

Trade Performance: “Driven by Seasonal Factor”

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Trade Highlights

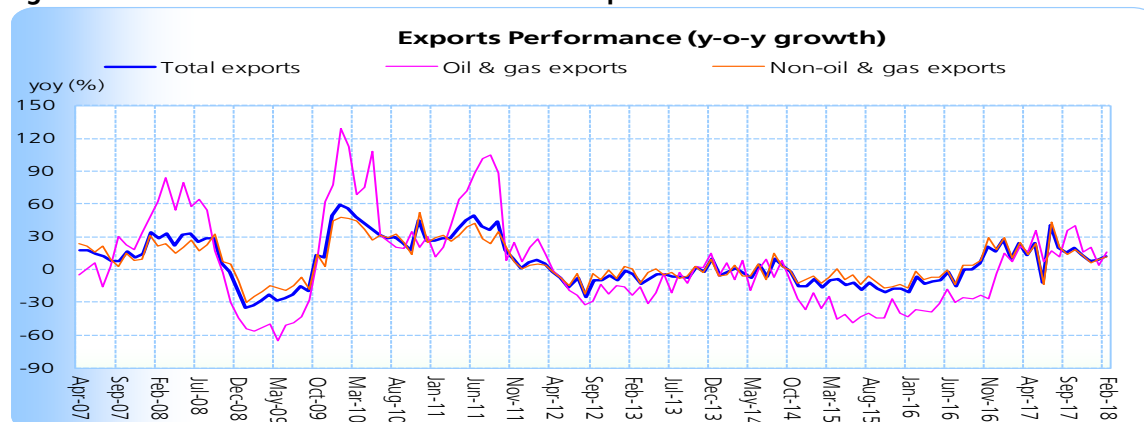
- Exports in February 2018 fell to US\$ 14.10 bn (down by 3.14% m-o-m). Meanwhile imports in February 2018 also decreased to US\$ 14.21 bn (down by 7.16% m-o-m). The falling of trade was caused by the decrease of working days in February which resulted in decreasing activity of goods loading at the port. Furthermore, the monthly decreased in exports in February 2018 due to the fall in the export of coal, machinery/electrical appliance, foot wear, non-knitted apparel, and iron/steel. The fall in the month-on-month imports mainly due to the decrease in the import of machinery/mechanical appliance, machinery/electrical appliance, iron/steel, plastics & the articles there of, and weapons / ammunition. On a yearly basis, exports still rose by 10.13% y-o-y in February 2018, while imports also increased by 26.58% y-o-y. The rise in the year-on-year exports indicates demand for Indonesia’s exports in February 2018 was higher than in February 2017. The increased in the year-on-year imports suggests relatively improving domestic activity in February 2018, compare than in February 2017.
- We expect the Indonesia’s exports increase in March 2018. The increase in exports was mainly due to seasonal factors such as a rise in working days in March compared to the previous month which resulted in increased loading and unloading activities at the port. Furthermore, in line with the improving economy of Indonesia’s major trading partners will have an impact of rising demand from these countries, which in turn make Indonesia’s exports increased. On the other hand, the increase in Indonesia’s exports is constrained by barriers to exports of palm oil to Europe and export barriers to the US. We expect Indonesia’s exports will increased to US\$ 14.83 billion in March 2018 compared with US\$ 14.10 billion in previous month.
- In the meantime, we also expect Indonesia’s imports rise in March 2018. . The increase in imports was mainly due to seasonal factors, namely the rise in working days in March compared to the previous month which resulted in increased loading and unloading activities at the port. Furthermore, the rise in imports is also in line with the increase in domestic economic activity. In addition, the government also decided to increase the import of foodstuffs such as rice, salt, chili, onion, garlic, etc. for stabilization of domestic food prices. We expect Indonesia’s imports may increase to US\$ 15.04 billion in March 2018 compared with US\$ 14.21 billion in the previous month. Consequently, Indonesia’s trade balance is expected to deficit US\$ 0.21 billion in March 2018, widening compare than a deficit US\$ 0.12 billion in one month earlier.

