

# Indonesia Economic Briefing

## Unprecedentedly Low



	May-18 (Actual)	May-18 (Forecast)*	May-18 (Cons.)	Apr-18
Headline CPI (% chg y-o-y)	3.23	3.25	3.30	3.41
Headline CPI (% chg m-o-m)	0.21	0.23	0.25	0.10
Headline CPI (% chg y-t-d)	1.30	1.32	1.34	1.09
Core CPI (% chg y-o-y)	2.75	2.70	2.80	2.69

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

### Economic Highlights

- The statistics office announced **an inflation of 0.21% mom** for the month of May-18. There was an unprecedented condition towards the run up and during seasonal fasting month, whereby the increase in staple food prices were well contained (*Please see Chart 1*). While other items within the CPI components did not show significant differences compared to previous trends.
- We have questioned in the past on how the government would defend against both inflation and import amid high oil price. Yet it was interesting to see from Chart 2 that the value of oil import was relatively flat compared to last year, despite the Brent price moving up by 26% yoy. Apparently, State Owned Oil Company had taken over and operated 2 additional refineries since the beginning of this year, which allowed them to **reduce dependency on imported refined oil and switch to a much cheaper crude oil import**.
- What to Watch?** Our call is for **policy rates to be on hold at the next MPC meeting (28 Jun), but expect another 25bps hike on the horizon**. Keeping in mind that BI has finally shifted its stance to a tightening bias and the change in tone on interest rate was only a matter of weeks, we deem necessary to follow some data releases. FOMC announcement would come out on June 14<sup>th</sup> (JKT Time), yet local markets would only be active a week later on the 21<sup>st</sup>, thus having a potential risk for wide opening. Another key data to look forward to is the publication of May-18 FX reserve this Friday. We expect a sizable depletion to justify the sudden shift in monetary policy that had manifest last month.

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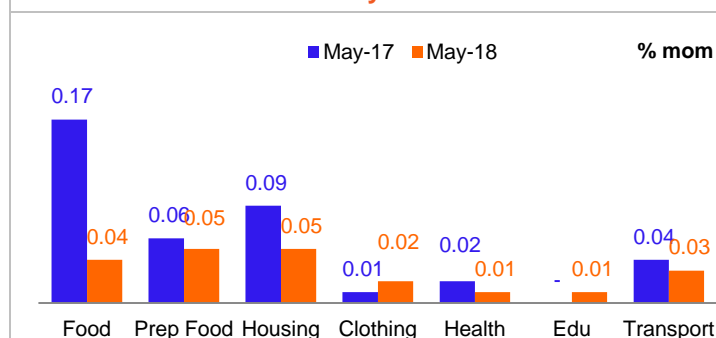
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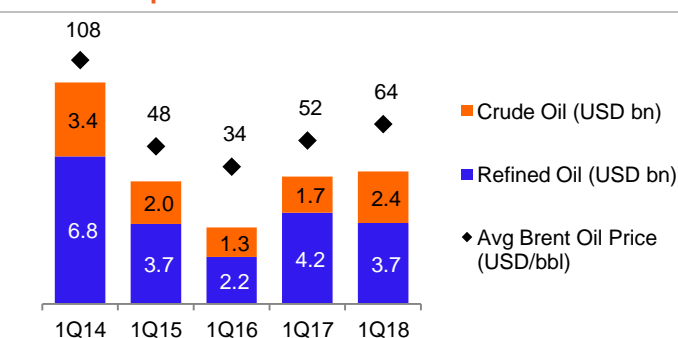
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**Chart 1. CPI Contributors by Product**



Source: BPS

**Chart 2. Import of Oil**



Source: BPS, CEIC

## Indonesia: Selected Economic Indicators

	2014	2015	2016	2017	2018E
<b>National Accounts</b>					
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
<b>External Sector</b>					
Exports (% y-o-y, BoP Basis)	-3.7	-14.9	-3.1	16.9	6.0
Imports (% y-o-y, BoP Basis)	-4.5	-19.7	-4.5	16.2	11.8
Trade balance (USD bn, BoP Basis)	6.9	14.1	15.4	18.9	17.6
Current account (% of GDP)	-3.2	-2.1	-1.8	-1.7	-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	13,800
Currency/US\$ (Average)	11,878	13,392	13,308	13,383	13,874
<b>Other</b>					
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	5.00
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, A = Actual, \*) Up to August 2016

## Economic and Market Research

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