

Good MornING Asia - 17 August 2018

The unpredictability of the Trump administration's policies is a reason in itself not to take positions

In this bundle



China | Indonesia...

Watch your step

The unpredictability of the Trump administration's policies is a reason in itself not to take positions.



Key events in Asia next week

Besides trade war noise, economic releases on GDP, manufacturing, and inflation will be the highlights of the Asian economic calendar in a shortened...



Indonesia

Indonesia: Are state budget and growth targets achievable?

President Jokowi's 2019 budget targets of 5.3% GDP growth and a fiscal deficit of -1.84% of GDP are indeed achievable in our view. But the assumption...

Watch your step

The unpredictability of the Trump administration's policies is a reason in itself not to take positions.



This is all giving me a headache

The Turkey story is still bubbling away, though its power to affect markets seems to be diminishing. Something else will come along though, of that you can be pretty sure. President Erdogan's son-in-law, and central bank Governor, Berat Albayrah, spoke to investors yesterday with a view to calming nerves and restoring stability to the Lira (TRY). On the basis that a good outcome from an event like this is that you don't actually make things worse, Albayrah has reason to be pleased with himself. Though pledges not to impose capital controls or go to the IMF fall into the "Well he would say that wouldn't he?" folder.

Investors commenting on the speech mainly criticised lack of detail at plans to reduce inflation and rein in the current account deficit. Spending cuts across ministries of TRY 35bn will help, and curbs to big-ticket infrastructure projects will also lend a hand. But investors are having a tough time believing that all this can be done without rate hikes, and many sense the invisible hand of Albayrah's father in law behind these ideas.

Even if markets had been receiving these policy suggestions sympathetically, the US stepped in again last night on the Pastor Brunson issue, with Treasury Secretary Mnuchin threatening more tariffs unless Brunson was released. There appears to be a legal hearing on Brunson next week, so this could be an opportunity for Turkey to extricate itself from at least this aspect of the crisis. Not doing so would be TRY negative. Today, the USDTRY is trading at around 5.85, a bit lower than the

5.99 we wrote yesterday. Some modest improvement then.

More on Trade - this time, China

Sorry if you are getting bored with trade talk, but it really is the main market driver these days. China, apparently at the invitation of the US (though they aren't shouting about that) is sending a delegation to Washington with a view to re-opening trade talks. Wang Shouwen, Vice Commerce Minister, will be meeting David Malpass, US Undersecretary for International Affairs. If both titles sound a bit mediocre, you probably aren't far from the truth.

These are talks about the possibility of trade talks. The US won't allow this to go any further unless China sounds as if it is making sufficient concessions on the bilateral deficit, and intellectual property rights. Given recent disappointing data from China, it wouldn't be ridiculous to think that they will be prepared to make some concessions to put an end to this horrible trade mess. But we aren't getting too excited.

Meanwhile, public hearings on the extension of tariffs on an additional \$200bn of trade will start on August 20 and continue for 6 days. So the pressure on China is definitely on.

Powell to open address at Jackson Hole

It's that time of year when we get excited about the Fed Chair speaking at Jackson Hole, or in some recent years, not talking. The title of the Kansas speech this year according to newswires is "Monetary Policy in a Changing Economy". I have a strong sense of déjà vu about this speech, as this title seems eerily reminiscent of literally dozens of such central bank speeches. If this really is just a dusted down version of one of these old pot-boiler speeches, then it could be worth missing.

Jokowi sets ambitious deficit reduction targets

Indonesia's President, Joko Widodo (Jokowi) gave a speech yesterday outlining his government's economic policies for next year. Our economist for Indonesia, Joey Cuyegkeng has [written about it in more detail](#). But in short, the targets for growth and the deficit (5.3% and 1.83% respectively) look attainable, though the main risk to the view is that the Indonesian Rupiah assumption of a slight strengthening is out of the hands of the government and will be set by international markets. Moreover, the temptation to let government spending overshoot in what will be an election year may undermine the otherwise achievable budget deficit target.

