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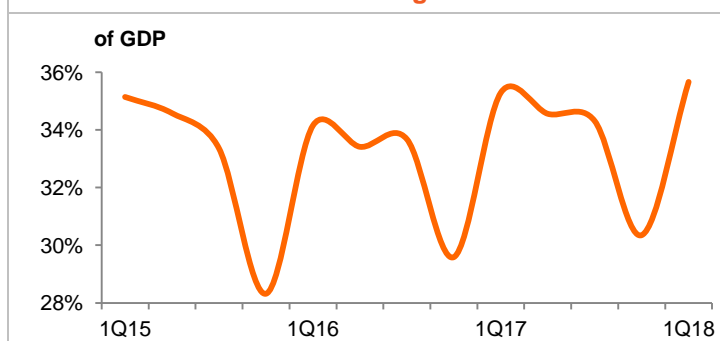
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Economic Highlights

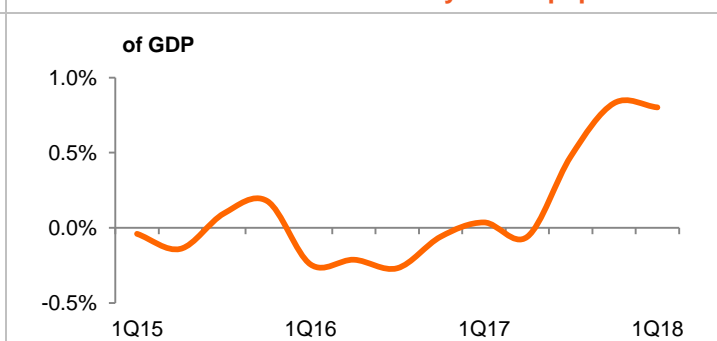
- The statistics office announced **Indonesia's economic growth of 5.06% yoy** for the first quarter of 2018, lower than our 5.19% estimate. The difference lies on the size of harvest booking, which was shifted from the first quarter in 2017 to the second quarter this year. Judging from its historical contribution to GDP, the gap can go up to 0.3pps. Having said that, there is a chance that 2Q18 result may book above expectation on the back of low base effect.
- The most exciting point to highlight from the quarterly figures is the rise in fixed investment -i.e. dwellings and machinery/equipment-, as its contribution to the overall economy gets closer to household consumption. In turn, Gross Domestic Savings continues on its gradual uptrend despite having a dwindling commodity export (*Please see Chart 1*). We think **the overall data is not only suggesting that the economic structure is healthier but also in the phase of ramping up production**.
- Diving deeper to the supply side, we saw that **domestic food and beverage (F&B) sector had retained its strong dominance**. We are on the view that F&B production plays a vital role in upholding household consumption and inflation level for the rest of the year. Other sectors that still recorded positive outputs compared to last year are domestic infrastructure related -e.g. base metals and transport equipments- and exported apparels, presumably to the US.
- We have mentioned in the past that it is more important to watch whether the structural shift in the economy could sustain through-out 2018, when economic agenda will likely be seconded and government elections take center stage. Direct investment placements will be frontloaded to the first half of this year and should still positively support growth. Our view on consumption remains unchanged in the sense that income and savings recovery for the past 2 years will bear fruit. As such, **we maintained our FY18 GDP forecast at 5.27%**.

Chart 1. Gross Domestic Savings



Source: Central Bureau of Statistics (BPS), Danamon Calculation

Chart 2. Contribution of Machinery and Equipment



Source: Central Bureau of Statistics (BPS), Danamon Calculation

Indonesia: Selected Economic Indicators

	2014	2015	2016	2017	2018E
National Accounts					
Real GDP (% y-o-y)	5.0	4.9	5.0	5.1	5.3
Domestic demand ex. inventory (% y-o-y)	5.3	4.0	5.0	4.8	5.4
Real Consumption: Private (% y-o-y)	5.1	5.0	5.0	4.9	5.0
Real Gross Fixed Capital Formation (% y-o-y)	4.4	5.0	4.5	6.2	6.0
GDP (USD bn) — nominal	891	861	933	1,016	1,115
GDP per capita (USD) — nominal	3,532	3,370	3,603	3,878	4,198
Open Unemployment Rate (%)	5.9	6.2	5.6	5.5	5.5
External Sector					
Exports (% y-o-y, BoP Basis)	-3.7	-14.9	-3.1	16.8 (E)	6.0
Imports (% y-o-y, BoP Basis)	-4.5	-19.7	-4.5	16.8 (E)	11.8
Trade balance (USD bn, BoP Basis)	6.9	14.1	15.4	18.1 (E)	17.6
Current account (% of GDP)	-3.2	-2.1	-1.8	-1.8 (E)	-2.0
Central government debt (% of GDP)	24.7	27.4	27.8	28.6 (E)	28.7
International Reserves –IRFCL (USD bn)	111.9	105.9	116.4	130.2	136.8
Reserve Cover (Months of imports & ext. debt)	6.5	7.4	8.4	8.3	8.5
Currency/US\$ (Year-end)	12,440	13,795	13,436	13,548	13,575
Currency/US\$ (Average)	11,878	13,392	13,308	13,383	13,520
Other					
BI policy rate (% year end)	7.75	7.50	6.50*	N/A	N/A
BI 7-Day Reverse Repo rate (% year end)	N/A	6.25	4.75	4.25	4.25
Consumer prices (% year end)	8.36	3.35	3.02	3.61	3.64
Fiscal balance (% of GDP; FY)	-2.26	-2.70	-2.46	-2.60 (E)	-2.52
S&P's Rating – FCY	BB+	BB+	BB+	BBB-	BBB-

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

Economic and Market Research

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