

Indonesia

Economics Update

Sep 2018 trade

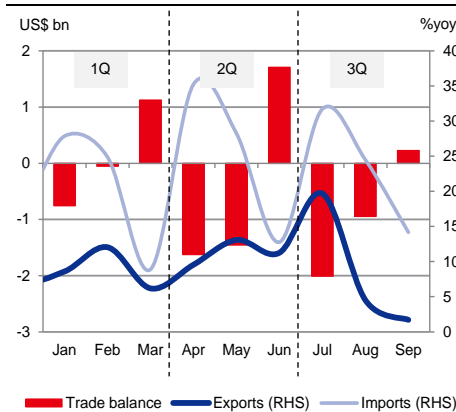
Trade forecast

| | Actual | Forecast | |
|------------------------|--------|----------|--------|
| | Sep-18 | CGS-CIMB | Cons.* |
| Exports - %yoy | 1.7 | 7.6 | 7.0 |
| Imports - %yoy | 14.2 | 16.2 | 23.7 |
| Trade balance - US\$ m | 227 | 809 | -500 |

*Bloomberg median consensus

- Steeper moderation in import growth led to the turnaround in trade balance to a surplus of US\$227m in Sep, but 3Q18 trade deficit rose to a 5-year high.
- Weakening Rp/US\$ and the government's measures to curb imports saw month-on-month contraction across all three import categories in Sep.
- We estimate a smaller current account deficit (CAD) for 3Q18 at US\$7.2bn (2.8% of GDP) due to higher travel surplus and lower dividend payments.

Trade performance in 2018



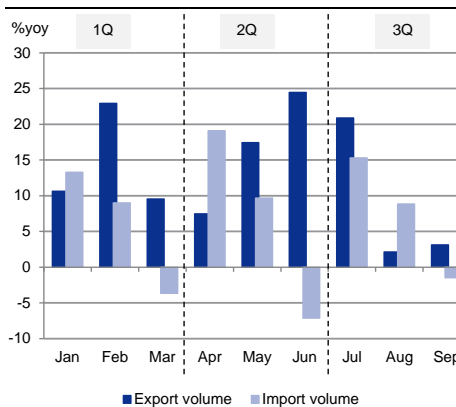
The rebound in Sep's trade balance...

The trade balance rebounded to a surplus of US\$227m in Sep (-US\$994m in Aug), supported by a wider non-O&G trade surplus (+US\$1.3bn vs. +US\$667m in Aug) and a smaller O&G trade deficit (-US\$1.1bn vs. -US\$1.6bn in Aug). The turnaround was in line with our expectation (albeit weaker than expected) as well as the trend observed in 1H18.

... tracks the trend of goods surpluses in Mar and Jun

In 2018, the trade balance has tended to rebound in the final month of each quarter on the back of more subdued import growth (+14.2% yoy in Sep vs. +24.5% yoy in Aug). This trend may indicate that authorities are actively managing downside risks to the quarterly current account. Nonetheless, given that export growth in Sep was weaker-than-expected (+1.7% yoy in Sep vs. +4.5% yoy in Aug), the trade surplus recorded in Sep was considerably lower than in Mar and Jun.

Import volume declined in Mar, Jun and Sep



Commodities the key drag on underperforming exports

The regulation by Ministry of Energy and Mineral Resources requiring all O&G producers to sell crude oil to Pertamina may have been the reason for the decline in O&G export and import volumes. Weaker aggregate export prices (-1.4% yoy in Sep vs. +2.4% yoy in Aug), particularly from lower palm oil and rubber prices, offset stronger export volumes (+3.1% yoy vs. +2.1% yoy in Aug) from the non O&G segment, sending overall export growth to a 15-month low.

Milder expansion across all three import categories

Import growth of consumer goods (+18.3% yoy in Sep vs. +30.3% yoy in Aug), raw materials (+13.1% yoy vs. +25.0% yoy in Aug) and capital goods (+17.1% yoy vs. +18.9% yoy in Aug) all eased in Sep. Moreover, all three key import categories have seen month-on-month declines for the second consecutive month in Sep, potentially reflecting weaker demand as a result of the weakening rupiah as well as the government's measures to curb import growth.

3Q18 CAD may improve to 2.8% of GDP despite higher trade deficit

The quarterly trade deficit widened to US\$2.7bn in 3Q18 (-US\$1.4bn in 2Q18), the highest in five years. Nonetheless, we estimate a smaller current account deficit at US\$7.2bn, or 2.8% of GDP in 3Q18 (-US\$8.0bn, or -3.1% of GDP in 2Q18), due to lower dividend payments abroad and a higher travel surplus.

