

Indonesia Economic Briefing

The Culinary Economy



Wisnu Wardana
Economist

wisnu.wardana@danamon.co.id

Anton Hendranata
Chief Economist

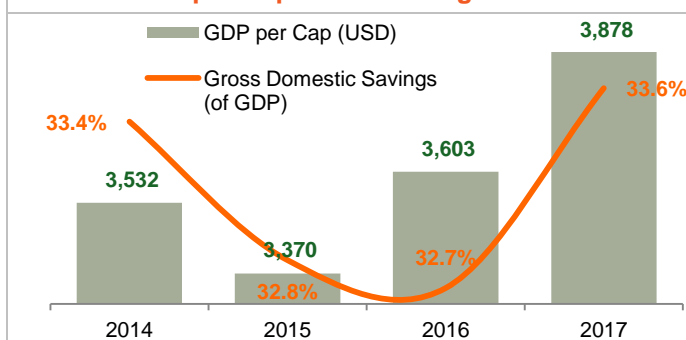
anton.hendranata@danamon.co.id

Economic Highlights

- The statistics office announced **Indonesia's economic growth of 5.19% yoy** for the last quarter of 2017. This tuned the FY17 result to 5.07%, slightly higher than our 5.04% estimate. 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. From Chart 1 we can also see that GDP per capita and savings had rebounded, which resulted in the bottoming-out of consumption growth.
- Diving into the full year numbers, we found several shifts of key factors that had driven the economy in 2017, with some may still be valid going into 2018 while others may not. First of all, **beneficial mix of commodity price boom** had pushed for higher contribution in international trade and cross-sector growth, yet we think it **will fade and shrink this year**. Trade support may still come from apparel and furniture sectors designated for US-based consumers.
- Secondly on **domestic food and beverage (F&B) sector, we've seen positive improvements in terms of price and production**. In 2015, global oil and food prices coincidentally fell at a time when domestic production had also declined. Hence, F&B consumption was lifted (*please see Chart 2*). But walking through 2016 and 2017, local prices had actually fallen during times when global prices rose by 11%. This was due to a boost in domestic production while consumption had remained somewhat flat. We think F&B production plays a vital role in upholding household consumption and inflation level for the rest of the year.
- We have been saying that it is more important to watch whether the structural shift in the economy could sustain going into early 2018, when economic agenda will likely be seconded and government elections take center stage. Direct investment placements will be frontloaded to 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 estimate that the economy may grow faster by 5.27%**. The caveat lies on how much oil and food prices may put a dent in purchasing power.

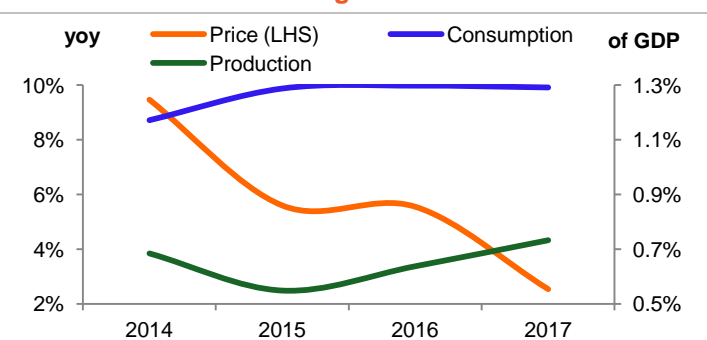
Please see the important disclaimer and information on the back of this report.

Chart 1. GDP per Capita and Savings



Source: Central Bureau of Statistics (BPS)

Chart 2. Food and Beverage Sector



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

Anton Hendranata anton.hendranata@danamon.co.id	Chief Economist	+62 21 8064-5000 ext. 8867
Wisnu Wardana wisnu.wardana@danamon.co.id	Economist	+62 21 8064-5000 ext. 8873
Dian Ayu Yustina dian.yustina@danamon.co.id	Economist	+62 21 8064-5000 ext. 8875

PT Bank Danamon Indonesia, Tbk.
Menara Bank Danamon
Jl. H.R. Rasuna Said Kav. C-10, Kuningan
Jakarta 12940
Indonesia

Facs: +62 21 80645263

ANALYST CERTIFICATION

We hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views in this report.

DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Bank Danamon Indonesia, Tbk. and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof. We expressly disclaim any responsibility or liability (express or implied) of P.T. Bank Danamon Indonesia, Tbk. its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Bank Danamon Indonesia, Tbk. its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission there from which might otherwise arise is hereby expressly disclaimed. The information contained in this report is not to be taken as any recommendation made by P.T. Bank Danamon Indonesia, Tbk. or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.