Singapore's July NODX up 11.8%YoY

Singapore's non-oil domestic exports (NODX) rose 11.8% YoY in July on a 4.3% MoM increase. This was a nice statistical bounce from the weakness shown in June. But although the figures were better than the 7.4%YoY consensus expectation, electronics exports still lag behind last year's levels, and an eye-watering 109%YoY gain in pharmaceuticals (mainly driven by last year's weakness) played a helping role in this month's outsize recovery. On the month, electronics provided a decent bounce. But that is normal for this time of year.

It's not that we have anything against Pharmaceuticals. But for some time now, the NODX figures seem to be finding their support in extraordinary strength in usually just one aspect of the export figures, and that makes us nervous that the headline is vulnerable to a downward correction. For now though, it is a useful start to the 3Q activity backdrop.

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania
tiberiu-stefan.posea@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema
Research Assistant, Energy Transition
teise.stellema@ing.com

Diederik Stadig
Sector Economist, TMT & Healthcare
diederik.stadig@ing.com

Diogo Gouveia
Sector Economist
diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

ING Analysts

James Wilson
EM Sovereign Strategist
James.wilson@ing.com

Sophie Smith
Digital Editor
sophie.smith@ing.com

Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

Adam Antoniak
Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Kloek

Senior Economist, Netherlands

marcel.kloek@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Philippe Ledent
Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

Peter Virovacz
Senior Economist, Hungary
peter.virovacz@ing.com

Inga Fechner
Senior Economist, Germany, Global Trade
inga.fechner@ing.de

Dimitry Fleming
Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

Ciprian Dascalu
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Iris Pang
Chief Economist, Greater China
iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com

Article | 17 August 2018

Key events in Asia next week

Besides trade war noise, economic releases on GDP, manufacturing, and inflation will be the highlights of the Asian economic calendar in a shortened trading week



Next round of US-China trade tariffs kicks off

First some good news. Latest media reports of trade negotiations resuming between the US and China by the end of August lift hopes of trade tension being averted. However, this comes as the US gets ready to implement the second round of tariffs on \$16bn of Chinese goods. The kick-off date is set for next Thursday (23 August).

Markets should have taken the next batch of tariff implementation into their stride by now, but with the consultation for the next phase of tariffs already underway and set to be completed by early September, trade war concerns are unlikely to fade from being an overhang so soon - a small tweet-trigger by President Trump is enough to unsettle markets.

Thailand's economy to get 2Q report card

Thailand's GDP data for the second quarter comes in on Monday (20 August). We think the economy performed better than expected in the last quarter, drawing support from continued

strong exports and manufacturing. We [recently raised our second quarter GDP growth forecast](#) for Thailand from 4.0% to 4.5%, implying only a modest slowdown from 4.8% growth in 1Q.

Thailand's July trade data is also due next week and is likely to reveal exports strength continued at least in the second half of the year. Trade war risk makes things uncertain for the rest of 2018, and with the likelihood of inflation falling short of the central bank's 1-4% in the coming months, an on-hold Bank of Thailand monetary policy looks like a safe bet.

[Read: Thailand: Second quarter ends on a positive note](#)

4.5% Thai GDP growth forecast
Consensus for 2Q is 4.3%

A slew of manufacturing and inflation data elsewhere

July manufacturing data from Singapore and Taiwan comes as an initial guide to 3Q GDP performance for these countries. The heavy reliance on exports makes these economies vulnerable to the US-China trade war contagion. Judging by the already existing July trade data from Asia, there hasn't been an obvious dent in exports just yet. Singapore non-oil domestic exports (NODX) for July due tomorrow (17 August) will be key for manufacturing growth.

Malaysia and Singapore report July CPI data next week, but that shouldn't be a cause for concern.

In Singapore, weak housing and transport CPI components are likely to have had a further negative boost in July. The rebate of Services and Conservancy Charges (S&CC) for public housing depressed the accommodation CPI component, while lower cost of Certificate of Entitlements (COE) for vehicle ownership weighed on the private road transport component. Stripping these two components from the total, core CPI inflation is likely to be steady in July but still close to the top end of the central bank's 1-2% forecast range.

The balance of economic risks is tilted toward growth as trade tensions dampen export outlook. We think Singapore's policy tightening will prove to be one-off for some time.

In Malaysia, the lingering effect of the Goods and Services Tax removal is expected to keep inflation low. Like Thailand, low inflation should be accompanied by firmer GDP growth. Look out for Malaysia's 2Q GDP report tomorrow (17 August) – supporting our baseline of no change to the central bank (BNM) policy in the remainder of the year.

