

## Trade Performance: “Maintain Surplus”

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### Trade Highlights

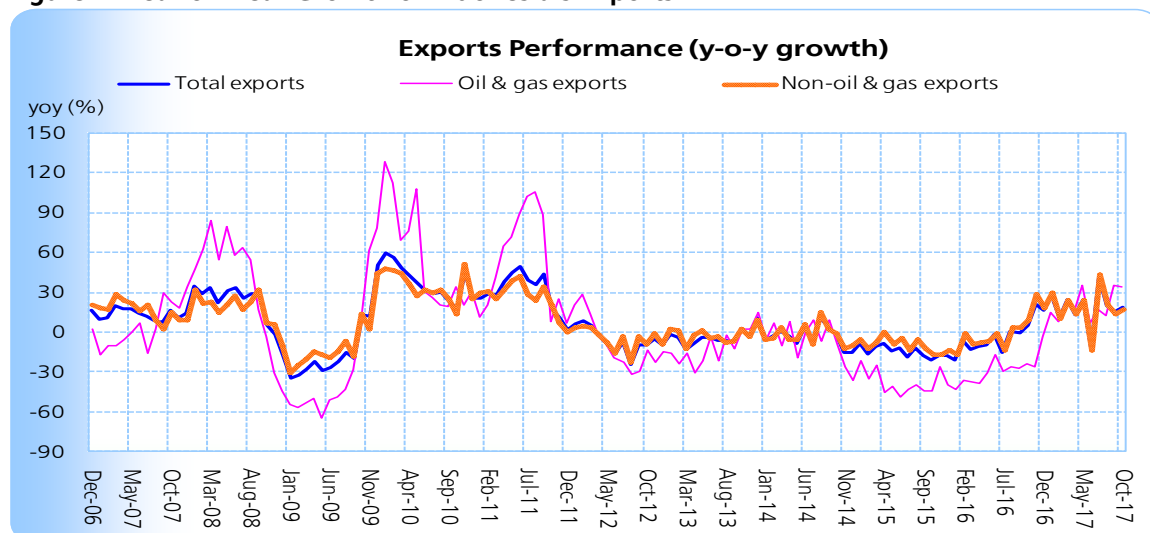
- Exports in October 2017 rose to US\$ 15.09 bn (up by 3.62% m-o-m). Meanwhile imports in October 2017 also increased to US\$ 14.19 bn (up by 11.04% m-o-m). The rising of exports was caused by the increasing commodity prices. Furthermore, the monthly increased in exports in October 2017 due to the rise in the export of coal, vehicles & parts, footwear, ores/slag & ash, and fish/shrimp. The rise in the month-on-month imports mainly due to the increase in the import of oil & gas, machinery/mechanical appliance, plastics & the articles there of, iron & steel, vehicles & parts, and chemical organic. On a yearly basis, exports rose by 18.39% y-o-y in October 2017, while imports also increased by 23.33% y-o-y. The rise in the year-on-year exports indicates demand for Indonesia's exports in October 2017 was higher than in October 2016. The increased in the year-on-year imports suggests relatively improving domestic activity in October 2017, compare than in October 2016.
- We expect Indonesia's export performance to remain strong in November 2017. This is driven by rising commodity prices such as petroleum, coal, gold, copper, and nickel. In addition, the improving economic conditions of Indonesia's major trading partners which have an impact on increasing demand for goods to these countries. We expect Indonesia's exports will increase to US\$ 15.41 billion in November 2017 compared with US\$ 15.09 billion in previous month.
- In the meantime, we expect Indonesia's import to increase in November 2017. This is also driven by the rise in commodity prices. In addition, in line with the acceleration of infrastructure projects and to anticipate the increasing demand of Christmas and New Year celebrations will trigger an increase in imports of raw materials, consumer goods, and capital goods. We expect Indonesia's imports may increase to US\$ 14.23 billion in November 2017 compared with US\$ 14.19 billion in the previous month. Consequently, Indonesia's trade balance is expected to maintain surplus US\$ 1.19 billion in November 2017, widening compare than a surplus US\$ 0.90 billion in one month earlier.

