



Danamon

### Economic Highlights

We've attended a conference on Asian Economy in Tokyo, hosted by Japan Center for Economic Research (JCER), a think-tank arm within Nikkei Group. Salient points in regard to the program are as follow:

- Japan's potential growth rate had come down from 2.0% to 1.0% since 1990s, with the peak of population seen in 2008 and demographic tax to start in 2037. As such, long-run economic outlook relies heavily on their ability to: **1) induce innovation and globalization** to its economy as an effort to boost productivity, and **2) resolve issues within its labor market** by raising participation rate of female workers, increase fertility rate, or opening up to foreign workers. Should the policy becomes more in-ward looking, then Japan's position as the 2<sup>nd</sup> largest Direct Investors in Indonesia may deteriorate.
- Bank of Japan's Quantitative Easing appears to have no end in sight as inflation rate struggles to meet its 2.0% target. Aside from lower oil price, several government initiatives that may have affects on prices are the additional consumption tax and the provision of free education for young children. **Net effect of these regulations would actually suppress inflation rate this year** to below 1.0% yoy.
- The half-day seminar itself had drawn close to 100 attendees from more than 70 institutions -i.e. political institution, government official, real & financial sectors' senior executives from leading companies, media, academia, and research houses-. Their questions regarding Indonesia evolved around 2 main areas: **1) the rise of digital economy with a concrete example of its impact towards daily Indonesian lives, and 2) Bank Indonesia's backstop plan in the event that global financial volatility rears an even uglier face.**
- Our discussion with a dozen of portfolio investors had also converged into one simple conclusion, whereby appetite towards high yielding assets like IDR securities is above average. Yet Japanese investors' are waiting for the result of general election as well as seeing the persistency of upholding good governance and institutionalization. Though, one can argue that **a clear cut indicator of upright and improve governance is still needed**, since we have seen real improvement on the ground these past 2 decades.

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Chart 1. JCER President and Asian Economic Research



Source: Japan Center for Economic Research

Chart 2. 2019 Asian Economic Seminar



Source: Japan Center for Economic Research

## Indonesia: Selected Economy Indicators

	2015	2016	2017	2018	2019E
<b>National Accounts</b>					
Real GDP (% y-o-y)	4.9	5.0	5.1	5.2	5.2
Domestic demand ex. inventory (% y-o-y)	4.0	5.0	4.8	6.3	5.6
Real Consumption: Private (% y-o-y)	5.0	5.0	4.9	5.0	5.1
Real Gross Fixed Capital Formation (% y-o-y)	5.0	4.5	6.2	6.7	5.8
GDP (USD bn) — nominal	861	932	1,015	1,042	1,095
GDP per capita (USD) — nominal	3,370	3,602	3,877	3,932	4,003
Open Unemployment Rate (%)	6.2	5.6	5.5	5.3	5.0
<b>External Sector</b>					
Exports (% y-o-y, BoP Basis)	-14.9	-3.1	16.9	7.0	-1.6
Imports (% y-o-y, BoP Basis)	-19.7	-4.4	16.2	20.7	-2.6
Trade balance (USD bn, BoP Basis)	14.1	15.3	18.8	-0.4	6.8
Current account (% of GDP)	-2.1	-1.8	-1.6	-3.0	-2.5
Central government debt (% of GDP)	27.5	27.8	28.9	30.7	31.1
International Reserves –IRFCL (USD bn)	105.9	116.4	130.2	120.7	119.8
Reserve Cover (Months of imports & ext. debt)	7.4	8.4	8.3	6.5	6.5
Currency/USD (Year-end)	13,795	13,436	13,548	14,481	14,820
Currency/USD (Average)	13,392	13,308	13,383	14,250	14,725
<b>Other</b>					
BI policy rate (% year end)	7.50	6.50*	N/A	N/A	N/A
BI 7-Day Reverse Repo rate (% year end)	6.25	4.75	4.25	6.00	6.75
Consumer prices (% year end)	3.35	3.02	3.61	3.13	4.27
Fiscal balance (% of GDP; FY)	-2.59	-2.49	-2.51	-1.75	-1.96
S&P's Rating – FCY	BB+	BB+	BBB-	BBB-	BBB-

Source: CEIC, E = Danamon Estimates, \*) Up to August 2016

## Economic and Market Research

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