

# Indonesia Economic Briefing

## Iron and Steel



	Nov-17 (Actual)	Nov-17* (Forecast)	Nov-17 (Consensus)	Oct -17**
Export Growth (% y-o-y)	13.2	N/A	12.6	19.6
Import Growth (% y-o-y)	19.6	N/A	13.0	23.8
Trade Balance (USD bn)	0.13	N/A	0.84	1.00

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

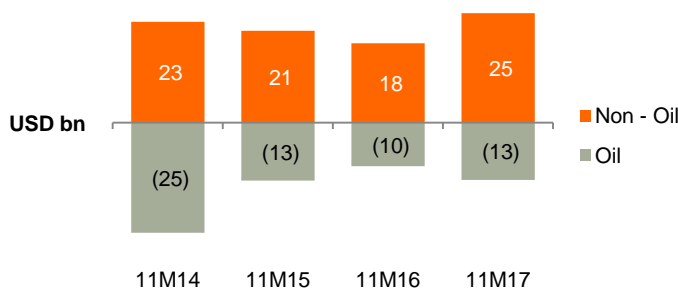
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- Indonesia's **trade surplus slipped to USD0.1bn on Nov-17** vs USD1.0bn in Oct-17. Cumulatively, the trade surplus had reached USD12.0bn this year, surpassing the full year result of 2016 at USD9.3bn. Most of the credit does go to a favorable-mix of commodity prices vis-a-vis significant rise in coal, while oil price increase is just enough to push other commodities up but not high enough to create distortion through import or inflation (*please see Chart 1*). However, for the past 4 months, non-commodity trading had been looking alive and thus providing hope for a sustainable domestic recovery.
- Today's trade result has reconfirmed our new found optimism in the economy. Of the non-oil and gas exported goods throughout 2017, products like apparels, footwear, iron and steel has stood out among top 10 growth drivers. This means that **improvements are seen gradually across sectors and toward various destinations**.
- On import, cumulative growth of volume had turned from negative in mid-2017 to +5.3% yoy. There were several consumptive goods that rose significantly this year -i.e. fruits (HS 08) and electrical machinery (HS 85) that mostly comprises of smart phones-. Import of vehicle and parts had also recovered, yet both local sales and export for consumer vehicles were relatively tamed, **thus we sense the import was more on commodity-related transportation**.
- Specifically for iron and steel products**, the government had issued a regulation at end 2016 regarding specific mixture that may or may not be imported and effective for only 2 years (starting 1<sup>st</sup> Jan 2017 until 31<sup>st</sup> Dec 2019). While we have not seen a jump in imports for the abovementioned goods during times of massive infrastructure developments, export of iron and steel products, on the other hand, had seen 76% coc growth. We think the reason can either be oversupply in domestic market or push for local content.

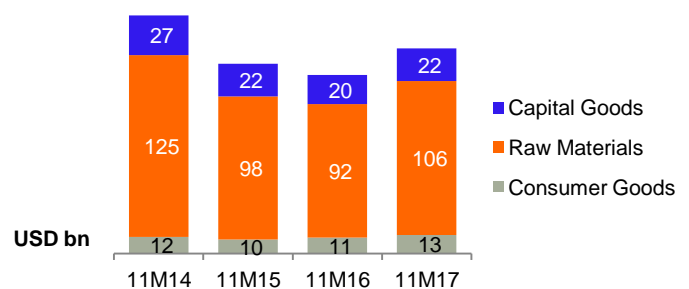
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**Chart 1. Oil and Non-oil Trade Balance**



Source: Central Bureau of Statistics (BPS)

**Chart 2. Import by Economic Group**



Source: BI, Central Bureau of Statistics (BPS)

## Indonesia: Selected Economic Indicators

	2013	2014	2015	2016	2017E
<b>National Accounts</b>					
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	913	890	861	932	1,005
GDP per capita (USD) — nominal	3,648	3,529	3,371	3,604	3,838
Open Unemployment Rate (%)	6.3	5.9	6.2	5.6	5.5
<b>External Sector</b>					
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	128.0
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	13,430
Currency/US\$ (Average)	10,428	11,900	13,392	13,308	13,349
<b>Other</b>					
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	4.25
Consumer prices (% year end)	8.08	8.36	3.35	3.02	3.65
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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