Economic Research

21 October 2019

Week Ahead Economic Preview

Global overview

- **Flash PMI surveys for the US, Eurozone, Japan and Australia**
- **Draghi's final ECB meeting**
- **Special report on how UK industry fears a trade hit from post-Brexit regulatory change**
- **Special report on the challenges facing Indonesian President Jokowi**

The week ahead includes a raft of flash PMI surveys to provide an early indication of economic trends at the start of the fourth quarter. Policy action comes from the ECB and central banks of Norway, Sweden, Russia, Hungary and Indonesia, while other key releases include US durable goods orders and home sales, eurozone consumer confidence and the German Ifo survey. In Asia the week sees key trade numbers out of Japan, Taiwan and Hong Kong SAR, while South Korea updates its GDP. Brexit and US trade war developments once again form the backdrop.

Flash PMI surveys for the US, Eurozone. Japan and Australia will be eagerly awaited after the September data showed the pace of global economic growth slipping to the joint-lowest for three years. The details of the surveys added to growing concerns that the trade war impact is spreading beyond manufacturing, notably in both the US and Eurozone. The PMI for the former recorded the worst order book growth since 2009 (see page 3), while the eurozone's September PMI indicated stagnation, rounding off the worst quarter since 2013. Japan's PMI will meanwhile give the first insight into how the economy has fared after the sales tax hike seen earlier this month (see page 5).

The next ECB rate setting meeting is notable in being Mario Draghi's last, with Christine Lagarde set to replace him as president of the Governing Council on 1st November. The meeting comes amid a growing rift among policymakers over the renewed stimulus sanctioned at the September meeting. We are expecting further dovish comments from Draghi as he hands over the reins, given the recent weak PMI and benign inflation numbers, staunchly defending the recent stimulus measures (see page 4).

Our special reports this week look at how concerns have risen about a potential hit to trade from post-Brexit regulatory change (page 6) and the challenges that lay ahead for Indonesian president Jokowi's second term of office (page 9).

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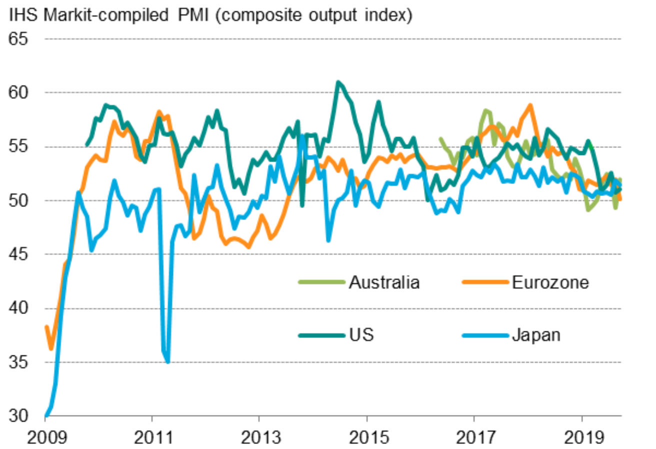
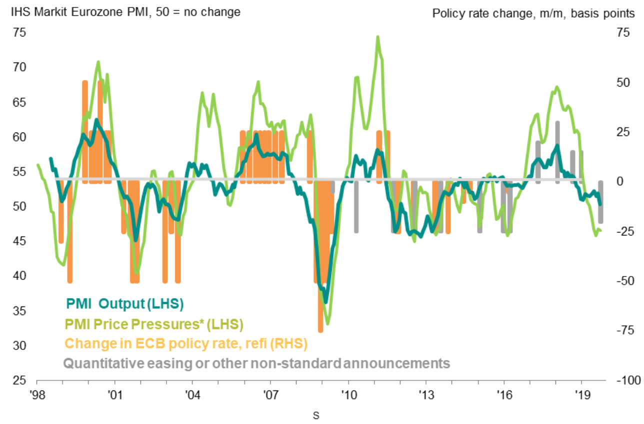
Flash PMI surveys will provide an insight into economic trends at the start of the fourth quarter for a number of key economies



Sources: IHS Markit, JPMorgan.

Mario Draghi sits at the helm of the ECB's rate-setting Governing Council for the last time, amid a growing disagreement over the need for the recent stimulus



Sources: IHS Markit, ECB.

Key diary events

Monday 21 October
Japan trade (Sep)
China loan prime rate (Nov), house price index (Sep)
Taiwan export orders (Sep)
Indonesia FDI (Q3)

Tuesday 22 October
Thailand trade (Sep)
Hungary interest rate decision
Spain trade balance (Aug)
US existing home sales (Sep), Richmond Fed manufacturing index (Oct)

Wednesday 23 October
New Zealand trade (Sep)
Singapore and Malaysia inflation (Sep)
Taiwan industrial output, retail sales (Sep)
France business confidence (Oct)
Euro area consumer confidence (Flash, Oct)
US EIA crude oil and gasoline stocks change (18 Oct)

Thursday 24 October
Flash PMI surveys for US, Europe, Germany, France, Japan, Australia (Oct)
South Korea (Adv, Q3)
Spain unemployment rate (Q3)
Indonesia interest rate decision
Sweden interest rate decision
Norway interest rate decision
Hong Kong SAR trade (Sep)
ECB monetary policy decision
US durable goods orders, new home sales (Sep)
US Kansas Fed manufacturing index (Oct)

Friday 25 October
South Korea consumer confidence (Oct)
Singapore jobless rate (Prelim, Q3), industrial output (Sep)
Germany Ifo survey (Oct), consumer confidence (Nov)
Russia interest rate decision
US Michigan consumer surveys (Final, Oct)
Spain trade balance (Aug)
US existing home sales (Sep), Richmond Fed manufacturing index (Oct)

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Economic Research

21 October 2019

United States Week Ahead

Flash manufacturing and services PMIs, plus durable goods

By Siân Jones

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The IHS Markit flash US PMI surveys will give an early indication of business conditions in October, kick-starting the data releases for the final quarter of 2019. Durable goods data for September will also add clues as to the health of manufacturing demand.

