

# Indonesia Economic Briefing

## Productive Imports



	Sep-17 (Actual)	Jul-17* (Forecast)	Jul-17 (Consensus)	Aug -17**
Export Growth (% y-o-y)	15.7	13.3	20.6	19.5
Import Growth (% y-o-y)	13.1	16.5	18.0	9.1
Trade Balance (USD bn)	1.76	1.08	1.26	1.72

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

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- Indonesia's statistics office announced a **consecutive high trade surplus of USD1.8bn on Sep-17**. Compared with the figures in August, oil balance had improved slightly larger than the fall in non-oil balance. This was amid the rise in oil price by around 10% during the month.
- Taking a look at the breakdown of non-oil export, **it was interesting to see the contradictory movement between 2 of Indonesia's largest export commodities**. Export of CPO had contracted by 9.0% mom during the time when its prices grew by 1.5%. Whereas coal export grew around 10.6% mom during the time when its prices fell by 6.2%.
- On import by economic group, we saw a consistently solid growth in imported raw materials and capital goods. Local demand for both goods increased by around 23% coc despite their prices had gotten more expensive by 4.3%. It is supportive with **our growing view that domestic demand is gradually picking-up** and also consistent with Purchasing Manager Index that showed 2 consecutive months of expansion.
- After today's trade result, we calculated **3Q17 current account deficit would come at USD 4.5bn or 1.8% of nominal GDP**. Our projection is slightly better-off compared to 2Q17 figure of 2.0% to nominal GDP, and the trend had still improved from year-ago levels. We have been expecting that the outlook of current account to gradually deteriorate on the back of weaker commodity prices and global demand. We maintain our FY17 CAD call at 1.8% of GDP.
- 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, especially with the European Central Bank set to announce its QE plan this month. Furthermore, interest rate differentials had become relatively thin while the decision to cut benchmark rate last month has proven to be costly. **Our rate call remains unchanged.**

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## 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	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
<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	3.81
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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