

Trade Performance: “Improving Trade Balance”

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Trade Highlights

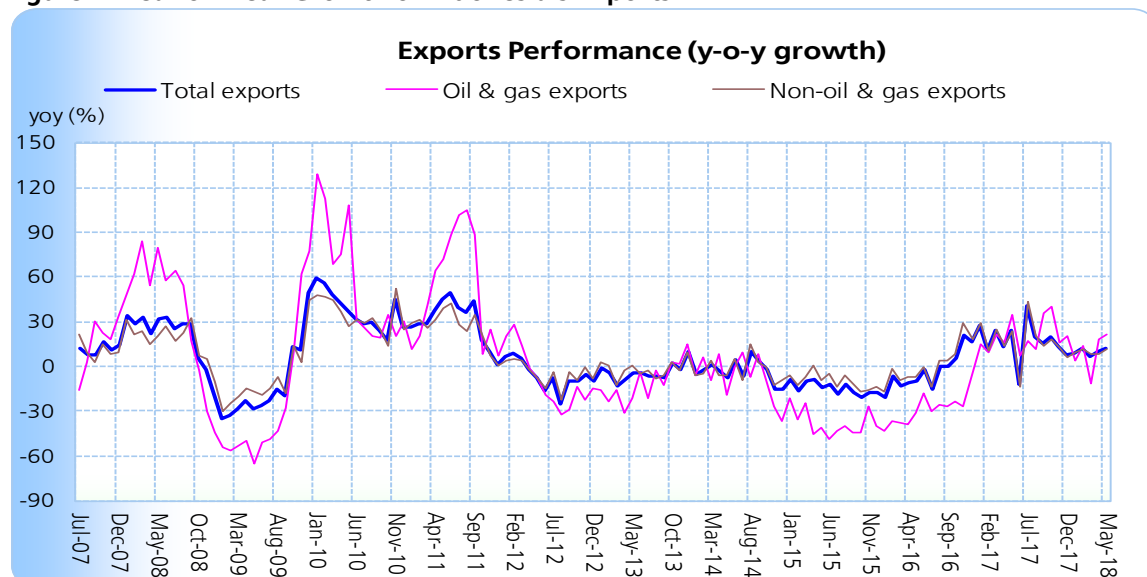
- Exports in May 2018 rose to US\$ 16.12 bn (up by 10.90% m-o-m). Meanwhile imports in May 2018 also increased to US\$ 17.64 bn (up by 9.17% m-o-m). The increase in trade is due to improvements in Indonesia's major trading partner economies and an increase in domestic economic activity ahead of the Lebaran holiday next month. Furthermore, the monthly increased in exports in May 2018 due to the rise in the export of oil & gas, machinery/electrical appliance, ores/slag & ash, iron & steel, knitted apparel, and tin. The rise in the month-on-month imports mainly due to the increase in the import of oil& gas, machinery/mechanical appliance, machinery/electrical appliance, cereal, sugar, and ships. On a yearly basis, exports rose by 12.47% y-o-y in May 2018, while imports also increased by 28.12% y-o-y. The rise in the year-on-year exports indicates demand for Indonesia's exports in May 2018 was higher than in May 2017. The increased in the year-on-year imports suggests relatively improving domestic activity in May 2018, compare than in May 2017.
- We expect the Indonesia's exports decrease in June 2018. The decline in exports was mainly due to the long holiday of Idul Fitri which affected the decline of industrial activity and loading and unloading at the port. We expect Indonesia's exports will decreased to US\$ 14.22 billion in June 2018 compared with US\$ 16.12 billion in previous month.
- In the meantime, we also expect Indonesia's imports fall in June 2018. The decline in imports was mainly due to the long holiday of Idul Fitri which affected the decline of industrial activity and loading and unloading at the port. Furthermore, the weakening of Rupiah is estimated to make the performance of imports also decreased. We expect Indonesia's imports may decrease to US\$ 13.25 billion in June 2018 compared with US\$ 17.64 billion in the previous month. Consequently, Indonesia's trade balance is expected to surplus US\$ 0.97 billion in June 2018, improving compare than a deficit US\$ 1.52 billion in one month earlier.

