

## Trade Performance: “Narrowing Surplus”

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### Trade Highlights

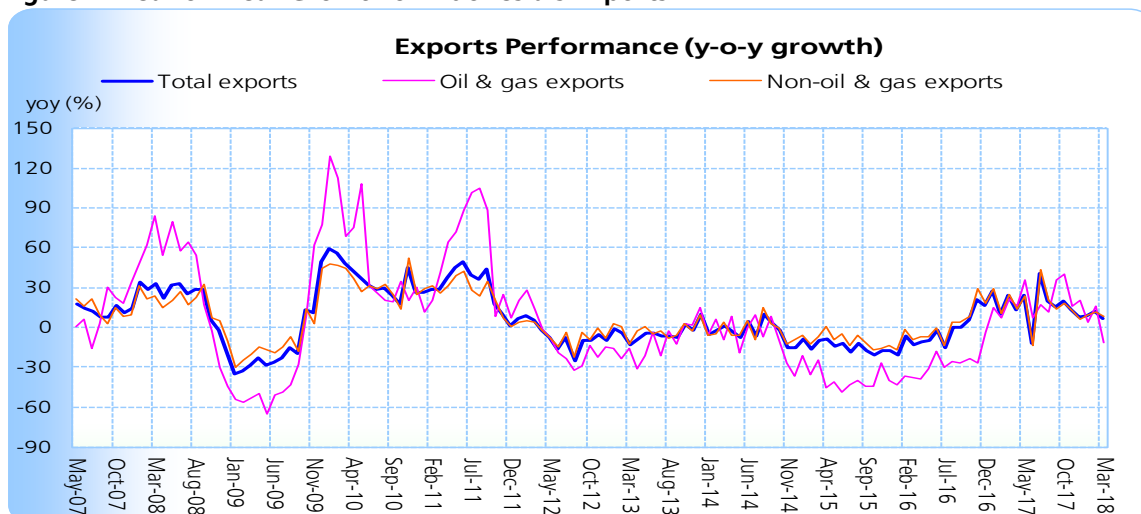
- Exports in March 2018 rose to US\$ 15.58 bn (up by 10.24% m-o-m). Meanwhile imports in March 2018 also increased to US\$ 14.49 bn (up by 2.13% m-o-m). The rising of trade was caused by the increase of working days in March compare previous month which resulted in increasing activity of goods loading at the port. Furthermore, the monthly increased in exports in March 2018 due to the rise in the export of coal, ores/slag & ash, foot wear, iron/steel, fish & shrimp. The rise in the month-on-month imports mainly due to the increase in the import of oil& gas, machinery/mechanical appliance, iron/steel, optical devices, oily seeds, and fruits. On a yearly basis, exports still rose by 6.14% y-o-y in March 2018, while imports also increased by 9.07% y-o-y. The rise in the year-on-year exports indicates demand for Indonesia's exports in March 2018 was higher than in March 2017. The increased in the year-on-year imports suggests relatively improving domestic activity in March 2018, compare than in March 2017.
- We expect the Indonesia's exports decrease in April 2018. The decline in exports was mainly due to demand from Indonesia's major trading partners returning to normal after a surge in the previous month. In addition, the decrease in exports was also caused by declining some commodity prices such as palm oil, lead, and zinc. 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. We expect Indonesia's exports will decreased to US\$ 14.74 billion in April 2018 compared with US\$ 15.58 billion in previous month.
- In the meantime, we also expect Indonesia's imports fall in April 2018. The decline in imports is due to low imports of foodstuffs caused by domestic crops. Furthermore, the weakening of Rupiah is estimated to make the performance of imports also decreased. We expect Indonesia's imports may slightly decrease to US\$ 14.26 billion in April 2018 compared with US\$ 14.49 billion in the previous month. Consequently, Indonesia's trade balance is expected to surplus US\$ 0.48 billion in April 2018, narrowing compare than a surplus US\$ 1.09 billion in one month earlier.

