

Indonesia's growth moderates further

CHART 1: INDONESIA'S GDP GROWTH (YOY%)

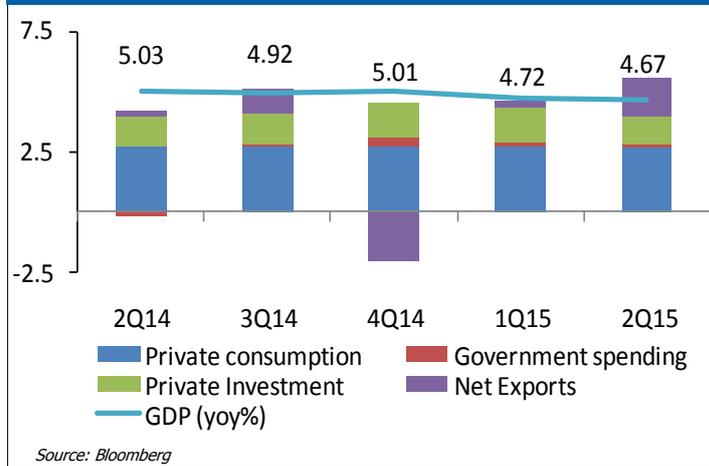


CHART 2: RETAIL SALES & INDUSTRIAL PRODUCTION (YOY%)

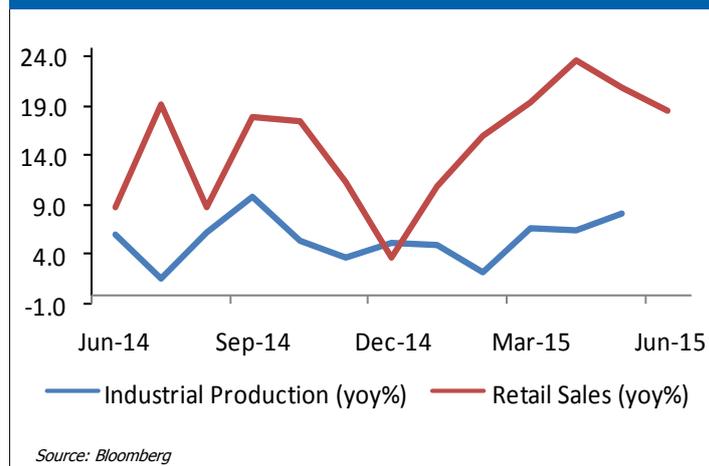
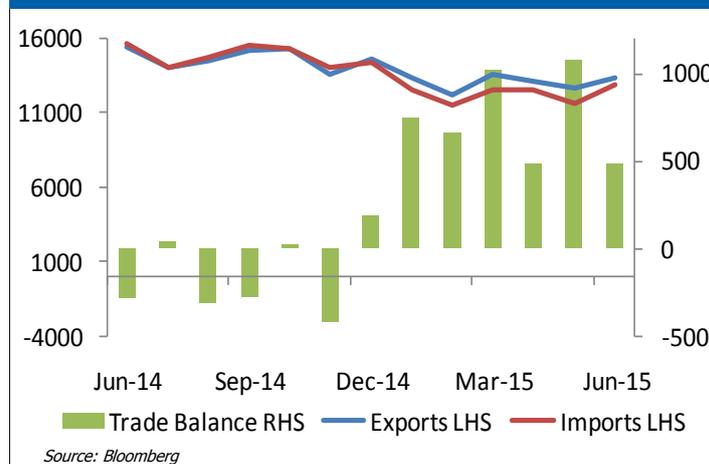


CHART 3: EXPORT, IMPORTS AND TRADE BALANCE (\$ MILLION)



- Indonesia's economy in 2Q15 grew at a slightly slower pace due to lower-than-targeted government spending, moderation in private investment and contraction in exports. During the quarter, the economy recorded the slowest growth in 6 years, expanding by only 4.67% from 4.72% growth in 1Q15. Hence, for 1H15, the economy managed to expand by only 4.7% yoy, a lot slower compared to 5.7% yoy growth estimated by the government in 2015 state budget.
- Private consumption, which accounts for more than half of total consumption, remained the biggest driver to the economy. During the quarter, private consumption expanded at the same rate as the previous quarter at 5.0% yoy and contributed 2.7 percentage points (ppts) to GDP growth.
- Meanwhile, both government expenditure and private investment had slowed in 2Q15. Public spending grew by 2.3% yoy from 2.7% yoy in 1Q15 while private investment expanded by 3.6% yoy from 4.3% yoy in the previous quarter. Both added 0.2ppt and 1.1ppts to the calculation, respectively.
- Indonesia's biggest industry, manufacturing sector, expanded by 4.4% yoy in 2Q15, a tad faster than 4.0% yoy growth in 1Q15. The Purchasing Managers Index (PMI) had been declining for the past 10 months, signalling that the weak condition of the economy would likely persist.
- On the external front, exports had contracted by 0.1% yoy from -0.9% in 1Q15 while imports declined further, by 6.9% yoy from -2.3% yoy in 1Q15. Despite a continuous decline in exports since October last year, Indonesia managed to register trade surplus for the seventh straight month in June.
- In 2Q15, the economy recorded a trade surplus of \$2.0 billion, slightly smaller than \$2.4 billion surplus in the previous quarter. During the period, net exports contributed 1.6ppts to growth, higher than 0.3ppt registered last quarter.
- Meanwhile, the consumer price index (CPI) remained high in Apr-Jun period, amid strong household demand during the fasting month and Eid festival. On average, inflation rate in 2Q15 accelerated by 7.1% yoy from 6.5% yoy in the previous quarter.
- Indonesia's inflation was the fastest in the Southeast Asia region by far and was the main reason that held back the central bank from lowering the current interest rate at 7.50% to spur consumption. Even though the economy needed a lift by the central bank to support domestic activities, the weakening rupiah (Year-to-date, rupiah had fallen by 8.8% against the U.S. dollar) and rapid increase in prices for the past months have made the central bank keep its policy rate at current level in its previous meeting on 15 July.
- Growth forecast: Government (2015: 5.0%-5.2%), Bank Indonesia (2015: 5.0%-5.4%, 2016: 5.4%-5.8%), IMF (2015: 4.7%, 2016: 5.5%), World Bank (2015: 4.7%, 2016: 5.5%), OECD (2015: 4.9%, 2016: 5.5%).