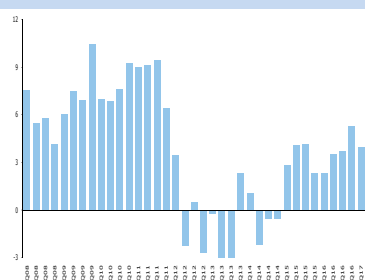


## Macroeconomics Indicator

	2016	2017F
GDP growth (% yoy)	5.0(f)	5.1
Inflation (% yoy)	3.02	3.5-4.5
7DRRR (% year end)	4.75	4.75
IDR/USD (median)	13,251	13,800
CA balance (% of GDP)	-2.5	-2.5
Fiscal balance (% of GDP)	-1.8	-2.4

## Quarterly trade balance (US\$bn)



## Money &amp; Forex Reserves

	latest	% yoy
M1 – Feb17, Rptn	1196.1	15.5
M2 –Feb17, Rptn	4942.5	9.3
Reserves –Mar17, US\$bn	121.8	13.3

Source: BI, BPS, CEIC

## A solid first quarter

- **Mar17 trade balance was lower mom at US\$1.23bn**
- **...after exports rose by 15.7% mom**
- **...and imports +17.7% mom**
- **1Q17's trade was 137% better, expected to firm**

**Lower trade surplus.** Goods trade recorded a US\$1.23bn surplus in Mar17, some 2% lower than the surplus registered in Feb17 but in line with consensus expectation, on the back of decline in the non-oil and gas trade. The surplus was 1.4 times the level recorded last year, when we consider trade was at its trough. On the contrary, oil and gas trade saw 38.7% improvement from the Feb17 course due to higher exports emerging from intensifying crude oil mining and oil processing industry. Average Indonesian oil price (ICP) was 69% higher in 1Q17 compared to 1Q16.

Fig 1. Trade balance (% growth)

	Mar17 (% , mom)	1Q17 (% , yoy)
<b>Exports</b>	<b>15.7</b>	<b>20.8</b>
Oil and gas	23.6	14.1
Non-oil and gas	14.9	21.6
<b>Imports</b>	<b>17.7</b>	<b>14.8</b>
Oil and gas	-8.5	68.4
Non-oil and gas	24.9	7.4
<b>Trade surplus (deficit)</b>	<b>-2</b>	<b>137</b>
Non-oil and gas	-20.5	212

Source: Statistics Indonesia, Indo Premier

**Exports increased.** The lower trade surplus came in despite exports which were recording a +16% growth mom and 24% yoy. In terms of volume, exports grew a hefty 26.3%, which were so much higher than any month in the year, where export growths were mainly driven by higher prices. Prices of non-oil and gas goods were declining by 9.6% mom, which we partly believe came from harvest season which drove prices down. To support, the FAO's food price index suggests a 2.8% mom fall in Mar17 with oils and sugar prices recording steepest decline, each by 6.2% and 10.9% mom.

**Imports also increased.** We believe the increase in imports (17.7% mom or 15% yoy) was mostly positive as it should exhibit continuous signs of recovery from its position through the past few years and also because supporting goods (including raw materials) were contributing the bulk of imports; they satisfied 75.6% of total import content in 1Q17. All categories of goods appeared to experience positive monthly growths with the following order: consumption (+58%), supporting goods incl. raw materials (+13%), and capital goods (+19%). We expect this trend to sustain and materialise into better investment and manufacturing activities, having looked at specific goods imported which included mechanical and electrical machineries as well as plastics, iron and steels.

