

June Outlook: Weaker Trade Activities

Forecast for June 2019

Exports	USD 11.9 bn
Imports	USD 11.5 bn
Trade Balance	USD 0.40 bn

Forecast for 2019

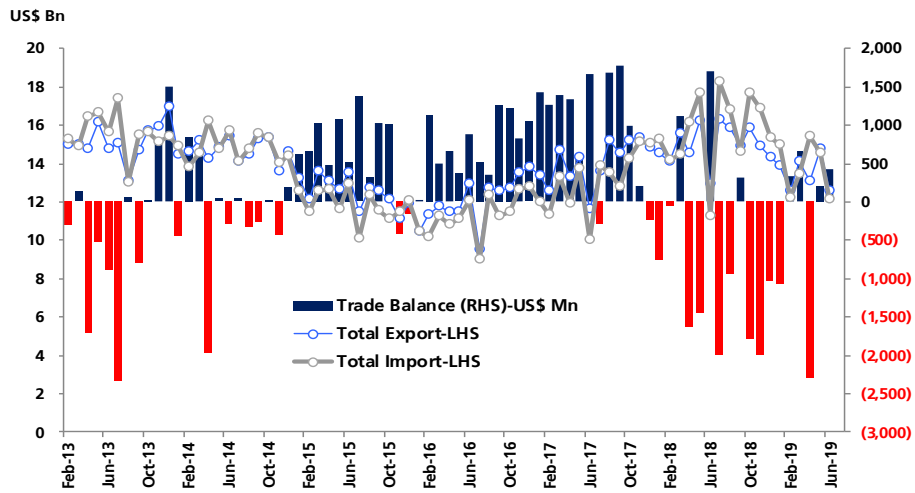
Exports	USD 205.7 bn
Imports	USD 216.3 bn
Trade Balance	USD (10.6) bn

- Further weakening of economic prospects, coupled with descending commodity export prices and seasonality, could cause June's exports to fall.** The latest economic releases show that the LEI of Indonesia's trading partners fell further. In April 2019, the composite LEI dipped by 3.8% mom following a 1.9% decline in the previous month. For Indonesia's major trading partners, the LEI for China and the U.S. contracted by 4.7% mom and 2.2% mom, respectively. In contrast, Japan's LEI rebounded slightly by 0.2% mom. These developments indicate slowing economic expansion, resulting in soft demand for exports going forward. At the same time, the manufacturing PMI of Indonesia's trading partners tended to stabilize at a low level (both output and new orders posted declines) while their industrial production growth was sluggish. Meanwhile, the average prices of Indonesia's major commodity exports declined in May (-7.9% mom), after growing by 0.3% mom in the previous month. As such, exports value may have come under pressure on the prices side. In regard to general prices, there was rising pressure in the consumer price index of Indonesia's trading partners. The indicator showed rising prices (from -0.8% mom to 0.2% mom). Moreover, fewer working days during the month of Idul Fitri festivities are likely to have affected export shipments to Indonesia's trading partners.
- Softer domestic demand, lower global oil prices, and seasonal events send a signal of lower imports.** On the consumer side, June's headline inflation reached 0.55% mom, easing from 0.68% mom in May. The milder pressure on prices was driven by easing foodstuff prices and deflation in transportation prices. Meanwhile, prices in the other CPI components still accelerated. While higher consumer spending during the Idul Fitri festivities pushed up prices, the monthly increase was less than in the previous few years. Domestic demand grew at a softer pace. In June, the average rupiah/USD exchange rate strengthened by 1.1% mom (+1.9% ytd), following 1.7% depreciation in the previous month. Meanwhile, after rallying in several months, the average prices in the global oil basket fell 13.3% mom in May. Corresponding to the seasonal pattern, Indonesia's imports also tend to be lower in the Lebaran month. This combination should squeeze the value of imports in June.
- Against this backdrop, we expect Indonesia's exports to reach USD 11.9 bn (-7.9% yoy) in June 2019, with imports reaching USD 11.5 bn (+2.5% yoy). This will translate into a June 2019 trade surplus of USD 0.40 bn.

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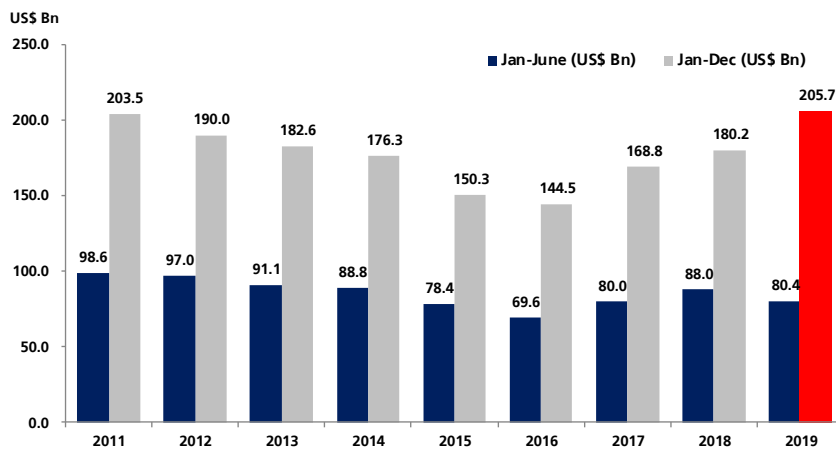
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Graph 1. Indonesia's Exports and Imports



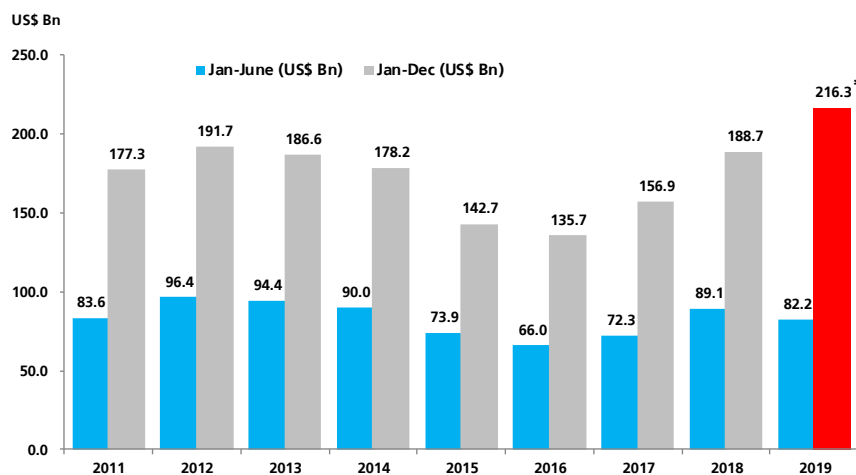
Source: BPS, Danareksa Research Institute

Graph 2. Exports Performance



Source: BPS, Danareksa Research Institute

Graph 3. Imports Performance



Source: BPS, Danareksa Research Institute

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