Research | Indonesia | Economics

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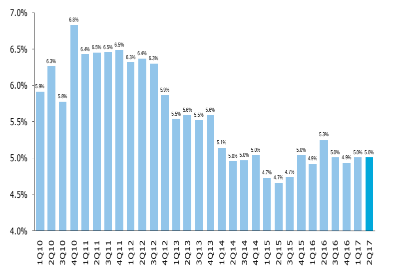
MacroInsight

16 October 2017

Macroeconomics Indicator		
	2016	2017F
GDP growth (% yoy)	5.0	5.1
Inflation (% yoy)	3.02	3.7-3.9
7DRRR (% year end)	4.75	4.25
IDR/USD (median)	13,251	13,450
CA balance (% of GDP)	-2.5	-2.0
Fiscal balance (% of GDP)	-1.8	-2.7

GDP growth (%, yoy)



Money & Forex Reserves		
	latest	% yoy
M1 – Aug17, Rptn	1274.7	12.3
M2 –Aug17, Rptn	5218.5	10.0
Reserves –Aug17, US$bn	129.4	11.8

Source: BI, BPS, CEIC

Oil fuelled surplus

- **Trade in Sep17 generated a high surplus of US$1.76bn**
- **…on the increase of oil and gas exports last month**
- **…and higher raw materials and consumer goods imports**
- **Trade will remain positive after adjusting for higher imports appetite and IDR's recent depreciation**

Trade surplus. Goods trade was recording a US$1.76bn surplus in Sep17, which should be positive, as it was higher than consensus expectation by US$580mn and higher than the average surplus recorded in 2017 and within the last two years. Calendar year trade balance is US$10.8bn as of recently, or 72% higher than last year's position as trade continues its upward trajectory this year driven by higher commodity prices, albeit the effect has relatively faded recently.

Oil and gas exports. We believe the key driver behind the outperforming trade balance was the increase in oil and gas exports (OG) on account of higher crude oil price in the month (Brent: +9.8% mom, +17.3% yoy; WTI: +11.2% mom, +7.2% yoy). The higher oil price managed to increase OG exports by 35.6% yoy (+12.7% mom), offsetting the volume increase of only 9.3% yoy. In the same token, the year trend for non-oil and gas exports also remains increasing, by 13.8% yoy, driven by the traditional crude palm oil and coal, which together account for 29% of non-oil and gas export (the monthly trend for non-oil and gas exports were different, as it was down by 6.1% mom). Unlike coal, palm oil price trend had gone down relative to last year; the increase of which in terms of value should represent its volume growth. If the recent October's uptick sustains, we should expect for better non-OG export performance this month, *ceteris paribus.*

Non-oil and gas imports. Imports were increasing by 13.1% yoy albeit declining by 5.4% on monthly basis. The increase was supported by mostly raw materials and consumer goods, +13.2% yoy and +13%, respectively; commodity wise, including fruits and cacao. Last month also saw discussion about impeded imports flow due to enforcement made in the inspection process, with the Directorate General of Customs announcing around 7% of Indonesian imports went through the red line. Going forward, increased compliance and ease of importing should encourage more consumer goods imports, whose trend has gradually increased.

Fig.1: Trade performance in calendar year

	Jan-Sep2017 (US$bn)	Jan-Sep 2016 (US$bn)	% change 2017
Export	**123.4**	**105**	**17.5%**
Export oil and gas	11.5	9.7	18.6%
Export non-oil and gas	111.9	95.3	17.4%
Export Manufacturing	92.2	80.5	14.5%
Export Agriculture	2.7	2.3	17.4%
Export Mining	16.9	12.6	34.1%
Import	**112.5**	**98.7**	**14%**
Import oil and gas	17.3	13.8	25.4%
Import non-oil and gas	95.1	84.9	12%