Economist(s)



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Figure 1: Indonesia's trade performance

| | Sep-18 | | Jul-18 | Aug-18 | Sep-18 | 9M18 | Jul-18 | Aug-18 | Sep-18 |
|------------------------|--------|---------|--------|--------|--------|------|--------|--------|--------|
| | US\$bn | % share | %yoy | | | | %mom | | |
| Total trade | 29.4 | - | 25.8 | 13.9 | 7.5 | 16.1 | 42.7 | -5.5 | -10.0 |
| Exports | 14.8 | 100.0 | 19.7 | 4.5 | 1.7 | 9.4 | 25.6 | -2.6 | -6.6 |
| Non O&G | 13.6 | 91.9 | 19.4 | 3.5 | 3.8 | 9.3 | 31.6 | -2.8 | -5.7 |
| O&G | 1.2 | 8.1 | 22.9 | 16.3 | -17.0 | 10.5 | -14.9 | 0.2 | -15.8 |
| Imports | 14.6 | 100.0 | 31.7 | 24.5 | 14.2 | 23.3 | 62.4 | -8.1 | -13.2 |
| Non O&G | 12.3 | 84.4 | 29.1 | 19.8 | 13.5 | 22.6 | 71.3 | -11.9 | -10.5 |
| O&G | 2.3 | 15.6 | 49.5 | 51.4 | 17.7 | 27.1 | 24.2 | 14.5 | -25.2 |
| Trade balance (US\$bn) | 0.2 | - | -2.0 | -0.9 | 0.2 | -3.8 | - | - | - |
| Non O&G (US\$bn) | 1.3 | - | -0.8 | 0.7 | 1.3 | 5.6 | - | - | - |
| O&G (US\$bn) | -1.1 | - | -1.2 | -1.6 | -1.1 | -9.4 | - | - | - |

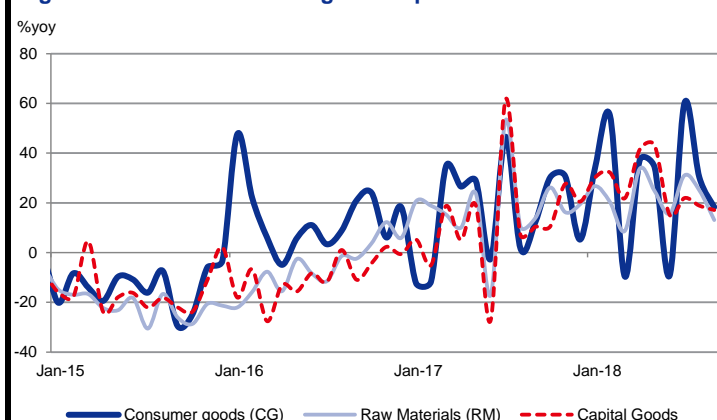
SOURCES: CEIC, CGS-CIMB RESEARCH

Figure 2: Export and import values, volumes and average prices

| | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 | Sep-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 | Sep-18 |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | %yoy | | | | | | %mom | | | | | |
| Export value | 9.6 | 13.1 | 11.3 | 19.7 | 4.5 | 1.7 | -6.7 | 11.5 | -20.0 | 25.6 | -2.6 | -6.6 |
| Export value: non O&G | 8.9 | 11.7 | 8.7 | 19.4 | 3.5 | 3.8 | -6.5 | 9.4 | -22.5 | 31.6 | -2.8 | -5.7 |
| Export value: O&G | 17.8 | 27.0 | 31.7 | 22.9 | 16.3 | -17.0 | -8.8 | 34.6 | 2.3 | -14.9 | 0.2 | -15.8 |
| Export average price | 1.9 | -3.7 | -10.6 | -1.0 | 2.4 | -1.4 | 2.7 | 2.5 | -16.6 | 14.4 | 9.3 | -8.8 |
| Export average price: non O&G | 1.3 | -5.9 | -13.9 | -3.0 | -0.5 | -3.0 | 2.7 | 1.5 | -18.9 | 17.7 | 9.6 | -9.1 |
| Export average price: O&G | 8.4 | 23.5 | 25.2 | 31.7 | 45.6 | 38.5 | 3.5 | 7.8 | 1.5 | 0.1 | 3.3 | 3.8 |
| Export volume | 7.5 | 17.5 | 24.5 | 20.9 | 2.1 | 3.1 | -9.1 | 8.8 | -4.0 | 9.8 | -10.8 | 2.4 |
| Export volume: non O&G | 7.4 | 18.7 | 26.3 | 23.1 | 4.0 | 7.0 | -9.0 | 7.8 | -4.4 | 11.8 | -11.3 | 3.8 |
| Export volume: O&G | 8.7 | 2.8 | 5.2 | -6.7 | -20.1 | -40.0 | -11.8 | 24.9 | 0.8 | -15.0 | -3.0 | -18.9 |
| Import value | 35.2 | 28.2 | 12.8 | 31.7 | 24.5 | 14.2 | 11.7 | 9.3 | -36.2 | 62.4 | -8.1 | -13.2 |
| Import value: non O&G | 34.3 | 23.5 | 8.8 | 29.1 | 19.8 | 13.5 | 13.2 | 7.0 | -38.3 | 71.3 | -11.9 | -10.5 |
| Import value: O&G | 41.4 | 59.7 | 33.8 | 49.5 | 51.4 | 17.7 | 4.0 | 22.9 | -25.2 | 24.2 | 14.5 | -25.2 |
| Import average price | 13.6 | 17.0 | 21.4 | 14.3 | 14.4 | 15.9 | -2.0 | -1.6 | 2.1 | 7.5 | -8.2 | 5.3 |
| Import average price: non O&G | 13.4 | 16.0 | 16.0 | 5.6 | 9.1 | 9.9 | -5.7 | -2.6 | 4.6 | 4.7 | -6.5 | 3.3 |
| Import average price: O&G | 16.8 | 34.6 | 47.0 | 49.8 | 41.8 | 33.9 | 3.1 | 7.7 | 4.8 | -0.5 | -1.6 | 2.1 |
| Import volume | 19.1 | 9.7 | -7.1 | 15.3 | 8.8 | -1.5 | 14.1 | 11.1 | -37.5 | 51.1 | 0.1 | -17.5 |
| Import volume: non O&G | 18.4 | 6.5 | -6.2 | 22.2 | 9.8 | 3.3 | 20.0 | 9.9 | -41.0 | 63.7 | -5.8 | -13.4 |
| Import volume: O&G | 21.0 | 18.6 | -9.0 | -0.2 | 6.8 | -12.1 | 0.9 | 14.2 | -28.6 | 24.9 | 16.4 | -26.7 |

