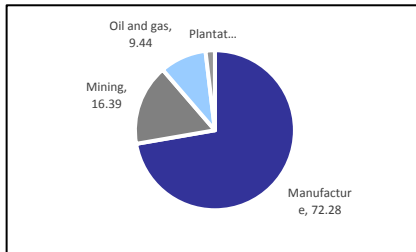


Tuesday, 18 December 2018

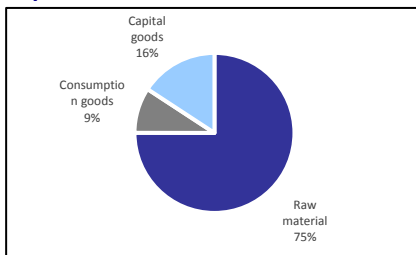
## Strategy

### Not Out of the Woods Yet

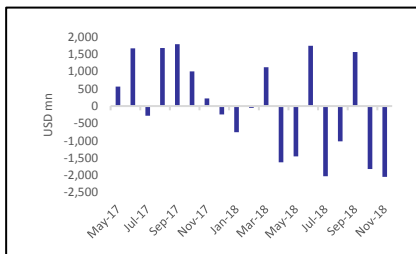
#### Export Breakdown – 11M18



#### Import Breakdown - 11M18



#### Trade Balance



November's trade deficit of USD2.05b was the worst in 5 years, and significantly above consensus expectations of a USD0.7b deficit. Lower commodity prices weighed on the value of Indonesia's two main export commodities, coal and CPO, while oil and gas imports remained high. On a more positive note, the decline in imports of consumption and capital goods outpaced the decline in imports of raw materials, an outcome which reflects various government policies to address the trade imbalance.

Exports dropped 6.7% m-m in November, with declines in both value and volume terms. Overall exports only reached USD14.8b in November, with oil & gas exports falling 10.8% m-m to USD1.4b and non-oil & gas exports down 6.3% m-m to USD13.5b. The decline in November's oil & gas exports reflects lower volumes for both crude oil and gas, as aggregate prices still increased 2.2-2.7% m-m. Similarly, non-oil & gas exports volume also declined (-10.4% m-m), with aggregate prices up 4.6% m-m. Among the non-oil & gas exports, Indonesia's two prime export commodities, coal and CPO, suffered the most, down 5.9% and 9.8% m-m, respectively. In 11M18, coal and CPO accounted for 27% of Indonesia's total non-oil & gas exports.

**Stubbornly high oil and gas imports.** With weaker oil prices in November, it had been expected that lower oil & gas imports would reduce the trade imbalance. In fact, although down 2.8% from Oct's level, the oil and gas imports in November were still on the high side at USD2.8b vs the average monthly figure of USD2.2b. This mostly reflects higher import volumes, especially of processed oil and gas, which surged 15.2% and 23.3% m-m, respectively, since aggregate prices actually fell 11% m-m in November. Processed crude oil imports of 2.7m tonnes in November reached a peak (*exh. 8*), owing, we believe, to either prolonged maintenance at Pertamina's processing facility or front loading activities ahead of the year-end holidays. It is worth noting that a similar phenomenon was seen last year. Pertamina will reportedly change its current *preventative maintenance system*, which could lead to unplanned shutdowns of its refineries, to a new *predictive maintenance system*. In our view, this new system will eventually reduce volatility in oil & gas imports going forward.

**Moderation in imports of capital and consumption goods.** The government's various policies to tame the high level of imports has started to bear fruit, as seen in the decline of imports of consumption and capital goods (-4.7% and -5.9%, respectively), outpacing the decline in imports of raw materials (-4.1%). Imports of machinery/electrical equipment, cereal, food industry wastage and mineral fuel declined the most in November, a trend that we believe will continue into December.

