

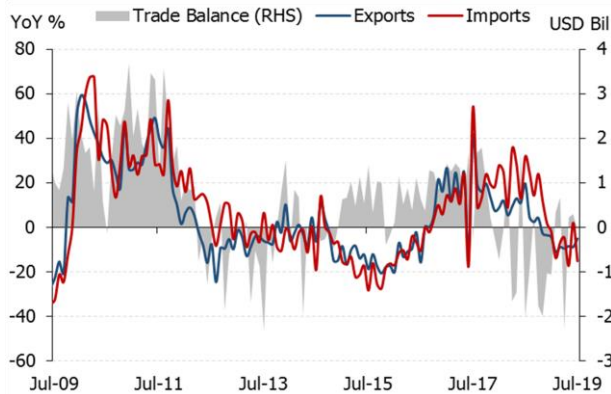
Indonesia External Trade

Exports fall less than expected in July, trade balance back to deficit

OVERVIEW

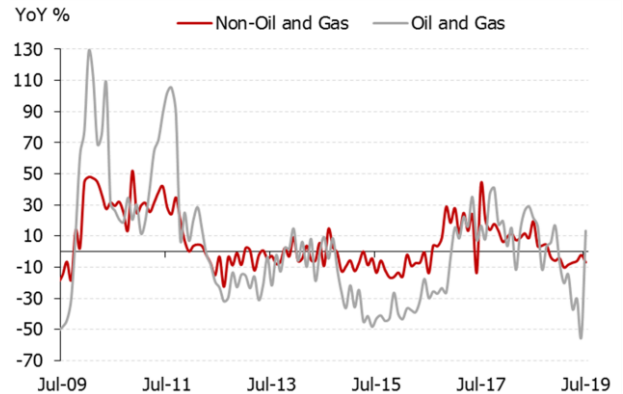
- Indonesia's exports continued to fall in July, declining by 5.1% YoY** (Jun: -8.9%) far lower than the consensus estimate of -11.2% (Bloomberg). On a MoM basis, exports rebounded sharply by 31.0% (Jun: -20.5%) to USD15.5b, the highest in nine months. Meanwhile, imports fell sharply by 15.2% YoY to USD15.5b after a brief turnaround in the preceding month (+2.0% YoY), but lower than consensus estimate (-17.8% YoY). Consequently, the trade balance turned to deficit of USD63.4m (Jun: +USD0.3b), much lower than consensus deficit estimate of USD0.4b. Overall, total trade extended its fall albeit higher at -10.5% YoY (Jun: -3.8%) indicating a weaker 2H19 trade outlook going forward.
- Exports of non-oil and gas extend its downtrend**, falling by 6.9% YoY (Jun: -2.2%) to USD13.8b due to weak shipments in mining & others, which fell by 26.0%. Similarly, exports of manufacturing fell by 2.6% YoY after a brief rebound in June (6.1% YoY). Meanwhile, shipments of agriculture grew by 4.4% YoY, versus 5.5% in June. On MoM, exports of non-oil and gas rebounded by 25.3%, the highest since a year ago, while its share to total exports dropped to 89.6% (Jun: 92.7%). **Exports of oil and gas-based products rebounded sharply to 13.3% YoY** after falling since January this year. The improvement in exports was primarily due to higher shipment of manufactured goods.
- Imports back into negative territory in July**, falling 15.2% YoY to USD15.5b after a positive turnaround in the previous month (+2.0% YoY). This was attributable to a fall in both oil and gas and non-oil and gas-based products, which fell by 12.0% and 34.3% respectively. By category, its **growth was dragged by a broad-based contraction** led by raw materials (17.8% YoY Vs. Jun: +1.8%), consumer goods (-14.5% YoY Vs. Jun: 2.2%) and followed by capital goods (-3.5% Vs. Jun: 3.3%). On a MoM basis, imports rebounded sharply by 35.0% (Jun: -21.3%).
- On year-to-date, exports fell by 8.0% YoY (Jan-Jul 2018: +11.3%) as weak global demand and low commodity prices continued to weigh on Indonesia's exports. The external sector outlook remains bleak from the impact of escalating US-China trade disputes, growing trade tension between Japan and South Korea, as well as the recent biodiesel levies EU slapped on Indonesia. Along with the impact of growth slowdown in other key export markets, **we have revised Indonesia's exports growth forecast to -4.3% YoY for 2019** from the initial projection of 1.0-3.0% (2018: 6.7%).