Exports Review

Exports in February 2018 fell to US\$ 14.10 bn (down by 3.14% m-o-m) from US\$ 14.55 bn in January 2018. On a yearly basis, exports in February 2018 still increased by 11.76% y-o-y, improving compare 8.59% y-o-y in the previous month. The m-o-m fall in February 2018 stemmed from lower non-oil and gas exports (down by 3.96% m-o-m to US\$12.71 bn from US\$13.23 bn in January 2018), while the oil and gas exports increased by 5.08% m-o-m to US\$1.39 bn in February 2018 from US\$1.32 bn in January 2018.

Furthermore, the increased in oil and gas exports was attributable to higher exports of crude oil (up by 40.56% m-o-m to US\$ 0.45 bn in February 2018), while exports of oil products fell by 15.79% m-o-m to US\$ 0.11 bn in February 2018 and exports of natural gas also fell by 4.71% m-o-m to US\$ 0.84 bn in February 2018. The rise in exports of crude oil stemmed from the increasing of production by 36.73%. Meanwhile, the price of Indonesian crude oil on International markets actually fell to US\$ 61.61 per barrel in February 2018 from US\$ 65.59 per barrel in the previous month. Meanwhile, lower exports of coal, machinery/electrical appliance, foot wear, non-knitted apparel, and iron/steel dragged down non-oil and gas exports.

Figure 1: Year on Year Growth of Indonesia’s Exports



Source: BPS & Maybank Indonesia Economic Research

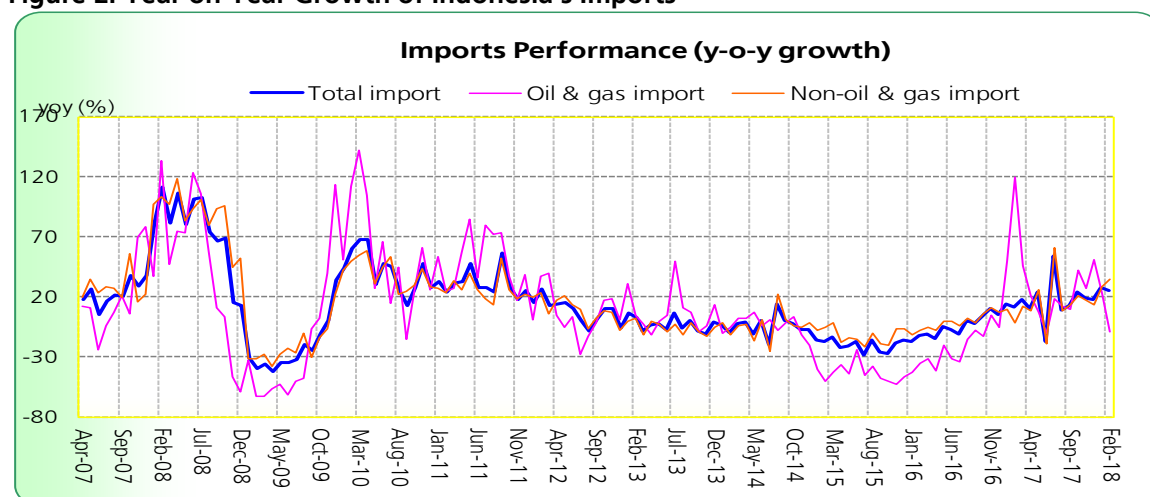
In February 2018, the non-oil and gas exports to Japan, the US, and India fell compare with previous month, but to Singapore and China rose. The non-oil and gas exports to China they increased by 7.49% m-o-m to US\$ 2063.4 mn, to Japan fell by 8.62% m-o-m to US\$ 1266.2 mn, to the US they decreased by 16.52% m-o-m to US\$ 1287.8 mn, to Singapore they rose by 7.10% m-o-m to US\$ 841.9 mn, and to India they fell by 15.35% m-o-m to US\$ 932.2 mn. In period of January – February 2018, China was Indonesia's largest trading partner in non-oil and gas products (15.36%) of Indonesia's goods were exported to this country, followed by the US (10.91%), Japan (10.22%), India (7.84%), and Singapore (6.28%).

