

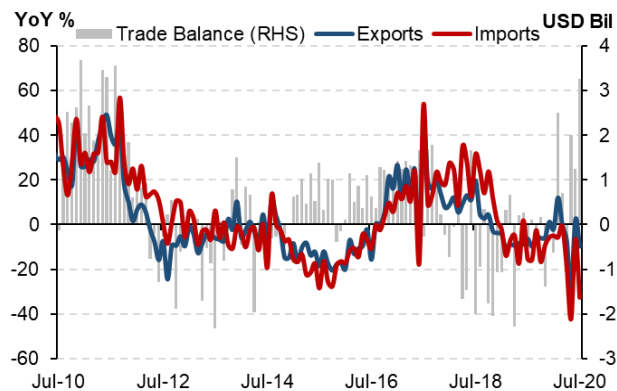
19 August 2020

Indonesia External Trade

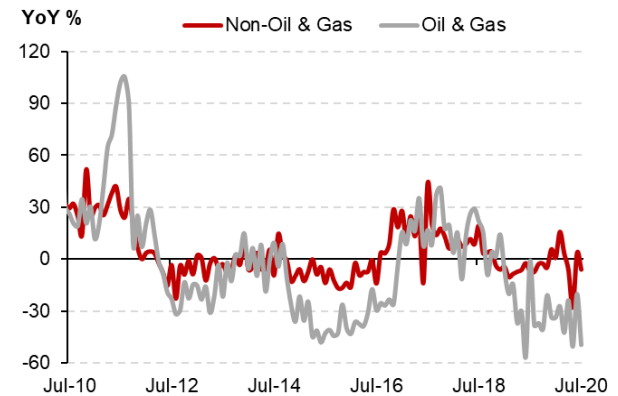
Exports down 9.9% in July; trade balance widens to a 9-year high

- **Exports' YoY growth turned negative (-9.9%) after a brief rebound in June (2.1%) but far better than market expectation (consensus: -16.7%)**
 - MoM: it grew for the second straight month (14.3%; Jun: 14.9%) to USD13.7b, albeit at a slightly slower pace.
- **Broad-based slowdown and weaker demand from top trading partners**
 - Non-oil & gas (-5.9%; Jun: 3.5%): fell sharply after a quick turnaround in June, attributable to a steep decline in exports of mining (-31.0%; Jun: -18.9%), followed by manufacturing (-2.0%; Jun: -2.1%). Meanwhile, agriculture exports moderated sharply for the second straight month (11.5%; Jun: 35.6%). By destination, shipment to its top trading partners slowed sharply led by China (10.8%; Jun: 34.1%) and the US (1.3%; Jun: 27.4%), while exports to Japan fell (-13.6%; Jun: -3.4%).
 - Oil & gas (-49.7%; Jun: -20.3%): fell even sharper than the previous month due to a sharply higher decline in O&G mining (-52.1%; Jun: -25.9%) and O&G manufacturing based products (-38.3%; Jun: 0.1%).
- **Steep fall in imports, larger than market expectation (-32.6%; consensus: -22.5%; Jun: -6.4%) on broad-based declines in non-oil & gas (-30.9%; Jun: 3.1%) and oil & gas product (-45.2%; Jun: -60.5%)**
 - By segments, the weak performance was attributable to a sharp drop in import of raw materials (-34.5%; Jun: -13.3%) followed by capital goods (-29.2%; Jun: 2.6%) and consumer goods (-24.1%; Jun: 36.7%).
 - MoM: fell (-2.7%; Jun: 27.5%) to USD10.5b, reflecting a weak demand momentum going forward.
- **Trade balance remained in a surplus for the third straight month.** It widened to USD3.3b (consensus: USD0.7b; Jun: USD1.3b), a nine-year high as a result of a sharper contraction in imports. Meanwhile, total trade fell sharply (-21.3%; Jun: -2.1%).
- **2020 exports forecast maintained (-5.0% to -2.0%; 2019: -7.0%) on the expectation that external demand to remain weak**
 - Year-to-date, exports fell by 5.0% YoY (Jan-Jun 2020: -4.9%) matching our lower-end target, weighed by the continuous weakness in global trade amid the impact of COVID-19 pandemic.
 - Nevertheless, we expect export growth to gradually improve slightly in the following months due to the gradual reopening of the economy and growth recovery among the trading partners, though we remain cautious of a 2nd wave surge in COVID-19 cases.