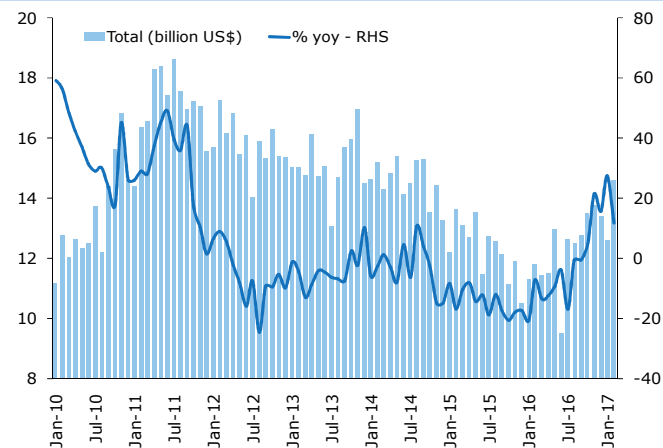
**Better 1Q17's trade.** In the first quarter, we think trade was better in general in comparison with last year's position, with trade balance recording some 137% yoy increase. Non-oil and gas trade balance was 212% higher vs 1Q16 driven by higher export in all but notably mining industry, which saw 32% yoy increase, followed by agriculture (23% yoy) and manufacturing (20% yoy). We are partial to growth in the manufacturing sector, as 75% of exports came from this industry and the revival of this industry should benefit Indonesia on other respective fronts including better value creation and employment spillover. We expect the trend-

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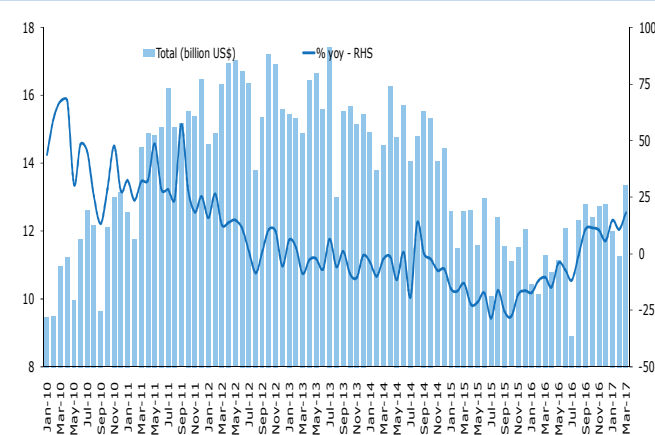
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to sustain and improve along with global recovery and government-initiated structural reforms, but remain cautious as trade slowdown remains a risk stemming from either trade restriction in the US vis-à-vis countries running large trade deficits with the US such as China (which give further impact to Indonesia as our major export destination) or from unanticipated weakness in global trade.

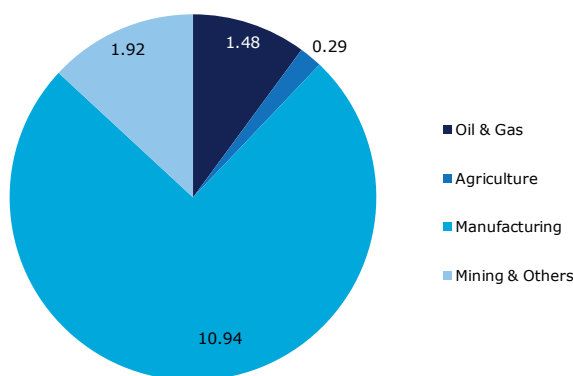
**Fig. 2: Export value (US\$bn, %)**



**Fig. 3: Import value (US\$bn, %)**

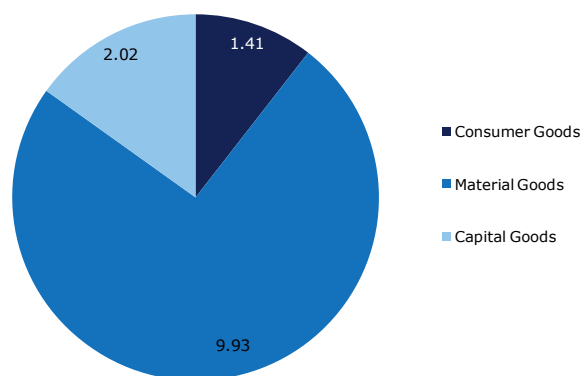


**Fig. 4: Export by broad category of goods (US\$bn)**



Source : Statistics Indonesia & Indo Premier

**Fig. 5: Import by broad category of goods (US\$bn)**



Source : Statistics Indonesia & Indo Premier

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**INVESTMENT RATINGS**

BUY : Expected total return of 10% or more within a 12-month period  
HOLD : Expected total return between -10% and 10% within a 12-month period  
SELL : Expected total return of -10% or worse within a 12-month period

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