At the time of writing, according to CME Fed Funds futures data, investors largely anticipate one more rate cut from the FOMC this year, with a near 90% chance of a cut in October and roughly a one-in-three chance of another possible rate cut in early 2020, but a whole range of incoming data could influence the near-term rate outlook. As timely indicators of the health of manufacturing and service sectors, next week's flash PMIs could therefore provide some guidance to market expectations of the near-term policy outlook.

Flash PMIs

The upcoming release of IHS Markit flash US PMI data will give a greater idea of business trends as we head into the final months of 2019. After disappointing numbers in recent months, some improvement in the numbers would add to expectations of GDP growth picking up in the fourth quarter. Signs of renewed demand have already been seen in the manufacturing sector in September, with new orders rising marginally according to our PMI and the contraction in foreign client demand easing.

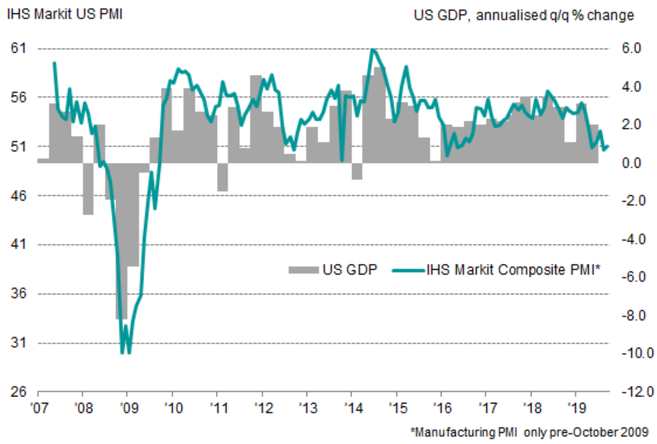
However, service providers continued to indicate lacklustre demand. Alongside challenging external demand conditions, the recent surprise drop in retail sales in September may feed through to weaker domestic demand conditions, knocking the so far resilient trend in consumer spending.

Durable goods

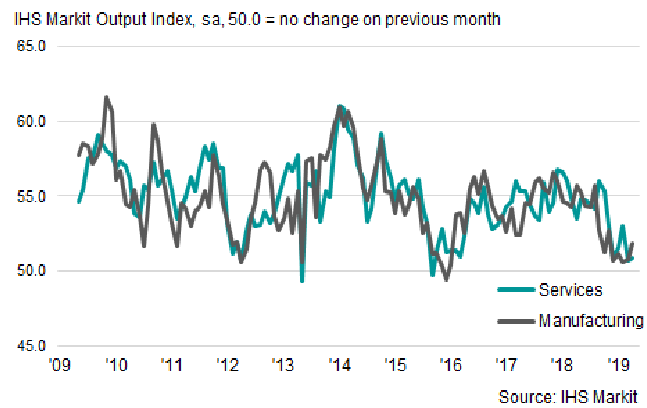
Following a divergence in IHS Markit and ISM survey data in September, markets will be looking for further indications of manufacturing health. Our latest PMI data corresponded to only a slight decline in durable goods at the end of the third quarter, contrasting with a more severe decline indicated by the ISM.

Other data releases include regional manufacturing data from Richmond and Kansas Fed surveys, jobless claims, existing home sales and inflation expectations.

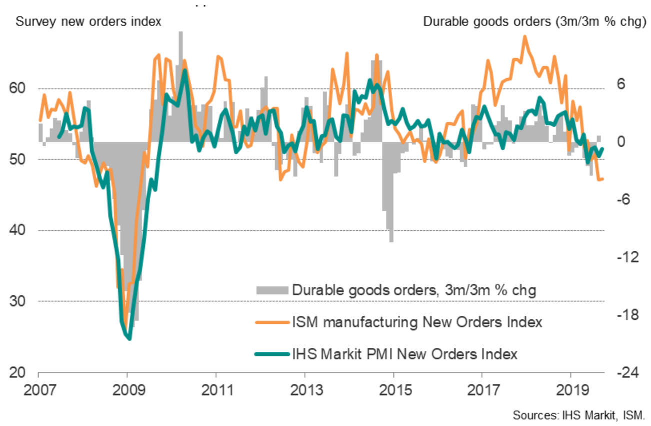
US GDP growth is expected to pick up in Q4 after a relatively subdued Q3



Services now lagging behind manufacturing



Durable goods orders to likely remain muted



More insight into the US economic outlook is available from our award-winning team at Macroeconomic Advisers.