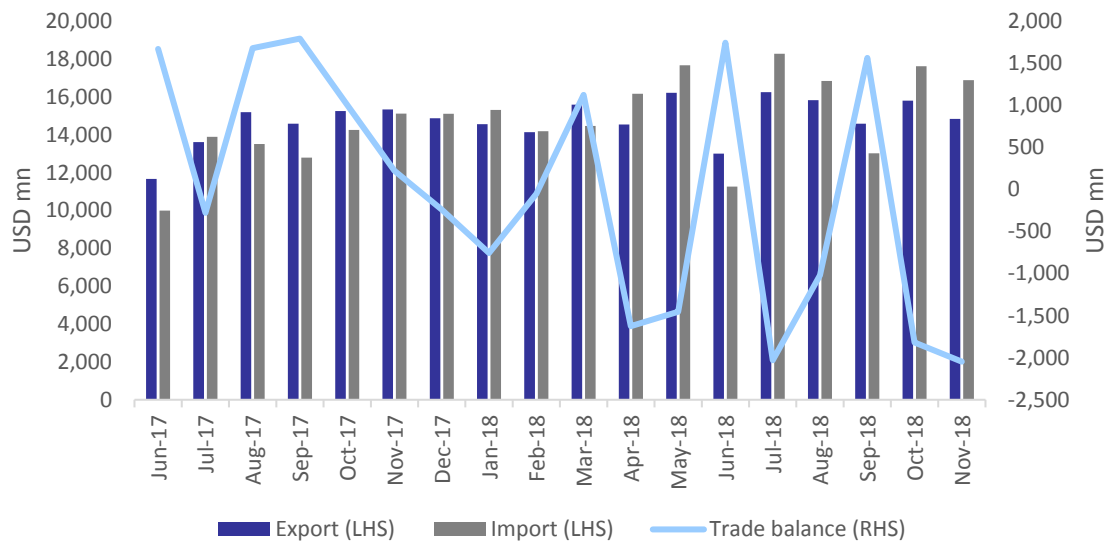
**CAD concerns linger.** With another steep trade deficit in November, concerns on the widening Current Account will linger. With the overall trade deficit of USD2.7b in 3Q18 contributing to the widening CAD of 3.4% of GDP, there are valid concerns that the CAD may widen further unless there is a significant improvement in the December data. For the trade deficit to reach a similar level as seen in 3Q18, December needs to post a surplus of USD1.18b. In 2018, there have only been two months with a trade surplus above the USD1b level: USD1.1b in March and USD1.7b in June. While concern on CAD will linger in ST, hence, IDR volatility, we anticipate for better CAD situation in 2019, with its level is expected to normalised to 2.5% of GDP.



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**Exhibit 1. Indonesia's trade balance**


Source: Indonesian Central Bureau of Statistics

**Exhibit 2. Exports of Indonesia**

Description	FOB Value					% Change			% to total export (Jan-Nov 18)
	Nov-17	Jan-Nov '17	Oct-18	Nov-18	Jan-Nov '18	YoY	MoM	YoY Jan-Nov	
<b>Export Total</b>	<b>15,334.7</b>	<b>153,963.6</b>	<b>15,894.2</b>	<b>14,831.6</b>	<b>165,807.7</b>	<b>-3.28</b>	<b>-6.69</b>	<b>7.69</b>	<b>100.00</b>
<b>Oil and gas</b>	<b>1,295.7</b>	<b>14,247.9</b>	<b>1,536.6</b>	<b>1,371.4</b>	<b>15,658.5</b>	<b>5.84</b>	<b>-10.75</b>	<b>9.90</b>	<b>9.44</b>
Refined product	118.8	1,521.4	165.6	118.1	1,528.5	-0.59	-28.68	0.47	0.92
Natural gas	5.2	72.7	0.4	-	56.8	-98.70	38.73	-21.87	0.03
Production	1,171.7	12,653.8	1,370.6	1,253.3	14,073.2	6.96	-8.56	11.22	8.49
- Crude oil	489.5	4,824.4	418.8	380.7	4,803.6	-22.23	-9.10	-0.43	2.90
- Gas	682.2	7,829.4	951.8	872.6	9,269.6	27.91	-8.32	18.39	5.59
<b>Non oil and gas</b>	<b>14,039.0</b>	<b>139,715.7</b>	<b>14,357.6</b>	<b>13,460.2</b>	<b>150,149.2</b>	<b>-4.12</b>	<b>-6.25</b>	<b>7.47</b>	<b>90.56</b>