### Exports Review

Exports in October 2017 rose to US\$ 15.09 bn (up by 3.62% m-o-m) from US\$ 14.56 bn in September 2017. On a yearly basis, exports in October 2017 also increased by 18.39% y-o-y, improving compare 15.74% y-o-y in the previous month. The m-o-m rise in October 2017 stemmed from higher non-oil and gas exports (up by 4.22% m-o-m to US\$13.67 bn from US\$13.12 bn in September 2017), while the oil and gas exports slightly decreased by 1.86% m-o-m to US\$1.41 bn in October 2017 from US\$1.44 bn in September 2017.

Furthermore, the decreased in oil and gas exports was attributable to lower exports of crude oil (down by 4.19% m-o-m to US\$ 0.50 bn in October 2017) and oil products (down by 48.08% m-o-m to US\$ 0.10 bn in October 2017), while exports of natural gas rose by 12.42% m-o-m to US\$ 0.81 bn in October 2017. The fall in exports of crude oil and oil products stemmed from the decreasing of production by 7.24% and 51.93% respectively. Meanwhile, the price of Indonesian crude oil on International markets actually rose to US\$ 54.02 per barrel in October 2017 from US\$ 52.47 per barrel in the previous month. Meanwhile, higher exports of coal, vehicles & parts, footwear, ores/slag & ash, and fish/shrimp pushed up non-oil and gas exports.

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



Source: BPS & Maybank Indonesia Economic Research

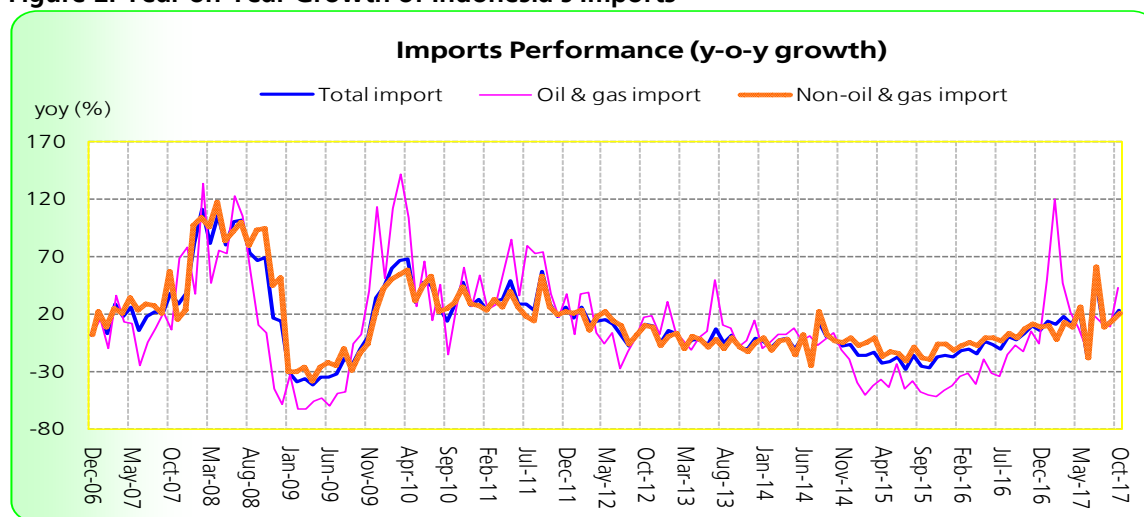
In October 2017, the non-oil and gas exports to China and India rose compare with previous month, but to the US and Japan fell. The non-oil and gas exports to China they increased by 23.64% m-o-m to US\$ 2341.2 mn, to Japan fell by 1.37% m-o-m to US\$ 1294.1 mn, to the US they decreased by 4.66% m-o-m to US\$ 1388.6 mn, to Singapore they fell by 15.03% m-o-m to US\$ 740.5 mn, and to India they rose by 8.44% m-o-m to US\$ 1246.5 mn. In period of January – October 2017, China was Indonesia's largest trading partner in non-oil and gas products (13.47%) of Indonesia's goods were exported to this country, followed by the US (11.32%), Japan (9.47%), India (9.13%), and Singapore (5.94%).

### Import Review

Meanwhile, the central bureau statistics reported that in October 2017 Indonesia's imports reached US\$ 14.19bn (up by 11.04% m-o-m from US\$ 12.78 bn in September 2017). The increase in October 2017 stemmed from higher non-oil & gas imports (up by 10.52 m-o-m), while oil & gas imports also rose by 13.95% m-o-m. Moreover, the increased in oil and gas imports was attributable to higher imports of oil products (rose by 6.00% m-o-m to US\$ 1.19 bn in October 2017) and crude oil (rose by 43.44% m-o-m to US\$ 0.78 bn in October 2017), while imports of natural gas decreased by 11.88% m-o-m to US\$ 0.24 bn in October 2017. Furthermore, non-oil and gas imports in October 2017 were pushed up of the increasing imports machinery/mechanical appliance, plastics & the articles there of, iron & steel, vehicles & parts, and chemical organic.

