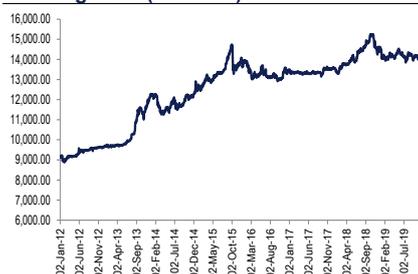


Macroeconomics Indicator

	2018	2019F
GDP growth (%YoY)	5.2	5.1
Inflation (%YoY)	3.1	3.2
BI rate (% Year-end)	6.00	4.75
IDR/USD (Year-end)	14,282	14,426
CA balance (% of GDP)	-3.1	-2.8
Fiscal balance (% of GDP)	-1.8	-1.8

Exchange rate (USD/IDR)



Money & Forex Reserves

	Latest	%YoY
M1 – Aug19, Rp tn	1475.2	6.6
M2 – Aug19, Rp tn	5933	7.3
Reserves – Aug19, US\$ bn	126.4	7.2

Sources: BI, BPS, CEIC

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## Weaker than expected CAD, slight negative in BOP

- CAD narrowed to 2.7% of GDP (against 2Q19 and 3Q18), but weaker than our/consensus expectation.
- Overall BOP was negative amid weaker FDI (on qoq basis), against BI's early forecast.
- Current account remained in line to achieve FY19 improvement of 2.8% (BI's expectation of 2.5-3% and FY18 achievement of 3%).

### Weaker than expected CAD

Current account deficit (CAD) of 2.7% of GDP was weaker than consensus and our expectation (Cons: 2.5%; ours: 2.2% of GDP) amid lower than expected surplus in current account goods. Overall deficit narrowed from 2Q19 and 3Q18's of 3.04% and 3.28% of GDP. All other components of the current account have relatively been in line with expectation. CAD in 9M19 was at 2.8% of GDP, flat compared to 9M18.

### Negative overall BOP

At the same time, BOP also registered a slight deficit of US\$0.05bn in 3Q19, which was against Bank Indonesia's earlier forecast. This negative balance came as FDI shrunk 11.4% qoq to US\$4.8bn, offsetting development in the portfolio investment of 5.3% yoy to US\$4.8bn. The growth direction of FDI, which exhibited 39% yoy increase in 9M19 but lower on a qoq basis (-11.4% qoq in 3Q19), was in contrary to the trend from BKPM (BKPM: -3.34% in 9M19; 0.13% qoq in 3Q19), which might underline earlier optimism for the capital and financial account (KFA) to offset the CAD.

### Current account remained in-line to achieve full-year improvement

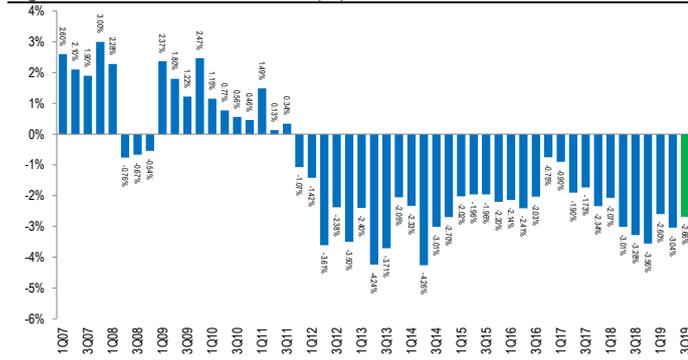
Given current track of development, we believe current account has remained on track to post an improvement (to 2.8% GDP in FY19, in-line with BI's forecast of 2.5-3.0%) over last year achievement of 3.0%. Given the historical cyclicity, CA usually widens in the 4Q amid increase in imports. Portfolio inflow has been strong in Oct19 (+Rp26tn/US\$1.8bn of net inflow in bond and equity market) which shall support the KFA.