Import Review

Meanwhile, the central bureau statistics reported that in February 2018 Indonesia's imports reached US\$ 14.21bn (down by 7.16% m-o-m from US\$ 15.31 bn in January 2018). The decrease in February 2018 stemmed from lower non-oil & gas imports (down by 8.41 m-o-m), while oil & gas imports slightly rose by 0.06% m-o-m. Moreover, the increased in oil and gas imports was attributable to higher imports of crude oil (rose by 62.60% m-o-m to US\$ 0.93 bn in February 2018), while imports of oil products fell by 21.32% m-o-m to US\$ 1.13 bn in February 2018 and imports of natural gas also decreased by 20.67% m-o-m to US\$ 0.20 bn in February 2018. Furthermore, non-oil and gas imports in February 2018 were dragged down of the decrease in imports of machinery/mechanical appliance, machinery/electrical appliance, iron/steel, plastics & the articles there of, and weapons / ammunition.

On a yearly basis, imports in February 2018 rose by 25.18% y-o-y, slowing from 27.92% y-o-y in the previous month. The rose (y-o-y) in February 2018 imports stemmed from higher non-oil & gas imports (up by 34.58% y-o-y), while the oil & gas imports fell by 8.59% y-o-y.

Figure 2: Year on Year Growth of Indonesia's Imports



Source: BPS & Maybank Indonesia Economic Research

By type of good, monthly imports of raw material and capital goods fell in February 2018, but imports of consumer goods rose (see the table below). For the Jan–Feb 2018 period, the share of consumer goods, raw material, and capital goods imports are 9.30%, 74.67%, and 16.03% respectively.

Attachment 1: Indonesia's Imports include Trade Zone by Type of Good (Mil US\$)

Category	Value CIF (US\$ mn)		M-o-M growth (%)	Value CIF (US\$ mn)		Jan-Feb growth (Y-o-Y) (%)	Share of Import Jan-Feb 2018 (%)
	Jan 2018	Feb 2018		Jan-Feb 2017	Jan-Feb 2018		
Import Total	15309.4	14212.8	-7.16	23322.4	29522.2	26.58	100.00
Consumer Goods	1362.9	1381.4	1.36	1901.8	2744.3	44.30	9.30
Raw Material	11466.5	10579.2	-7.74	17812.6	22045.6	23.76	74.67
Capital Goods	2480.0	2252.2	-9.19	3608.0	4732.3	31.16	16.03

Source: BPS & Maybank Indonesia Economic Research

In February 2018, the non-oil and gas imports from China, the US, and South Korea decreased compare with previous month. The non-oil and gas imports from China they fell by 6.40% m-o-m to US\$ 3516.2 mn, from Japan they slightly rose by 0.03% m-o-m to US\$ 1363.1 mn, the US decreased by 17.24% m-o-m to US\$ 618.8 mn, from Singapore they fell by 15.50% m-o-m to US\$ 744.9 mn, from South Korea they decreased by 6.67% m-o-m to US\$ 621.2 mn, and from Thailand they rose by 21.35% m-o-m to US\$ 891.9 mn. In period of January–February 2018, China was Indonesia's largest trading partner in non-oil and gas products of Indonesia's goods were imported from this country (29.09%), followed by Japan (10.90%), Thailand (6.51%), Singapore (6.50%), the US (5.47%), and South Korea (5.15%).