Exports Review

Exports in May 2018 rose to US\$ 16.12 bn (up by 10.90% m-o-m) from US\$ 14.54 bn in April 2018. On a yearly basis, exports in May 2018 increased by 12.47% y-o-y, improving compare 9.55% y-o-y in the previous month. The m-o-m rise in May 2018 stemmed from higher non-oil and gas exports (up by 9.25% m-o-m to US\$14.55 bn from US\$13.32 bn in April 2018), while the oil and gas exports also increased by 28.80% m-o-m to US\$1.57 bn in May 2018 from US\$1.22 bn in April 2018.

Furthermore, the increased in oil and gas exports was attributable to higher exports of natural gas (up by 15.51% m-o-m to US\$ 0.91 bn in May 2018) and crude oil (up by 81.90% m-o-m to US\$ 0.52 bn in May 2018), while exports of oil products fell by 4.21% m-o-m to US\$ 0.14 bn in May 2018. The rise in exports of crude oil and natural gas stemmed from the increasing of production by 72.69% and 11.26% respectively. Meanwhile, the price of Indonesian crude oil on International markets actually rose to US\$ 74.07 per barrel in May 2018 from US\$68.55 per barrel in the previous month. Meanwhile, higher exports of machinery/electrical appliance, ores/slag & ash, iron & steel, knitted apparel, and tin pushed up non-oil and gas exports.

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



Source: BPS & Maybank Indonesia Economic Research

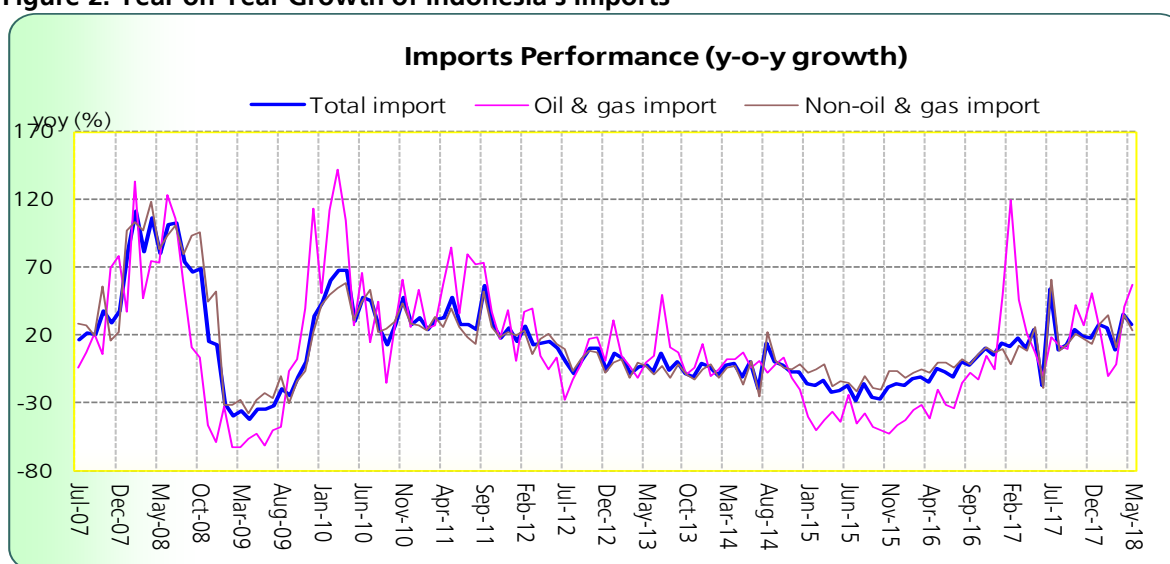
In May 2018, the non-oil and gas exports to China, Japan, the US, and India rose compare with previous month, but to Singapore fell. The non-oil and gas exports to China they increased by 15.37% m-o-m to US\$ 2093.3 mn, to Japan rose by 0.52% m-o-m to US\$ 1399.1 mn, to the US they increased by 10.03% m-o-m to US\$ 1574.0 mn, to Singapore they fell by 4.91% m-o-m to US\$ 743.7 mn, and to India they rose by 8.97% m-o-m to US\$ 1106.4 mn. In period of January – May 2018, China was Indonesia's largest trading partner in non-oil and gas products (15.05%) of Indonesia's goods were exported to this country, followed by the US (10.91%), Japan (10.09%), India (7.82%), and Singapore (5.83%).

