

## April Review: Narrower Trade Surplus

- Indonesia's exports shrank 4.0 percent MoM in April 2015 after posting a 12 percent increase in the previous month. Compared to April 2014, total exports fell 8.5 percent to US\$ 13.1 bn. This was mainly due to the significant decline in oil and gas exports (-26.7 percent MoM) since non oil and gas exports were relatively stable (-0.2 percent MoM). Average aggregate prices and exports volume were also lower: down by 0.5 percent MoM and 3.5 percent MoM, respectively.
- Exports of several major product types showed mixed performance on a MoM comparison. Exports of animal and vegetable fats (HS 15) were 17.2 percent higher, while exports of mineral fuels (HS 27) posted a decline (-11.7 percent). Exports of electrical machinery and equipment (HS 85) and jewelry (HS 71) - which contributed 11.7 percent of the total non oil and gas exports - also declined. In the January-April 2015 period, the manufacturing sector accounted for the bulk of Indonesia's exports (69.8 percent), followed by oil and gas exports (13.7 percent), mining exports (13.0 percent), and agriculture exports (3.4 percent).
- Non oil and gas exports to the U.S. and China were up 3.4 percent MoM and 6.3 percent MoM, respectively, while shipments to Japan dropped 11.5 percent. In January-April 2015, the U.S. was at the top of the list of major destination countries (accounting for 11.5 percent of Indonesia's non oil and gas exports), surpassing Japan (with a 9.9 percent share) and China (9.6 percent).
- Imports were stable in April 2015. On the back of a 3.0 percent MoM increase in oil and gas imports and a 0.5 percent decline in non oil and gas imports, total imports rose 0.2 percent MoM to US\$ 12.6 bn. The volume of imports was up by 2.9 percent, while average aggregate prices fell 2.7 percent.
- By product type, imports of mechanical machinery and equipment (HS 84) were 9.1 percent lower, while imports of electrical machinery and equipment (HS 85) rose by 2.3 percent. Shipments of non oil and gas products from China and Japan were up by 6.4 percent and 3.5 percent, respectively. However, imports from Thailand slumped by 23.8 percent.
- By classification of use, imports of raw materials were up (+3.8 percent MoM), while imports of capital goods and consumption goods were lower by 13.6 percent and 2.1 percent.
- Overall, Indonesia recorded a trade surplus of US\$ 454.4 mn in April, lower than the surplus of US\$ 1.02 bn in the previous month.

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### Forecast for May 2015

Exports	US\$ 13.6 bn
Imports	US\$ 12.5 bn
Trade Surplus	US\$ 1.1 bn

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### Forecast for 2015

Exports	US\$ 182.8 bn
Imports	US\$ 180.3 bn
Trade balance	US\$ 2.5 bn

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#### DAMHURI NASUTION

##### Head of Economic Research

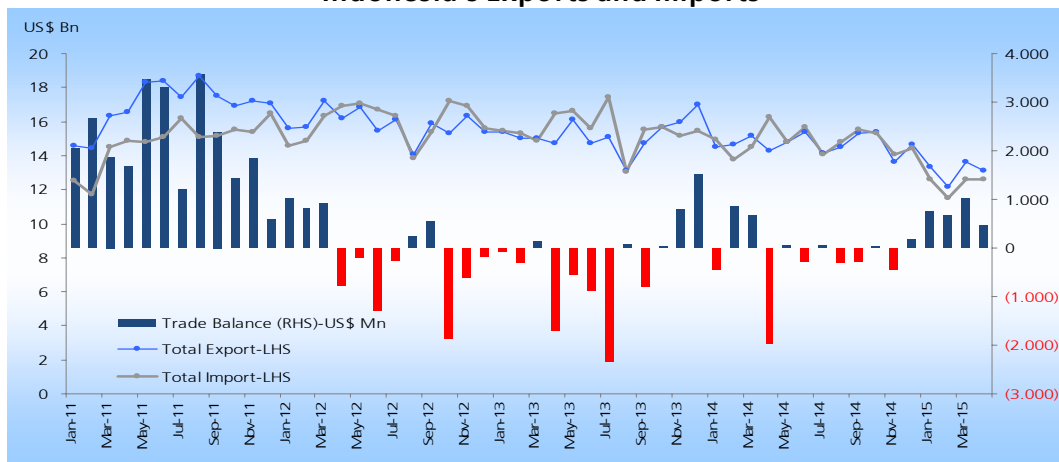
(62-21) 29555777/ 888 ext 3602  
damhuri@danareksa.com