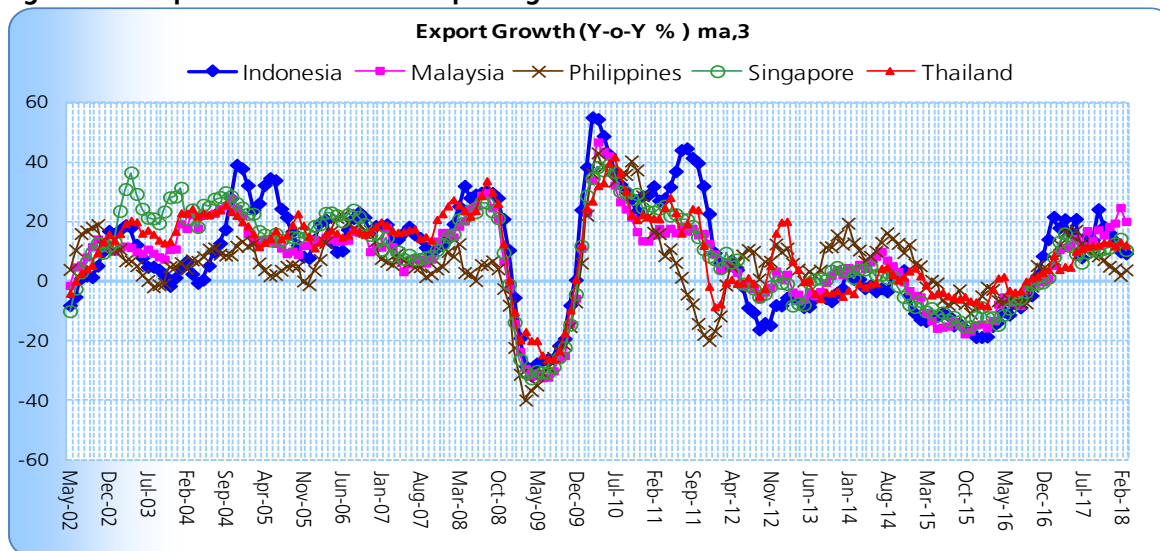
In February 2018, Indonesia's trade balance deficit was narrowing due to the falling imports faster than exports. Indonesia's trade balance was a deficit US\$ 0.12 bn in February 2018, narrowing compare than in January 2018 when it stood at a deficit US\$ 0.76 bn.

Analysis

Indonesia's exports decreased in February 2018 and they were below the US\$15.00 bn mark. The falling of exports was caused by the decrease of working days in February which resulted in decreasing activity of goods loading at the port. Furthermore, this fall was due to the decreasing of non-oil & gas exports, while oil & gas exports rose. The decrease in Indonesia's non-oil and gas exports in February 2018 mainly stemmed from the fall in Indonesia's non-oil and gas exports to Malaysia, Thailand, Germany, Netherland, Japan, the US, India, Australia, South Korea, and Taiwan. The fall in non-oil and gas exports to Malaysia, Thailand, Germany, Netherland, Japan, the US, India, Australia, South Korea, and Taiwan were attributable to lower demand for Indonesian goods in those countries.

The recovery of global economic activity has also exerted a positive impact on exports of other ASEAN countries. Indonesia's exports show a similar trend compared to that of other ASEAN countries (Malaysia, Singapore, and Thailand). This indicates that Indonesian goods have not lost competitiveness to products from other ASEAN countries.

Figure 3: Comparison Indonesia's Exports growth with Other ASEAN Countries



Source: BPS & Maybank Indonesia Economic Research

On a year to date basis, Indonesia's exports rose by 10.13% in January–February 2018 period. The rise in the year to date exports indicates demand for Indonesia's exported goods in January–February 2018 period was higher than the same period in 2017.

Meanwhile Indonesia's imports also fell in February 2018, and they were below the US\$15.00 bn mark. The falling of imports mainly comes from by the decreasing imports of raw material and capital goods.

On a year to date basis, imports rose by 26.58% in January–February 2018 period. The rise in year to date imports suggests relatively improving domestic activity in January–February 2018 period compare with the same period in 2017.