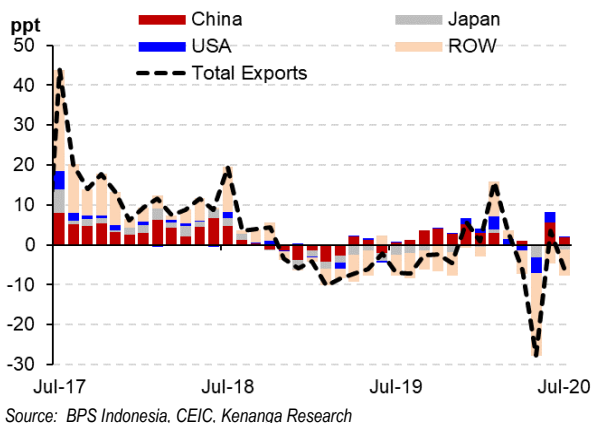
Graph 1: External Trade Growth Trend



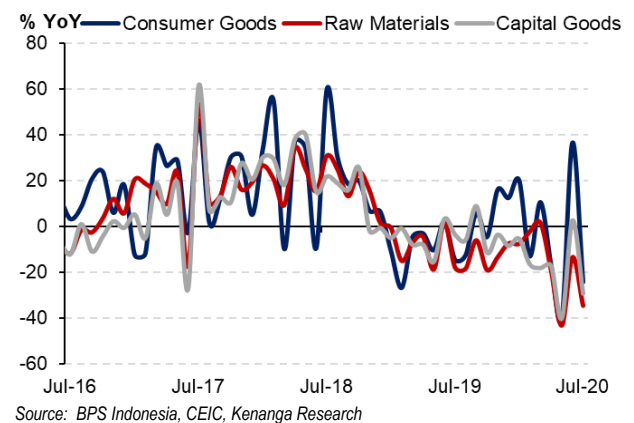
Graph 2: Exports Growth by Group



Graph 3: Non-Oil & Gas Exports by Destination (Top-3)



Graph 4: Imports by Categories



19 August 2020

Table 1: Indonesia External Trade Growth Trend

		2018	2019	Jul -19	Aug -19	Sep -19	Oct -19	Nov -19	Dec -19	Jan -20	Feb -20	Mar -20	Apr -20	May -20	Jun -20	Jul -20
Total Trade	YoY %	13.2	-8.3	-11.1	-12.9	-4.1	-11.6	-7.8	-2.4	-3.5	3.3	-0.6	-13.4	-35.8	-2.1	-21.3
Trade Balance	USD bn	-8.7	-3.5	-0.3	0.1	-0.2	0.2	-1.4	-0.1	-0.6	2.5	0.7	-0.4	2.0	1.2	3.3
Exports	YoY %	6.6	-7.1	-6.4	-10.0	-5.7	-6.1	-6.1	1.1	-2.1	12.0	-0.4	-7.2	-29.5	2.1	-9.9
Non-Oil & Gas	YoY %	6.3	-4.8	-6.9	-7.2	-2.7	-2.4	-4.6	5.8	1.0	15.8	3.3	-6.2	-27.7	3.5	-5.9
	Share	90.4	92.7	90.8	93.9	94.1	93.9	92.6	92.2	94.0	94.3	95.4	95.4	94.6	95.3	94.9
Oil & Gas	YoY %	9.5	-28.8	-1.1	-38.5	-37.1	-40.7	-21.0	-33.8	-33.9	-27.5	-42.7	-24.0	-50.7	-20.3	-49.7
	Share	9.6	7.3	9.2	6.1	5.9	6.1	7.4	7.8	6.0	5.7	4.6	4.6	5.4	4.7	5.1
Imports	YoY %	20.2	-9.5	-15.2	-15.7	-2.4	-16.5	-9.2	-5.6	-4.8	-5.5	-0.7	-18.6	-42.2	-6.4	-32.6
Non-Oil & Gas	YoY %	19.7	-6.3	-11.9	-9.0	2.9	-11.8	-5.9	-7.2	-7.9	-7.9	-1.5	-11.3	-37.4	3.1	-30.9
	Share	84.2	87.2	88.7	88.5	88.8	88.1	86.1	85.3	86.1	84.9	88.0	93.2	92.2	93.7	90.8
Oil & Gas	YoY %	22.8	-26.7	-34.3	-46.5	-30.5	-39.8	-25.5	5.3	20.0	10.3	5.6	-61.8	-69.9	-60.5	-45.2
	Share	15.8	12.8	11.3	11.5	11.2	11.9	13.9	14.7	13.9	15.1	12.0	6.8	7.8	6.3	9.2

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

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

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