

INDONESIA

GDP growth slowed in the first quarter of 2009 to 4.4% on year-on-year basis from 5.2% in the previous quarter. A weakening in investment was only partly offset by rising consumption and especially government spending. Imports contracted faster than exports, delivering positive, although small, trade and external current account surpluses. Inflation is retreating rapidly following a large fall in regulated fuel prices. Activity is projected to gather further steam from mid-year.

The monetary easing cycle is appropriately coming to an end. The liquidity-enhancing measures implemented since the onset of the global crisis appear to be bearing fruit. A fiscal stimulus package was approved by Parliament in February, combining tax breaks for labour-intensive sectors and hikes in budgetary appropriations for infrastructure development projects. The fiscal stimulus is financeable without putting undue pressure on government bond yields. However, public investment continues to be delayed by implementation bottlenecks.

Indonesia: Macroeconomic indicators

	2006	2007	2008	2009	2010
Real GDP growth	5.5	6.3	6.1	3.5	4.8
Inflation	6.6	6.6	11.1	5.5	5.3
Fiscal balance (per cent of GDP)	-1.0	-1.2	-0.1	-2.0	-1.1
Current account balance (\$ billion)	10.9	10.5	0.6	3.2	-1.5
Current account balance (per cent of GDP)	3.0	2.4	0.1	0.7	-0.3

Note: Real GDP growth and inflation are defined in percentage change from the previous period.

Inflation refers to the end-year consumer price index.

Source: Figures for 2006-07 are from national sources. Figures for 2008-10 are OECD projections.