

Indonesia Economic Briefing

On April Trade and 1Q17 Balance of Payment



	Apr-17 (Actual)	Apr-17* (Forecast)	Apr-17 (Consensus)	Mar -17**
Export Growth (% y-o-y)	12.6	22.9	20.5	24.3
Import Growth (% y-o-y)	10.3	21.7	20.4	17.5
Trade Balance (USD bn)	1.24	0.95	0.95	1.39

Source: Bloomberg, BPS, CEIC, *Danamon Estimates, **Revised

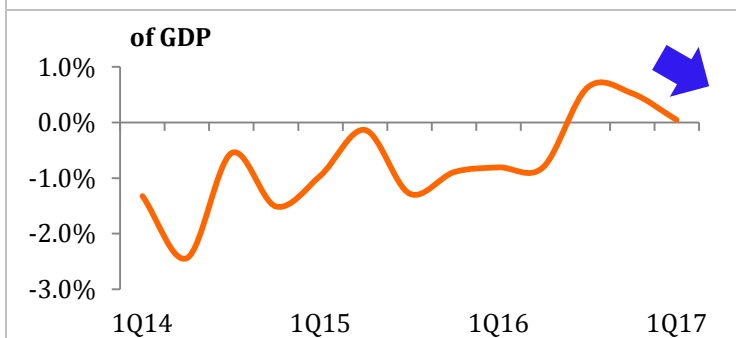
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- Indonesia's statistics office announced **April's trade surplus that edged down to USD1.2bn from a revised surplus of USD1.4bn last March**. Export of commodities -i.e. coal, CPO, and rubber- had fell in-line with softening prices of global commodities. Yet we note that the cumulative growth of export volume still grew at mid single digit, giving a more positive tone on the overall picture. Import, on the other hand, still tells the same tale that we've elaborated last month in our *Indonesia Economic Briefing: Commodity-based Export* report, whereby import growth was driven by price rather than volume.
- Bank Indonesia had also released Balance of Payment data for 1Q17, late last week. **Current account deficit stood at USD 2.4bn (1.0% of nominal GDP)**, lower than our initial estimate of USD 2.6bn or 1.1% of nominal GDP. Despite slightly widening compared to 4Q16 figure of 0.9% to nominal GDP, the trend had improved significantly from year-ago levels mainly due to export of primary commodities. Nevertheless, an effort worth mentioning that contributed to a healthier current account structure was the gradual incline in tourist revenue. Even though it would be fully compensated by the decline in remittance transfer.
- Basic Balance of BoP has been positive for the past 3 quarters**. The basic balance is calculated by the sum of current account and net direct investment. A positive basic balance means that money going out of the country from current account deficit can be covered by foreign direct investment, i.e. long term stable funding. It also means that the currency would be less vulnerable towards abrupt market shocks. However, given our view that commodity export could soften and foreign investment trending down, the basic balance may revert back to negative territory and thus tilt the support of currency to portfolio investment flow yet again.
- Possible policy implication?** From the perspective of the central bank, current macro fundamentals proved to be stable and healthy. But hefty risk from global economic situation has warrant for a cautious stance. Hence, we projected policy rates to still be on hold during the next MPC meeting (18 May).

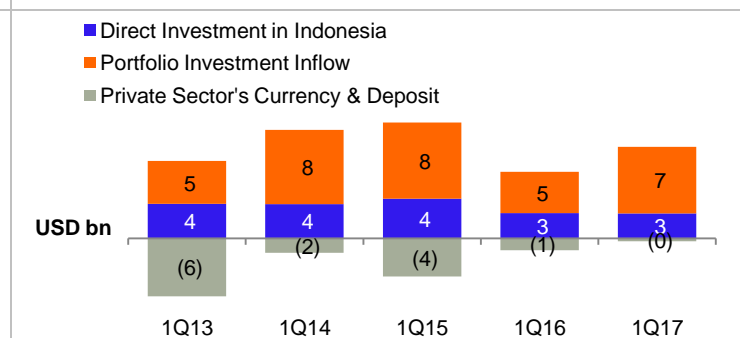
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Chart 1. Basic Balance of BoP



Source: Bank Indonesia

Chart 2. Breakdown of Financial Account



Source: Bank Indonesia

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+	BB+

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

Economic and Market Research

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