Europe Week Ahead

Draghi's ECB swansong and flash PMI surveys dominate

By Joe Hayes
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Before Mario Draghi's final Governing Council meeting at the ECB, flash PMI surveys for October will provide an initial snapshot into the economic health of the eurozone at the start of the fourth quarter. September data showed tentative signs that manufacturing weakness has spilled over to the services sector. No action from the ECB is expected, although Draghi's final press conference is likely to be dominated by questions focusing on the apparent divisions across the Governing Council.

Will the eurozone PMI fall below 50?

Insight into how the eurozone economy has started the fourth quarter will come from the flash PMIs, with a breakdown for France and Germany. September saw cracks appearing in the service sector, with business activity growth slowing to result in an overall picture of a more-or-less stalled economy. The composite PMI fell to 50.1. The surveys will therefore be watched for signs that the manufacturing malaise has spread further into services, which would push the composite PMI below 50 for the first time since June 2013.

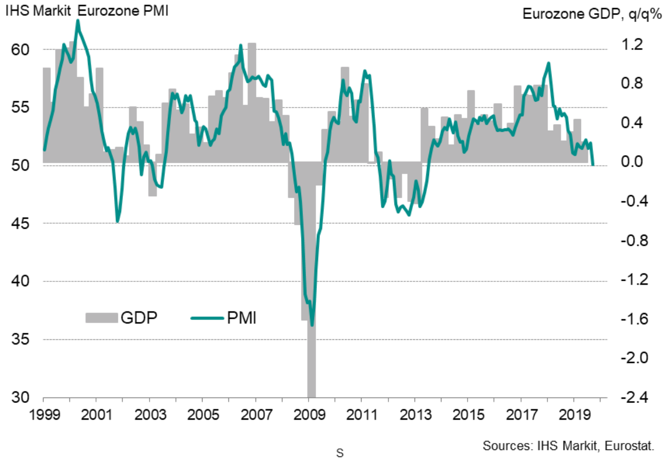
European Central Bank

Mario Draghi will oversee his final meeting as head of the ECB's rate setting committee before passing over to Christine Lagarde, who will be taking over a divided Governing Council. The need for further insight into the extent of the disagreement on the recent stimulus package is likely to dominate the press conference which follows the policy announcement. Nearly one-third of the Governing Council voted against lowering rates and resuming bond purchases. One member of the ECB's board even resigned in protest.

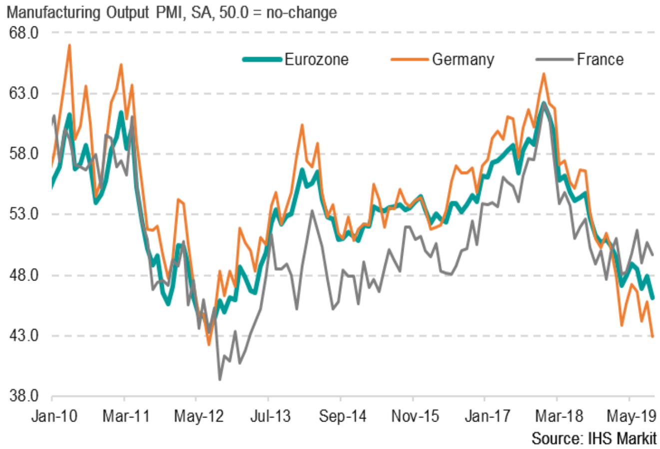
With regards to the policy decision itself, we expect no change here for now, although another reduction of 10 basis points in the deposit facility rate will most likely be the next move. March 2020 is the most probable timing for the next cut, but we would not rule out this coming as soon as December if further weakness is apparent in the dataflow (see our special piece on how low ECB policy rates could go here).

Monetary policy decisions are also due in Russia, Sweden, Norway and Hungary, while flash eurozone consumer confidence and the Germany Ifo business surveys are also released.

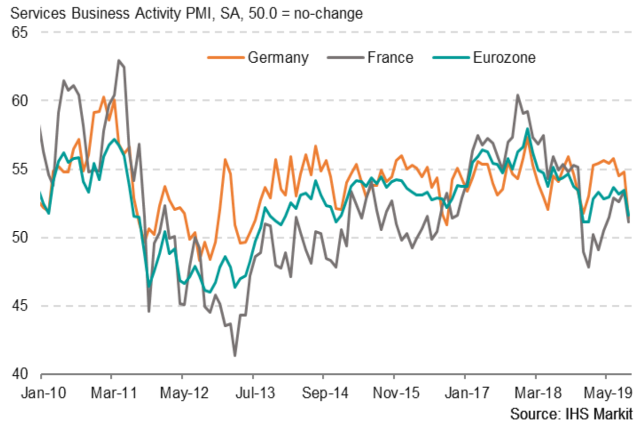
IHS Markit's Eurozone PMI signalled a stalling of GDP growth in September



Eurozone manufacturing in steep downturn, led by Germany



Signs of weakness now also appearing in the service sector



Economic Research

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Asia Pacific Week Ahead

Flash PMI, Asia trade, South Korea GDP and Indonesia monetary policy

By Bernard Aw

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Next week's flash October PMI surveys will provide important steers on economic trends in major countries at the start of the fourth quarter, including both Japan and Australia, thereby offering clues as to the likelihood of greater monetary stimulus from global central banks in coming months. September trade releases in a number of Asian economies will also bring an updated assessment of regional trade conditions. Markets will meanwhile continue to monitor developments in US-China trade negotiations, South Korea publishes its third quarter GDP and Indonesia decides on monetary policy.

