

16 July 2019

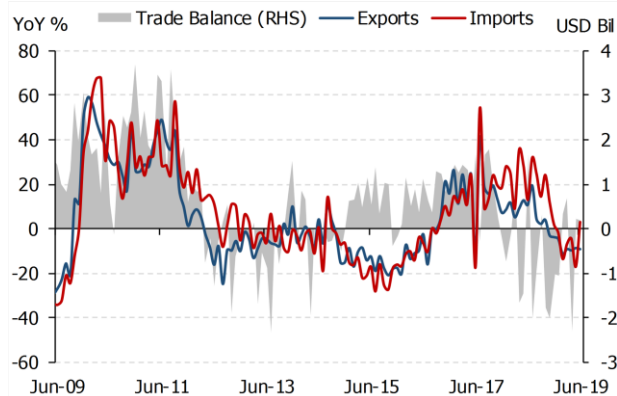
Indonesia External Trade

Exports fall in June, trade surplus narrows

OVERVIEW

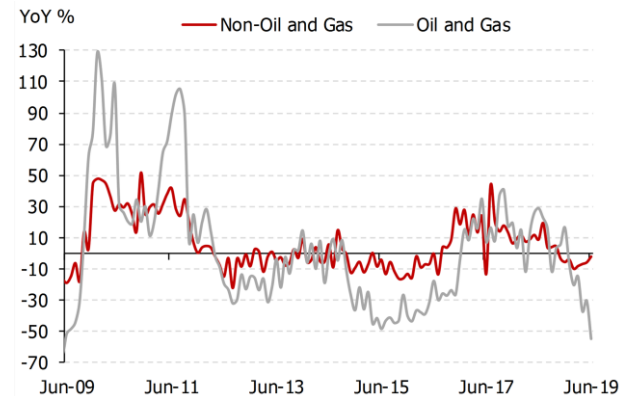
- Indonesia's exports continued to slide in June for eight straight months, declining by 9.0% YoY (May: -8.5%) slightly more than the consensus estimate of -8.5% (Reuters). On a MoM basis, exports fell sharply by 20.5% to USD11.8b, the lowest export value recorded in two years. Meanwhile, imports expanded by 2.8% YoY to USD11.6b after a brief contraction in May (-17.3%), beating the consensus estimate which expects a fall of 5.0%. Consequently, the trade balance remained a surplus of USD200.0m (consensus: +USD0.7b), narrowing after a surplus of USD208.0m in May, providing some support to the Rupiah while prompting the central bank to bring forward its policy rate cut in the near term. Overall, total trade fell by a smaller rate of 3.5% YoY (May: -13.1%).
- Exports of non-oil and gas continued its downtrend, falling by 2.3% YoY (May: -6.0%) to USD11.0b driven by weak shipments in mining & others, which fell sharply by 28.8%. However, exports of manufacturing rebounded to 6.1% YoY (May: -0.6%) on a lower base effect. On MoM, exports of non-oil and gas fell by 19.4% to USD11.0b while its share to total exports edged up to 93.7% (May: 92.3%). Similarly, exports of oil and gas-based products continued to decline for the sixth straight months. The decline was even larger at 54.7% YoY (May: -30.4%) due to a sharp fall in mining at 61.2% YoY while there was no export of gas procurement during the month. On MoM, exports of oil and gas declined by 34.4% to USD0.7b after posting a brief rebound of 53.2% in the preceding month.
- Imports surprisingly turned positive for the first time this year, up by 2.8% YoY a record 7-month high. Import growth has been subdued since the end of 2018 due to the government's policy measures to curb current account deficit via import duty hikes. The month's positive growth was attributable to a rebound in the purchase of non-oil and gas at 8.2% YoY (May: -16.1%) alongside a low base effect in the previous year. Meanwhile, imports of oil and gas fell by 24.7% YoY (May: -23.7%). By category, import growth was contributed by a broad-based expansion led by the import of capital goods (3.3%; May: -15.4%), raw materials (2.8%; May: -18.6%) followed by consumer goods (2.4%; May: -10.2%). On a MoM basis, however, imports fell by 20.7% to USD11.6b.
- Year-to-date, exports fell by 8.6% YoY (Jan-Jun 2018: +9.8%) primarily driven by weak external demand and commodities' price as a result of a global slowdown and the impact of prolonged US-China trade war. Hence, we remain cautious on Indonesia's export outlook, but we maintain our view that exports' growth in 2019 would moderate to 1.0-3.0% (2018: 6.7%) should export pick up in the 2H19.

