

Indonesia: 3Q GDP growth at 5.02%

Indonesia's 3Q growth managed to match market expectations with a 5.02% print amidst global headwinds.



Source: Stenly Lam

5.02%

 3Q GDP

As expected

3Q19 GDP growth matches market consensus

3Q19 growth in Southeast Asia's largest economy hit 5.02% YoY, virtually matching the market consensus for a 5.00% print and almost flat from the 2Q19 growth rate of 5.05%. Year-to-date growth likely settled at 5.05% with the government hopeful for a slight pickup in growth to close out the year, judging by Finance Minister Indrawati's expectation for growth to average 5.08% for the full year. At the start of the year, government officials had forecast growth to hit 5.3%. However, headwinds emanating from the ongoing US-China trade war have forced the government to chase a lower 5.1% target for 2019.

Household spending holds the fort

With global headwinds picking up, Indonesia looked to the domestic economy to hold the fort with household spending up 5.01% in 3Q19 while government spending managed only a 0.98% expansion. Fixed capital formation continued to grow, but showed only a 4.21% expansion with the trade sector clearly the biggest drag on the economy. Net exports were largely flat, reflecting

the weak export environment. In the coming quarters, the government hopes to provide a twin dose of stimulus. Indrawati has pledged fiscal spending to push up the deficit to GDP target to 2% and augment monetary stimulus being supplied by Bank Indonesia (BI).

Bank Indonesia to remain on hold.. for now

BI Governor Warjiyo has cut policy rates a total of four times so far this year, quickly walking back a good portion of last year's rate hikes in a bid to bolster sagging growth momentum. His recent comments point to the central bank keeping the door open to further rate cuts. But the 3Q GDP print will not likely push BI in that direction just yet given that it fell in-line with the market consensus. Warjiyo has noted that the current stance of the central bank remains "accommodative". But we expect central bank officials to closely monitor incoming data and reserve ammunition for further stimulus if growth momentum sags further, whether as a result of the trade war, or any other factor.

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.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 <http://www.ing.com>.