Flash Japan PMI eyed for tax hike impact

Japan watchers will eagerly await the flash PMI data for October to assess any adverse economic impact following the sales tax hike at the start of October. The performance of services will come under particular scrutiny after the previous sales tax hike in 2014 dealt a larger blow to services activity than manufacturing. A weak performance will lead to calls for the government to implement support measures.

Signs of trade war impact and weakening business investment will be gleaned from September updates to trade data from Japan, Taiwan, Thailand and Hong Kong SAR. China's industrial profits for September, releasing on 27 Oct, will also gather interest.

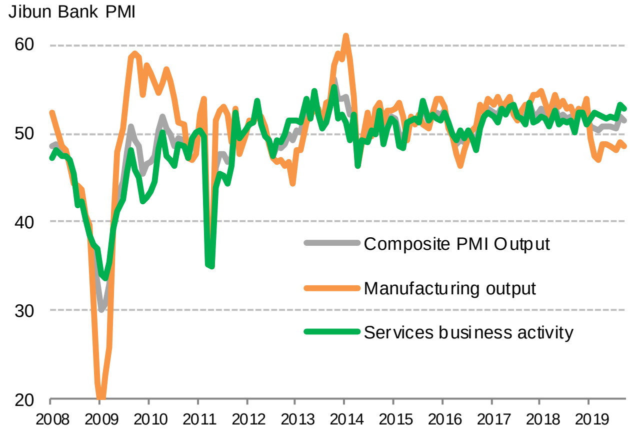
Slower growth in South Korea

Third quarter GDP update in South Korea will likely indicate a slower pace of growth at 1.9%, down from 2.1% in the second quarter, according to IHS Markit estimates. Consumer confidence data will also be assessed for the health of the economy.

Indonesia policy rate; new cabinet line-up

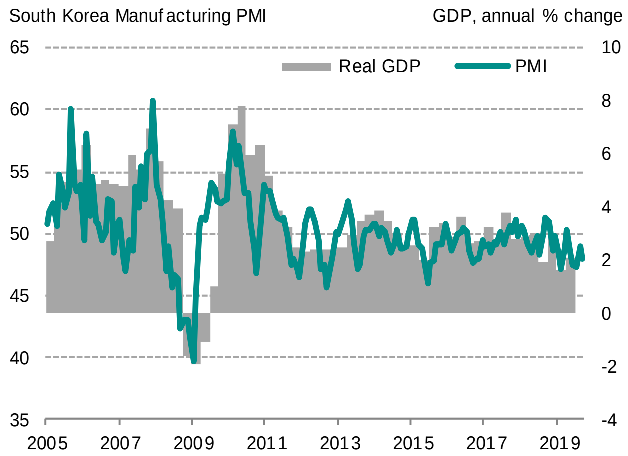
Indonesia's monetary policy meeting is expected to bring no changes to policy settings. IHS Markit forecast the next rate cut to come only in the first quarter of 2020 unless there is a sharp depreciation of the rupiah due to a severe deterioration in investor sentiments that triggers capital outflows in Indonesia. Investors' attention will also focus on the economic team line-up in the new cabinet, to be announced by President Jokowi next week, amid increasing pressure to build a broad ruling coalition.

Japan PMI: manufacturing and services



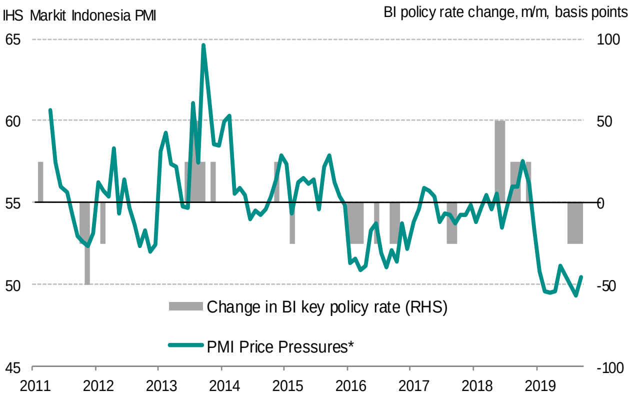
Sources: IHS Markit, Jibun Bank

South Korea PMI points to slower growth



Sources: IHS Markit, Bank of Korea

Indonesia PMI remains in dovish territory



PMI Price Pressures is a blended index of input prices and suppliers' delivery times.

Sources: IHS Markit, Bank Indonesia

Europe Special Focus

UK industry fears trade hit from post-Brexit regulatory change

By Raj Badiani
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UK industry fears the government's objective of regulatory independence will harm post-Brexit EU trading arrangements, impeding businesses ability to invest confidently. The new withdrawal deal agreed between the United Kingdom and European Union yesterday (17 October) removes the UK's previous explicit commitment to maintain a regulatory "level playing field" in the Political Declaration to pursue a free-trade agreement. However, UK firms fear that any future EU-UK trade deal not based on pan-European regulatory alignment will result in increased bureaucracy and costs alongside new custom checks after the transition period ends, implying a further risk to an already challenging investment climate.

