

Indonesia Economic Briefing

Gaining Traction



	Oct-17 (Actual)	Oct-17* (Forecast)	Oct-17 (Consensus)	Sep -17**
Export Growth (% y-o-y)	18.4	19.6	15.4	15.7
Import Growth (% y-o-y)	23.3	16.1	15.0	13.1
Trade Balance (USD bn)	0.89	1.88	1.61	1.78

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

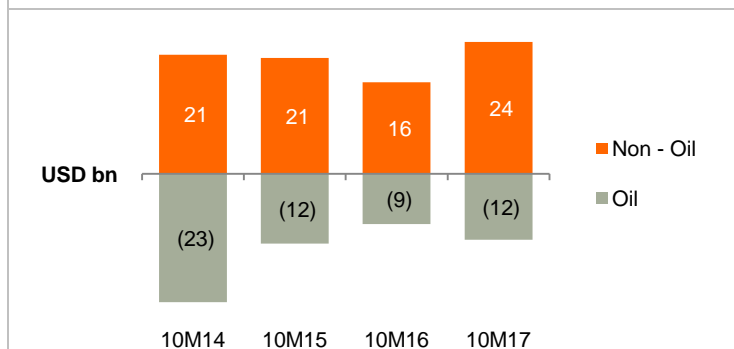
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- Indonesia's **trade surplus slipped to USD0.9bn on Oct-17** vs USD1.8bn in Sep-17. Cumulatively, the trade surplus had reached USD11.8bn this year, already surpassing the full year result of 2016. Most of the credit does go to a favorable-mix of 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 3 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, names like vehicles, apparels, fishery, and aluminum has stood out among top 10 growth drivers. This means that **improvements are seen gradually across sectors and toward various destinations**.
- On import, **it's not the size of growth but rather the quality and composition that matters**. First off, cumulative growth of import volume had turned from negative in mid-2017 to +4.3% yoy. Secondly, import of raw materials for industry dominated this year with products including steel, chemicals, and cacao (*please see Chart 2*). Lastly, the revival in import of plastics that is usually related to consumption has cemented our view that domestic demand may pick-up.
- Possible policy implication?** From the perspective of the central bank, current macro fundamental is still in need of further stimulus. But hefty risk from global economic situation has warrant for a cautious stance; as such **our rate call remains unchanged**. There were hints of a possibility that other monetary tools may be used, -i.e. cut in primary reserve requirement ratio-. We prefer selected macro-prudential measures instead, given the condition of loan supply and demand at present.

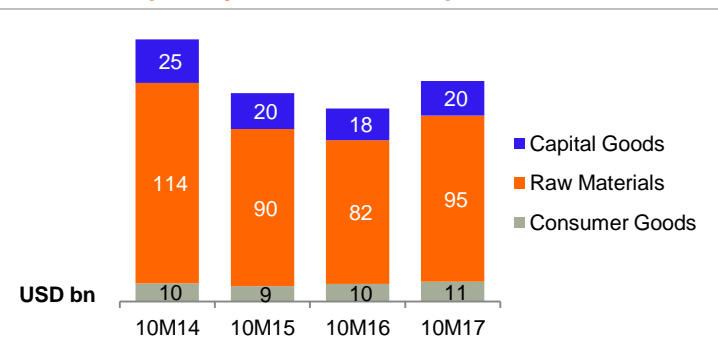
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Chart 1. Oil and Non-oil Trade Balance



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
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	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
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	-1.5
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	13,430
Currency/US\$ (Average)	10,428	11,900	13,392	13,308	13,349
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	4.25
Consumer prices (% year end)	8.08	8.36	3.35	3.02	3.81
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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