

Indonesia Economic Briefing

First-Aid Measures for Trade



Wisnu Wardana
Economist
wisnu.wardana@danamon.co.id

	Jun-18 (Actual)	Jun-18* (Forecast)	Jun-18 (Consensus)	May-18**
Export Growth (% y-o-y)	11.5	2.6	15.6	13.1
Import Growth (% y-o-y)	12.7	17.5	29.1	28.2
Trade Balance (USD bn)	+1.74	+0.22	+0.97	-1.45

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

- On Jun-18, Indonesia recorded its second monthly trade surplus for this year.** The amount was quite sizable at USD1.7bn vs a deficit of USD1.5bn in May-18. Despite the fact that it was a short working month, there was a significant reduction in imported capital goods -i.e. mechanical and electrical appliances as well as iron and steel-, which led to this surplus. It remains to be seen on whether the condition is sustainable or not, since officials had stated that aside from currency depreciation, other first-aid measure is considered by prioritizing on which goods would be imported at this point in time.
- Positive notes to highlight from 1H18 trade results are as follow: (1) non oil and gas export were driven by volume and to some extent by manufactured products, rather than just coal and (2) the volume of oil import had turned negative due to a strategic government investment in this sector. We believe that **the trade account has taken a step on the right direction towards a more productive and efficient structure.**
- After today's trade result, we calculated **2Q18 current account deficit (CAD) would come at USD 8.2bn or 3.2% of nominal GDP.** We have concurrently revised our FY18 Current Account Deficit from 2.0% of GDP to 2.5% of GDP and lifted the Rupiah to close around IDR 14,100/USD at year end. We do not see that the basic balance of external account (Current Account + Net Direct Investment) will swing to positive anytime soon, hence currency movement may still depend on capital flows.
- Market players have kept both eyes on cross-country Current Account Balance comparisons. Although we agree that managing CAD is key, we also think that Indonesia's **net negative international investment position and net payment to GDP should not be undermined.** Finding ways to reverse this may prove to be beneficial in laying a stronger foundation for the currency.

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

Chart 1. Import by Economic Group – 1H17

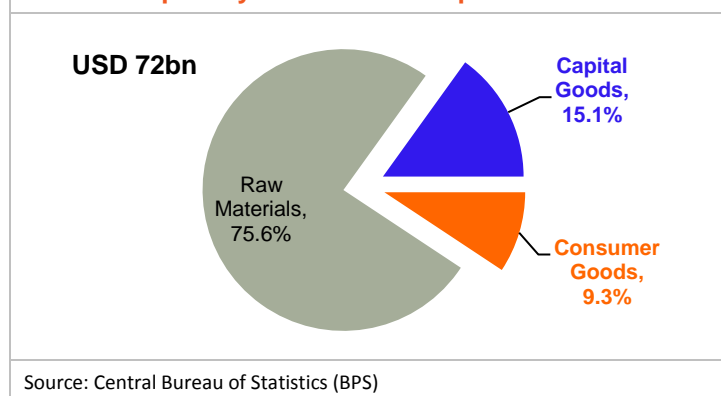
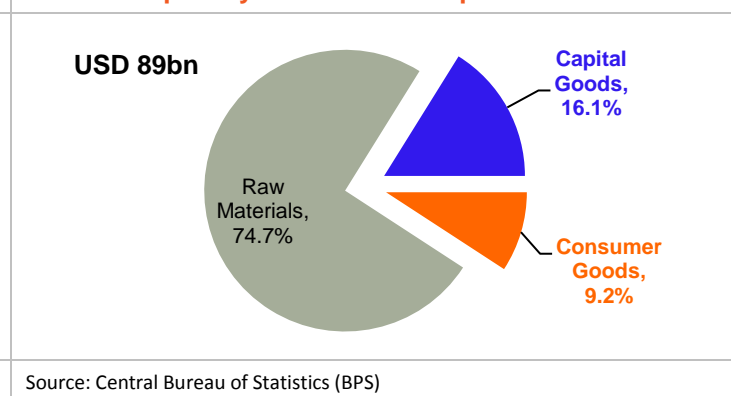


Chart 2. Import by Economic Group – 1H18



Indonesia: Selected Economic Indicators

	2014	2015	2016	2017	2018E
National Accounts					
Real GDP (% y-o-y)	5.0	4.9	5.0	5.1	5.1
Domestic demand ex. inventory (% y-o-y)	5.3	4.0	5.0	4.8	5.6
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	6.3
GDP (USD bn) — nominal	891	861	933	1,016	1,076
GDP per capita (USD) — nominal	3,532	3,370	3,603	3,878	4,050
Open Unemployment Rate (%)	5.9	6.2	5.6	5.5	5.3
External Sector					
Exports (% y-o-y, BoP Basis)	-3.7	-14.9	-3.1	16.9	6.5
Imports (% y-o-y, BoP Basis)	-4.5	-19.7	-4.5	16.2	13.0
Trade balance (USD bn, BoP Basis)	6.9	14.1	15.4	18.9	10.3
Current account (% of GDP)	-3.2	-2.1	-1.8	-1.7	-2.5
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	120.6
Reserve Cover (Months of imports & ext. debt)	6.5	7.4	8.4	8.3	7.7
Currency/US\$ (Year-end)	12,440	13,795	13,436	13,548	14,100
Currency/US\$ (Average)	11,878	13,392	13,308	13,383	13,950
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	5.75
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

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 regards 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.