#### HANDRI THIONO

##### Economist

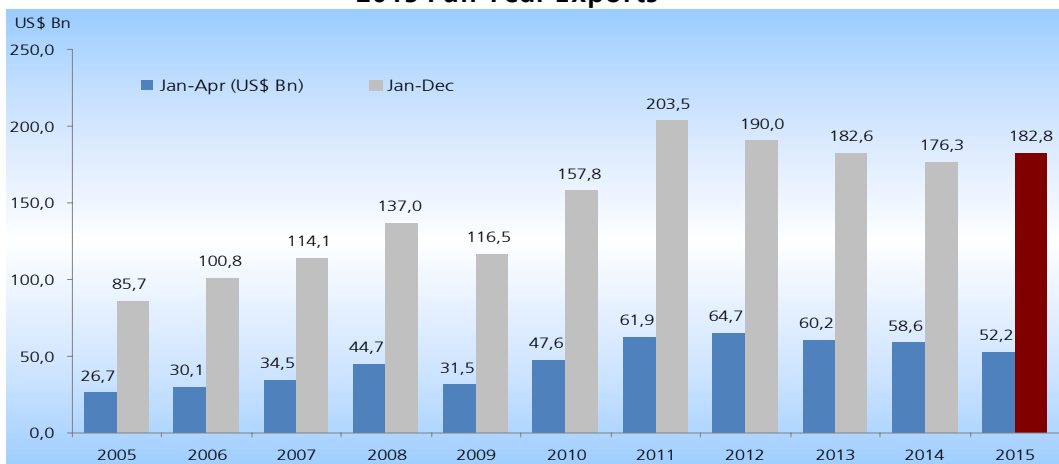
(62-21) 29555777/ 888 ext 3606  
handrit@danareksa.com

