

## INDONESIAN ECONOMY EXPANDS 6.50% IN THE THIRD QUARTER ON SPENDING

For a fourth straight quarter as consumption, Indonesia's economy grew more than 6 percent, investment and exports wore down a faltering global recovery. Today the Central Bureau of Statistics said in Jakarta, that compared with a revised 6.52 percent in the second quarter, gross domestic product rose 6.54 percent in the three months through September from a year earlier. In a Bloomberg News survey, the median of 16 estimates was for a 6.6 percent expansion. As Europe's debt crisis deepens and the U.S. economy struggles, the pace of growth may not be enough to dissuade policy makers from lowering the rates for a second straight meeting this week. There is room to cut borrowing cost again this year, and inflation is not the primary challenge at any time when global growth is weakening, say the Bank Indonesia Governor Darmin Nasution. "This confirms Indonesia's resilience to external weakness," says Dariusz Kowalczyk, who is a Hong Kong-based strategist at the Credit Agricole CIB. "But it is a bit below consensus, a minor negative for the Indonesian rupiah" which could actually come under even more pressure as the central bank is set to cut rates, said Kowalczyk. In the last three months, the rupiah has dropped about 5 percent against the U.S. dollar, now falling along with most other Asian currencies as global risks lead the investors to shun emerging-market assets. As of 1:30 p.m. local time, the currency fell 0.7 percent to 8,965 per dollar, while the Jakarta Composite stock index was little changed, according to data compiled by Bloomberg. "Indonesia's GDP growth was mainly driven by domestic activity," Said Slamet Sutomo, who is the deputy chairman of the statistics office, at a briefing in Jakarta today. He said the full-year expansion in 2011 should be around 6.5 percent. For the first time in more than two years, Bank Indonesia lowered their rates last month, in doing so, they joined nations from Australia to Brazil in cutting borrowing cost in recent weeks to shield growth. According to seven of the 16 economists in another Bloomberg survey, on Nov. 10 the central bank will reduce rates by a quarter of a percentage point to 6.25 percent with the rest predicting no change. Bank Indonesia targets the inflation rate at about 4 percent to 6 percent this year, and somewhere around 3.5 percent and 5.5 percent in 2012. Indonesia's sustained growth contracts with their slowing of the expansion across their other Asian economies, such as China and Taiwan. For the first time since 2009, Australia cut their rates this month, while Singapore has said its expansion will most likely stall over the next few quarters. The world's fourth-most populous nation relies solely on consumption more than some of its neighbors, making it much less vulnerable to swings in



the global demand.

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