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Indonesia Economic Briefing

Jakarta Election Round 2: Opposition Strikes Back



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- **The quick count results were mostly synonymous, showing Jakarta will have a new governor (Anies Baswedan and Sandiaga Uno), as results showed the incumbent (Basuki T. Purnama and Djarot S. Hidayat) trailed behind by around 15-17%.**
- The first 100 days program of the new governor will mostly be centered on unemployment (creating jobs through the OK-OCE program), education and cost of living (through enhancement of the incumbent's social security program) of the Jakartans.
- **The surfacing concern is mostly on the continuity of the many reforms** that has been done by the incumbent (in terms of bureaucracy and infrastructure), and also the relationship with the central government, as the opposition parties will have a bigger say on the policies of the new governor.
- Having said that, **most of the infrastructure projects (MRT, LRT, toll-roads, river and canals normalization) in Jakarta have already been started and most of those projects are financed coordinately** by regional (Jakarta) budget, state budget and private parties, where the progress is highly monitored by the central government. Furthermore, we may see a strong public monitoring in place as people now are very focal of what they think of the government's policies. One project that may be threatened is the highly debated reclamation project.
- **Despite the high tension in Jakarta politics lately, the second round election went smooth and safe.** Both incumbent governor and newly elected governor have voiced a unity and reconciliation afterwards to the divided Jakartans. They also vowed to coordinate on the next term's policies with the incoming period of regional budget (APBD) planning.
- **On political map however, political parties backing the government (the same with the ones who backs the incumbent governor) may need to start to re-think their strategy** as the presidential election coming up in two years. Even so, we think politics are very dynamic and may be too early to relate yesterday's election result to the 2019's presidential election.

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

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