Trade Outlook

The economic growth of Indonesia's main trading partners was mixed. The US economic grew 2.6% y-o-y in 4Q 2017, improve compare with 2.3% y-o-y in the previous quarter. Japan economic grew 2.0% y-o-y in 4Q 2017, improving compare with 1.9% y-o-y in the previous quarter. Meanwhile, the China economic was maintaining growth at 6.8% y-o-y in 4Q 2017, stable compare with the previous quarter, and the Singapore economic grew 3.6% y-o-y in 4Q 2017, slowing compare with 5.5% y-o-y in 3Q 2017. Furthermore, the Euro Area economic was grew by 2.7% y-o-y in 4Q 2017, stable compare from the previous quarter.

Leading Economic Indicator Index on Indonesia main trading partners was mixed. The US leading economic index increased to 108.7 in February 2018, compare 108.0 in January 2018, Japan leading economic index slightly decreased to 99.6 in February 2018 from 99.7 in the previous month, and European leading economic index rose to 112.3 in February 2018, compare with 111.6 in the previous month. Furthermore, India leading economic index slightly increased to 109.9 in February 2018 from 109.8 in the previous month, and China leading economic index rose to 125.8 in February 2017 from 124.4 in the previous month.

Industrial Production Index on Indonesia main trading partners was mixed. Industrial production measures changes in output for the industrial sector of the economy which includes manufacturing, mining, and utilities. The US industrial production index was improving growth to 4.3% y-o-y in February 2018 from 2.9 % y-o-y in January 2018, Japan industrial production index was improving growth to 1.7% y-o-y in February 2018 compare than 0.8% y-o-y in January 2018, and European industrial production index was slowing growth to 3.4% y-o-y in January 2018 from 5.1% y-o-y in the previous month. Meanwhile, China industrial production index was improving growth to 7.2% y-o-y in February 2018, from 6.9% y-o-y in one month earlier.

All in all, we believe that the economic activities in Indonesia's main trading partners such as the US, China, India, Singapore, Japan, and European were improved. Furthermore, this condition will create higher demand for Indonesian products in those countries in the medium term.

We expect the Indonesia's exports increase in March 2018. The increase in exports was mainly due to seasonal factors such as a rise in working days in March compared to the previous month which resulted in increased loading and unloading activities at the port. On the other hand, the increase in Indonesia's exports is constrained by barriers to exports of palm oil to Europe and export barriers to the US.

In the meantime, we also expect Indonesia's imports rise in March 2018. The increase in imports was mainly due to seasonal factors, namely the rise in working days in March compared to the previous month which resulted in increased loading and unloading activities at the port. Furthermore, the rise in imports is also in line with the increase in domestic economic activity. In addition, the government also decided to increase the import of foodstuffs such as rice, salt, chili, onion, garlic, etc. for stabilization of domestic food prices.

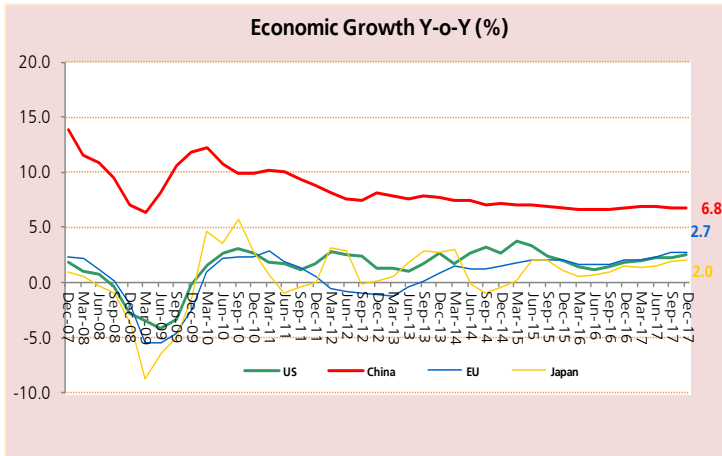
Against this backdrop, we expect exports to reach US\$ 14.83 bn in March 2018 higher than the US\$ 14.10 bn in February 2018. Indonesia's imports are expected to rise to US\$ 15.04 bn in March 2018 from US\$ 14.21 bn in February 2018. Consequently, Indonesia's trade balance is expected to reach deficit US\$ 0.21 billion in March 2018, widening compare than a deficit US\$ 0.12 billion in February 2018.