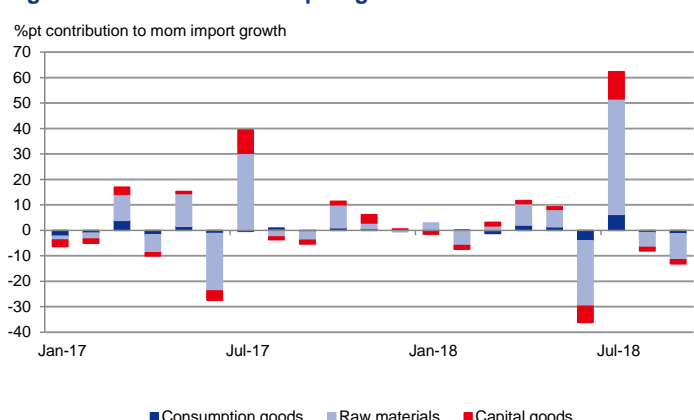
SOURCES: CEIC, CGS-CIMB RESEARCH

Figure 3: The breakdown of gross imports



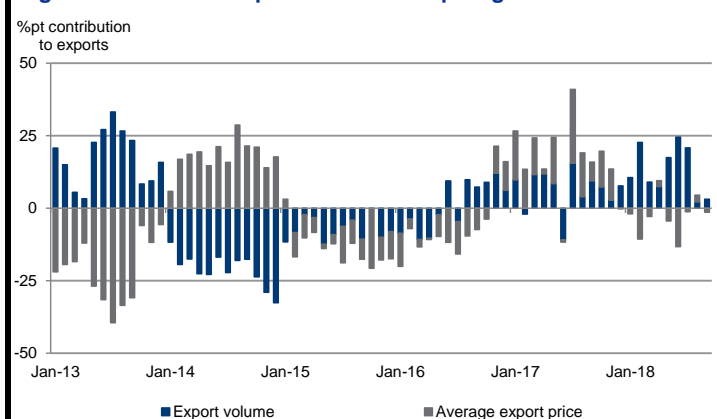
SOURCES: CEIC, CGS-CIMB RESEARCH

Figure 4: Contribution to import growth



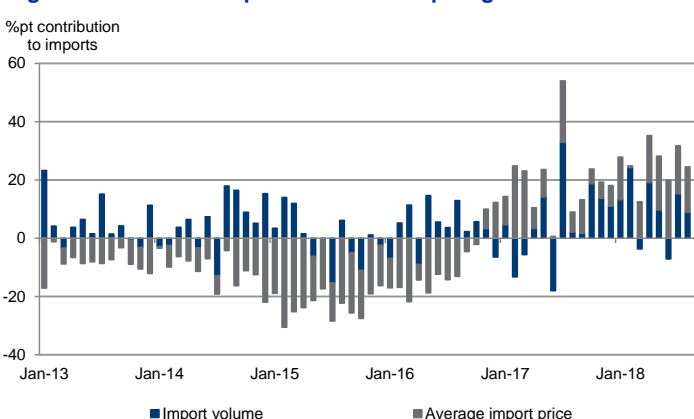
SOURCES: CEIC, CGS-CIMB RESEARCH

Figure 5: Volume and price effect on export growth



SOURCES: CEIC, CGS-CIMB RESEARCH

Figure 6: Volume and price effect on import growth



SOURCES: CEIC, CGS-CIMB RESEARCH

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|---------------------|-----------|-----------|---------|-------------|------------------|
| Score Range: | 90 - 100 | 80 – 89 | 70 - 79 | Below 70 or | No Survey Result |
| Description: | Excellent | Very Good | Good | N/A | |

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