

Tuesday 14th November 2017 –11:00 am

International

Prepared by: Trevis Gangaya, Analyst I (Research and Analytics)

Trevis.Gangaya@firstcitizenstt.com

IMF Staff Completes 2017 Article IV Visit to Indonesia

- Today, the IMF issued a statement following its country visit to the Indonesia citing the economic performance of Indonesia continues to be very strong
- Growth is pegged at 5.1% in 2017 and 5.3% in 2018
- The IMF reiterated the need for monetary policy to be focused on price stability and supporting growth, while fiscal policy should rebuild buffers to protect stability.
- Additionally, it is expected that medium-term growth will require further revenue-enhancing tax reforms to finance development spending, and reforms in the product, labor, and financial markets.
- Inflation is projected to remain low at 3.7% in 2017 and 3.6% in 2018, due to broadly stable food and administered prices, and a slightly negative output gap.
- The current account deficit is expected to remain contained at 1.7% of GDP in 2017 and 1.9% in 2018, with the overall balance of payments remaining in surplus.
- According to the IMF, there is a critical need to implement a medium-term revenue strategy that centers on early tax policy reforms and improved tax administration to strengthen the business environment.
- Given limited fiscal space, the IMF further warns that immediate reform priority should be given to structural reforms with low fiscal costs, such as reforming product markets to encourage higher private investment, further streamlining and harmonizing complex regulations and improving coordination with local governments, and fostering financial deepening with a sound oversight framework.

- Conclusively, the IMF commended the progress in the framework for public infrastructure investment. Government was further warned to strengthen this framework by closer integration of public investment to the macroeconomic program to better monitor potential risks, including from the buildup of leverage by state-owned enterprises (SOEs).



Follow us on Twitter @FCISResearch

Disclaimers

All information contained in this article has been obtained from sources that First Citizens Investment Services believes to be accurate and reliable. All opinions and estimates constitute the Author's judgment as of the date of the article; however neither its accuracy and completeness nor the opinions based thereon are guaranteed. As such, no warranty, express or implied, as to the accuracy, timeliness or completeness of this article is given or made by First Citizens Investment Services in any form whatsoever. First Citizens Investment Services and/or its employees or directors may, where applicable, make markets and effect transactions, or have positions in securities or companies mentioned herein. Neither the information nor any opinion expressed shall be construed to be, or constitute an offer or a solicitation to buy or sell.