### Exports Review

Exports in March 2018 rose to US\$ 15.58 bn (up by 10.24% m-o-m) from US\$ 14.13 bn in February 2018. On a yearly basis, exports in March 2018 increased by 6.14% y-o-y, slowing compare 12.04% y-o-y in the previous month. The m-o-m rise in March 2018 stemmed from higher non-oil and gas exports (up by 11.77% m-o-m to US\$14.24 bn from US\$12.74 bn in February 2018), while the oil and gas exports decreased by 3.81% m-o-m to US\$1.34 bn in March 2018 from US\$1.39 bn in February 2018.

Furthermore, the decreased in oil and gas exports was attributable to lower exports of natural gas (down by 9.67% m-o-m to US\$ 0.76 bn in March 2018), while exports of oil products rose by 11.92% m-o-m to US\$ 0.12 bn in March 2018 and exports of crude also rose by 3.42% m-o-m to US\$ 0.46 bn in March 2018. The rise in exports of crude oil and oil products stemmed from the increasing of production by 7.88% and 24.07% respectively. Meanwhile, the price of Indonesian crude oil on International markets actually rose to US\$ 67.36 per barrel in February 2018 from US\$ 61.61 per barrel in the previous month. Meanwhile, higher exports of coal, ores/slag & ash, foot wear, iron/steel, 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

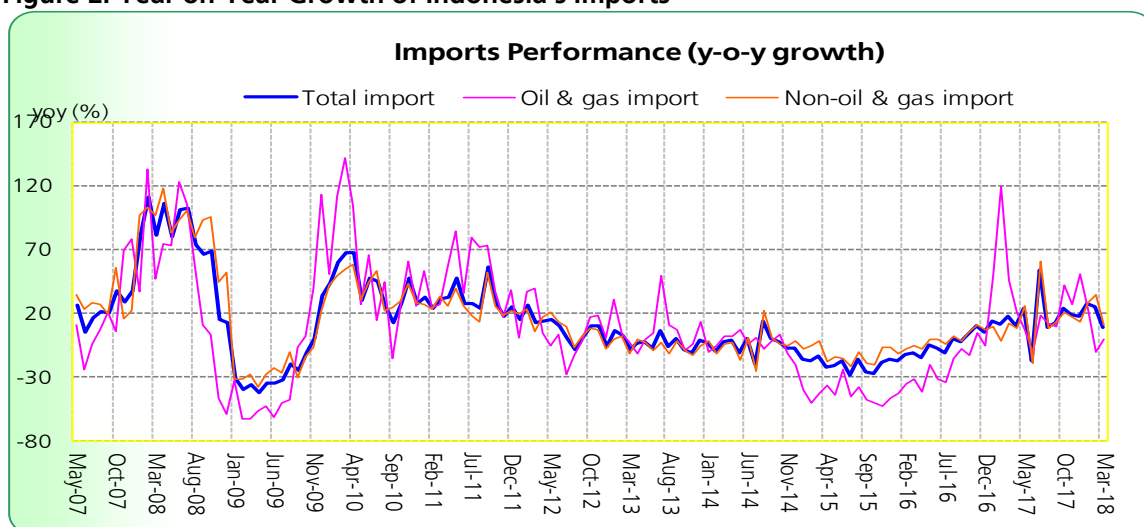
In March 2018, the non-oil and gas exports to China, Japan, the US, and India rose compare with previous month, but to Singapore fell. The non-oil and gas exports to China they increased by 14.39% m-o-m to US\$ 2360.4 mn, to Japan rose by 12.87% m-o-m to US\$ 1429.3 mn, to the US they increased by 23.59% m-o-m to US\$ 1591.6 mn, to Singapore they fell by 12.89% m-o-m to US\$ 762.7 mn, and to India they rose by 25.62% m-o-m to US\$ 1171.1 mn. In period of January – March 2018, China was Indonesia's largest trading partner in non-oil and gas products (15.77%) of Indonesia's goods were exported to this country, followed by the US (11.00%), Japan (10.15%), India (7.97%), and Singapore (6.03%).

