

Economic Briefing

Milder inflation, trade balance stays positive



February-14 Inflation Forecast

	Feb-14* (Forecast)	Jan-14	Dec-13	Nov-13
Headline CPI (% chg y-o-y)	8.06	8.22	8.08	8.07
Headline CPI (% chg m-o-m)	0.55	1.07	0.45	0.16
Headline CPI (% chg y-t-d)	1.62	1.07	8.08	7.60
Core CPI (% chg y-o-y)	4.65	4.53	na	na

Source: CEIC, BPS, *Danamon Estimates

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- February inflation numbers will be released this coming Monday (Mar 3). We expect to see a moderate inflation of 0.55%mom, lower than 1.07%mom in Jan-14. It will thus lead to a modest decline in the year on year inflation at 8.06% from 8.22% in Jan-14, due to a low base effect, i.e. 0.70%mom inflation in Feb-13.
- The pressure of some raw food prices may still exist (particularly fish, rice, egg and chili), though lower than in the previous month. We expect flood impact to ease, thus the contribution of raw and processed foods to the inflation should be lower compare to the previous month.
- Meanwhile, the decline in the LPG price may have some impact in Feb, after a quite high contribution at 0.17%mom last month. Therefore, we think the household fuels will give declining impact on the February inflation.
- The monthly core inflation rate may rise slightly to 4.65%yoy vs 4.53%yoy in Jan-14, due to the low base effect (0.42%mom in Feb-14 vs 0.30%mom in Feb-13). The main driver of the core inflation may still be the higher gold jewelry price, despite the Rupiah strengthening.

January-14 International Trade Forecast

	Jan-14* (Forecast)	Dec-13	Nov-13	Oct-13
Export Growth (% y-o-y)	2.6	10.3	-2.4	2.6
Import Growth (% y-o-y)	-3.1	-0.8	-10.6	-8.9
Trade Balance (US\$bn)	0.81	1.52	0.78	0.04

Source: CEIC, BPS, *Danamon Estimates

- On the same day, the statistics office will also release January's international trade data. We expect a slight month to month decline in exports (though still positive compared to the previous year) with imports declining further, thus resulting in a milder trade surplus of around USD805 mn.
- We still expect to see the front-running of ore exports to continue in the first half of the month, as the partial ban was enacted in the mid January. However, the overall impact should be clearer in the February data, while for January, we may still see a significant amount of raw mineral commodities being shipped overseas.
- On the other hand, there are also signs of decline in the CPO exports due to the abundant supply in the producing countries (i.e. Indonesia, Malaysia, Brazil, and Paraguay). Meanwhile weak economic data from China sparks demand concern causing commodity prices recorded a month to month decline in January.

- On the imports side, decline may continue as the economic activities are seasonally moderating amid the weaker exchange rate.

Indonesia: Selected Economic Indicators

	2010	2011	2012	2013	2014E	2015E
National Accounts						
Real GDP (% y-o-y)	6.2	6.5	6.3	5.8	5.7	6.2
Domestic demand ex. inventory (% y-o-y)	5.3	5.7	6.1	5.1	5.5	5.7
Real Consumption: Private (% y-o-y)	4.7	4.7	5.3	5.3	5.2	5.4
Real Gross Fixed Capital Formation (% y-o-y)	8.5	8.8	9.7	4.7	4.0	6.8
GDP (US\$bn) — nominal	710	845	879	871	925	1,086
GDP per capita (US\$) — nominal	2,986	3,509	3,596	3,490	3,640	4,215
Open Unemployment Rate (%)	7.1	6.6	6.1	6.3	6.1	6.1
External Sector						
Exports, fob (% y-o-y, US\$ bn)	32.1	27.0	-6.1	-2.6	4.2	6.0
Imports, fob (% y-o-y, US\$ bn)	43.7	30.3	8.4	-1.4	3.5	4.2
Trade balance (US\$ bn)	30.6	34.8	8.6	6.1	3.3	6.8
Current account (% of GDP)	0.7	0.2	-2.7	-3.3	-2.9	-2.4
Central government debt (% of GDP)	26.1	24.6	23.1	22.0	21.2	22.2
International Reserves –IRFCL (US\$ bn)						
International Reserves –IRFCL (US\$ bn)	96.2	110.1	112.8	99.4	100.0	103.5
Reserve Cover (Months of imports & ext. debt)	7.1	6.3	6.1	5.4	5.6	5.8
Currency/US\$ (Year-end)	8,991	9,068	9,670	12,189	11,058	10,754
Currency/US\$ (Average)	9,085	8,779	9,380	10,428	11,605	10,770
Other						
BI policy rate (% year end)	6.50	6.00	5.75	7.50	7.75	8.00
Consumer prices (% year end)	6.96	3.79	4.30	8.38	4.94	4.61
Fiscal balance (% of GDP; FY)	-0.73	-1.14	-1.77	-2.24	-1.80	-2.00
S&P's Rating – FCY	BB	BB+	BB+	BB+	BB+	BB+

Source: CEIC, BPS, *Danamon Estimates

Economic and Market Research

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