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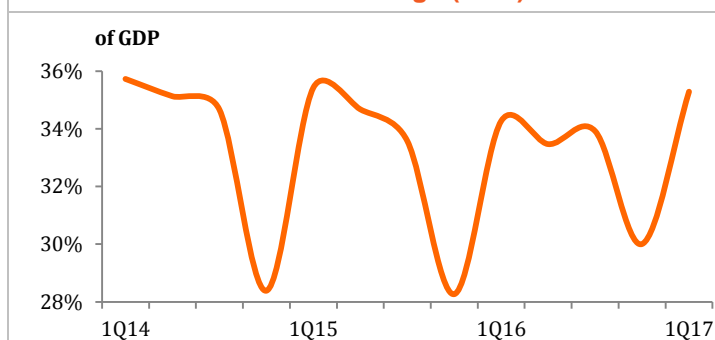
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Economic Highlights

- The statistics office announced **Indonesia's economic growth of 5.01%yoy** for the first quarter in 2017, higher than our 4.96% estimate. The difference lies on the size of harvest booking, which was shifted from the second quarter in 2016 to the first quarter this year. There was also additional expenditure linked to the run-up of local government elections, which transpired through solid growth of non-profit institution spending.
- Growth of household consumption dipped further from 5.0%yoy to 4.9%yoy despite an **elevated Gross Domestic Savings** (*please see Chart 1*). As discussed in our previous report (*Indonesia Economic Briefing: Neutral Stance and Balanced Risks*), what can drive national savings are foreign investment and export. The gradual rise in savings last quarter was primarily due to strong export proceeds, whilst fixed investment remained flat.
- Similar trend was shown from the supply (production)-side of GDP, where the contribution of broad manufacturing remained weak. This is partly on the back of **higher cost of production** that is reflected from increasing wholesale prices and deflator of import (*please see Chart 2*). It confirms our initial suspicion that the rebound in both nominal and deflator of GDP, as well as price inflation, were cost push rather than demand driven.
- The above mentioned findings have reinforced our view on the 2017 outlook. While the fiscal engine is revitalized, household consumption and corporate spending may be somewhat curbed by transitory inflation on energy costs. On the flipside, the recovery in national savings from export may give some support towards domestic demand. However, it may need some time for the pass-through effect to investment and then consumption to materialize. The caveat also lies on the recent downturn in global commodity prices. **We are maintaining our call for FY17 GDP at 5.04%.**

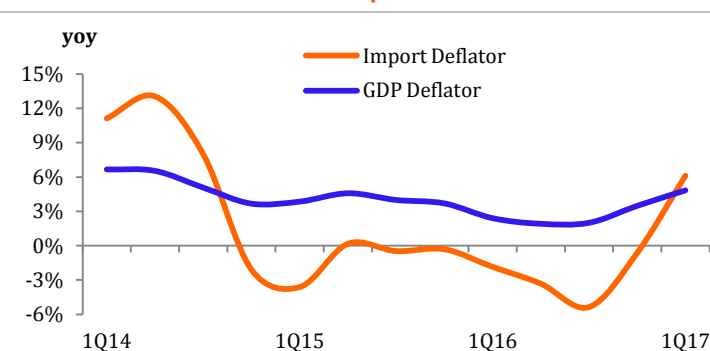
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Chart 1. Gross Domestic Savings (GDS)



Source: Central Bureau of Statistics (BPS), CEIC

Chart 2. Deflator: GDP vs Import



Source: Central Bureau of Statistics (BPS), CEIC

Indonesia: Selected Economic Indicators

	2013	2014	2015	2016	2017E
National Accounts					
Real GDP (% y-o-y)	5.6	5.0	4.9	5.0	5.0
Domestic demand ex. inventory (% y-o-y)	5.0	5.4	3.9	5.0	4.9
Real Consumption: Private (% y-o-y)	5.4	5.2	5.0	5.0	4.9
Real Gross Fixed Capital Formation (% y-o-y)	5.0	4.6	5.0	4.5	5.2
GDP (USD bn) — nominal	915	890	862	923	925
GDP per capita (USD) — nominal	3,668	3,530	3,374	3,569	3,577
Open Unemployment Rate (%)	6.3	5.9	6.2	5.6	5.5
External Sector					
Exports (% y-o-y, BoP Basis)	-2.8	-3.7	-15.4	-3.1	7.0
Imports (% y-o-y, BoP Basis)	-1.3	-4.5	-19.7	-4.5	6.6
Trade balance (USD bn, BoP Basis)	5.8	6.9	13.3	15.4	15.2
Current account (% of GDP)	-3.7	-3.2	-2.1	-1.8	-1.8
Central government debt (% of GDP)	21.3	23.5	26.6	27.7	30.2
International Reserves –IRFCL (USD bn)	99.4	111.9	105.9	116.4	114.0
Reserve Cover (Months of imports & ext. debt)	5.4	6.5	7.4	8.4	8.4
Currency/US\$ (Year-end)	12,189	12,440	13,795	13,436	13,555
Currency/US\$ (Average)	10,428	11,900	13,392	13,308	13,504
Other					
BI policy rate (% year end)	7.50	7.75	7.50	6.50*	N/A
BI 7-Day Reverse Repo rate (% year end)	N/A	N/A	6.25	4.75	5.00
Consumer prices (% year end)	8.08	8.36	3.35	3.02	4.57
Fiscal balance (% of GDP; FY)	-2.24	-2.26	-2.70	-2.46	-2.60
S&P's Rating – FCY	BB+	BB+	BB+	BB+	BBB-

Source: CEIC, E = Danamon Estimates, *) Up to August 2016

Economic and Market Research

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