

Indonesia Economic Briefing

Coping Mechanism?



	Mar-18 (Actual)	Mar-18* (Forecast)	Mar-18 (Consensus)	Feb-18**
Export Growth (% y-o-y)	6.1	5.8	3.0	12.0
Import Growth (% y-o-y)	9.1	17.5	12.4	24.9
Trade Balance (USD bn)	+1.09	-0.07	-0.07	-0.53

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

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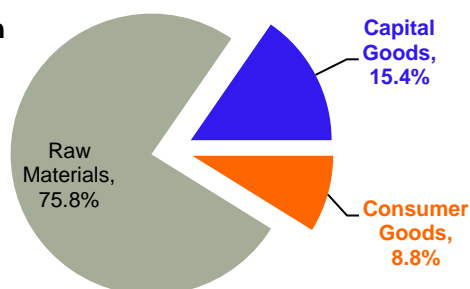
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- Indonesia posted its first trade surplus for this year at USD1.1bn on Mar-18** vs a deficit of USD0.5bn in Feb-18. Cumulative trade surplus in 2018 has reached USD 0.3bn, significantly lower compared to the USD 4.1bn along 3M17. Total trade volume had actually risen by 12% with export volume growing twice than import volume. However, the average price of export had fallen by 2% yoy while average import price were up by 13%, which then put pressure on the overall balance.
- 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*). Though part of it is because of consumptive smart phones (HS 85) but a bigger piece is originated from productive machineries (HS 84), and 2) **import of refined oil had dropped by 25% in volume or 11% in value**, since oil price had been trending up. Our take on this is either a weakening on private consumption or a coping mechanism given the price disparity between global and domestic retail. Considering the size of the drop, we think it's the latter.
- After today's trade result, we calculated **1Q18 current account deficit would come at USD 5.9bn or 2.3% of nominal GDP**. We have been expecting that the outlook of current account to gradually deteriorate on the back of weaker commodity prices and global trade volume. As such, we maintain our FY18 CAD call at 2.0% of GDP vs 1.8% of GDP in 2017.
- 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 – 3M17

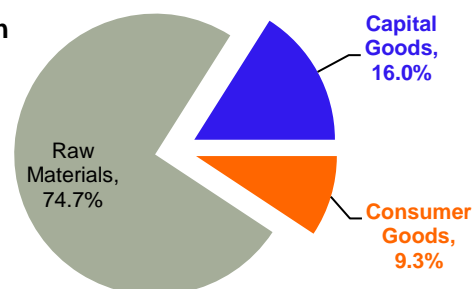
USD 37bn



Source: Central Bureau of Statistics (BPS)

Chart 2. Import by Economic Group – 3M18

USD 44bn



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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