

Indonesia Economic Briefing

A Good Import Structure to Have



	Apr-18 (Actual)	Apr-18* (Forecast)	Apr-18 (Consensus)	Mar-18**
Export Growth (% y-o-y)	9.0	13.5	12.0	6.2
Import Growth (% y-o-y)	34.7	20.5	19.1	8.9
Trade Balance (USD bn)	-1.63	+0.68	+0.73	+1.12

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

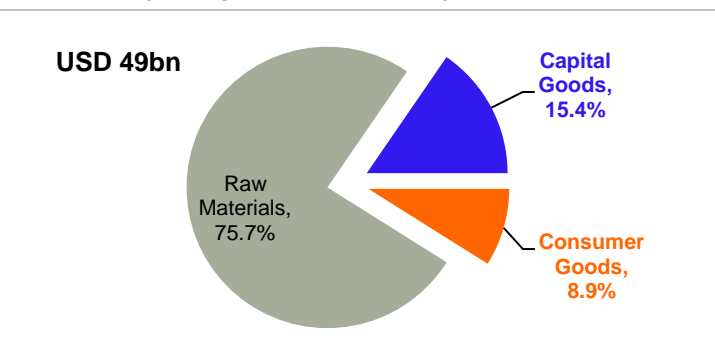
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- **Indonesia recorded a trade deficit of USD1.6bn on Apr-18** vs a surplus of USD1.1bn in Mar-18. Cumulative trade deficit in 2018 has reached USD 1.3bn, significantly lower compared to the USD 5.4bn surplus along 4M17. The difference may give some color on the shortage of FX supply as we have mentioned in the past, and explains why the banking industry’s LDR for foreign currency had abruptly risen to 95%.
- We note some interesting points in regards to the cumulative figures of trade: (1) reading into the breakdown by economic group will show that capital goods had gain more shares (*please see charts below*), mostly originated from productive machineries (HS 84). This is in-line with the readings from GDP, whereby fixed investment and manufacturing sectors for domestic usage had strong outputs and (2) **import of refined oil had dropped by 19% coc in volume while that of crude oil surged by 22%**. Since oil price had been trending up, we think that it’s part of an effort to cope with the price disparity between global and domestic retail.
- The trend that we have elaborated above provides some color on trade outlook within the rest of this year. Having said that, we expect the balance may keep on swinging between surplus and deficit, unlike what had happened in 2016 and 2017. For the time being, we think it’s **important to manage the liquidity and volatility of foreign exchange within the system amid times of such necessary import**.
- Our recently revised call on future reference rate hike was also supported by the fact that these large import results were for domestic usage instead of re-exporting purposes. According to Purchasing Managers’ Index survey, new export orders had been falling for 5 consecutive months. Hence, **we think that the production bump within these past 2 quarters was driven domestically** and could potentially be curbed by an over depreciated currency.

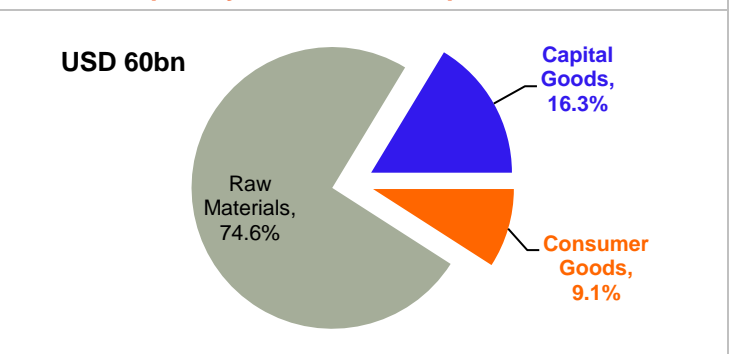
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Chart 1. Import by Economic Group – 4M17



Source: Central Bureau of Statistics (BPS)

Chart 2. Import by Economic Group – 4M18



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

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