Graph 1: External Trade Growth Trend



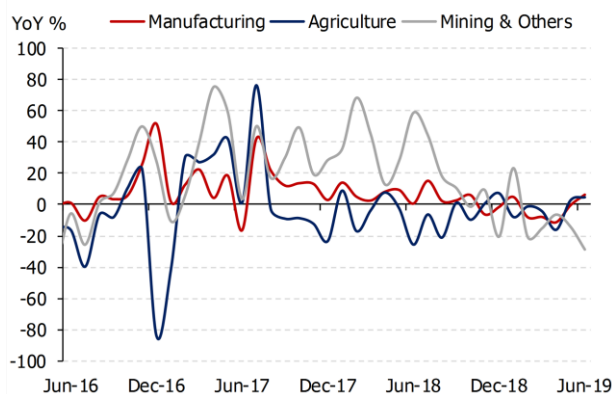
Source: BPS Indonesia, CEIC, Kenanga Research

Graph 2: Exports Growth by Group



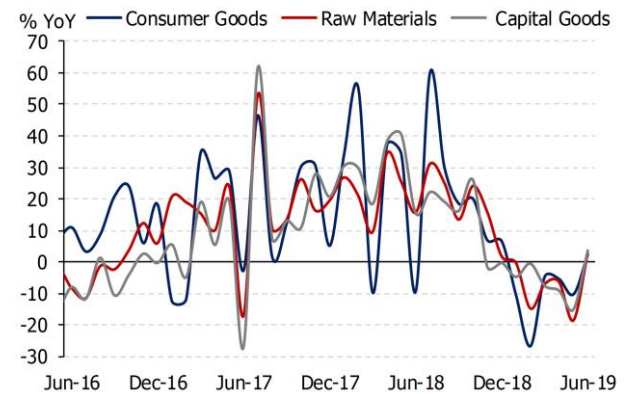
Source: BPS Indonesia, CEIC, Kenanga Research

Graph 3: Non-Oil and Gas Exports by Categories



Source: BPS Indonesia, CEIC, Kenanga Research

Graph 4: Imports Growth by Categories



Source: BPS Indonesia, CEIC, Kenanga Research



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Table 1: Indonesia External Trade Growth Trend

		2017	2018	Jun -18	Jul -18	Aug -18	Sep -18	Oct -18	Nov -18	Dec -18	Jan -19	Feb -19	Mar -19	Apr -19	May -19	Jun -19
Total Trade	YoY %	16.0	13.2	11.8	25.8	13.9	7.9	13.8	4.5	-0.9	-3.2	-12.5	-8.0	-7.0	-13.1	-3.5
Trade Balance	USD bn	11.8	-8.5	1.7	-2.0	-0.9	0.3	-1.8	-2.0	-1.0	-1.1	0.3	0.7	-2.3	0.2	0.2
Exports	YoY %	16.3	6.7	11.0	19.7	4.5	2.4	4.2	-2.8	-3.6	-4.4	-11.2	-9.0	-9.5	-8.5	-9.0
Non-Oil & Gas	YoY %	5.4	6.4	8.8	19.4	3.5	3.9	4.3	-3.6	-5.8	-4.2	-10.2	-8.4	-7.1	-6.0	-2.3
	Share	90.7	90.3	87.3	91.2	91.0	91.4	90.3	90.8	87.8	91.1	91.2	91.9	94.3	92.3	93.7
Oil & Gas	YoY %	20.1	10.5	29.0	22.9	16.3	-11.6	3.3	5.8	16.7	-6.7	-20.2	-14.8	-37.1	-30.4	-54.7
	Share	9.3	9.7	12.7	8.8	9.0	8.6	9.7	9.2	12.2	8.9	8.8	8.1	5.7	7.7	6.3
Imports	YoY %	15.7	20.2	12.8	31.7	24.5	14.2	24.0	11.8	1.7	-2.1	-13.8	-7.0	-4.7	-17.3	2.8
Non-Oil & Gas	YoY %	13.5	19.7	8.8	29.1	19.8	13.5	22.5	8.7	6.4	2.2	-11.0	-2.4	-4.8	-16.1	8.2
	Share	84.5	84.2	81.0	85.5	81.9	84.3	83.5	83.0	86.8	88.9	87.0	88.7	85.5	85.1	85.2
Oil & Gas	YoY %	29.8	22.8	33.8	49.5	51.4	18.4	32.2	30.0	-21.0	-26.7	-29.1	-32.1	-4.0	-23.7	-20.0
	Share	15.5	15.8	19.0	14.5	18.1	15.7	16.5	17.0	13.2	11.1	13.0	11.3	14.5	14.9	14.8

Source: BPS Indonesia, CEIC, Kenanga Research

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Atiqa Noor Azlan
Economist
atiqa.noorazlan@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

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Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