Source: Indonesian Central Bureau of Statistics

**Exhibit 3. Imports of Indonesia**

Description	2017		2018			YoY	MoM	YoY Jan-Nov	% to total import (Jan-Nov 18)
	Nov	Jan-Nov	Oct	Nov*	Jan-Nov*				
<b>Total</b>	<b>14,557.8</b>	<b>146,331.6</b>	<b>15,923.2</b>	<b>15,567.1</b>	<b>156,950.9</b>	<b>6.93</b>	<b>(2.24)</b>	<b>7.26</b>	<b>100.00</b>
<b>Oil and Gas</b>	<b>4,185.6</b>	<b>45,642.0</b>	<b>4,258.0</b>	<b>4,648.2</b>	<b>45,305.1</b>	<b>11.05</b>	<b>9.16</b>	<b>(0.74)</b>	<b>28.87</b>
Crude oil	1,279.4	16,154.5	1,499.3	1,436.7	15,987.1	12.29	(4.18)	(1.04)	10.19
Refined Oil	2,417.3	24,480.5	2,337.9	2,692.7	24,274.6	11.39	15.18	(0.84)	15.47
Natural Gas	488.9	5,007.0	420.8	518.8	5,043.4	6.12	23.29	0.73	3.21
<b>Non oil and gas</b>	<b>10,372.2</b>	<b>100,689.6</b>	<b>11,665.2</b>	<b>10,918.9</b>	<b>111,645.8</b>	<b>5.27</b>	<b>(6.40)</b>	<b>10.88</b>	<b>71.13</b>

Source: Indonesian Central Bureau of Statistics

**Exhibit 4. Exports by goods**

Type of goods	FOB Value		Changes		FOB Value		Changes	% to total export (Jan-Nov 18)
	Oct '18	Nov '18	Value	%	Jan-Nov '17	Jan-Nov '18	%	
Mineral Fuels	2,153.5	2,026.1	(127.4)	-5.92%	19,123.0	22,599.5	18.18%	15.05%
Animal and vegetable fats	1,838.5	1,657.8	(180.7)	-9.83%	21,040.0	18,763.0	-10.82%	12.50%
Machine and electronics	787.9	727.8	(60.1)	-7.63%	7,871.7	8,103.0	2.94%	5.40%
Iron and steel	514.2	611.7	97.5	18.96%	2,812.8	5,278.5	87.66%	3.52%
Jewelry	651.8	309.7	(342.1)	-52.49%	5,285.2	5,210.9	-1.41%	3.47%
Ore, slag and ash	274.9	495.5	220.6	80.25%	3,014.8	5,038.1	67.11%	3.36%
Footwear	470.8	482.0	11.2	2.38%	4,488.8	4,685.9	4.39%	3.12%
Organic Chemical	253.2	259.1	5.9	2.33%	2,866.2	2,697.1	-5.90%	1.80%
Pulp	214.2	142.6	(71.6)	-33.43%	2,157.1	2,468.1	14.42%	1.64%
Nickel	62.6	72.1	9.5	15.18%	554.7	725.5	30.79%	0.48%
<b>Total 10 types of goods</b>	<b>7,221.6</b>	<b>6,784.4</b>	<b>(437.2)</b>	<b>-6.05%</b>	<b>69,214.3</b>	<b>75,569.6</b>	<b>9.18%</b>	<b>50.33%</b>
<b>Others</b>	<b>7,136.0</b>	<b>6,675.8</b>	<b>(460.2)</b>	<b>-6.45%</b>	<b>70,501.3</b>	<b>74,579.6</b>	<b>5.78%</b>	<b>49.67%</b>
<b>Total Non oil and gas export</b>	<b>14,357.6</b>	<b>13,460.2</b>	<b>(897.4)</b>	<b>-6.25%</b>	<b>139,715.6</b>	<b>150,149.2</b>	<b>7.47%</b>	<b>100.00%</b>