On a yearly basis, imports in October 2017 rose by 23.33% y-o-y, improving from 1313% y-o-y in the previous month. The rose (y-o-y) in October 2017 imports stemmed from higher oil & gas imports (up by 42.67% y-o-y), while the non-oil & gas imports also rose by 20.33% 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 consumer goods, raw material, and capital goods rose in October 2017 (see the table below). For the Jan–Oct 2017 period, the share of consumer goods, raw material, and capital goods imports are 9.03%, 75.42%, and 15.55% 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-Oct growth (Y-o-Y) (%)	Share of Import Jan-Oct 2017 (%)
	Sep 2017	Oct 2017		Jan-Oct 2016	Jan-Oct 2017		
Import Total	12780.8	14192.1	11.04	110200.9	126678.0	14.95	100.00
Consumer Goods	1121.3	1252.3	11.68	10085.6	11445.0	13.48	9.03
Raw Material	9605.0	10770.3	12.13	82134.1	95535.7	16.32	75.42
Capital Goods	2054.5	2169.5	5.60	17981.2	19697.3	9.54	15.55

Source: BPS & Maybank Indonesia Economic Research

In October 2017, the non-oil and gas imports from China, Japan, the US, and South Korea rose compare with previous month. The non-oil and gas imports from from China they rose by 8.38% m-o-m to US\$ 3178.0 mn, from Japan they rose by 21.19% m-o-m to US\$ 1474.3 mn, the US increased by 8.25% m-o-m to US\$ 656.2 mn, from Singapore they fell by 2.20% m-o-m to US\$ 717.1 mn, from South Korea they increased by 19.18% m-o-m to US\$ 634.5 mn, and from Thailand they fell by 1.23% m-o-m to US\$ 752.0 mn. In period of January–October 2017, China was Indonesia's largest trading partner in non-oil and gas products of Indonesia's goods were imported from this country (26.12%), followed by Japan (11.55%), Thailand (7.13%), Singapore (6.09%), the US (5.89%), and South Korea (5.62%).

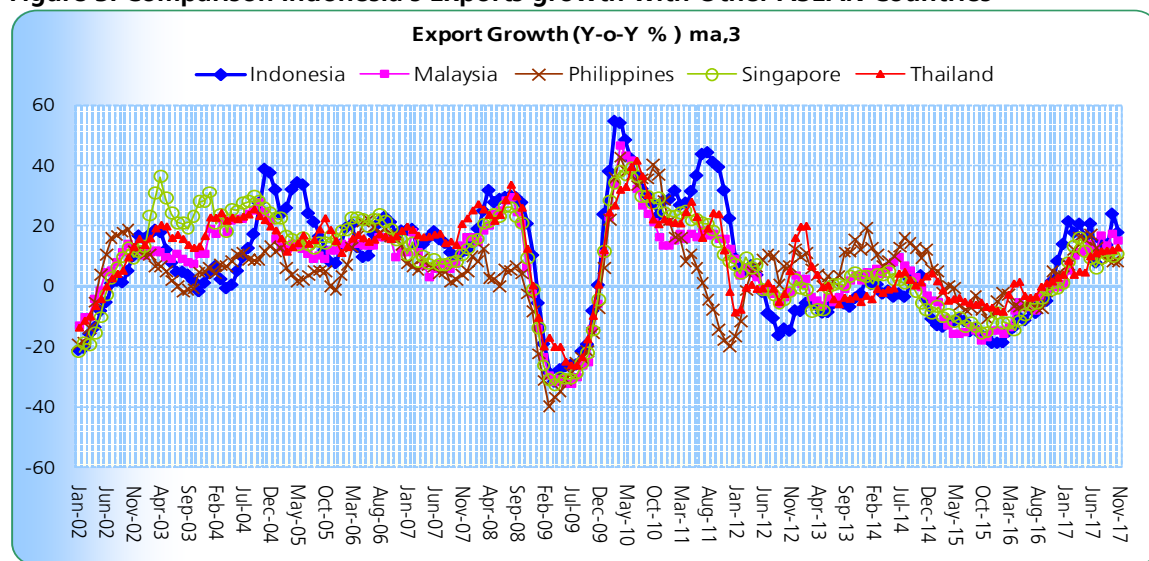
In October 2017, Indonesia's trade balance was a narrowing surplus due to the rising imports faster than exports. Indonesia's trade balance was a surplus US\$ 0.90 bn in October 2017, lower compare than in September 2017 when it stood at a surplus US\$ 1.78 bn.