### Import Review

Meanwhile, the central bureau statistics reported that in March 2018 Indonesia's imports reached US\$ 14.49bn (up by 2.13% m-o-m from US\$ 14.19 bn in February 2018). The increase in March 2018 stemmed from higher non-oil & gas imports (up by 2.30 m-o-m), while oil & gas imports rose by 1.21% m-o-m. Moreover, the increased in oil and gas imports was attributable to higher imports of oil products (rose by 8.27% m-o-m to US\$ 1.20 bn in March 2018) and natural gas (rose by 10.82% m-o-m to US\$ 0.22 bn in March 2018), while imports of crude oil fell by 9.12% m-o-m to US\$ 0.85 bn in March 2018. Furthermore, non-oil and gas imports in March 2018 were pushed up of the increase in imports of machinery/mechanical appliance, iron/steel, optical devices, oily seeds, and fruits.

On a yearly basis, imports in March 2018 rose by 9.07% y-o-y, slowing from 24.94% y-o-y in the previous month. The rose (y-o-y) in March 2018 imports stemmed from higher non-oil & gas imports (up by 11.08% y-o-y), while the oil & gas imports slightly fell by 0.64% 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 rose in March 2018, but imports of consumer goods fell (see the table below). For the Jan–Mar 2018 period, the share of consumer goods, raw material, and capital goods imports are 8.97%, 74.69%, and 16.34% 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-Mar growth (Y-o-Y) (%)	Share of Import Jan-Mar 2018 (%)
	Feb 2018	Mar 2018	Jan-Mar 2017		Jan-Mar 2018			
<b>Import Total</b>	<b>14185.5</b>	<b>14488.1</b>	<b>2.13</b>	<b>36616.4</b>	<b>43983.0</b>	<b>20.12</b>	<b>100.00</b>	
Consumer Goods	1378.8	1202.3	-12.80	3230.8	3944.1	22.08	8.97	
Raw Material	10554.9	10831.5	2.62	27759.3	32852.8	18.35	74.69	
Capital Goods	2251.8	2454.3	8.99	5626.3	7186.1	27.72	16.34	

Source: BPS & Maybank Indonesia Economic Research

In March 2018, the non-oil and gas imports from the US, Japan, Thailand, Singapore, and South Korea increased compare with previous month. The non-oil and gas imports from China they fell by 17.82% m-o-m to US\$ 2889.8 mn, from Japan they rose by 17.84% m-o-m to US\$ 1607.7 mn, the US increased by 25.02% m-o-m to US\$ 772.0 mn, from Singapore they rose by 10.63% m-o-m to US\$ 815.6 mn, from South Korea they increased by 4.43% m-o-m to US\$ 648.4 mn, and from Thailand they rose by 5.27% m-o-m to US\$ 938.9 mn. In period of January–March 2018, China was Indonesia's largest trading partner in non-oil and gas products of Indonesia's goods were imported from this country (27.30%), followed by Japan (11.64%), Thailand (6.89%), Singapore (6.54%), the US (5.74%), and South Korea (5.20%).

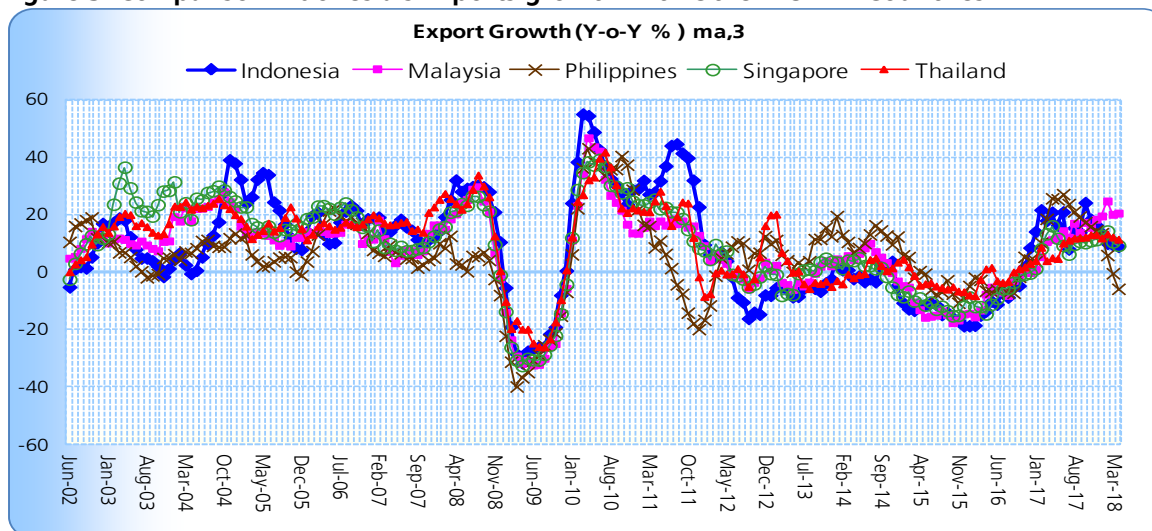
In March 2018, Indonesia's trade balance was recorded a surplus due to the increasing exports faster than imports. Indonesia's trade balance was a surplus US\$ 1.09 bn in March 2018, better compare than in February 2018 when it stood at a deficit US\$ 0.05 bn.