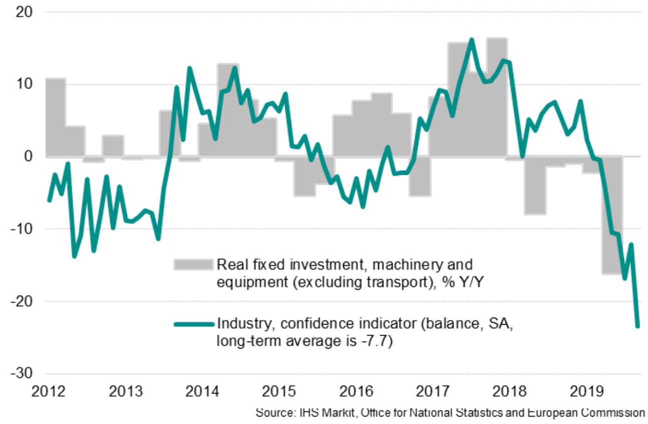
Impact of the Brexit on UK's industry

The industrial sector has endured most pain from the stalled Brexit process, not helped by the fallout from weaker global growth, dismantling its appetite to invest. Indeed, the lack of Brexit clarity has squeezed business investment throughout 2018 and the first half of 2019, with firms worried about the risk of a "no deal" Brexit, and the threat to its exports to the European Union (EU) after the UK leaves the region's customs union and Single Market. This has led to diminishing sentiment, triggering a sustained fall in business investment led by plummeting machinery and equipment investment.

Manufacturers are already enduring the slowest growth in output and exports in three years due to several factors. They include:

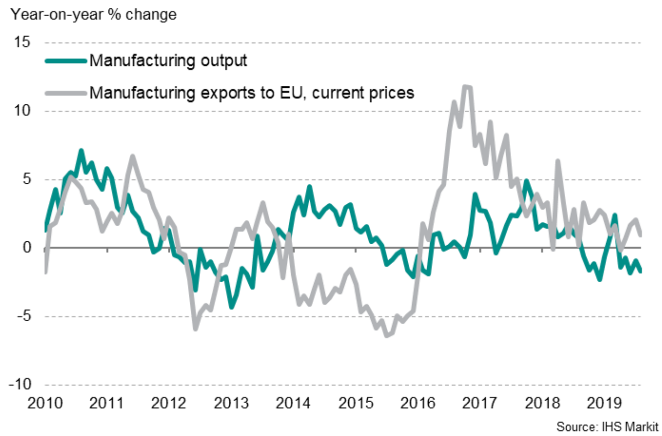
- a more challenging external environment, notably softer demand from key export markets across the Eurozone;
- the unwinding of stocks accumulated prior to the first Brexit deadline on 31st March 2019;
- some EU customers appear to be resourcing away from UK exporters to avoid major supply disruptions in the event of "no-deal" Brexit.

UK industry confidence and investment



Source: IHS Markit, Office for National Statistics and European Commission

UK manufacturing output and exports to the EU



Source: IHS Markit

UK investment intentions over the next 12 months

Source: Bank of England - Agents summary of business conditions - 2019Q3

Business surveys continue to flash cautious UK corporate investment plans. The latest Bank of England's summary of business conditions in the third quarter reveals that a large proportion of at least 700 business across the UK are holding off investments, "even for projects where payback times were short". In addition, a sizable proportion of companies are reducing the scale of their investments, or either delaying or cancelling projections. Even more worrying, some larger companies are relocating investment plans to EU subsidiaries and factories. The net result is a sustained deterioration in investment intentions to stand at a nine-year low by the third quarter of 2019.

More investment pain ahead due to regulatory conundrum

Beyond the risk of a "no-deal" Brexit, a new threat to UK firms is that new UK Prime Minister Boris Johnson wants to pursue less restrictive trade relations with the EU, underpinned by regulatory independence. The UK's main industrial sectors warn that this represents a significant threat to manufacturing competitiveness and investment flows.

Our Brexit baseline currently expects a UK-EU free-trade area for goods and assumes that some sort of common rulebook will need to be applied. This would require an explicit treaty-based commitment from the UK to converge with EU rules to ensure the sustainability of "uniquely integrated" UK-EU supply chains.

This was well aligned in the original wording of the Political Declaration negotiated by previous Prime Minister Theresa May, which covers the key areas of trade in goods, a customs union, and services. A guiding principle was to facilitate the movement of goods by combining deep regulatory and customs co-operation, underpinned by provisions ensuring a level playing field for open and fair competition, focusing on environmental, social, and labour standards.

However, Johnson asked for all references to "a level playing field" to be removed from the Political Declaration in the new Brexit deal, with the UK government insisting that it should enjoy the same autonomy as other major countries with trade deals with the EU. The compromise agreement now states that both sides want a trade deal that ensures "no tariffs, fees, charges, or quantitative restrictions across all sectors", while ensuring "robust commitments to ensure a level playing field". In addition, both sides pledge to uphold the common high standards after the post-Brexit transition period.

This falls short of an explicit commitment from the UK to ensure regulatory alignment with the EU, or a guarantee to update its rules to align with changes to EU regulations. The UK government wants a "best in class" free-trade agreement, allowing the country to set its own regulatory standards with a view to improving its chances of obtaining significant trade deals outside the UK, particularly with the United States. However, this threatens to undermine the benefits of a future free-trade deal, with the risk of emerging regulatory divergence between the EU and UK requiring new custom checks. This is even further away from the frictionless trade and access for services that the UK currently enjoys. In addition, the absence of a common rulebook to underpin any future trade agreement is a risk to key sectors such as automotive and aerospace using just-in-time supply chains.