Import Review

Meanwhile, the central bureau statistics reported that in May 2018 Indonesia's imports reached US\$ 17.64bn (up by 9.17% m-o-m from US\$ 16.16 bn in April 2018). The increase in May 2018 stemmed from higher non-oil & gas imports (up by 7.19 m-o-m), while oil & gas imports also rose by 20.95% m-o-m. Moreover, the increased in oil and gas imports was attributable to higher imports of oil products (rose by 29.33% m-o-m to US\$ 1.69 bn in May 2018) and natural gas (rose by 9.01% m-o-m to US\$ 0.24 bn in May 2018), while imports of crude oil also rose by 10.62% m-o-m to US\$ 0.88 bn in May 2018. Furthermore, non-oil and gas imports in May 2018 were pushed up of the increase in imports of machinery/mechanical appliance, machinery/electrical appliance, cereal, sugar, and ships.

On a yearly basis, imports in May 2018 rose by 28.12% y-o-y, slowing from 35.24% y-o-y in the previous month. The rose (y-o-y) in May 2018 imports stemmed from higher non-oil & gas imports (up by 23.77% y-o-y), while the oil & gas imports also rose by 57.17% 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 May 2018 (see the table below). For the Jan–May 2018 period, the share of consumer goods, raw material, and capital goods imports are 9.22%, 74.53%, and 16.24% 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-May growth (Y-o-Y) (%)	Share of Import Jan-May 2018 (%)
	Apr 2018	May 2018		Jan-May 2017	Jan-May 2018		
Import Total	16162.3	17644.8	9.17	62339.5	77765.6	24.75	100.00
Consumer Goods	1503.1	1726.8	14.88	5614.7	7172.8	27.75	9.22
Raw Material	12026.0	13110.3	9.02	47278.9	57960.7	22.59	74.53
Capital Goods	2633.2	2807.7	6.63	9445.9	12632.1	33.73	16.24

Source: BPS & Maybank Indonesia Economic Research

In May 2018, the non-oil and gas imports from China, Singapore, Thailand, and South Korea increased compare with previous month. The non-oil and gas imports from China they rose by 18.62% m-o-m to US\$ 4448.2 mn, from Japan they fell by 1.29% m-o-m to US\$ 1620.8 mn, from the US decreased by 14.81% m-o-m to US\$ 794.8 mn, from Singapore they rose by 7.42% m-o-m to US\$ 858.6 mn, from South Korea they increased by 8.79% m-o-m to US\$ 685.9 mn, and from Thailand they rose by 25.56% m-o-m to US\$ 1112.6 mn. In period of January–May 2018, China was Indonesia's largest trading partner in non-oil and gas products of Indonesia's goods were imported from this country (27.87%), followed by Japan (11.53%), Thailand (6.93%), Singapore (6.22%), the US (5.87%), and South Korea (4.93%).

