

Indonesia: 2Q GDP at 5.05%, in line with forecasts

Indonesia posted a 5.05% expansion in the second quarter of the year, slipping from 5.07% in the first but the government expects a pick-up in the second half



Source: Shutterstock

5.05% Indonesia 2Q GDP

As expected

Household consumption and government carry the load

Indonesia posted a 5.05% expansion in 2Q, in line with market expectations, with household spending and government expenditures helping to offset slowing investment and a weak external sector. The trade war continues to fester with Indonesia feeling the pinch even as government-initiated efforts to limit the current account deficit have forced import growth to contract, at the expense of investment. Going forward, with inflation relatively stable and President Jokowi

pledging reforms to help boost investment, we expect Indonesia to see an improved second half in terms of GDP, as the government chases its forecast of 5.2% for the year.

Bank Indonesia on hold for now

Despite recent easing and dovish rhetoric from Bank Indonesia's Governor Perry Warjiyo, we expect the central bank to be on hold in terms of rate cuts given the recent upswing in pressure on the Indonesian rupiah. The stability of the nation's currency will be integral in determining the timing of the next rate cut and we expect the bank to ease further in the year to boost growth, but only after the IDR has been able to stabilise after the recent risk-off tone.