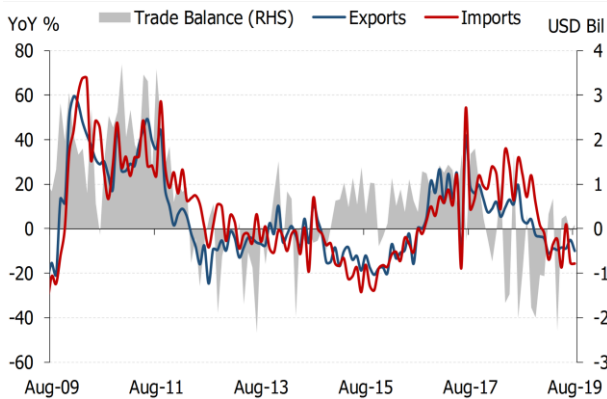


Indonesia External Trade

Exports fell on weak manufacturing demand, trade balance turns positive in August

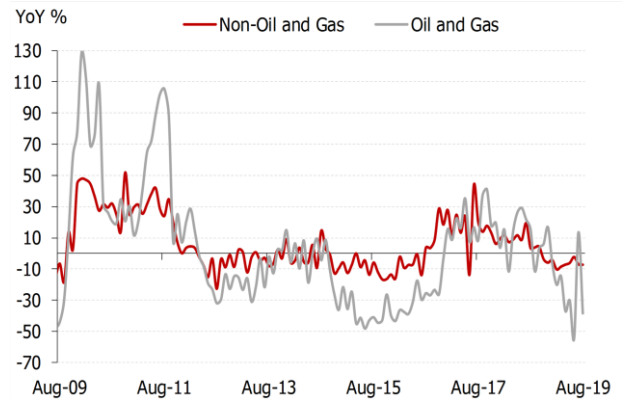
- Indonesia's exports continued to fall in August for ten straight months**, declining by 10.0% YoY (Jul: -5.1%) far larger than the consensus estimate of -6.0% (Reuters). On a MoM basis, exports fell by 7.6% (Jul: 31.0%) to USD14.3b. In a similar direction, imports fell sharply by 15.6% YoY (-15.2%) to USD14.2b, much higher than consensus estimate (-12.9% YoY). As fall in imports far outpaced exports, the trade balance turned positive to USD85.1m (Jul: -USD64.3m), slightly lower than the consensus estimate of USD0.2b trade surplus. Overall, total trade extended its fall for ten straight months, albeit higher at -12.9% YoY compared to July's -10.4%, indicating a weaker 2H19 trade outlook going forward.
- Exports of non-oil and gas extend its downtrend**, falling by 7.2% YoY (Jul: -6.9%) to USD13.4b due to weak shipments in mining & others, which fell by 22.4% (Jul: -26.0%). Similarly, exports of manufacturing fell for two straight months, down 4.6% YoY (Jul: -2.6%). Meanwhile, shipments of agriculture rose to a 25-month high at 12.0% YoY (Jul: 4.4%). On MoM, however, exports of non-oil and gas declined by 3.2% after a sharp rebound in July at 25.4%, while its share to total exports increased to 93.9% (Jul: 89.6%). Meanwhile, **exports of oil and gas-based products dropped sharply by 38.5% YoY** after a quick turnaround in July (+13.3% YoY). The poor performance in exports of oil and gas was attributed to a fall in mining (-45.1% YoY) which had eclipsed the sharp increase in manufacturing (27.4% YoY).
- The decline in imports** (-15.6% YoY Vs. Jul: -15.2%) in August was largely dragged by a fall in both oil and gas and non-oil and gas-based products, which fell by 8.8% and 46.5% respectively. **By category, the fall was broad-based** led by raw materials (-18.1% YoY Vs. Jul: -17.7%), consumer goods (-12.1% YoY Vs. Jul: -14.4%) and followed by capital goods (-5.8% Vs. Jul: -3.5%). On a MoM basis, imports fell by 8.5%, following a sharp increase in the preceding month (+35.0%).
- On year-to-date, exports fell by 8.3% YoY (Jan-Aug 2018: +10.3%) though not as bad as a contraction in 2017 (Jan-Aug 2017: -25.1%) amid weak global demand and low commodity prices. However, further uncertainties related to the escalating US-China trade dispute, growing trade tension between Japan and South Korea, as well as the recent biodiesel levies that EU slapped on Indonesia may further disrupt its trade performance going forward. **Hence, we project Indonesia's exports growth to contract between 5.0% to 10.0% YoY for 2019** (2018: 6.7%).

