“Economic Growth Predicted to Accelerate in 2017”

- Macroeconomic Indicators Forecasting Survey conducted in the fourth quarter of 2016 indicated that respondents were optimistic on economic conditions in 2017. The survey revealed that respondents predicted economic growth at 5.13% (yoy) in 2017.

- The Survey also predicted higher inflation in 2017, indicated by inflation rate of 4.14% (yoy). This expectation was higher than the actual inflation posted in 2016 but still within the target corridor set for 2017 at 4.0±1%. Survey respondents acknowledge the upward trend of inflation in 2017 due to government subsidy reduction and higher international commodity prices.

- Respondents predicted the rupiah to average a level of Rp13,300 per USD in 2017. Respondents attributed rupiah exchange rate in 2017 to the domestic and global economic outlook and inflation trend in 2017.

Prediction of Macroeconomic Conditions in Quarter I-2017

Respondents predicted Indonesia economic growth at 5.07% (yoy) in the fourth quarter of 2016, accelerating from 5.02% (yoy) in the third quarter of 2016.

Respondents were optimistic that economic conditions would track an upward trend in 2017, indicated by economic growth of 5.07% (yoy) in the first quarter of 2017, up from 4.91% (yoy) in the same period last year. Respondents also predicted higher economic growth in the fourth quarter of 2017, accelerating from 5.07% (yoy) in the fourth quarter of 2016 to 5.12% (yoy) (Graph 1).

Methodology:

Macroeconomic Indicator Forecasting Survey (previously Market Perception Survey) is a quarterly survey started from Quarter IV-2001 with economists, economic researchers, capital/money market analysts, and academia societies as respondents. Respondents are selected based on purposive sampling method. Data are collected online using the web-based surveys application or by mail, facsimile and e-mail. The methodology used is polling method (the percentage of respondents providing the majority of response) and mean point estimates (mpe).
The Survey also revealed that respondents predicted higher inflation in 2017, indicated by inflation of 3.28% (yoy) in the first quarter of 2017. This expectation was higher than the actual inflation posted in the end of 2016 (3.02%; yoy) but still remains within the target corridor of 4.0±1% for 2017 (Graph 2). Respondents estimated inflation to reach its highest level in the second quarter of 2017 (4.41%, yoy) and could track a downward trend until the end of 2017 with expected inflation at 4.14% (yoy) (Graph 2).

Respondents estimated another round of rupiah appreciation to a level of Rp13,351 per USD in the first quarter of 2017, up 0.6% (qtq) from Rp13,436 per USD at the end of 2016 (Graph 3).

In the end of the fourth quarter of 2016, the rupiah was observed to depreciate 3.37% (qtq) to Rp13,436 per USD (Graph 5), in line with some peer countries. Amongst other peer countries in the region, rupiah depreciation milder than the Philippine Peso, Malaysian Ringgit, Singaporean Dollar and Korean won.
Respondents predicted the domestic economy to grow at 5.04% (yoy) in 2016, exceeding 2015 realization of 4.79% (yoy) (Tabel 2) and Bank Indonesia’s projection of 5.0% (yoy). Respondents were upbeat due to stronger public purchasing power.

Table 2. Expectation of Economic Indicators in 2016 and 2017

<table>
<thead>
<tr>
<th>No.</th>
<th>Economic Indicators</th>
<th>Realization (*)</th>
<th>Expectation for 2016</th>
<th>Expectation for 2017</th>
<th>State Budget Assumption 2017 **</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2015</td>
<td>Survey Q IV.2016</td>
<td>Survey Q IV.2016</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>GDP Growth (% y-o-y)</td>
<td>4.79</td>
<td>5.01 - 5.24 (mpe: 5.04)</td>
<td>≤ 5.25 (mpe: 5.13)</td>
<td>5.1</td>
</tr>
<tr>
<td>2</td>
<td>Inflation (% y-o-y)</td>
<td>3.35</td>
<td>≤ 3.50 (mpe: 3.12)</td>
<td>4.01 - 4.25 (mpe: 4.14)</td>
<td>4.0</td>
</tr>
<tr>
<td>3</td>
<td>Exchange rate (Rupiah to USD)</td>
<td>13.855</td>
<td>≤ 13,500 (mpe: 13,336)</td>
<td>≤ 13,500 (mpe: 13,300)</td>
<td>13,300</td>
</tr>
</tbody>
</table>

Note:
- (*) Preliminary figures GDP
- **) Ministry of Finance

Outlook for Macroeconomic Conditions in 2017

Economic growth in Indonesia for 2017 is expected to surpass that achieved in 2016. Respondents predicted economic growth of 5.13% (yoy) in 2017, which is within the Bank Indonesia projection of 5.0 - 5.4% (yoy)\(^2\) and higher than the macroeconomics assumption of state budget 2017 of 5.1% (yoy)\(^3\). Respondents disclosed better global economic outlook, greater investment and government spending as determinants of economic growth in 2017.

In terms of inflation, economists predicted slightly higher inflation in 2017, at 4.14%, (yoy), which is within the target corridor for 2017 at 4.0±1% and just above the macroeconomics assumption of state budget 2017 of 4.0% (yoy). Respondents cited a number inflation factors in 2017, including government subsidy reduction and higher international commodity prices.

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\(^2\) Monetary Policy Review, Bank Indonesia, December 2015.

\(^3\) Ministry of Finance of the Republic of Indonesia.
At the beginning of 2017, respondents predicted further rupiah appreciation, with 72.2% anticipating an average exchange rate against the USD of Rp13,300, which was the same as the state budget 2017 macroeconomics assumption of Rp13,300 per USD. Respondents were more upbeat on rupiah appreciation due to better domestic and global economic outlook as well as lower inflation.

* Ministry of Finance of the Republic of Indonesia.
ECONOMIC INDICATORS EXPECTATION BASED ON MIFS QUARTER IV-2016

Graph 1.
Expectation of Economic Growth in Quarter I-2017

Graph 2.
Expectation of Inflation in Quarter I-2017

55.6% of respondents predicted GDP in QI-2017 at 5.07% (yoy).

Inflation in QI-2017 was predicted less than 3.50% (yoy).

Graph 3.
Expectation of Exchange Rate in Quarter I-2017

Graph 4.
Expectation of GDP Growth in 2016

85% of respondents predicted the value of the rupiah ≤ Rp13,500 per USD.

GDP in 2016 was predicted at 5.04% (yoy).
Graph 5. 
Expectation of GDP Growth in 2017

2017 GDP was predicted at 5.13% (yoy).

Graph 6. 
Expectation of Inflation in 2017

Inflation in 2017 was predicted at 4.14% (yoy).

Graph 7. 
Expectation of Exchange Rate in 2017

The value of the rupiah in 2017 was predicted at Rp13,300 per USD.