## Analysis

Indonesia's exports increased in March 2018 and they were above the US\$15.00 bn mark. The rising of exports was caused by the increase of working days in March compare the previous month which resulted in increasing activity of goods loading at the port. Furthermore, this rise was due to the increasing of non-oil & gas exports, while oil & gas exports fell. The increase in Indonesia's non-oil and gas exports in March 2018 mainly stemmed from the rise in Indonesia's non-oil and gas exports to Malaysia, Thailand, Germany, Netherland, Italy, China, Japan, the US, India, Australia, South Korea, and Taiwan. The rise in non-oil and gas exports to Malaysia, Thailand, Germany, Netherland, Italy, China, Japan, the US, India, Australia, South Korea, 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 8.78% in January–March 2018 period. The rise in the year to date exports indicates demand for Indonesia's exported goods in January–March 2018 period was higher than the same period in 2017.

Meanwhile Indonesia's imports also rose in March 2018, but they were still below the US\$15.00 bn mark. The rising of imports mainly comes from the increasing imports of raw material and capital goods.

On a year to date basis, imports rose by 20.12% in January–March 2018 period. The rise in year to date imports suggests relatively improving domestic activity in January–March 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 2.9% y-o-y in 1Q 2018, improve compare with 2.6% 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 1Q 2018, stable compare with the previous quarter, and the Singapore economic grew 4.3% 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 109.0 in March 2018, compare 108.7 in February 2018, Japan leading economic index slightly decreased to 99.6 in March 2018 from 99.9 in the previous month, and European leading economic index rose to 113.1 in March 2018, compare with 112.4 in the previous month. Furthermore, India leading economic index slightly increased to 110.7 in March 2018 from 109.9 in the previous month, and China leading economic index rose to 128.0 in March 2018 from 125.9 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 slowing growth to 4.3% y-o-y in March 2018 from 4.4 % y-o-y in February 2018, Japan industrial production index was improving growth to 3.9% y-o-y in March 2018 compare than 2.2% y-o-y in February 2018, and European industrial production index was slowing growth to 2.9% y-o-y in February 2018 from 4.1% y-o-y in the previous month. Meanwhile, China industrial production index was slowing growth to 6.8% y-o-y in March 2018, from 7.2% 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 April 2018. The decline in exports was mainly due to demand from Indonesia's major trading partners returning to normal after a surge in the previous month. In addition, the decrease in exports was also caused by declining some commodity prices such as palm oil, lead, and zinc. 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 April 2018. The decline in imports is due to low imports of foodstuffs caused by domestic crops. Furthermore, the weakening of Rupiah is estimated to make the performance of imports also decreased.