## Analysis

Indonesia's exports increased in October 2017 and they were above the US\$15.00 bn mark. The rising of exports was caused by the increasing commodity prices. Furthermore, this rise was due to the increasing of non-oil & gas exports, while oil & gas exports slightly fell. The increase in Indonesia's non-oil and gas exports in October 2017 mainly stemmed from the rise in Indonesia's non-oil and gas exports to Malaysia, Thailand, Germany, Netherland, Italy, China, India, Australia, and South Korea. The rise in non-oil and gas exports to Malaysia, Thailand, Germany, Netherland, Italy, China, India, Australia, and South Korea were attributable to higher 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 17.49% in January–October 2017 period. The rise in the year to date exports indicates demand for Indonesia's exported goods in January–October 2017 period was higher than the same period in 2016.

Meanwhile Indonesia's imports also rose in October 2017, and they were above the US\$14.00 bn mark. The rising of imports mainly comes from by the increasing imports of consumer goods, raw material and capital goods.

On a year to date basis, imports still rose by 14.95% in January–October 2017 period. The rise in year to date imports suggests relatively improving domestic activity in January–October 2017 period compare with the same period in 2016.

## Trade Outlook

The economic growth of Indonesia's main trading partners was improved. The US economic grew 2.3% y-o-y in 3Q 2017, slightly improve compare with 2.2% y-o-y in the previous quarter. Japan economic grew 1.7% y-o-y in 3Q 2017, improving compare with 1.4% y-o-y in the previous quarter. Meanwhile, the China economic was slowing growth to 6.8% y-o-y in 3Q 2017, compare 6.9% y-o-y in the previous quarter, and the Singapore economic grew 4.6% y-o-y in 3Q 2017, improve compare with 2.9% y-o-y in 2Q 2017. Furthermore, the Euro Area economic was grew by 2.5% y-o-y in 3Q 2017, improving from 2.3% in the previous quarter.

Leading Economic Indicator Index on Indonesia main trading partners was improved. The US leading economic index increased to 130.4 in October 2017, compare 128.9 in September 2017, Japan leading economic index slightly decreased to 104.3 in October 2017 from 104.0 in the previous month, and European leading economic index rose to 115.8 in October 2017, compare with 114.8 in the previous month. Furthermore, India leading economic index decreased to 106.7 in October 2017 from 108.0 in September 2017, and China leading economic index rose to 178.2 in October 2017 from 175.9 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 2.9% y-o-y in October 2017 from 2.1 % y-o-y in September 2017, Japan industrial production index was improving growth to 4.1% y-o-y in October 2017 compare than 4.0% y-o-y in September 2017, and European industrial production index was slowing growth to 3.2% y-o-y in September 2017 from 3.6% y-o-y in the previous month. Meanwhile, China industrial production index was maintaining growth at 6.7% y-o-y in October 2017, stable compare with one month earlier.

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

We expect Indonesia's export performance to remain strong in November 2017. This is driven by rising commodity prices such as petroleum, coal, gold, copper, and nickel. In addition, the improving economic conditions of Indonesia's major trading partners which have an impact on increasing demand for goods to these countries

In the meantime, we expect Indonesia's import to increase in November 2017. This is also driven by the rise in commodity prices. In addition, in line with the acceleration of infrastructure projects and to anticipate the increasing demand of Christmas and New Year celebrations will trigger an increase in imports of raw materials, consumer goods, and capital goods.