Attachment 2: Indonesia's Trade Performance and Outlook (Billions US\$)

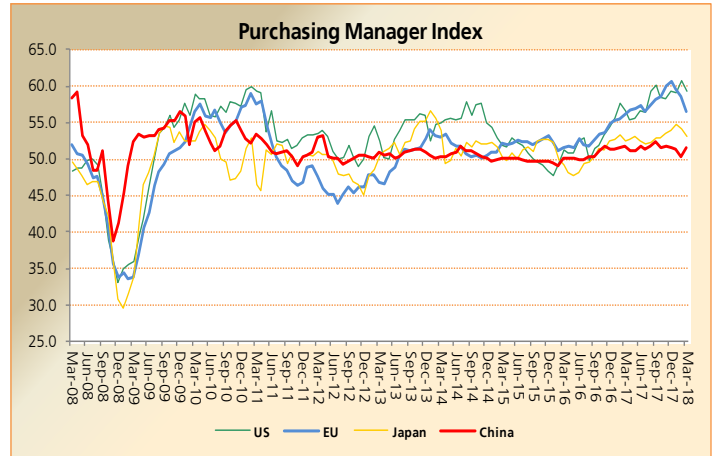
		2017			2018				YTD (Jan-Feb)	
		October	November	December	January	February	MarF	AprF	2016	2017
Export	Total Export	15.24	15.32	14.87	14.55	14.10	14.83	14.53	26.02	28.65
	Oil & Gas	1.48	1.28	1.51	1.32	1.39	1.47	1.46	2.47	2.71
	Total excl. oil/gas	13.76	14.04	13.36	13.23	12.71	13.36	13.07	23.55	25.94
Import	Total Import	14.24	15.10	15.09	15.31	14.21	15.04	14.50	23.32	29.52
	Oil & Gas	2.21	2.20	2.56	2.26	2.26	2.50	2.44	4.30	4.52
	Total excl. oil/gas	12.03	12.90	12.53	13.05	11.95	12.54	12.07	19.02	25.00
Balance	Total incl. oil/gas	1.00	0.22	-0.22	-0.76	-0.12	-0.21	0.02	2.69	-0.87
	Oil & Gas	-0.73	-0.92	-1.05	-0.94	-0.87	-1.03	-0.98	-1.83	-1.81
	Total excl. oil/gas	1.73	1.14	0.83	0.18	0.75	0.82	1.00	4.52	0.93
Y on Y Growth (percent)										
Export	Total Export	19.61	13.46	7.53	8.59	11.76			18.79	10.13
	Oil & Gas	40.25	16.05	20.77	4.08	16.09			11.18	9.91
	Total excl. oil/gas	17.74	13.23	6.21	9.07	11.30			19.64	10.15
Import	Total Import	23.76	19.22	18.08	27.92	25.18			12.98	26.58
	Oil & Gas	42.82	27.86	50.61	23.58	-8.59			83.45	5.08
	Total excl. oil/gas	20.80	17.86	13.08	28.70	34.58			3.95	31.44
M on M Growth (percent)										
Export	Total Export	4.69	0.51	-2.92	-2.15	-3.14				
	Oil & Gas	2.90	-13.57	17.96	-12.34	5.08				
	Total excl. oil/gas	4.88	2.03	-4.82	-1.00	-3.96				
Import	Total Import	11.42	6.07	-0.08	1.43	-7.16				
	Oil & Gas	14.06	-0.11	16.28	-11.86	0.06				
	Total excl. oil/gas	10.95	7.20	-2.87	4.15	-8.41				

