

Wednesday, 15 July 2015

Trade Balance Review

Slight decline in the Trade Balance

June 2015

- In line with our expectations the trade balance fell slightly to about USD500 million in June. Exports rose faster than we had expected especially in non-oil and gas. The increase was mostly in CPO and came from a slight rise in prices. At the same time, looking at the longer term trend, demand from our major trading partners continued to decline, including a 31% drop in exports to China in the first six months of the year against the same period last year. Exports to the US appear to have bottomed out and there was a slight increase in exports to Korea. As the global economy bottoms out we can expect a slight increase in demand going forward, especially from the US.
- Imports rose, as we had predicted, to about USD13 billion in June. And the rise was mostly in non-oil and gas, especially in machineries and mechanical goods. The expected increase in imports of consumption goods also took place but at a subdued rate of about 9% from the month before. In the first half of 2015, overall imports fell close to 18%, and the decline occurred mostly in raw materials (which account for over 75% of all imports) at close to 19%. It is also worth noting that capital goods posted a decline in first half imports compared to last year, to the tune of 17%. These declining import figures portray a broad-based decline in economic growth that is ongoing.
- With the very slight movement in the trade balance over the last 3 months we do not see any significant impact on either the currency or Bank Indonesia's policy stance. Although uncertainty over Greece has receded Indonesia will still be affected by the slowdown in China and the eventual rise of interest rates in the US. The latter, we believe, is mostly priced-in in asset prices while the former will continue to affect sentiment in the capital markets in Asia until there is some clarity on the trajectory of Chinese economic growth and stock market stabilization.

Indonesian Trade Balance, Data and Forecast

USD bn.		Actual			Forecast
		Apr-15	May-15	Jun-15	Jun-15
Exports	Total Export	13.1	12.6	13.4	12.4
	Oil & Gas	1.5	1.4	1.5	
	Non-oil/gas	11.7	11.2	12.0	
Imports	Total Import	12.6	11.6	13.0	12.2
	Oil & Gas	2.3	2.1	2.6	
	Non-oil/gas	10.3	9.5	10.4	
Balance	Total incl. oil/gas	0.5	1.0	0.5	0.2
	Oil & Gas	(0.9)	(0.7)	(1.1)	
	Non-oil/gas	1.4	1.7	1.6	

Source: Bank Indonesia, BPS, DRI estimates

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