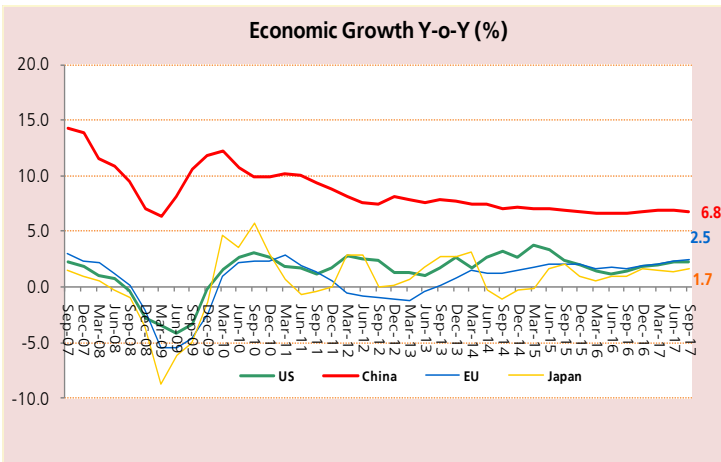
Against this backdrop, we expect exports to reach US\$ 15.41 bn in November 2017 higher than the US\$ 15.09 bn in October 2017. Indonesia's imports are expected to rise to US\$ 14.23 bn in October 2017 from US\$ 14.19 bn in September 2017. Consequently, Indonesia's trade balance is expected to maintain surplus US\$ 1.19 billion in November 2017, widening compare than a surplus US\$ 0.90 billion in October 2017.

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

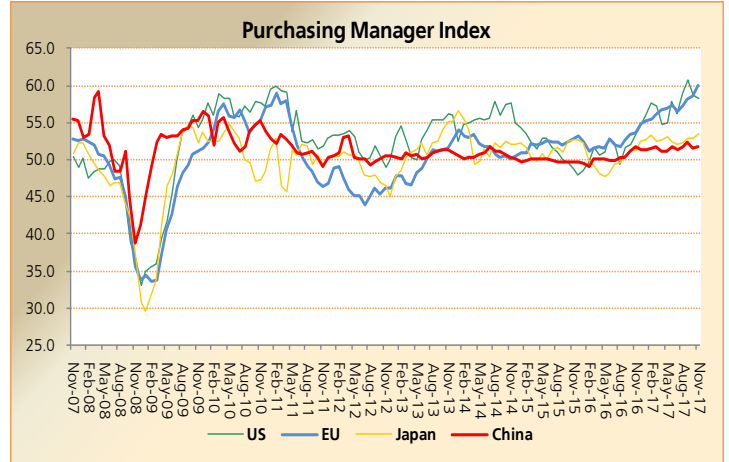
		2017									YTD (Jan-Oct)	
		April	May	June	July	August	September	October	NovF	DecF	2016	2017
<b>Export</b>	Total Export	13.28	14.35	11.66	13.61	15.23	14.56	15.09	15.41	15.56	117.85	138.46
	Oil & Gas	1.04	1.30	1.27	1.17	1.28	1.44	1.41	1.47	1.48	10.75	12.88
	Total excl. oil/gas	12.24	13.05	10.38	12.45	13.95	13.12	13.67	13.94	14.07	107.10	125.58
<b>Import</b>	Total Import	11.95	13.77	9.99	13.89	13.51	12.78	14.19	14.23	14.49	110.20	126.68
	Oil & Gas	1.65	1.79	1.60	1.78	2.01	1.93	2.20	2.28	2.27	15.31	19.55
	Total excl. oil/gas	10.30	11.98	8.39	12.11	11.50	10.85	11.99	11.95	12.22	94.89	107.13
<b>Balance</b>	Total incl. oil/gas	1.33	0.58	1.66	-0.27	1.72	1.78	0.90	1.19	1.07	7.65	11.78
	Oil & Gas	-0.61	-0.50	-0.33	-0.61	-0.73	-0.50	-0.79	-0.80	-0.78	-4.56	-6.67
	Total excl. oil/gas	1.94	1.07	1.99	0.34	2.45	2.27	1.69	1.99	1.86	12.21	18.45
<b>Y on Y Growth (percent)</b>												
<b>Export</b>	Total Export	13.60	24.56	-11.74	41.06	19.41	15.74	18.39			-7.44	17.49
	Oil & Gas	16.16	35.30	7.28	16.66	12.14	35.58	33.76			-31.85	19.79
	Total excl. oil/gas	13.39	23.58	-13.62	43.87	20.12	13.91	17.00			-3.99	17.26
<b>Import</b>	Total Import	10.47	23.58	-17.39	53.99	9.08	13.13	23.33			-7.47	14.95
	Oil & Gas	20.89	7.38	-9.68	18.07	11.98	9.53	42.67			-27.68	27.64
	Total excl. oil/gas	8.96	26.43	-18.71	61.20	8.58	13.80	20.33			-3.10	12.90
<b>M on M Growth (percent)</b>												
<b>Export</b>	Total Export	-9.53	8.03	-18.75	16.78	11.89	-4.40	3.62				
	Oil & Gas	-31.46	25.12	-1.71	-8.54	9.60	12.72	-1.86				
	Total excl. oil/gas	-7.02	6.58	-20.44	19.88	12.10	-5.96	4.22				
<b>Import</b>	Total Import	-10.07	15.25	-27.42	38.97	-2.71	-5.39	11.04				
	Oil & Gas	-27.68	8.79	-10.66	11.13	13.07	-3.80	13.95				
	Total excl. oil/gas	-6.43	16.28	-29.93	44.28	-5.03	-5.67	10.52				