Source: BPS & Mavbank Indonesia Economic Research

Economic Growth and Purchasing Manager Index

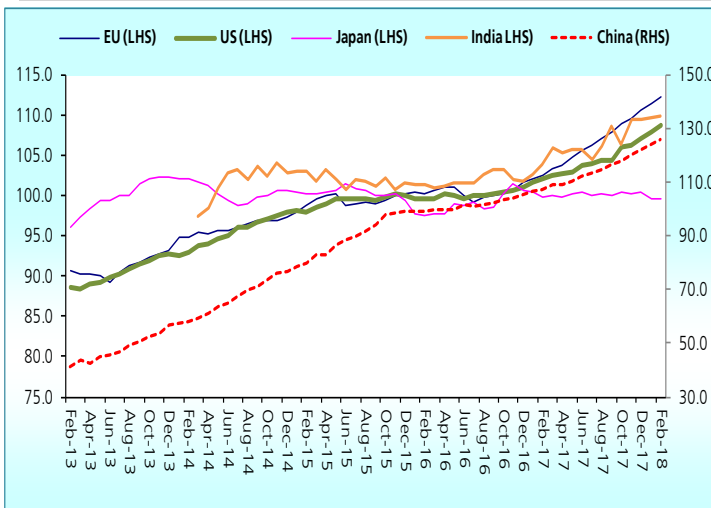


Source: Bloomberg & Maybank Indonesia Economic Research

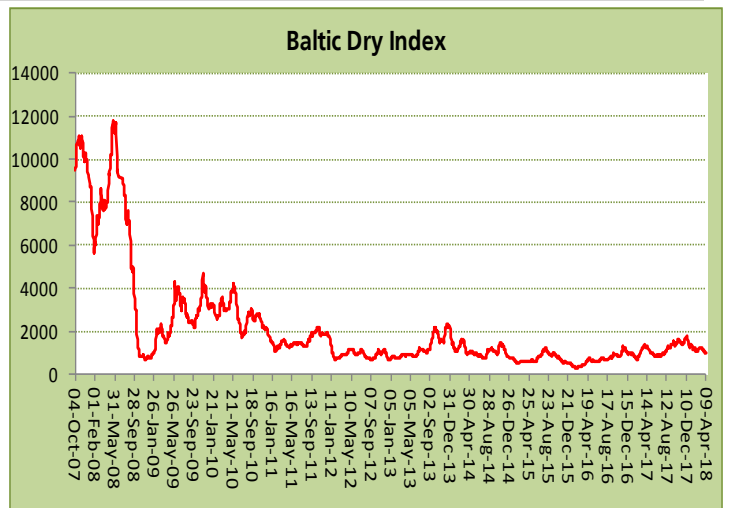


Source: Bloomberg & Maybank Indonesia Economic Research

Leading Economic Indicator Index and Baltic Dry Index

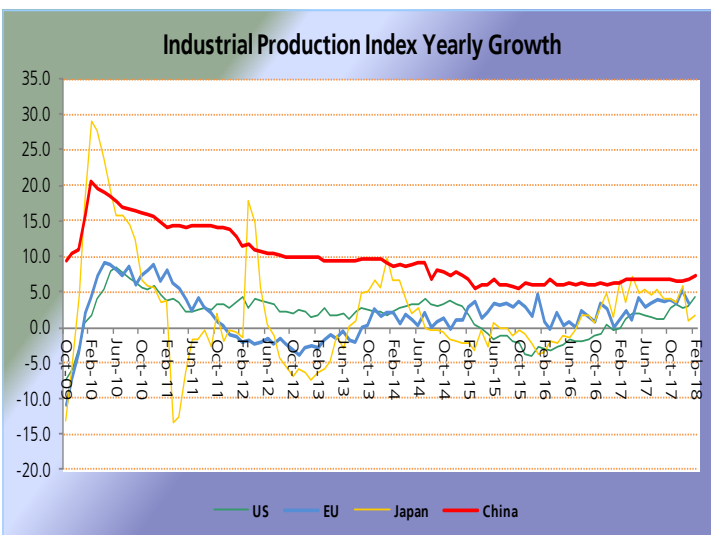


Source: Conference Board & Maybank Indonesia Economic Research

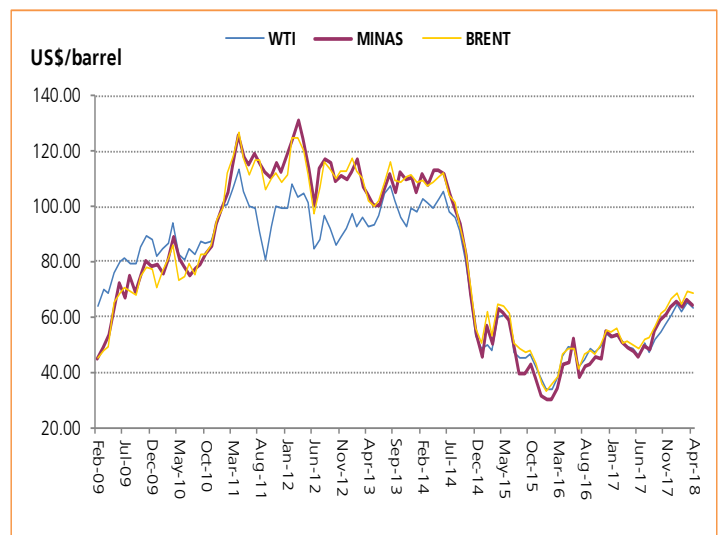


Source: Bloomberg & Maybank Indonesia Economic Research

Industrial Production Index and Crude Oil Price



Source: Bloomberg & Maybank Indonesia Economic Research



Source: Bloomberg & Maybank Indonesia Economic Research

Macro Economic Indicators

INDICATORS	2014	2015	2016	2017	2018F
Inflation (%YoY)	8.36	3.35	3.02	3.61	3.50
Inflation (% avg)	6.42	6.38	3.53	3.81	3.52
Core Inflation (%YoY)	4.93	3.95	3.07	2.95	3.00
Core Inflation (% avg)	4.53	4.89	3.35	3.15	2.82
Exchange Rate Eop (Rp/US\$)	12440	13795	13436	13548	13700
Exchange Rate Avg (Rp/US\$)	11885	13458	13330	13397	13640
Curent Account (% GDP)	-3.09	-2.03	-1.82	-1.70	-2.20