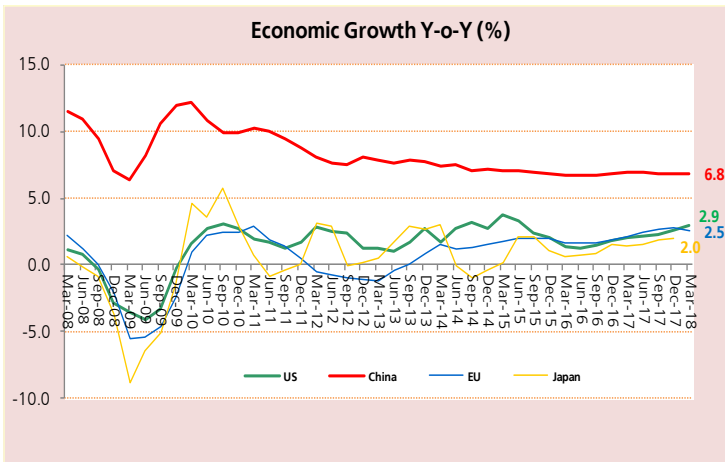
Against this backdrop, we expect exports to reach US\$ 14.74 bn in April 2018 lower than the US\$ 15.58 bn in March 2018. Indonesia's imports are expected to slightly fall to US\$ 14.26 bn in April 2018 from US\$ 14.49 bn in March 2018. Consequently, Indonesia's trade balance is expected to reach surplus US\$ 0.48 billion in April 2018, narrowing compare than a surplus US\$ 1.09 billion in March 2018.

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

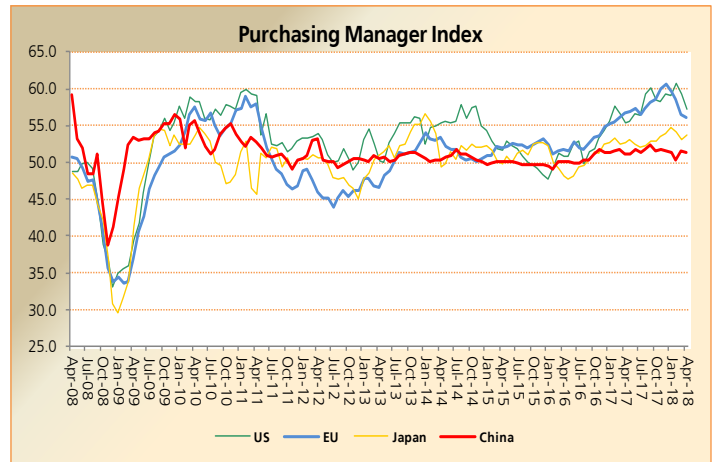
		2017			2018					YTD (Jan-Mar)	
		October	November	December	January	February	March	AprF	MayF	2017	2018
<b>Export</b>	Total Export	15.24	15.32	14.87	14.55	14.13	15.58	14.74	15.65	40.69	44.27
	Oil & Gas	1.48	1.28	1.51	1.32	1.39	1.34	1.35	1.44	3.98	4.05
	Total excl. oil/gas	13.76	14.04	13.36	13.23	12.74	14.24	13.40	14.21	36.71	40.21
<b>Import</b>	Total Import	14.24	15.10	15.09	15.31	14.19	14.49	14.26	15.39	36.62	43.98
	Oil & Gas	2.21	2.20	2.56	2.26	2.23	2.26	2.22	2.30	6.58	6.76
	Total excl. oil/gas	12.03	12.90	12.53	13.05	11.95	12.23	12.04	13.09	30.04	37.23
<b>Balance</b>	Total incl. oil/gas	1.00	0.22	-0.22	-0.76	-0.05	1.09	0.48	0.26	4.08	0.28
	Oil & Gas	-0.73	-0.92	-1.05	-0.94	-0.84	-0.92	-0.87	-0.86	-2.60	-2.70
	Total excl. oil/gas	1.73	1.14	0.83	0.18	0.79	2.02	1.35	1.12	6.67	2.99
<b>Y on Y Growth (percent)</b>											
<b>Export</b>	Total Export	19.61	13.46	7.53	8.59	12.04	6.14			20.72	8.78
	Oil & Gas	40.25	16.05	20.77	4.10	16.09	-11.47			15.03	1.80
	Total excl. oil/gas	17.74	13.23	6.21	9.07	11.62	8.16			21.37	9.53
<b>Import</b>	Total Import	23.76	19.22	18.08	27.80	24.94	9.07			14.63	20.12
	Oil & Gas	42.82	27.86	50.61	23.58	-9.64	-0.64			68.80	2.71
	Total excl. oil/gas	20.80	17.86	13.08	28.56	34.57	11.08			7.10	23.93
<b>M on M Growth (percent)</b>											
<b>Export</b>	Total Export	4.69	0.51	-2.92	-2.15	-2.89	10.24				
	Oil & Gas	2.90	-13.57	17.96	-12.33	5.08	-3.81				
	Total excl. oil/gas	4.88	2.03	-4.82	-1.00	-3.69	11.77				
<b>Import</b>	Total Import	11.42	6.07	-0.08	1.43	-7.34	2.13				
	Oil & Gas	14.06	-0.11	16.28	-11.86	-1.08	1.24				
	Total excl. oil/gas	10.95	7.20	-2.87	4.15	-8.43	2.30				