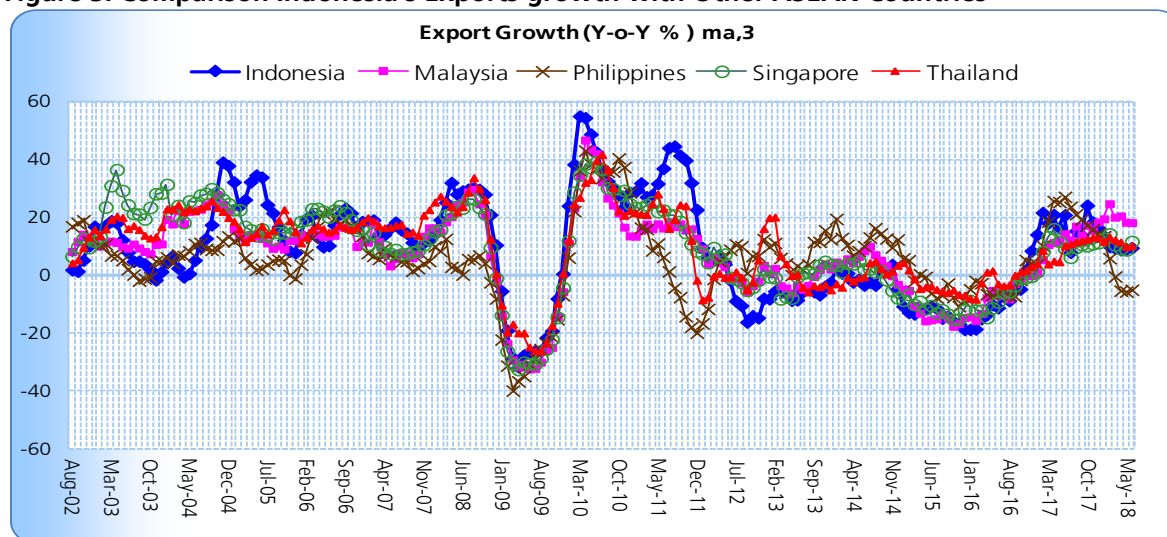
In May 2018, Indonesia's trade balance was recorded a narrowing deficit due to the increasing exports faster than imports. Indonesia's trade balance was a deficit US\$ 1.52 bn in May 2018, better compare than in April 2018 when it stood at a deficit US\$ 1.63 bn.

Analysis

Indonesia's exports increased in May 2018 and they were above the US\$16.00 bn mark. The rising of exports was caused by the improvements in Indonesia's major trading partner economies and an increase in domestic economic activity ahead of the Lebaran holiday next month. Furthermore, this rise was due to the increasing of non-oil & gas exports, while oil & gas exports also rose. The increase in Indonesia's non-oil and gas exports in May 2018 mainly stemmed from the rise in Indonesia's non-oil and gas exports to Thailand, Germany, Netherland, Italy, China, Japan, the US, India, and Taiwan. The rise in non-oil and gas exports to Thailand, Germany, Netherland, Italy, China, Japan, the US, India, and Taiwan 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 9.65% in January–May 2018 period. The rise in the year to date exports indicates demand for Indonesia's exported goods in January–May 2018 period was higher than the same period in 2017.

Meanwhile Indonesia's imports also rose in May 2018, and they were above the US\$17.00 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 rose by 24.75% in January–May 2018 period. The rise in year to date imports suggests relatively improving domestic activity in January–May 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 grow 2.8% y-o-y in 1Q 2018, improve compare with 2.6% y-o-y in the previous quarter. Japan economic grow 1.1% y-o-y in 1Q 2018, slowing 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 1Q 2018, stable compare with the previous quarter, and the Singapore economic grew 4.4% y-o-y in 1Q 2018, improving compare with 3.6% y-o-y in 4Q 2017. Furthermore, the Euro Area economic was grew by 2.5% y-o-y in 1Q 2018, slowing compare with 2.8% y-o-y in the previous quarter.

Leading Economic Indicator Index on Indonesia main trading partners was mixed. The US leading economic index increased to 109.5 in May 2018, compare 109.3 in April 2018, Japan leading economic index decreased to 99.3 in May 2018 from 99.8 in the previous month, and European leading economic index rose to 114.2 in May 2018, compare with 113.5 in the previous month. Furthermore, India leading economic index increased to 111.7 in May 2018 from 111.0 in the previous month, and China leading economic index rose to 133.0 in May 2018 from 130.3 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 slowing growth to 3.5% y-o-y in May 2018 from 3.6 % y-o-y in April 2018, Japan industrial production index was improving growth to 3.7% y-o-y in May 2018 compare than 1.7% y-o-y in April 2018, and European industrial production index was slowing growth to 1.8% y-o-y in April 2018 from 3.2% y-o-y in the previous month. Meanwhile, China industrial production index was slowing growth to 6.8% y-o-y in May2018, from 7.0% 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 mixed. Furthermore, this condition makes the demand of Indonesian products to these countries relatively stagnant.

We expect the Indonesia's exports decrease in June 2018. The decline in exports was mainly due to the long holiday of Idul Fitri which affected the decline of industrial activity and loading and unloading at the port. Furthermore, the decline in Indonesia's exports is also caused by barriers to exports of palm oil to Europe and trade protection in the US.