Graph 1: External Trade Growth Trend



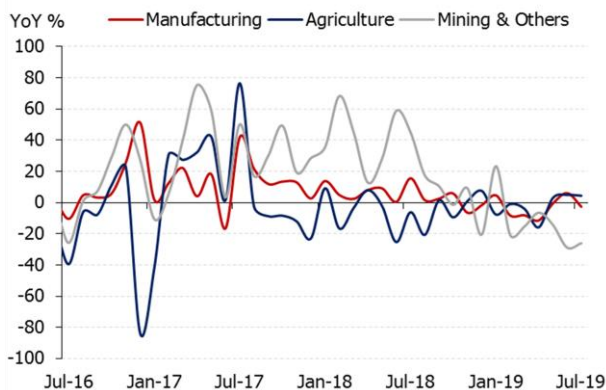
Source: BPS Indonesia, CEIC, Kenanga Research

Graph 2: Exports Growth by Group



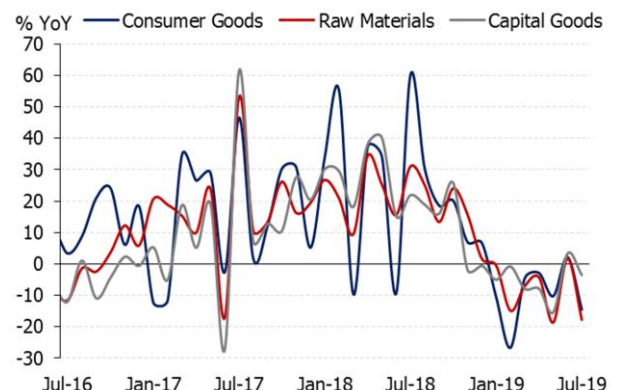
Source: BPS Indonesia, CEIC, Kenanga Research

Graph 3: Non-Oil and Gas Exports by Categories



Source: BPS Indonesia, CEIC, Kenanga Research

Graph 4: Imports Growth by Categories



Source: BPS Indonesia, CEIC, Kenanga Research

16 August 2019

Table 1: Indonesia External Trade Growth Trend

		2017	2018	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
				-18	-18	-18	-18	-18	-18	-19	-19	-19	-19	-19	-19	-19
Total Trade	YoY %	16.0	13.2	25.7	13.9	7.9	13.8	4.5	-0.9	-3.2	-12.5	-8.0	-7.0	-13.1	-3.8	-10.5
Trade Balance	USD bn	11.8	-8.5	-2.0	-0.9	0.3	-1.8	-2.0	-1.0	-1.1	0.3	0.7	-2.3	0.2	0.3	-0.1
Exports	YoY %	16.3	6.7	19.6	4.5	2.4	4.2	-2.8	-3.6	-4.4	-11.2	-9.0	-9.5	-8.5	-8.9	-5.1
Non-Oil & Gas	YoY %	5.4	6.4	19.5	3.5	3.9	4.3	-3.6	-5.8	-4.2	-10.2	-8.4	-7.1	-6.0	-2.2	-6.9
	Share	90.7	90.3	91.3	91.0	91.4	90.3	90.8	87.8	91.1	91.2	91.9	94.3	92.3	93.7	89.6
Oil & Gas	YoY %	20.1	10.5	21.6	16.3	-11.6	3.3	5.8	16.7	-6.7	-20.2	-14.8	-37.1	-30.4	-54.7	13.3
	Share	9.3	9.7	8.7	9.0	8.6	9.7	9.2	12.2	8.9	8.8	8.1	5.7	7.7	6.3	10.4
Imports	YoY %	15.7	20.2	31.7	24.5	14.2	24.0	11.8	1.7	-2.1	-13.8	-7.0	-4.7	-17.3	2.0	-15.2
Non-Oil & Gas	YoY %	13.5	19.7	29.1	19.8	13.5	22.5	8.7	6.4	2.2	-11.0	-2.4	-4.8	-16.1	7.2	-12.0
	Share	84.5	84.2	85.5	81.9	84.3	83.5	83.0	86.8	88.9	87.0	88.7	85.5	85.1	85.1	88.7
Oil & Gas	YoY %	29.8	22.8	49.5	51.4	18.4	32.2	30.0	-21.0	-26.7	-29.1	-32.1	-4.0	-23.7	-20.0	-34.3
	Share	15.5	15.8	14.5	18.1	15.7	16.5	17.0	13.2	11.1	13.0	11.3	14.5	14.9	14.9	11.3

Source: BPS Indonesia, CEIC, Kenanga Research

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