Five key UK industries warn of the dangers of regulatory independence

The UK’s largest industrial sectors have approached the government to seek reassurances that their interests will be protected in post-Brexit trading arrangements. The Society of Motor Manufacturers and Traders, the Chemical Industries Association, Food and Drink Federation and the Association of the British Pharmaceutical Industry sent a letter to spell out what they need in any Brexit trade deal to the Brexit Secretary Steve Barclay and the Cabinet Office minister Michael Gove. They insist that regulatory alignment should continue after Brexit as a critical element of the UK’s future trade relationship, led by continued participation of EU regulatory institutions.

This followed a letter from the aerospace body ADS seeking reassurance of the "continued membership of the European Aviation Safety Agency (EASA) and alignment with EU chemicals regulations" which "are vital for our sector".

Both letters argue pulling out of the key EU agencies presents a serious risk, leading to “huge new costs and disruption to UK firms” and be disruptive to “our complex international supply chains and has the potential to risk consumer and food safety, and confidence, access to overseas markets for UK exporters and vital future investment in innovation in this country”.

Ultimately, the nuts and bolts of any future trade deal could depend outcome of the next general election, which is increasingly likely given the government doesn’t have a working majority. A decisive Conservative Party victory with Johnson as prime minister would almost certainly increase the likelihood of a trade deal with regulatory divergence.

The impact on the whole economy

The United Kingdom (UK) appeared to avoid a technical recession in the third quarter of 2019, with the economy outperforming survey data (albeit having underperformed in the second quarter). Indeed, the rate of economic growth in the three months to August was better than we had expected given our assessment that the economy is struggling to absorb the continued uncertainty over Brexit and less supportive global trade conditions.

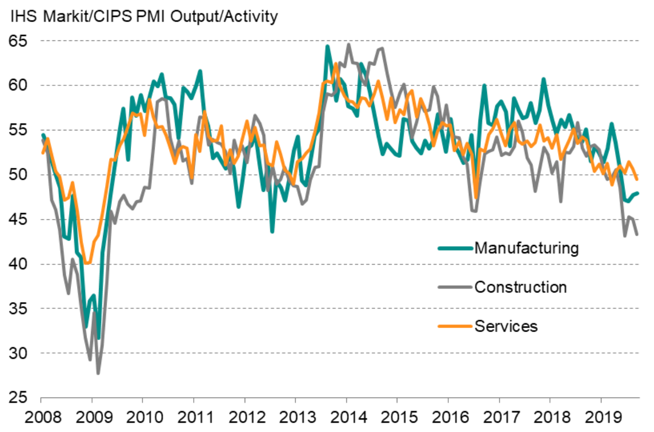
UK real GDP growth

The economy is expected to expand by 1.2% in 2019, down from gains of 1.4% in 2018 and 1.7% in 2017.

Despite only having partial data, we suspect Brexit gridlock further impacted business activity during the third quarter, with the major transmission channel being continued disruption of investment plans.

IHS Markit's PMI reports that manufacturing, construction, and service-sector activity contracted in September, which suggests that monthly GDP could have shrunk for a second straight month in September and suggest limited momentum in late-2019 and 2020. All latest PMI surveys identified that Brexit-related concerns bringing about "cancelled and postponed projects, a lack of investment and job losses".

UK PMI survey output index

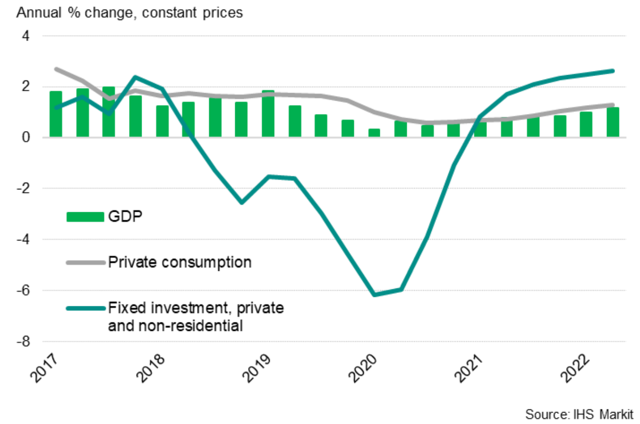


Source: IHS Markit, CIPS.

Fundamental questions about the nature of the future UK-EU trading relationship remain unanswered and is a threat to future investment decisions, impacting on near-term growth prospects for the whole economy. Indeed, many businesses surveyed by the Bank of England's networks of regional agents expect Brexit uncertainty to still be around by end-2019 and firms to be still uncertain about their eventual EU market access.

According to our October forecast, the UK economy is expected to grow by a below-consensus 0.5% (the market consensus forecast stood at 1.1% as of September) in 2020 before a moderate acceleration to 0.8% in 2020, 1.2% in 2021 and 1.5% in 2020.

UK real GDP forecast



Any retreat from the goal of pan-European regulatory alignment could imply more bureaucracy and increased costs and impede on the UK industry's ability to compete for investment, and some firms even relocating from the UK. This would imply a significant downside risk to how the economy fares after the post-Brexit transition period ends.

