

Indonesia Economic Briefing

Wind of Change



	Jan-18 (Actual)	Jan-18* (Forecast)	Jan-18 (Consensus)	Dec-17**
Export Growth (% y-o-y)	7.9	7.7	7.3	7.5
Import Growth (% y-o-y)	26.4	17.8	18.3	18.1
Trade Balance (USD bn)	-0.67	0.33	0.28	-0.22

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

Wisnu Wardana
Economist

wisnu.wardana@danamon.co.id

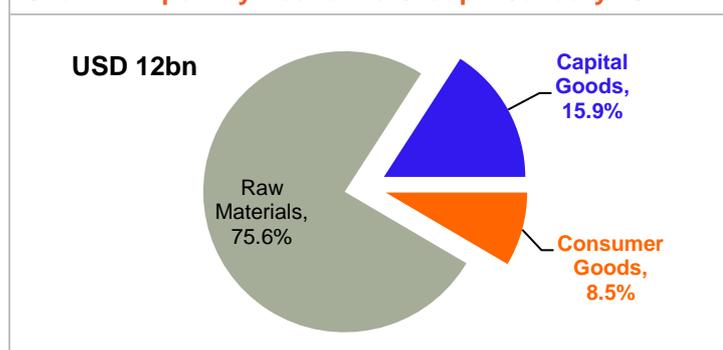
Anton Hendranata
Chief Economist

anton.hendranata@danamon.co.id

- Indonesia's **trade deficit slipped further to USD0.7bn on Jan-18** vs USD0.2bn in Dec-17, below our and consensus' expectations. The difference was because we underestimated import demand, as the volume increased by 18% yoy. At first sight, we found it hopeful that both imported capital goods and consumer goods gained traction (*please see Chart 2*). Yet after peaking into the breakdown, we remained cautiously optimistic since it may be dominated by smart-phones. Cautious in a sense that it's for non-productive purposes but optimistic with the outlook of household consumption.
- Bank Indonesia had also released Balance of Payment data for 4Q17 and thus FY17, late last week. For 2017, Current account deficit stood at USD 17.3bn (1.7% of GDP), narrowing from 1.8% of GDP in 2016. We have been on the view that the mix of international commodity prices had reversed towards the country's disadvantage. **As a major CPO exporter and net oil importer, Indonesia's trade surplus may come light this year, pushing CAD down to 2.0% of GDP.**
- Aside from that, **Bank Indonesia had also left its key policy rates unchanged at their MPC meeting today.** BI 7-Day Reverse Repo rate still stands at 4.25% whilst Deposit (FasBI) and Lending Facility at 3.50% and 5.00%, consecutively. The central bank's top officials had stated that "current monetary policy stands remained neutral but macro-prudential measure is still directed towards easing bias".
- On the banking front, FY17 result showed that loan and deposit growth were recorded at 8.2% yoy and 9.4% yoy, respectively. We think this was driven by FCY loan on the back of strong international trade. Quality credit seemed to be improving with gross NPL ratio moderating to 2.6% vs 2.9% last year. As such, we believe that things may reverse back to IDR this year with **its loan supporting domestic demand amid a retraction of NPL and loosened liquidity.**

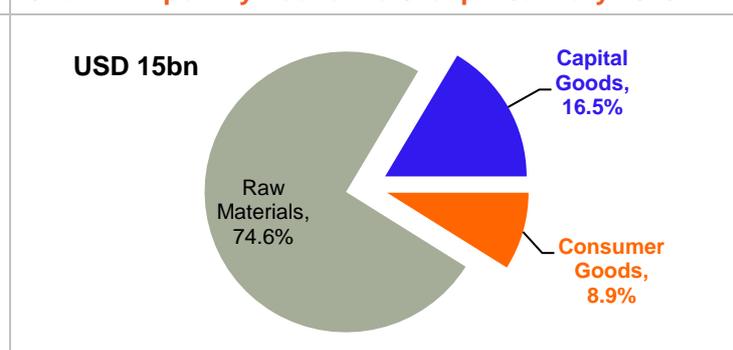
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Chart 1. Import by Economic Group – January 2017



Source: Central Bureau of Statistics (BPS)

Chart 2. Import by Economic Group – January 2018



Source: Central Bureau of Statistics (BPS)

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	16.9	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	13,575
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

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