A short trading week for Southeast Asian markets

It will be a short trading week for South and Southeast Asian markets - the Philippines has a public holiday next Tuesday (21 August) and India, Indonesia, Malaysia, and Singapore markets are closed on Wednesday.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 17 August					
Singapore	0130	Jul Non-oil Domestic Exports (MoM/YoY%)	4.4/11.8	0.8/7.4	-10.8/1.1
Taiwan	1000	2Q F GDP (YoY%)	3.3	3.3	3.29
Malaysia	0400	2Q F GDP (YoY%)	5.2	5.2	5.4
South Korea	0000	Jul Unemployment Rate (% SA)	3.7	3.7	3.7
Monday 20 August					
Taiwan	0900	Jul Export Orders (YoY%)	0	-	-0.1
	0920	2Q Current Account Balance (US\$bn)	25000	-	20079
Thailand	0230	2Q GDP (QoQ/YoY%)	1.0/4.5	-/-	2/4.8
South Korea	2200	Jul PPI (YoY%)	-	-	2.6
Tuesday 21 August					
Hong Kong	0815	Jul Composite CPI (%YoY)	2.4	-	2.4
Malaysia	0800	Aug 15 Forex Reserves- Month End (US\$bn)	-	-	104.5
Thailand	0430	Jul Imports (Cust est, YoY%)	11	-	10.8
	0430	Jul Exports (Cust est, YoY%)	12.8	-	8.19
Wednesday 22 August					
Philippines	-	Jul Budget Balance (PHP bn)	-	-	-54.3
Thursday 23 August					
Singapore	0600	Jul CPI (YoY%)	0.5	-	0.6
	0600	Jul CPI Core (YoY%)	1.7	-	1.7
Taiwan	0900	Jul Industrial Production (YoY%)	2.2	-	0.36
Friday 24 August					
Malaysia	0500	Jul CPI (YoY%)	1	-	0.8
Singapore	0600	Jul Industrial production (MoM SA/YoY%)	0.4/7.2	-/-	3.9/7.4
Taiwan	0920	Jul Money supply (M2) (YoY%)	-	-	4.1

Source: ING, Bloomberg

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com

Indonesia: Are state budget and growth targets achievable?

President Jokowi's 2019 budget targets of 5.3% GDP growth and a fiscal deficit of -1.84% of GDP are indeed achievable in our view. But the assumption of a stronger Indonesian rupiah (IDR) is a reason for caution



5.3%

GDP growth target for 2019

In line with current consensus forecast

Assumptions for the targets are generally reasonable

President Jokowi's budget for 2019 with GDP growth of 5.3% and a fiscal deficit at -1.84% of GDP looks attainable to us. The 2019 GDP target is in line with the current consensus forecast and lower than the initial proposal of 5.4% to 5.8%.

- The projected moderate pace of economic activity takes into account the difficult external operating environment and includes more realistic expectations.
- The 2019 budget also assumes a more realistic oil price assumption of \$70/bl. This is in contrast to the quite optimistic initial 2018 oil price assumption of around \$40-\$50/bl. The

current average oil price is around \$65-70/bl. With a more realistic oil assumption, the fiscal challenge of 2018 of increasing the energy subsidy could be minimised in 2019.

There is reason to think that the performance of the government in 2019 will not deviate much from the proposed 2019 fiscal deficit of -1.84% of GDP.

- The 2019 budget proposal estimates that revenues will increase by 12.6%, which would support 10% expenditure growth. Recent government performance supports this target.
- The government's seven-month 2018 fiscal performance of -1.02% deficit to GDP is below the operating 2018 fiscal deficit target of 2.12%. Government revenues for the seven month period increased due to a 23% rise in non-tax revenue collection and a 16% increase in the collection of customs and excise tax.
- A cause for concern is the possible IDR assumption of IDR14400, which is around 1.6% stronger than current levels. This could be difficult unless the government and central bank are successful in reducing the current account deficit from -3% of GDP in 2Q to closer to -2.5% of GDP. The consensus forecast is -2.3% of GDP in 2019. A deteriorating current account deficit would keep the IDR on the defensive in 2019 and thus could frustrate economic planners.

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.