Asia Pacific Special Focus

Indonesia: Challenges ahead for President Jokowi's second term

By Rajiv Biswas
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On 20th October 2019, Indonesian President Joko Widodo, popularly known as "President Jokowi", will be inaugurated for his second term of office. During President Jokowi's first term of office from 2014 to 2019, Indonesia has consolidated its position as one of the world's largest emerging markets. Indonesia's macroeconomic fundamentals have remained sound during President Jokowi's first term of office, at a time when many other large emerging markets, such as Argentina, Brazil, South Africa and Turkey, have experienced considerable economic turbulence.

Indonesia's total GDP surpassed the USD 1 trillion threshold since 2017, and the nation accounts for around one-third of Southeast Asia's GDP. Over the next decade, the rapidly growing size of the Indonesian middle class and strong growth in household consumption will transform Indonesia into one of the developing world's largest consumer markets, with per capita GDP is forecast to rise from an estimated USD 4,100 in 2019 to around USD 11,000 by 2030.

However, with Indonesian economic growth stuck on a growth path of around 5% per year during President Jokowi's first term of office, a key economic challenge will be to implement economic reforms that will ramp up growth to achieve the Indonesian government's growth target of 7% per year.

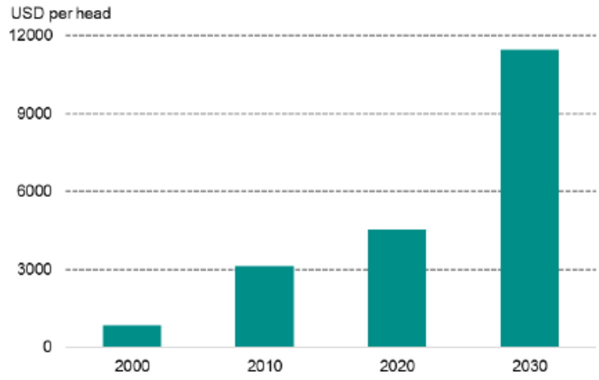
Indonesia's Economic Ascendance

Indonesia's economic resurgence commenced during the protracted period of sustained economic growth under President Susilo Bambang Yudhoyono from 2004 until 2014. This strong economic performance has continued during President Jokowi's first term of office from 2014 to 2019. Indonesia is the third most populous nation in the Asia-Pacific, with a total population of 265 million persons, making it one of the most important potential growth markets in the region.

Indonesia's macroeconomic performance during President Yudhoyono's ten-year term of office was very impressive. Indonesian GDP trebled during this period, rising from USD 280 billion in 2004 to USD 890 billion in 2014. President Jokowi's five-year term of office from 2014 until 2019 has pushed Indonesian GDP to an estimated USD 1,121 billion in 2019. This fifteen-year period has brought considerable macroeconomic stability, as Indonesia has rebounded from the economic meltdown and banking sector crisis it experienced during the East Asian financial crisis in 1997-98.

A key factor contributing to this much improved macroeconomic picture has been the significant reduction in government debt as a share of GDP, which has declined from 56% of GDP in 2004 to around 29% of GDP by early 2019, while external debt as a share of GDP is also moderate, having declined from 53% in 2004 to around 36.8% of GDP in June 2019.

Indonesian GDP per capita



Source: IHS Markit

Foreign investment inflows

One of the most important economic achievements has been the improvement in foreign direct investment (FDI) inflows over the past two decades. In 2002 and 2003, FDI inflows into Indonesia were close to zero, and by 2004 had barely reached USD 1 billion. By 2018, total annual FDI inflows had reached USD 27.8 billion, with investment inflows well-diversified in a range of industry sectors. Total FDI inflows into the industrial sector accounted for around 35 per cent of total FDI in 2018, with significant investment into mining as well as electricity, gas and water supply infrastructure.

The improving business climate in Indonesia has been reflected in substantial improvements for Indonesia's position in the World Bank's Ease of Doing Business ranking over the past decade. Indonesia ranked at 73 in the world in the World Bank's 2019 ranking, compared with a ranking of 129th in the world in 2009.

Economic challenges ahead

Despite the tremendous economic progress achieved by Indonesia since 2004, the nation still faces considerable economic hurdles to its future economic development. A shortage of key infrastructure remains a key bottleneck to economic growth, although President Jokowi has placed a high priority on public investment in infrastructure. There have been substantial infrastructure achievements under President Jokowi, with significant investment in new ports and port expansion projects, construction of new airports and major investment in construction of new roads. However, further large-scale investment in critical infrastructure such as power generation and transmission, water sanitation, ports and roads is needed in order to improve Indonesia's competitiveness as a manufacturing hub.

As Indonesia is already a net oil importing nation and faces rapid future domestic demand growth for gas, its position as a large net exporter of LNG is also expected to be eroded over the next decade, with net gas exports gradually reducing. Therefore, manufacturing exports will have to grow rapidly in order to prevent Indonesia from suffering a chronic trade deficit.

However, although Indonesia's manufacturing sector is substantial in size, accounting for an estimated 18% of GDP, the structure of the manufacturing economy is strongly focussed on domestic demand. For example, Japanese automakers have invested heavily in building auto plants in Indonesia, but the main focus is on meeting domestic auto sales, rather than on exports.

