

# Indonesia Economic Briefing

## Don't Judge a Trade by its Deficit



	Feb-18 (Actual)	Feb-18* (Forecast)	Feb-18 (Consensus)	Jan-18**
Export Growth (% y-o-y)	11.8	14.0	12.4	8.6
Import Growth (% y-o-y)	25.2	27.9	26.0	27.9
Trade Balance (USD bn)	-0.11	-0.18	-0.12	-0.76

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

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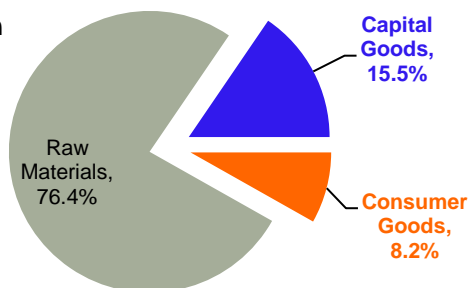
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- Indonesia's **trade deficit narrowed to USD0.1bn on Feb-18** vs USD0.8bn in Jan-18, broadly in line with expectation. It is the 3<sup>rd</sup> consecutive month of deficits that are mostly driven by aggressive import. We have been on the view that the mix of international commodity prices had reversed towards the country's disadvantage. This has proven to be true but not entirely painting the overall picture of both import and the deficit itself.
- There's not much surprise on the export front.** Coal remains as a front-runner yet its growth is entirely boosted by the 30% yoy rise in price. Whilst CPO is not enlisted on the top 10 contributors of export on the back of subdued price. And shipments of apparel and footwear continued to be solid, in-line with the gradual improvement of domestic demand in US and Europe.
- Import, on the other hand, appears to be more exciting to watch. First of all, the aggregate import price for non-oil and gas products have declined by 4.5% yoy, in parallel with the disinflation in Indonesia's major import partners these past 2 months. It also means that the aggressive import we mentioned above is volume-based. Secondly, reading into the breakdown by economic group will show that capital goods had gain more shares. Though part of it is because of consumptive smart phones (HS 85) but a bigger piece is originated from productive machineries (HS 84). Either way, **we are uplifted by the fact that both sides of production and consumption had shown steady acceleration.**
- 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.**

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

**Chart 1. Import by Economic Group – 2M17**

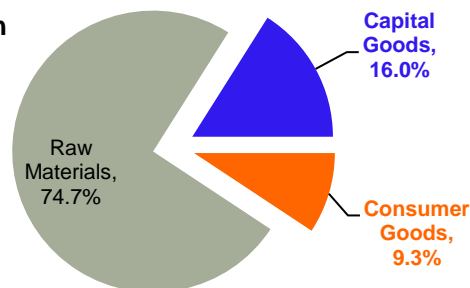
USD 23bn



Source: Central Bureau of Statistics (BPS)

**Chart 2. Import by Economic Group – 2M18**

USD 30bn



Source: Central Bureau of Statistics (BPS)

## 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	13,575
Currency/US\$ (Average)	11,878	13,392	13,308	13,383	13,520
<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	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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