Source: Statistics Indonesia, IndoPremier

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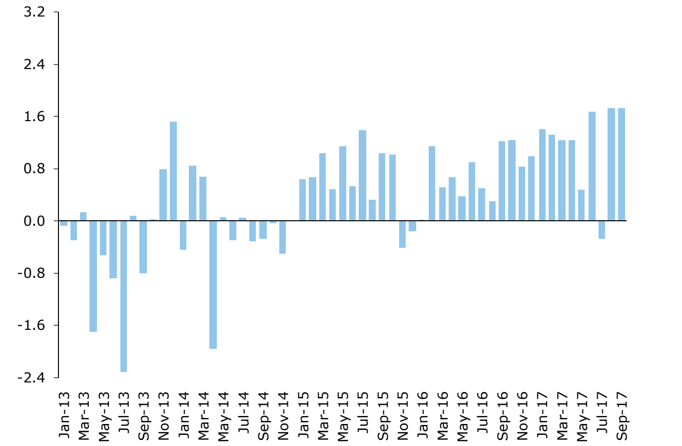
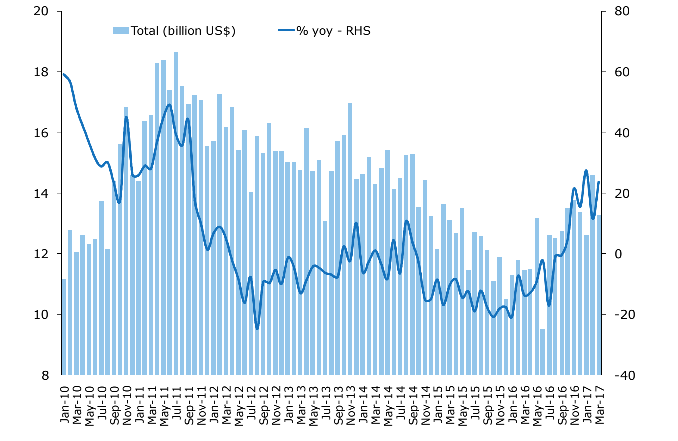
Positive trade in remaining 2017 months. The extent of surplus in the remaining months of 2017 will be dependent on the trend with oil and commodity prices and the magnitude of how imports will be affected after adjusting for the aforementioned compliance procedure. As the year almost concludes, there is a higher likelihood of spending to what is already increasing portion in consumer goods import (averaging 11% of non-OG imports in 2017 vs 9% in 2015). This, however, should be offset by the depreciation in USD/IDR by 1%, which should encourage more exports. We believe trade will remain positive within the remaining 2017.

Fig. 2: Trade balance (US$bn)



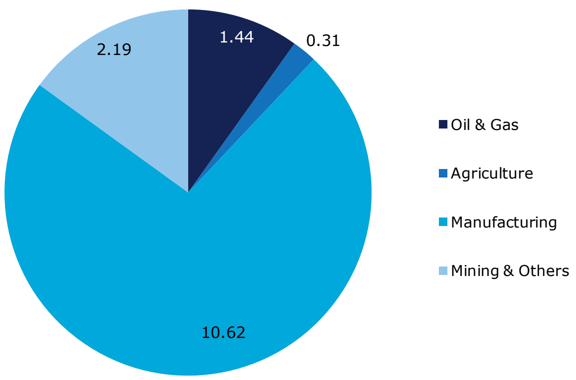
Source : Statistics Indonesia, IndoPremier

Fig. 3: Exports value (US$bn, % yoy)



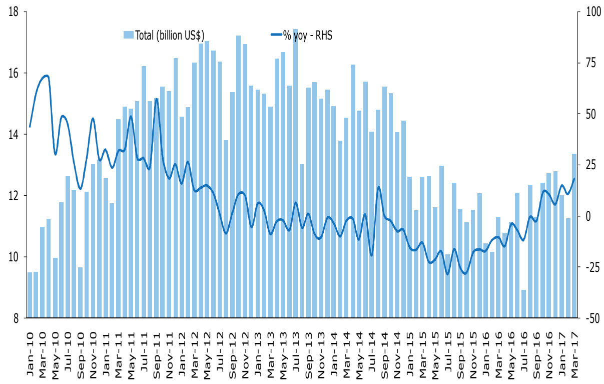
Source : Statistics Indonesia, IndoPremier

Fig. 4: Exports by broad category (US$bn)



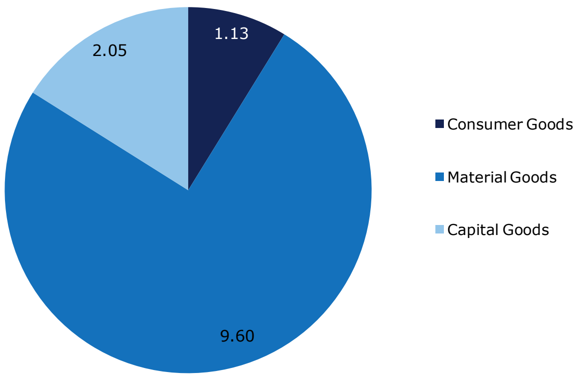
Source : Bank Indonesia

Fig. 5: Import value (US$bn, % yoy)



Source : Statistics Indonesia & IndoPremier

Fig. 6: Imports by broad category (US$bn)



Source : Statistics Indonesia & IndoPremier

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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

ANALYSTS CERTIFICATION.

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