### Indonesia's Exports and Imports



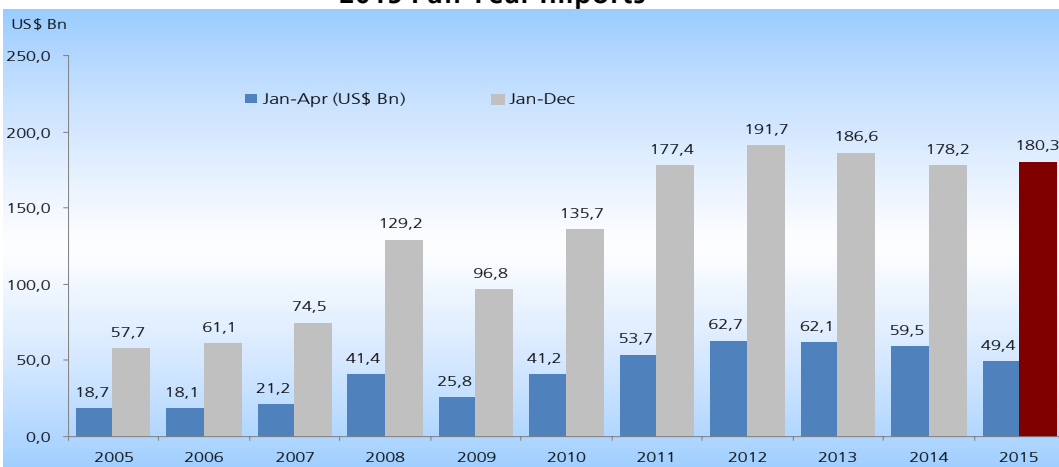
Source: BPS

### 2015 Full Year Exports

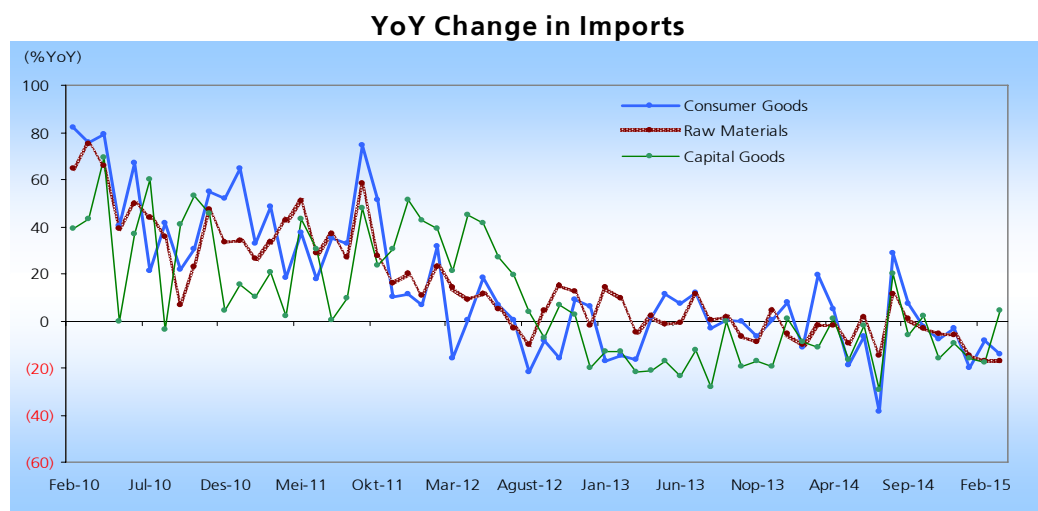


Source: BPS, Danareksa Research Institute

### 2015 Full Year Imports



Source: BPS, Danareksa Research Institute



Source: BPS

## May Outlook: Sluggish

Indonesia's trade performance remained under pressure in April 2015. Even though the foreign trade balance was in surplus, on an annual basis exports and imports were down 8.5 percent and 22.3 percent, respectively. Year-to-date, the cumulative trade surplus has reached US\$ 2.89 bn, significantly better than in the same period last year (deficit of US\$ 894.1 mn). The mixed economic outlook for Indonesia's major trading partners combined with weaker-than-expected demand indicates that Indonesia's exports will only grow at a moderate pace in the near term. With the prospect of sluggish imports in the short term, May's trade performance should remain stable.

## China

- The Coincident Economic Index (CEI) was flat in April at 275.9, following a 2.9 percent increase in March and a 0.7 percent decline in February. Meanwhile, China's Leading Economic Index (LEI) climbed 1.1 percent in April to 322.2, following a 0.5 percent increase in March and a 1.4 percent increase in February.
- On yearly comparison, China's consumer prices reached 1.2 percent in May, after posting 1.5 percent in April. Easing price pressure raising sign of weak China domestic demand.
- China's retail sales rose 0.74 percent MoM in April, higher than in March. However, compared to April 2014, the sales growth of retail goods and services slowed to 10 percent.
- The official China purchasing managers' index (PMI) rose to 50.2 in May from 50.1 in April, showing expansion in factory activity. The manufacturing sector saw brisker activity, driven by higher new export orders and production activity.
- After reducing the reserve requirement ratio, The People's Bank of China (PBOC) lowered the benchmark lending rate by 25 basis points to 5.1 percent, or the third reduction since November 2014. The central bank also reduced the one-year benchmark deposit rate by 25 basis points to 2.25 percent. Weakness in China's economy and low domestic price changes are the main reasons why the PBOC moved to ease its monetary policy.
- In view of the latest developments, we still expect Indonesia's exports to China to grow moderately over the near term.

## Japan

- Japan's CEI fell 0.1 percent in March to 98.3, after dropping 0.3 percent in February and increasing 0.5 percent in January. The LEI meanwhile fell 0.4 percent in March to 103.1. Based on revised data, this index remained unchanged in February and declined 0.1 percent in January. Both indicators point towards brisker economic activity in Japan in the near term.
- In the current release, Japan's GDP growth was revised sharply higher in the first quarter of 2015. Q1 2015 GDP rose an annualized 3.9 percent, above the preliminary reading of a 2.4 percent increase. On a quarter-on-quarter basis, the economy grew 1 percent, higher than the initial reading of 0.6 percent.
- Japan's Consumer Confidence Index was 0.2 points lower in April at 41.5, down from March's level of 41.7. Weaker sentiment toward income growth is inline with lower buying intentions for durable goods in the future.
- After sliding 1.8 percent in March, Japan's retail sales rose just 0.4 percent in April. From a year earlier, retail sales of goods and services jumped 5 percent.
- The core inflation rate increased 0.3 percent in April or less than the 2.2 percent increase in March. Inflation in April was at its lowest level since May 2013 due to the impact of last year's sales tax hike (high base year)
- The Markit/JMMA Flash Manufacturing Purchasing Managers' Index (PMI) rose from a revised 49.9 in April to 50.9 in May. The higher PMI reflects an improvement in output and new orders in Japan's manufacturing sector. Employment also expanded at a faster pace than in the previous month.
- Japan's core machinery orders rose 2.9 percent in March compared to the previous month, following a 1.4 percent drop in February. In January-March, the indicator rose 6.3 percent, indicating strong corporate capital spending in the next 6-9 months. The trend is still rising - a sign of steady business investment in the near future.
- Against this backdrop, Indonesia's exports to Japan are expected to remain stable going forward.