Source: BPS & Maybank Indonesia Economic Research

## Economic Growth and Purchasing Manager Index

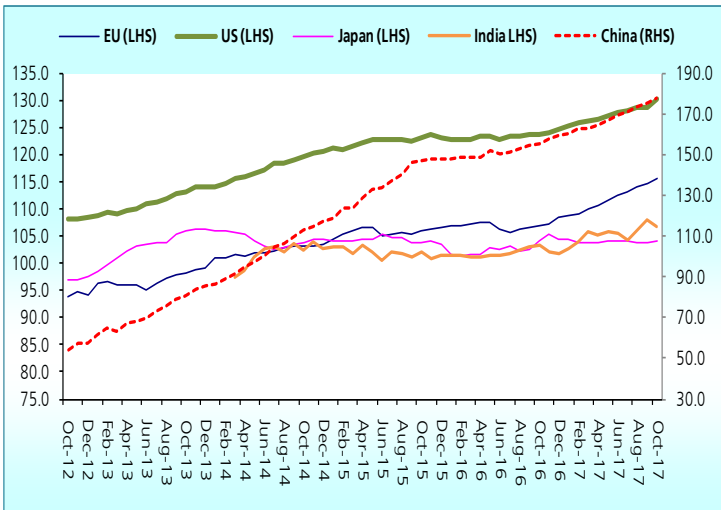


Source: Bloomberg & Maybank Indonesia Economic Research

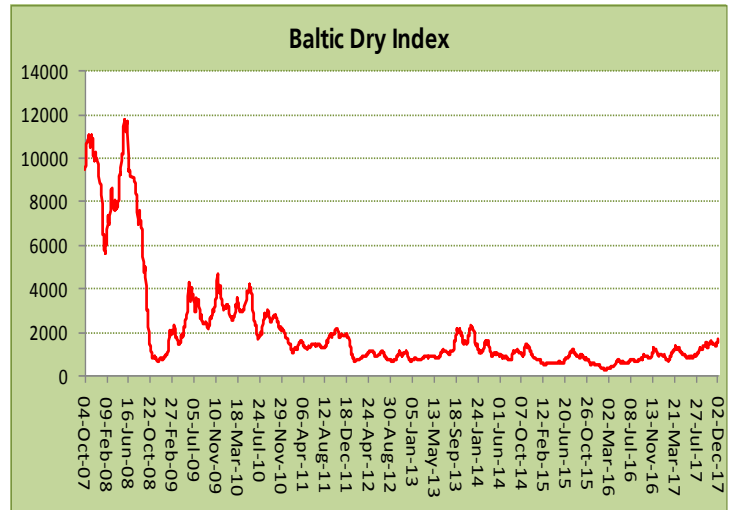


Source: Bloomberg & Maybank Indonesia Economic Research

## Leading Economic Indicator Index and Baltic Dry Index

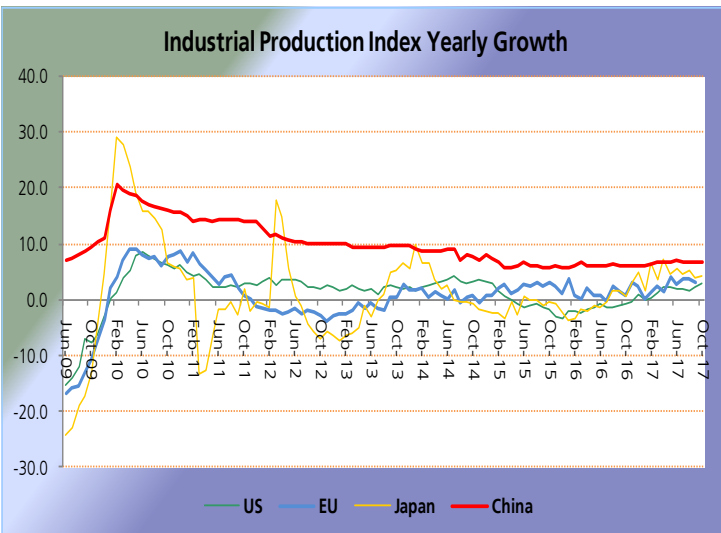


Source: Conference Board & Maybank Indonesia Economic Research

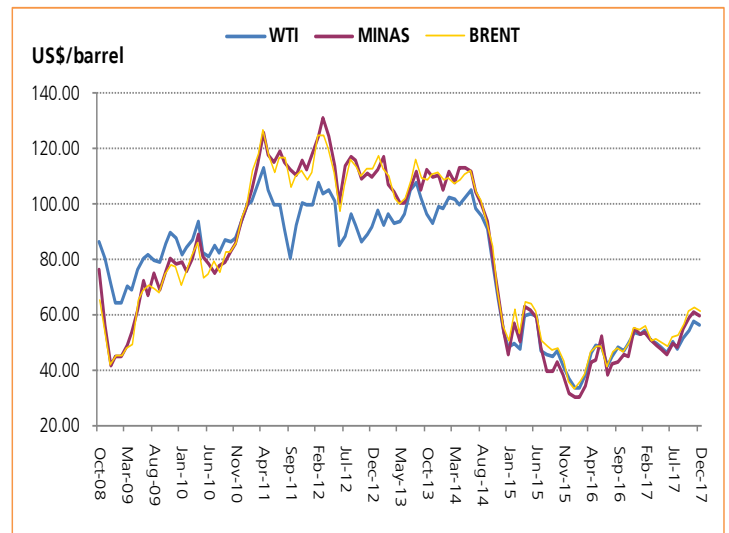


Source: Bloomberg & Maybank Indonesia Economic Research

## 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	2017F
<b>Inflation (% YoY)</b>	8.36	3.35	3.02	3.40
<b>Inflation (% avg)</b>	6.42	6.38	3.53	3.79
<b>Core Inflation (% YoY)</b>	4.93	3.95	3.07	3.06
<b>Core Inflation (% avg)</b>	4.53	4.89	3.35	3.16
<b>Exchange Rate Eop (Rp/US\$)</b>	12440	13795	13436	13600
<b>Exchange Rate Avg (Rp/US\$)</b>	11885	13458	13330	13400
<b>Curent Account (% GDP)</b>	-3.09	-2.03	-1.80	-1.50
<b>Fiscal Balance (% GDP)</b>	-2.20	-2.80	-2.46	-2.70