Source: BPS & Maybank Indonesia Economic Research

## Economic Growth and Purchasing Manager Index

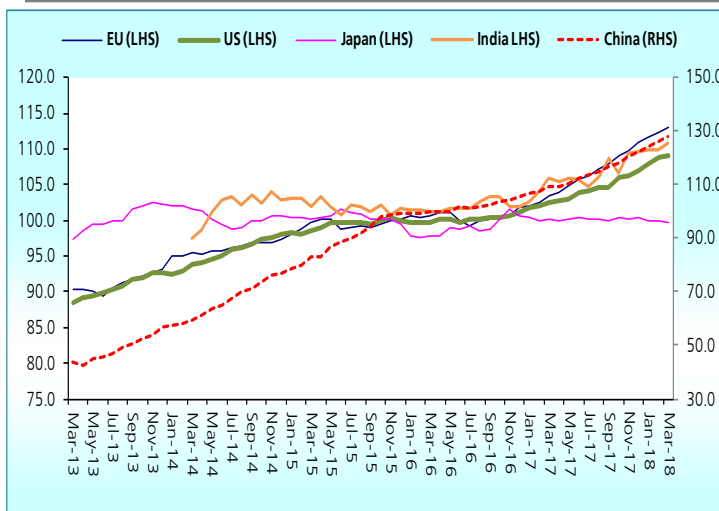


Source: Bloomberg & Maybank Indonesia Economic Research

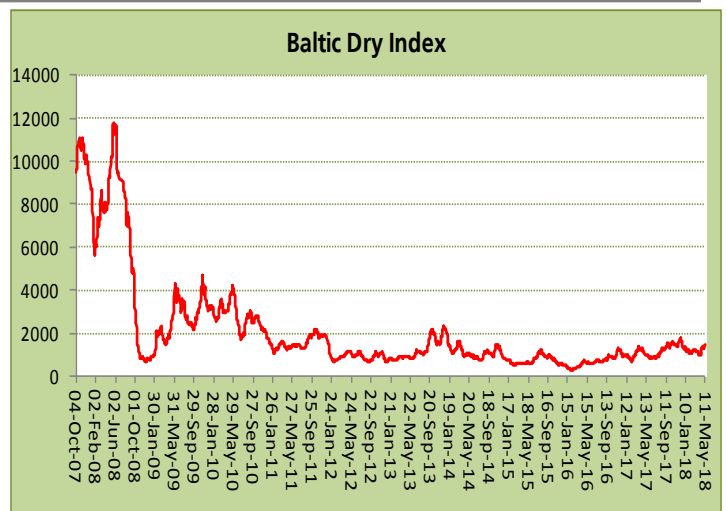


Source: Bloomberg & Maybank Indonesia Economic Research

## Leading Economic Indicator Index and Baltic Dry Index

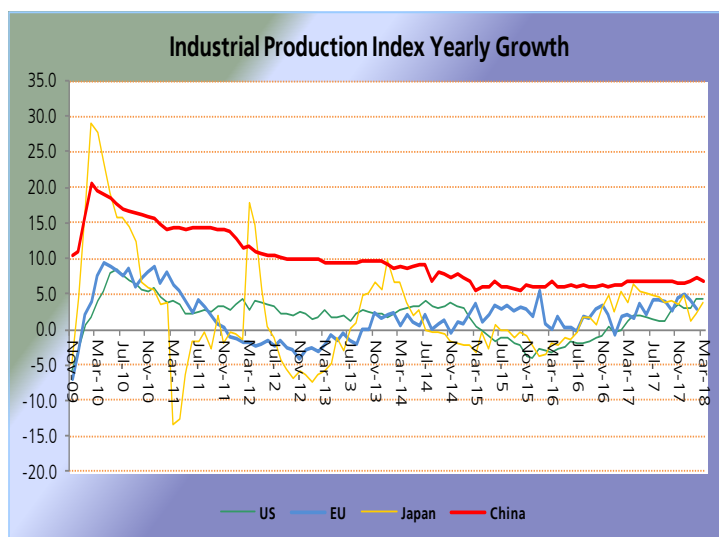


Source: Conference Board & Maybank Indonesia Economic Research

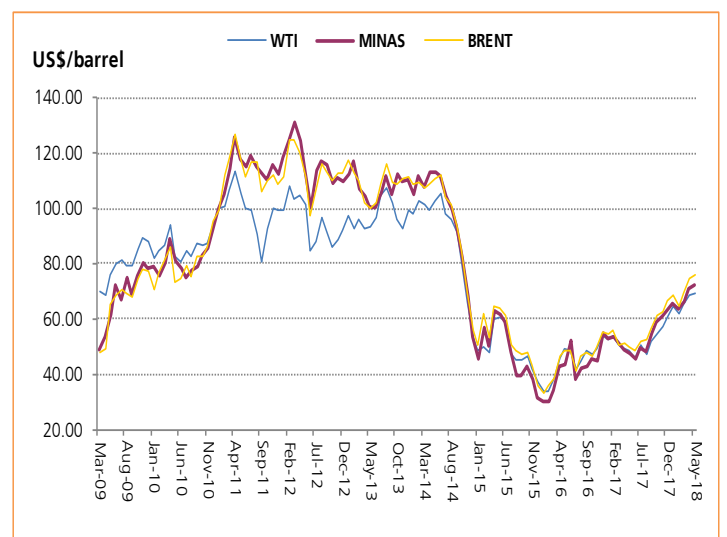


Source: Bloomberg & Maybank Indonesia Economic Research

## 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
<b>Inflation (% YoY)</b>	8.36	3.35	3.02	3.61	3.50
<b>Inflation (% avg)</b>	6.42	6.38	3.53	3.81	3.52
<b>Core Inflation (% YoY)</b>	4.93	3.95	3.07	2.95	3.00
<b>Core Inflation (% avg)</b>	4.53	4.89	3.35	3.15	2.82
<b>Exchange Rate Eop (Rp/US\$)</b>	12440	13795	13436	13548	13700
<b>Exchange Rate Avg (Rp/US\$)</b>	11885	13458	13330	13397	13640
<b>Curent Account (% GDP)</b>	-3.09	-2.03	-1.82	-1.70	-2.20
<b>Fiscal Balance (% GDP)</b>	-2.20	-2.80	-2.46	-2.42	-2.50
<b>Interest Rate</b>					
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
<b>Credit</b>					
<b>Growth (% YoY)</b>					
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
<b>Total Credit</b>	11.58	10.44	7.87	8.24	10.15
<b>Deposit</b>	12.29	7.26	9.60	9.35	10.43
<b>NPL Commercial Banks (%)</b>	2.16	2.49	2.93	2.59	2.48
<b>Car Sales (1000 Units)</b>	1208	1013	1062	1080	1119
<b>Car Sales Growth (%)</b>	-1.78	-16.12	4.79	1.69	3.59
<b>Motorcycle Sales (1000 Units)</b>	7867	6480	5931	5886	5912
<b>Motorcycle Sales Growth (%)</b>	1.59	-17.63	-8.47	-0.76	0.44
<b>Unemployment Rate (%)</b>	5.94	6.18	5.61	5.50	5.30
<b>International Reserve (US\$ bn)</b>	111.9	105.9	116.4	130.2	134.2
<b>GDP Growth (%)</b>	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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