Source: Indonesian Central Bureau of Statistics

**Exhibit 5. Exports by destination**

Country of Destination	FOB Value		Changes		FOB Value		Changes %	% to total export (Jan-Nov 18)
	Oct-18	Nov-2018*	by value	%	Jan-Nov 2017	Jan-Nov 2018		
<b>ASEAN</b>	<b>3,229.8</b>	<b>3,012.3</b>	<b>(217.5)</b>	<b>-6.73%</b>	<b>30,387.5</b>	<b>32,565.4</b>	<b>7.17%</b>	<b>21.69%</b>
Singapore	805.0	670.2	(134.8)	-16.75%	8,372.6	8,128.4	-2.92%	5.41%
Malaysia	733.6	686.4	(47.2)	-6.43%	6,478.1	7,243.9	11.82%	4.82%
Thailand	490.1	479.3	(10.8)	-2.20%	5,012.0	5,358.1	6.91%	3.57%
Other Asean	1,201.1	1,176.4	(24.7)	-2.06%	10,524.8	11,835.0	12.45%	7.88%
<b>Europe</b>	<b>1,385.8</b>	<b>1,371.1</b>	<b>(14.7)</b>	<b>-1.06%</b>	<b>14,950.6</b>	<b>15,697.3</b>	<b>4.99%</b>	<b>10.45%</b>
German	236.4	240.1	3.7	1.57%	2,451.8	2,488.0	1.48%	1.66%
Netherland	323.2	290.0	(33.2)	-10.27%	3,639.7	3,525.4	-3.14%	2.35%
Italy	154.8	95.4	(59.4)	-38.37%	1,757.7	1,735.3	-1.27%	1.16%
Other Europe	671.4	745.6	74.2	11.05%	7,101.4	7,948.6	11.93%	5.29%
<b>Other Countries</b>	<b>7,479.0</b>	<b>7,109.3</b>	<b>(369.7)</b>	<b>-4.94%</b>	<b>71,016.6</b>	<b>78,852.6</b>	<b>11.03%</b>	<b>52.52%</b>
China	2,168.0	2,014.1	(153.9)	-7.10%	19,156.4	22,703.3	18.52%	15.12%
Japan	1,280.1	1,358.2	78.1	6.10%	13,217.8	15,149.1	14.61%	10.09%
US	1,533.8	1,456.5	(77.3)	-5.04%	15,711.7	16,189.2	3.04%	10.78%
India	1,329.4	1,134.6	(194.8)	-14.65%	12,758.1	12,562.3	-1.53%	8.37%
Australia	200.1	168.1	(32.0)	-15.99%	1,796.7	2,005.5	11.62%	1.34%
South Korea	632.0	665.3	33.3	5.27%	5,796.1	6,861.3	18.38%	4.57%
Taiwan	335.6	312.5	(23.1)	-6.88%	2,579.8	3,381.9	31.09%	2.25%
<b>Total 13 Destinations</b>	<b>10,222.1</b>	<b>9,570.7</b>	<b>(651.4)</b>	<b>-6.37%</b>	<b>98,728.5</b>	<b>107,331.7</b>	<b>8.71%</b>	<b>71.48%</b>
<b>Others</b>	<b>4,135.5</b>	<b>3,889.5</b>	<b>(246.0)</b>	<b>-5.95%</b>	<b>40,987.2</b>	<b>42,817.5</b>	<b>4.47%</b>	<b>28.52%</b>
<b>Total Non oil and gas export</b>	<b>14,357.6</b>	<b>13,460.2</b>	<b>(897.4)</b>	<b>-6.25%</b>	<b>139,715.7</b>	<b>150,149.2</b>	<b>7.47%</b>	<b>100.00%</b>

