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.

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