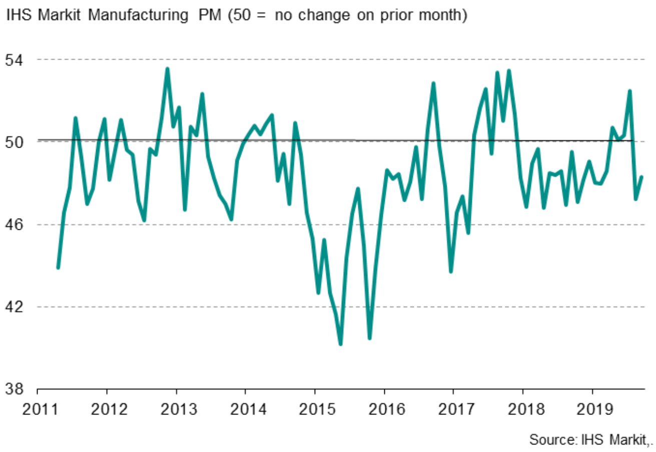
The recent escalation in the US-China trade war has resulted in some trade diversion and increased foreign direct investment flows by global multinationals into the ASEAN region, but Vietnam has been the largest beneficiary, albeit its economy is significantly smaller in size than Indonesia.

Consequently, a key priority for President Jokowi during his second term will be to transform Indonesia into a more attractive business environment for export-related manufacturing. This will require a wide range of economic reforms, including accelerated infrastructure development in areas such as ports and power infrastructure, adopting more flexible labour laws and making Indonesian manufacturing more outward-looking. Indonesia faces an increasingly competitive landscape across ASEAN, as other Southeast Asian nations such as Vietnam, Thailand and Malaysia are competing strongly to attract new foreign investment inflows into their manufacturing sectors.

A key focus for Indonesian government policy in recent years in terms of building up domestic manufacturing has been to increase local processing of mineral ores. For example, the Indonesian government has announced in October 2019 that it would ban exports of nickel ores from January 2020, two years earlier than previously planned, as it tries to accelerate the establishment of domestic processing of nickel ores.

However Indonesian policy measures will need to be considerably more visionary, attracting foreign investment into many other industry sectors, in order to make Indonesia a vibrant manufacturing export hub for multinationals.

Indonesia manufacturing PMI



Another key economic challenge will be to generate sufficient employment for the large number of new workers entering the workforce each year, since Indonesia has a relatively youthful demographic profile over the next two decades. With an estimated 1.5 million new workers projected to enter the workforce each year over the next decade and unemployment and underemployment already high, generating jobs growth will be a key policy challenge. Over the next two decades, there will be substantial pressures on Indonesian government policymakers to generate rapid employment growth, in order to maintain social stability and economic progress. However, due to Indonesia's youthful demographic profile, the old age dependency ratio will remain relatively low over the next thirty years.

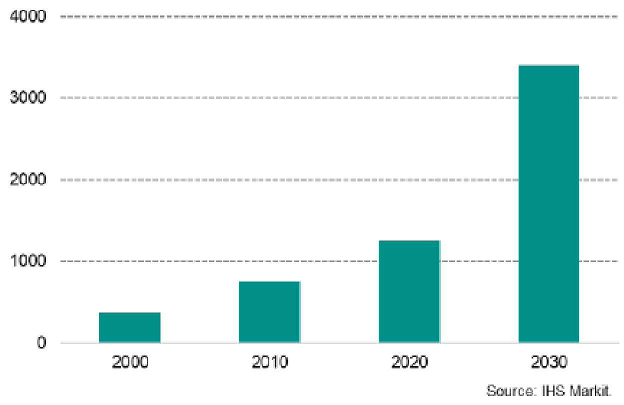
Paradoxically, at the same time as Indonesia faces challenges in generating sufficient jobs for its youth, it is also is facing challenges in meeting the national needs for skilled professionals in areas such as civil engineering, electrical engineers and technicians, senior managers, medical professionals, as well as aerospace engineers and technicians. Strengthening the tertiary and vocational education system to meet these needs will be a long-term process.

Economic outlook

Over the medium-term economic outlook for the 2020-2022 period, Indonesian real GDP is forecast by IHS Markit to grow at an annual pace of around 5 per cent per year if continued gradual economic liberalisation is sustained. This is well below the Indonesian government's ambition to achieve a GDP growth rate of 7% per year.

Nevertheless, IHS Markit forecasts that Indonesian GDP will rise from USD 1.0 trillion in 2018 to USD 3.3 trillion by 2030, creating strong growth in the total size of the Indonesian domestic consumer market over the next decade. Per capita GDP in Indonesia is projected to rise from USD 3,900 in 2018 to USD 11,000 in 2030, which will be a key factor helping to drive the growth of the domestic consumer market.

Indonesian GDP (USD billions), 2000-2030



During President Jokowi's second term of office, economic reforms to accelerate industrial development will be a key priority for Indonesia, in order to boost export growth and generate millions of new jobs over the next decade. This will require major policy initiatives by the Indonesian government to boost infrastructure development in order to reduce logistics costs and improve manufacturing export competitiveness, as well as strengthening human capital in order to tackle shortages of skilled workers.

If President Jokowi and his economic front bench can deliver strong and sustained economic growth, the further ascent of Indonesia as one of the world's largest emerging markets will be a key long-term factor underpinning the economic ascendancy of ASEAN as a regional economic bloc. Furthermore, the rapidly growing Indonesian consumer market will become an increasingly important catalyst for intra-ASEAN export growth.