITURE CATEGORY	2005	2006
(1)	(2)	(3)
1. Household Consumption	64.1	62.7
2. Government Consumption	8.1	8.6
3. Gross Fixed Capital Formation	23.6	24.0
4. a. Change in Inventory	1.0	0.6
b. Statistical Discrepancies	-1.1	-0.7
5. Exports of Goods and Services	33.6	30.9
6. <u>Minus Imports of Goods and Services</u>	29.3	25.1
<b>GDP</b>	<b>100.00</b>	<b>100.00</b>

## V. GDP AND GNP PER CAPITA

GDP/GNP per capita is calculated as GDP/GNP (based on current prices) divided by the total population at mid-year. In 2006, the GDP per capita figure is estimated at Rp 15.0 million (US\$1,663.0), up 18.3 percent from the 2005 GDP per capita of Rp 12.7 million (US\$1,320.6). Similarly, GNP per capita climbed from Rp 12.1 million in 2005 to Rp 14.4 million in 2006, a rise of 19.0 percent.

**Table 7**  
**Indonesia's GNP and GDP per capita, 2005 and 2006**

DESCRIPTION	2005	2006
(1)	(2)	(3)
GDP per capita at current prices		
- Value (Rp millions)	12.7	15.0
- Growth Rate (percent)	19.7	18.3
- Value (US\$)	1,320.6	1,663.0
GNP per capita at current prices		
- Value (Rp millions)	12.1	14.4
- Growth Rate (percent)	19.4	19.0
- Value (US\$)	1,256.6	1,591.2