

## Indonesia: Strong Set of GDP Data For 4Q09

Indonesia's 4Q09 GDP growth outperformed market's expectation, rising 5.4%/y/y (mkt: 4.9%) – its fastest pace of expansion since 4Q08. This brought the full-year growth to 4.5% in 2009. Improvements were recorded in government consumption and fixed investment while exports growth rebounded into the positive territory. The largest contribution to headline growth was from public and private consumption which jointly accounted for 4.1ppt of the 4Q09 growth rate. Going forward, firm commodity price is expected to support the export recovery in Indonesia while investment will continue to turn higher as sentiment pick up. Private consumption is expected to offset easing government spending growth ahead as the economy improves. Given the more stable global outlook and underlining momentum in the domestic economy, we are upgrading our forecast for Indonesia's GDP growth to 6.0% this year from our earlier forecast of 5.2%. The headline growth rate is likely to continue to rise in the coming quarters as a result of basis effect.

### Implication on Interest Rate and FX

Even as the 4Q09 GDP data came in above expectation and we are likely to see further improvements in growth this year, the BI is expected to hold interest rates steady for as long as it can. The BI said in its policy statement earlier this month it "believed that inflationary pressures will not pick up in the first half of this year", partly mitigated by the IDR strength. The remarks were clearly targeted at managing rate hike expectation following the spike-up in January inflation. Despite that, we still see some risk of BI hiking in the later part of 2Q10 as inflation could head towards 5%/y/y by then. Our forecast for full-year rate hike quantum is unchanged at 125bps.

In the FX market, the IDR ended at 9,355/USD on Wednesday despite opening firmer at 9,330 in the morning as investors pared risky positions towards the later part of the session. The currency eased further this morning. Markets are likely to remain bumpy ahead, shrouded under concerns over Greece's debts. Our end-1Q10 target for USD/IDR remains unchanged at 9,350 for now.

4Q09 GDP: Improvements in Most Components							
	2009	4Q08	1Q09	2Q09	3Q09	4Q09	4Q09
	y/y % change						ppt cont
GDP	4.5	5.3	4.5	4.1	4.2	5.4	5.4
Consumption	6.2	6.4	7.3	6.3	5.4	5.9	4.1
Public	15.7	16.4	19.2	17.0	10.3	17.0	1.8
Private	4.9	4.8	6.0	4.8	4.7	4.0	2.3
GFCF	3.3	9.4	3.5	2.4	3.2	4.2	1.0
Change in Stocks (as % of GDP)	0.0	-0.7	-0.3	0.3	0.6	-0.6	0.0
Net Exports	12.4	27.7	5.3	9.4	25.2	10.6	1.2
Exports	-9.7	2.0	-18.7	-15.5	-7.8	3.7	1.8
Imports	-15.0	-3.7	-24.4	-21.0	-14.7	1.6	0.6

Source: UOB, CEIC

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