Graph 1: External Trade Growth Trend



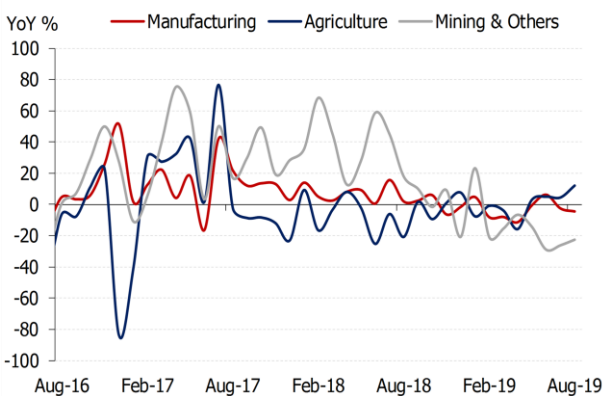
Source: BPS Indonesia, CEIC, Kenanga Research

Graph 2: Exports Growth by Group



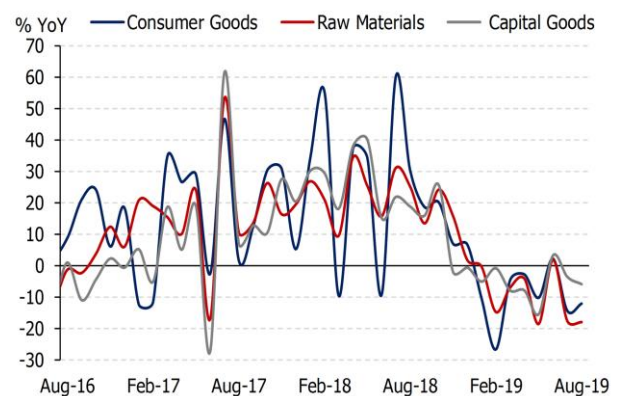
Source: BPS Indonesia, CEIC, Kenanga Research

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

17 September 2019

Table 1: Indonesia External Trade Growth Trend

		2017	2018	Aug -18	Sep -18	Oct -18	Nov -18	Dec -18	Jan -19	Feb -19	Mar -19	Apr -19	May -19	Jun -19	Jul -19	Aug -19
Total Trade	YoY %	16.0	13.2	13.9	7.9	13.8	4.5	-0.9	-3.2	-12.5	-8.0	-7.0	-13.1	-3.8	-10.4	-12.9
Trade Balance	USD bn	11.8	-8.5	-1.0	0.3	-1.8	-2.0	-1.0	-1.1	0.3	0.7	-2.3	0.2	0.3	-0.1	0.1
Exports	YoY %	16.3	6.7	4.5	2.4	4.2	-2.8	-3.6	-4.4	-11.2	-9.0	-9.5	-8.5	-8.9	-5.1	-10.0
Non-Oil & Gas	YoY %	5.4	6.4	3.5	3.9	4.3	-3.6	-5.8	-4.2	-10.2	-8.4	-7.1	-6.0	-2.2	-6.9	-7.2
	Share	90.7	90.3	91.0	91.4	90.3	90.8	87.8	91.1	91.2	91.9	94.3	92.3	93.7	89.6	93.9
Oil & Gas	YoY %	20.1	10.5	15.4	-11.6	3.3	5.8	16.7	-6.7	-20.2	-14.8	-37.1	-30.4	-54.7	13.3	-38.5
	Share	9.3	9.7	9.0	8.6	9.7	9.2	12.2	8.9	8.8	8.1	5.7	7.7	6.3	10.4	6.1
Imports	YoY %	15.7	20.2	24.5	14.2	24.0	11.8	1.7	-2.1	-13.8	-7.0	-4.7	-17.3	2.0	-15.2	-15.6
Non-Oil & Gas	YoY %	13.5	19.7	19.8	13.5	22.5	8.7	6.4	2.2	-11.0	-2.4	-4.8	-16.1	7.2	-11.9	-8.8
	Share	84.5	84.2	81.9	84.3	83.5	83.0	86.8	88.9	87.0	88.7	85.5	85.1	85.1	88.7	88.5
Oil & Gas	YoY %	29.8	22.8	51.4	18.4	32.2	30.0	-21.0	-26.7	-29.1	-32.1	-4.0	-23.7	-20.0	-34.3	-46.5
	Share	15.5	15.8	18.1	15.7	16.5	17.0	13.2	11.1	13.0	11.3	14.5	14.9	14.9	11.3	11.5

Source: BPS Indonesia, CEIC, Kenanga Research

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