

November Outlook: Picking Up

Forecast for November 2019

Exports	USD 14.8 bn
Imports	USD 14.9 bn
Trade Balance	(USD 46.2 mn)

Forecast for 2019

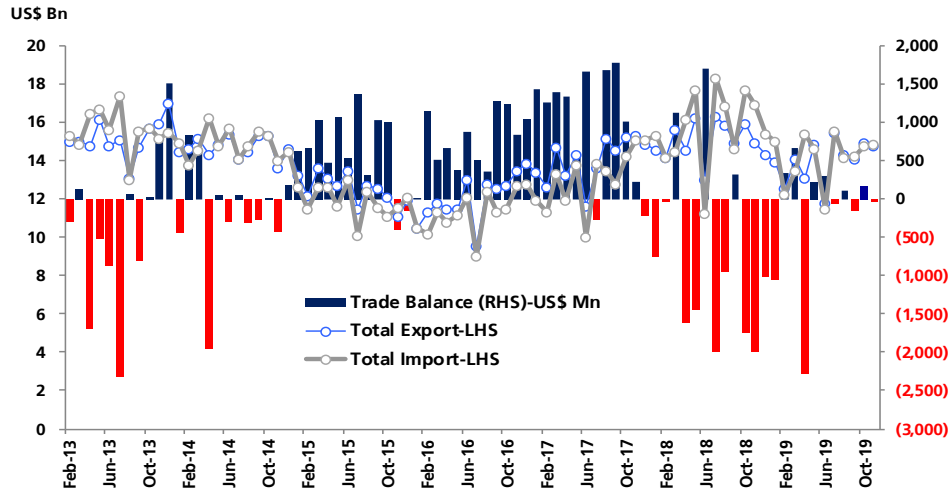
Exports	USD 166.7 bn
Imports	USD 171.8 bn
Trade Balance	USD (5.04) bn

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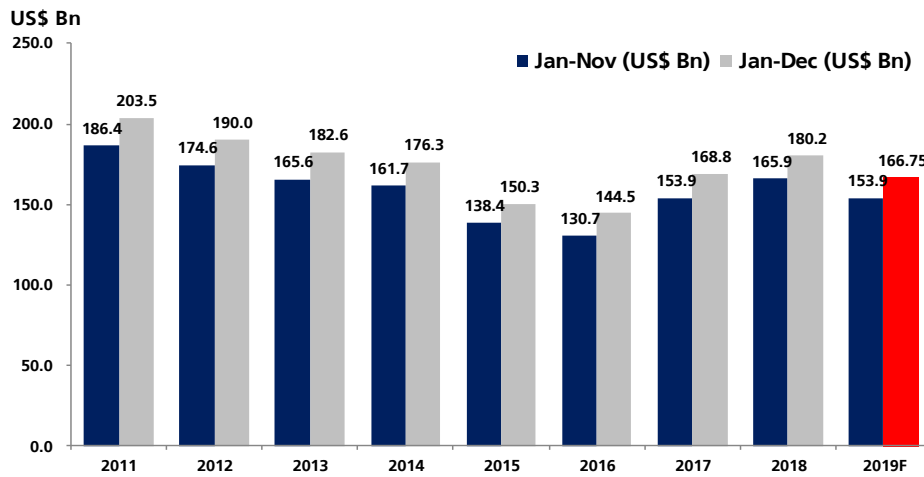
- **Moderate economic prospects and higher commodity prices will sustain November's exports.** The LEI for Indonesia's major partners declined in September. After rising 0.2% mom in August, the composite LEI fell 1.5% mom in September. For Indonesia's major trading partners, the LEI for China dipped by 2.2% mom and for the U.S. it fell 4.2% mom. In Japan, the LEI fell 0.1% mom. Given these developments, a significant improvement in economic performance over the near term looks unlikely. At the same time, the manufacturing PMI of several of Indonesia's trading partners (except for the U.S. and China) improved, despite remaining below the level of 50. The new orders received and foreign sales declined at a softer pace, underscoring the uncertain progress on trade deals and rising trade tariffs. On the price front, the average prices of Indonesia's major commodity exports improved further. They rose 6.9% mom in October, following a 2.8% mom increase in the previous month. Better prices should help lift Indonesia's exports. In regard to consumer prices, the composite price index of Indonesia's trading partners fell, indicates downward pressure (changing from +0.6% mom to -0.7% mom). Moreover, ahead of the Christmas period, year-end, and school holidays, volume shipments should rise on a monthly basis.
- **A stable rupiah coupled with potentially strong demand ahead of the festivities leads to higher monthly imports.** On the consumer side, the headline inflation is still manageable. After increasing by 0.02% mom in October, November's consumer prices rose 0.14% mom stemming from higher prices in the foodstuffs component, partly offset by lower prices in the transportation component. At the same time, prices in the other CPI components tended to ease. On the manufacturing side, Indonesia's manufacturing activity still contracting at easing pace. The manufacturing PMI rose to 48.2 in November from 47.7 in October, driven by lower new orders, output, and employment. Since purchasing activity is weak, imports demand will be flat. In November, the average rupiah/USD exchange rate strengthened 0.37% mom (+3.08% yoy) after falling by 0.10% mom in the previous month. Meanwhile, average prices in the global oil basket fell 0.2% in October, following a 0.3% rise in September. Inline with the exports pattern, Indonesia's imports volume in November should increase given the seasonal events.
- Against this backdrop, we expect Indonesia's exports to reach USD 14.8 bn in November 2019, with imports reaching USD 14.9 bn. This will translate into a trade deficit of USD 46.2 mn in November 2019.

Graph 1. Indonesia's Exports and Imports



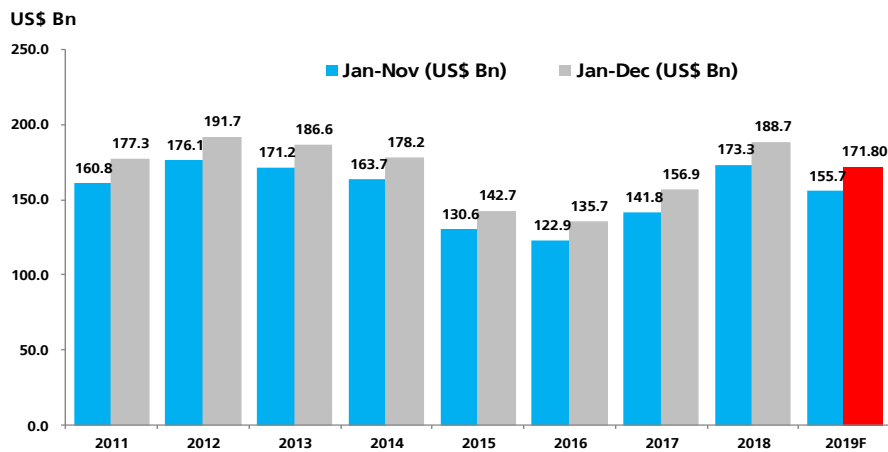
Source: BPS, Danareksa Research Institute

Graph 2. Exports Performance



Source: BPS, Danareksa Research Institute

Graph 3. Imports Performance



Source: BPS, Danareksa Research Institute

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