## The U.S.

- The Conference Board Leading Economic Index (LEI) for the U.S. rose 0.7 percent in April to 122.3, following a 0.4 percent increase in March, and a 0.2 percent decline in February. Furthermore, the Coincident Economic Index (CEI) for the U.S. strengthened 0.2 percent in April to 112.0 after a 0.1 percent decline in March, and a 0.2 percent increase in February. This data indicates that U.S. economic expansion remains on track.
- After falling in April, The Conference Board Consumer Confidence Index rebounded in May. The CCI rose to 95.4 in May from April's level of 94.3, fueled by improving household assessments of labor market conditions.
- On a monthly basis, the US inflation rate remained low. Consumer prices rose by 0.1 percent in April, less than the 0.2 percent increase in March. However, on a yearly comparison, prices slipped 0.2 percent, after 0.1 deflation in March, due to declining energy costs.

- Economic activity in the manufacturing sector continued to grow in May 2015. The US PMI rose to 52.8 from April's level of 51.5, mostly driven by growing new orders, production and stronger employment conditions.
- Given these findings, Indonesia's exports to the US are expected to be stable in the future.

## Indonesia

- Danareksa's CEI rose 0.17 percent MoM to 123.8 in April 2015. At the same time, the LEI posted an increase of 0.35 percent MoM to 133.3. In March, we have detected a P1 peak signal, indicating the Indonesian economy will slow down going forward.
- May's headline inflation reached 0.50 percent MoM, or translating into YoY inflation of 7.15 percent. Decreasing food crops production coupled with higher demand for foodstuff products ahead of the fasting month of Ramadan lifted consumer prices in May.
- Bank Indonesia maintained its BI rate at 7.50 percent, with the Deposit Facility rate and the Lending Facility rate unchanged at 5.50 percent and 8.00 percent, respectively, in its latest meeting. The outlook for higher inflation in the short term and BI's stated goal of improving the current account suggest that the benchmark rate could be kept at its current level.
- After appreciating 1.05 percent in April, the average rupiah exchange rate weakened by 1.27 percent MoM in May to Rp 13,115/USD.
- The commodity price index – which is a measure of the prices of Indonesia's major commodity exports – climbed 1.7 percent in May after falling 0.5 percent MoM in April. In May, average global oil prices declined slightly by 0.6 percent MoM.
- Against this backdrop, we expect Indonesia's imports to grow by a moderate pace over the near term.

All in all, we expect Indonesia's exports to reach US\$ 13.6 bn in May 2015, with imports reaching US\$ 12.5 bn. As a result, we foresee a trade surplus of US\$ 1.1 bn in May 2015.

## RESEARCH TEAM

**Damhuri Nasution**

Head of Economic Research  
damhuri@danareksa.com

**Asti Suwarni**

Analyst  
asti@danareksa.com

**Darwin Sitorus**

Economist / Database Officer  
darwin@danareksa.com

**Natalia Daisyana**

Research Assistant  
natalia@danareksa.com

**Rika Pantjawati**

Executive Secretary  
rikap@danareksa.com

**Pramayanti Meitisari**

Analyst  
pramayanti@danareksa.com

**Handri Thiono**

Junior Economist  
handrit@danareksa.com

**Yun Hariadi**

Analyst  
yunh@danareksa.com

**Martin Jenkins**

Editor  
martin@danareksa.com

**Danareksa Research Institute**

Danareksa Building  
Jl. Medan Merdeka Selatan 14  
Jakarta, 10110  
INDONESIA  
Tel : (62-21) 29555 777 / 888 (hunting)  
Fax : (62 21) 3501709

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