Fig. 1: BOP breakdown 3Q19

Item	3Q19	3Q18	%YoY	2Q19	%QoQ	09M19	09M18	Cumm. YoY
<b>Current Account (US\$bn)</b>	-7.7	-8.7	-11.7	-8.4	-9.2	-22.5	-21.8	3.3
Goods Net Export (US\$bn)	1.3	-0.5	-376.2	0.2	573.0	2.9	2.1	36.3
Service Net Export (US\$bn)	-2.3	-2.0	12.9	-2.0	15.9	-5.8	-5.4	6.8
<b>Capital &amp; Financial Account (US\$bn)</b>	7.6	3.8	99.6	7.1	8.1	24.2	9.4	157.2
Portfolio investment (US\$bn)	4.8	-0.1	-3652.8	4.5	6.8	14.6	-1.1	-1372.8
FDI (US\$bn)	4.8	4.4	9.2	5.4	-11.0	16.1	11.6	38.2
<b>Overall BOP (US\$bn)</b>	0.0	-4.4	-99.0	-2.0	-97.7	0.4	-12.5	-103.2
<b>Foreign reserves (US\$bn)</b>	124.3	114.8	8.3	123.8	0.4	124.3	123.8	0.4
<b>CA Deficit (% of GDP)</b>	-2.7	-3.2	-	-2.9	-	-2.8	-2.8	-

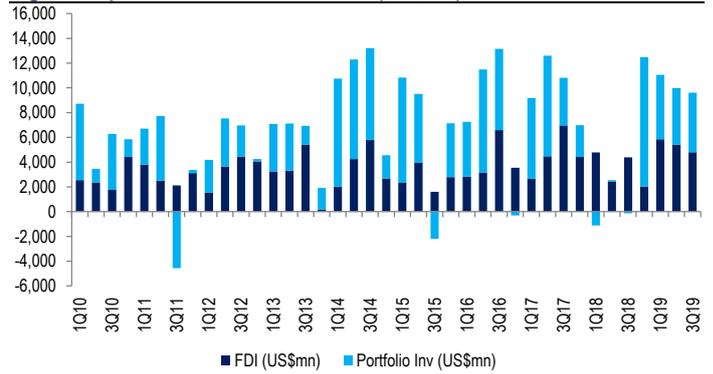
Sources: Statistics Indonesia, IndoPremier

**Fig. 2: Current account deficit (%)**



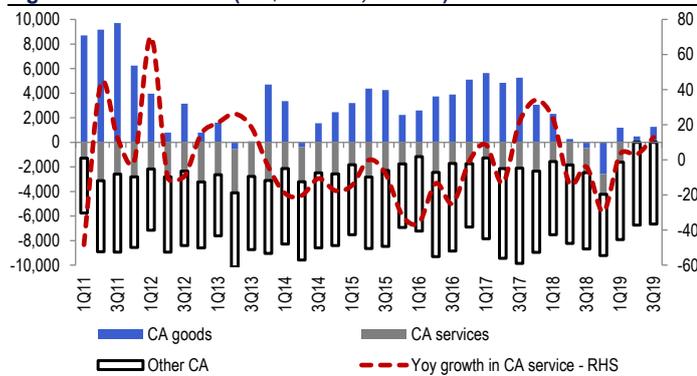
Sources: Bank Indonesia, IndoPremier

**Fig. 3: Capital and financial account (US\$m)**



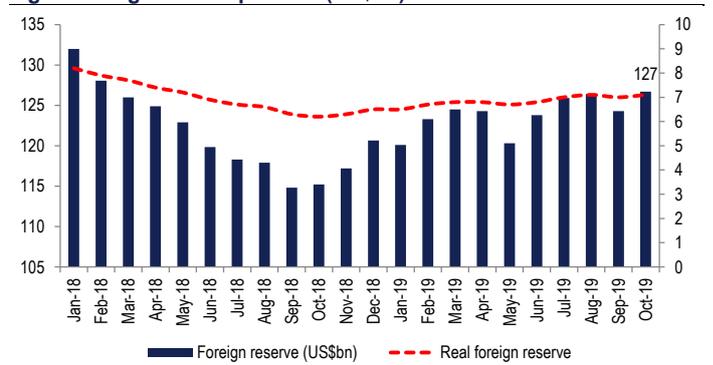
Sources: Bank Indonesia, IndoPremier

**Fig. 4: CA breakdown (US\$m-LHS, %-RHS)**



Sources: Bank Indonesia, IndoPremier

**Fig. 5: Foreign reserve position (US\$bn)**



Sources: Bank Indonesia, IndoPremier

## **ANALYSTS CERTIFICATION**

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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