In the meantime, we also expect Indonesia's imports fall in June 2018. The decline in imports was mainly due to the long holiday of Idul Fitri which affected the decline of industrial activity and loading and unloading at the port. Furthermore, the weakening of Rupiah is estimated to make the performance of imports also decreased.

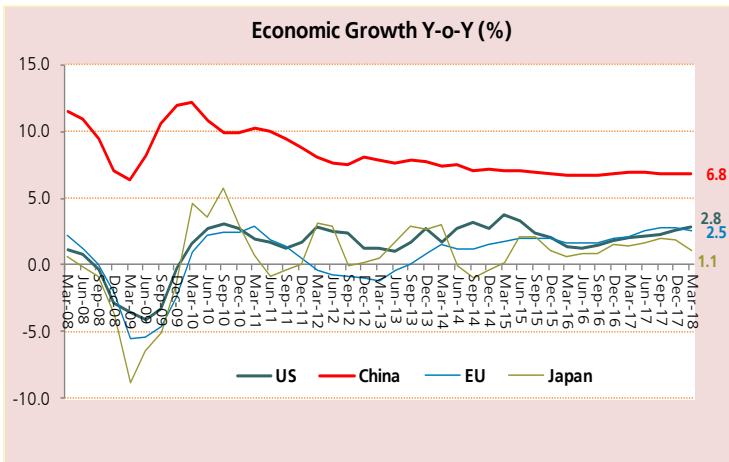
Against this backdrop, we expect exports to reach US\$ 14.22 bn in June 2018 lower than the US\$ 16.12 bn in May 2018. Indonesia's imports are expected to fall to US\$ 13.25 bn in June 2018 from US\$ 17.64 bn in May 2018. Consequently, Indonesia's trade balance is expected to reach surplus US\$ 0.97 billion in June 2018, improving compare than a deficit US\$ 1.52 billion in May 2018.

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

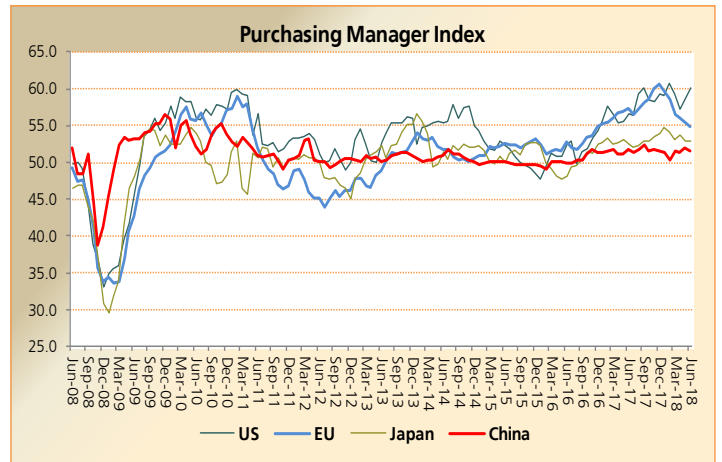
		2018							YTD (Jan-May)	
		January	February	March	April	May	JunF	JulF	2017	2018
Export	Total Export	14.55	14.13	15.59	14.54	16.12	14.22	15.62	68.34	74.93
	Oil & Gas	1.32	1.39	1.34	1.22	1.57	1.34	1.46	6.33	6.85
	Total excl. oil/gas	13.23	12.74	14.25	13.32	14.55	12.88	14.16	62.00	68.09
Import	Total Import	15.31	14.19	14.46	16.16	17.64	13.25	15.93	62.34	77.77
	Oil & Gas	2.26	2.23	2.24	2.33	2.82	2.35	2.74	10.02	11.88
	Total excl. oil/gas	13.05	11.95	12.22	13.83	14.83	10.90	13.20	52.32	65.89
Balance	Total incl. oil/gas	-0.76	-0.05	1.12	-1.63	-1.52	0.97	-0.32	6.00	-2.83
	Oil & Gas	-0.94	-0.84	-0.90	-1.11	-1.24	-1.02	-1.27	-3.68	-5.03
	Total excl. oil/gas	0.18	0.79	2.02	-0.52	-0.28	1.99	0.96	9.68	2.20
Y on Y Growth (percent)										
Export	Total Export	8.59	11.71	6.19	9.55	12.47			20.06	9.65
	Oil & Gas	4.10	13.93	-11.47	17.81	21.47			19.28	8.07
	Total excl. oil/gas	9.07	11.47	8.21	8.85	11.58			20.14	9.81
Import	Total Import	27.80	24.94	8.89	35.24	28.12			15.66	24.75
	Oil & Gas	23.58	-9.64	-1.66	41.38	57.17			44.59	18.58
	Total excl. oil/gas	28.56	34.57	11.07	34.26	23.77			11.39	25.93
M on M Growth (percent)										
Export	Total Export	-2.15	-2.89	10.29	-6.73	10.90				
	Oil & Gas	-12.33	5.07	-3.80	-8.76	28.80				
	Total excl. oil/gas	-1.00	-3.69	11.83	-6.54	9.25				
Import	Total Import	1.43	-7.34	1.96	11.74	9.17				
	Oil & Gas	-11.86	-1.08	0.19	3.98	20.95				
	Total excl. oil/gas	4.15	-8.43	2.29	13.17	7.19				