Fiscal Balance (% GDP)	-2.20	-2.80	-2.46	-2.42	-2.50
Interest Rate					
BI 7-Day (Reverse) Repo Rate (% p.a)	5.86	6.25	4.75	4.25	4.50
Time Deposit 3 month (% p.a)	8.95	7.99	6.69	6.11	6.38
Lending rate working capital (% p.a)	12.81	12.46	11.36	10.68	10.92
Credit					
Growth (% YoY)					
Property Credit	17.29	11.86	14.98	13.05	14.80
Consumer credit	11.51	9.09	8.76	11.04	11.44
Working Capital Credit	10.83	9.04	6.93	8.48	9.94
Investment Credit	13.16	14.69	8.65	4.82	9.08
Total Credit	11.58	10.44	7.87	8.24	10.15
Deposit	12.29	7.26	9.60	9.35	10.43
NPL Commercial Banks (%)	2.16	2.49	2.93	2.59	2.48
Car Sales (1000 Units)	1208	1013	1062	1080	1119
Car Sales Growth (%)	-1.78	-16.12	4.79	1.69	3.59
Motorcycle Sales (1000 Units)	7867	6480	5931	5886	5912
Motorcycle Sales Growth (%)	1.59	-17.63	-8.47	-0.76	0.44
Unemployment Rate (%)	5.94	6.18	5.61	5.50	5.30
International Reserve (US\$ bn)	111.9	105.9	116.4	130.2	134.2
GDP Growth (%)	5.01	4.88	5.03	5.07	5.30

Note : the red numbers are forecast

Source : Maybank Indonesia Economic Research

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