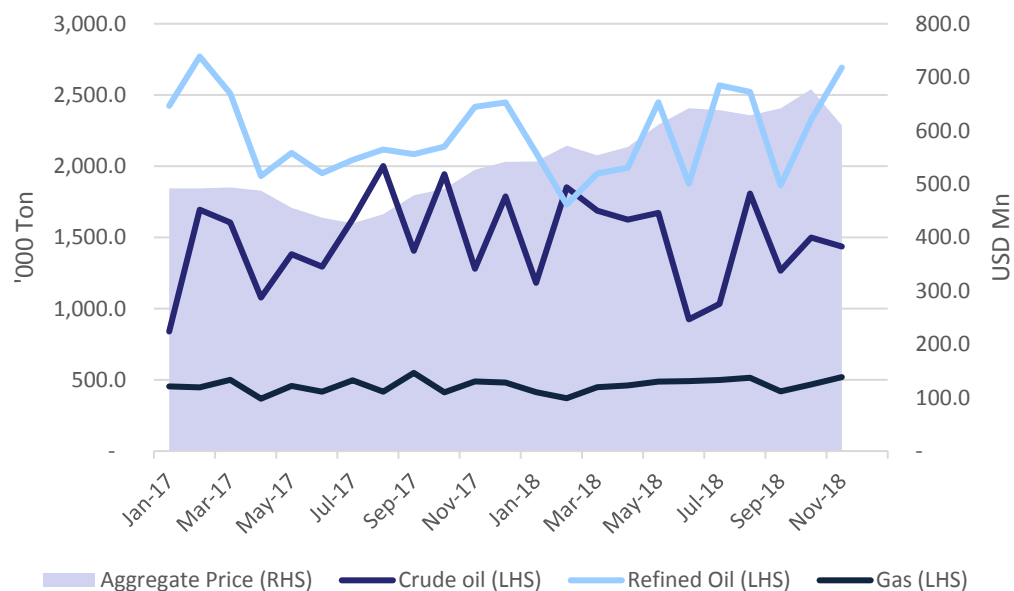
Source: Indonesian Central Bureau of Statistics

## Exhibit 6. Imports by goods

Type of goods	CIF value (US mn)				Change			% to non oil and gas import (Jan-Nov 18)
	Oct-18	Nov-18	Jan - Nov 2017	Jan-Nov 2018	m-to-m (USD mn)	m-to-m (%)	Jan-Aug yoy (%)	
Machine/Aerial Part	2,546.1	2,452.3	19,633.5	24,717.4	-93.8	-3.68	25.89	16.99
Electrical Equipments	2,003.7	1,802.6	16,111.8	19,659.0	-201.1	-10.04	22.02	13.51
Iron and Steel	1,001.4	1,066.1	7,139.7	9,125.2	64.7	6.46	27.81	6.27
Cereals	374.4	270.1	2,691.2	3,503.1	-104.3	-27.86	30.17	2.41
Food Ind. Residues and Wastes	362.4	232.3	2,455.1	2,828.4	-130.1	-35.90	15.21	1.94
Chemical Products	230.1	287.0	2,025.5	2,391.1	56.9	24.73	18.05	1.64
Jewelry	91.7	140.2	947.3	2,191.0	48.5	52.89	131.29	1.51
Mineral Fuels	254.1	112.4	1,004.5	1,572.1	-141.7	-55.77	56.51	1.08
Vegetables	40.6	97.6	711.3	602.7	57	140.39	-15.27	0.41
Beverages	16.0	91.3	104.5	221.5	75.3	470.63	0.00	0.15
<b>Total 10 types of goods</b>	<b>6,920.5</b>	<b>6,551.9</b>	<b>52,824.4</b>	<b>66,811.5</b>	<b>-368.6</b>	<b>-5.33</b>	<b>26.48</b>	<b>45.92</b>
<b>Other Goods</b>	<b>7,830.2</b>	<b>7,491.5</b>	<b>67,303.6</b>	<b>78,699.6</b>	<b>-338.7</b>	<b>-4.33</b>	<b>16.93</b>	<b>54.08</b>
<b>Total Non oil and gas imports</b>	<b>14,750.7</b>	<b>14,043.4</b>	<b>120,128.0</b>	<b>145,511.1</b>	<b>-707.3</b>	<b>-4.80</b>	<b>21.13</b>	<b>100.00</b>

Source: Indonesian Central Bureau of Statistics

## Exhibit 7. Import of oil and gas



Source: Indonesian Central Bureau of Statistics

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