Source: BPS & Maybank Indonesia Economic Research

Economic Growth and Purchasing Manager Index

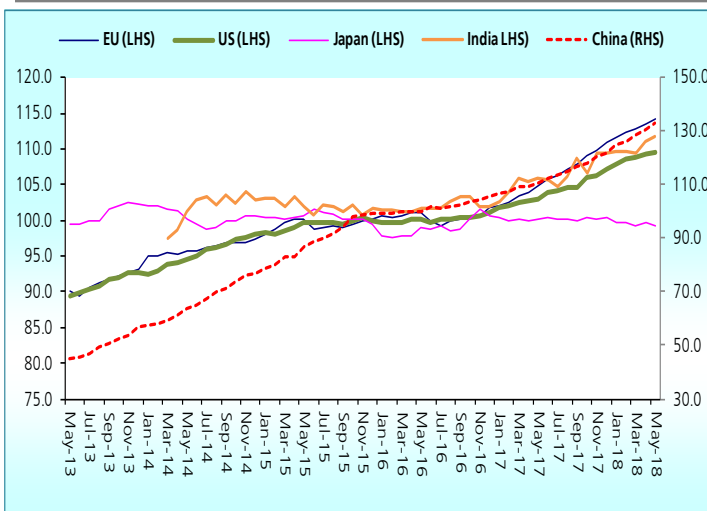


Source: Bloomberg & Maybank Indonesia Economic Research

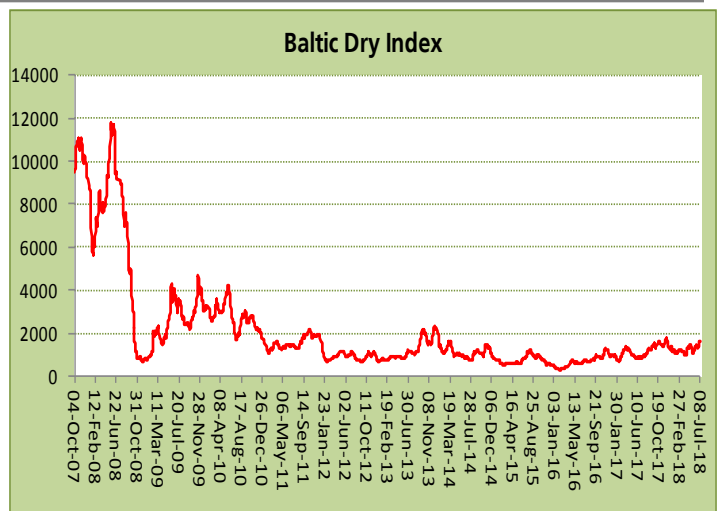


Source: Bloomberg & Maybank Indonesia Economic Research

Leading Economic Indicator Index and Baltic Dry Index

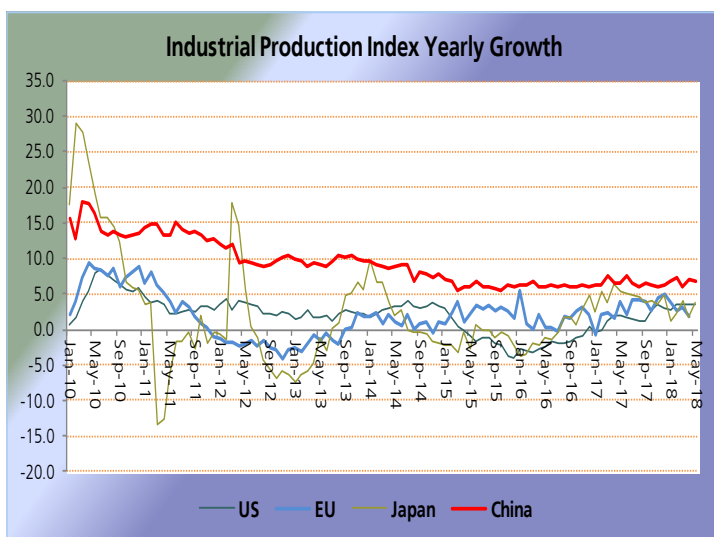


Source: Conference Board & Maybank Indonesia Economic Research

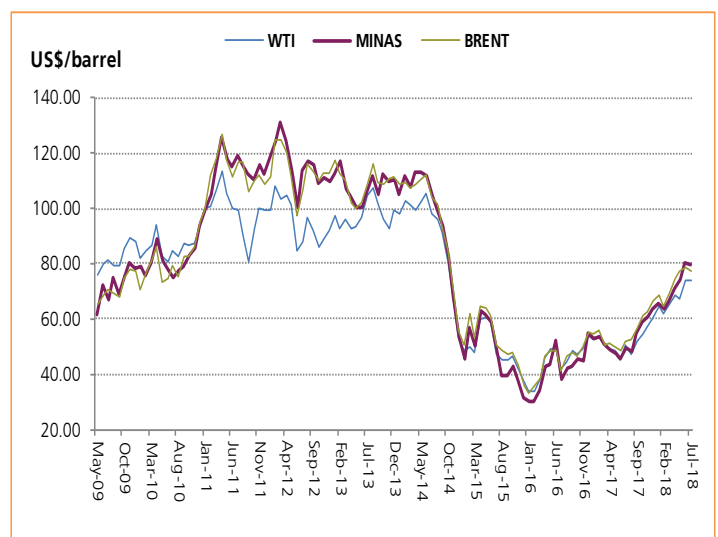


Source: Bloomberg & Maybank Indonesia Economic Research

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	2017	2018F
Inflation (%YoY)	8.36	3.35	3.02	3.61	3.50
Inflation (% avg)	6.42	6.38	3.53	3.81	3.40
Core Inflation (%YoY)	4.93	3.95	3.07	2.95	3.00
Core Inflation (% avg)	4.53	4.89	3.35	3.15	2.76
Exchange Rate Eop (Rp/US\$)	12440	13795	13436	13548	13700
Exchange Rate Avg (Rp/US\$)	11885	13458	13330	13397	13905
Curent Account (% GDP)	-3.09	-2.03	-1.82	-1.70	-2.20
Fiscal Balance (% GDP)	-2.20	-2.80	-2.46	-2.46	-2.50
Interest Rate					
BI 7-Day (Reverse) Repo Rate (% p.a)	5.86	6.25	4.75	4.25	5.25
Time Deposit 3 month (% p.a)	8.95	7.99	6.69	6.11	6.75
Lending rate working capital (% p.a)	12.81	12.46	11.36	10.68	11.14
Credit					
Growth (% YoY)					
Property Credit	17.29	11.86	14.98	13.05	13.90
Consumer credit	11.51	9.09	8.76	11.04	11.84
Working Capital Credit	10.83	9.04	6.93	8.48	9.67
Investment Credit	13.16	14.69	8.65	4.82	8.52
Total Credit	11.58	10.44	7.87	8.24	10.00
Deposit	12.29	7.26	9.60	9.35	9.89
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	128.7
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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