<b>Interest Rate</b>				
BI 7-Day (Reverse) Repo Rate (% p.a)	5.86	6.25	4.75	4.25
Time Deposit 3 month (% p.a)	8.95	7.99	6.69	6.20
Lending rate working capital (% p.a)	12.81	12.46	11.36	10.77
<b>Credit</b>				
<b>Growth (% YoY)</b>				
Property Credit	17.29	11.86	14.98	15.22
Consumer credit	11.51	9.09	8.76	9.60
Working Capital Credit	10.83	9.04	6.93	8.99
Investment Credit	13.16	14.69	8.65	7.40
<b>Total Credit</b>	11.58	10.44	7.87	8.75
<b>Deposit</b>	12.29	7.26	9.60	10.04
<b>NPL Commercial Banks (%)</b>	2.16	2.49	2.93	2.86
<b>Car Sales (1000 Units)</b>	1208	1013	1062	1075
<b>Car Sales Growth (%)</b>	-1.78	-16.12	4.79	1.28
<b>Motorcycle Sales (1000 Units)</b>	7867	6480	5931	5992
<b>Motorcycle Sales Growth (%)</b>	1.59	-17.63	-8.47	1.03
<b>Unemployment Rate (%)</b>	5.94	6.18	5.61	5.50
<b>International Reserve (US\$ bn)</b>	111.9	105.9	116.4	129.6
<b>GDP Growth (%)</b>	5.01	4.88	5.02	5.07

Note : the red numbers are forecast

Source : Maybank Indonesia Economic Research

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