

December Update: A Small Deficit

Forecast for 2020

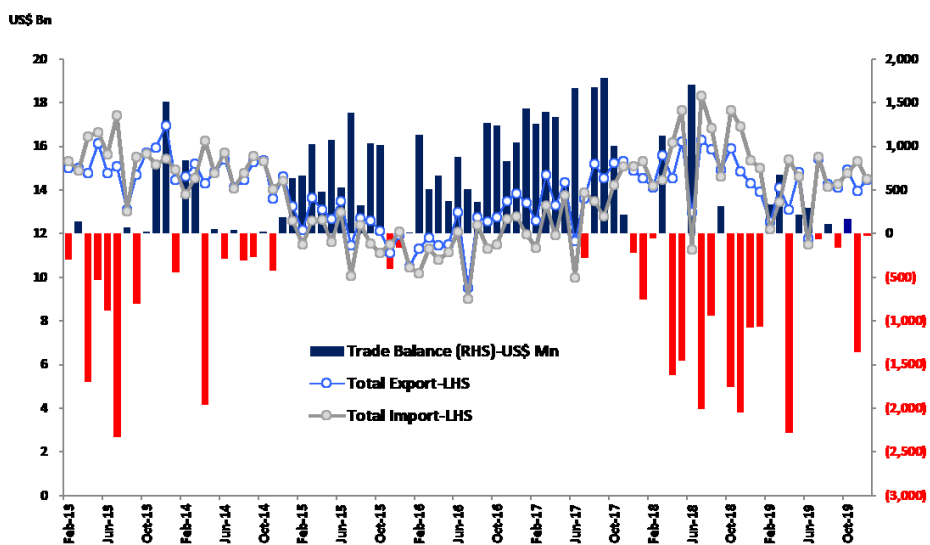
Exports	USD 173.5 bn
Imports	USD 176.1 bn
Trade Balance	USD (2.59) bn

- In December 2019, Indonesia recorded a small trade deficit of USD 28.2 mn. This is much lower than the previous month's deficit of USD 1.33 bn. The improvement owed to both an increase in exports and a decline in monthly imports. In December 2019, exports rose to USD 14.47 bn (+3.5% mom, + 1.0% yoy), while imports fell to USD 14.50 bn (-5.2% mom, -5.6% yoy). December's trade deficit is below the median consensus of a USD 0.44 bn deficit and our projection of a USD 0.58 bn deficit. In the January - December period, Indonesia's trade deficit reached USD 3.19 bn, or below 2018's deficit of USD 8.69 bn.
- The monthly increase in Indonesia's exports in December owed to an increase in non-oil and gas exports (+3.10% mom) and higher oil and gas exports (+12.09% mom). While the average prices of Indonesian exports increased (+4.08% mom, -4.19% yoy), export volumes decreased (-0.30% mom, +5.71% yoy). By product type, the largest increases in commodity exports in December 2019 were for animal / vegetable fats and oils (HS 15), while export of mineral fuel (HS 27) and vehicles and parts (HS 87) are dropped. By destination country, the value of Indonesia's non-oil and gas exports to China, Japan and the US changed by -4.19%, +4.69% and +13.00% mom respectively. Indonesia's non-oil and gas exports in 2019 to the three main destination countries had an increased role compared to 2018 (36.70% vs 38.70%), but the increase was slight due to the effects of trade war between the US and China. Indonesia's exports during the January-December 2019 period decreased (-6.94% yoy) compared to the same period in 2018 because of the slowdown of global economy due to global uncertainty.
- The decline in imports in December was driven by lower oil and gas imports (-5.47% mom) and lower non-oil and gas imports (-6.35% mom). Import volumes decreased (-11.88% mom, -2.86% yoy), while average prices rose (+7.27% mom, -2.84% yoy). By product type, a decline in non oil and gas imports was seen in the categories of mechanical machinery (HS 84), machinery and electrical equipment (HS 85), iron and steel (HS 72). Meanwhile, imports of sugar and fruit posted the largest increases. By country of origin, the imports of non oil and gas products from China, Japan and Thailand decreased (-2.95%, -12.01% and -13.25% mom). In the January – December 2019 period, Indonesia's import decreased (-9.53% yoy) compared to the same period in 2018 because of the slowdown of Indonesian economy.
- In December, imports of all categories of goods decreased on a monthly comparison: imports of consumption goods (-22.00% mom), raw materials (-6.83% mom) and capital goods (-2.16% mom). In January - December 2019, raw materials accounted for 73.75% of the total non oil and gas imports, followed by capital goods (16.64%) and consumption goods (9.61%). A sharp decrease in raw materials and capital goods (-11.05% and -5.13% respectively) will result in slower economic growth in near future.

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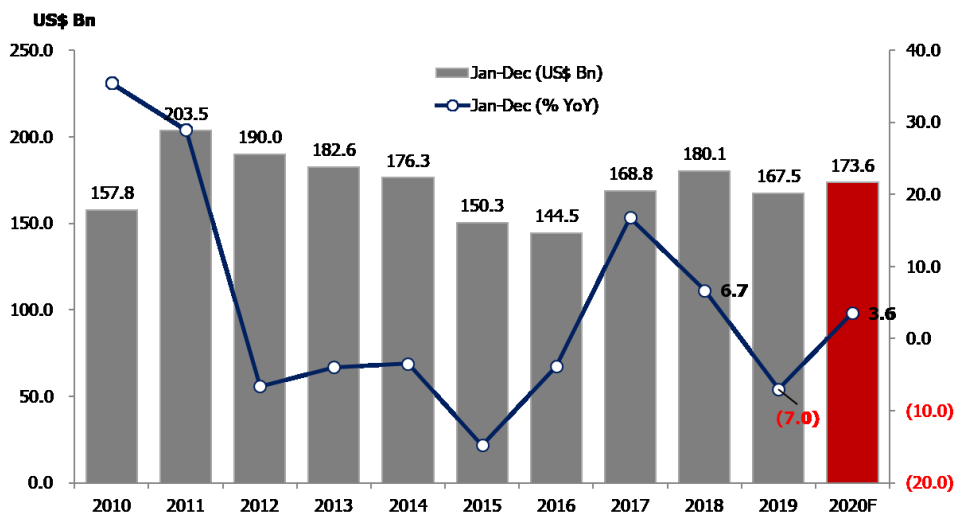
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Graph 1. Indonesia's Exports and Imports



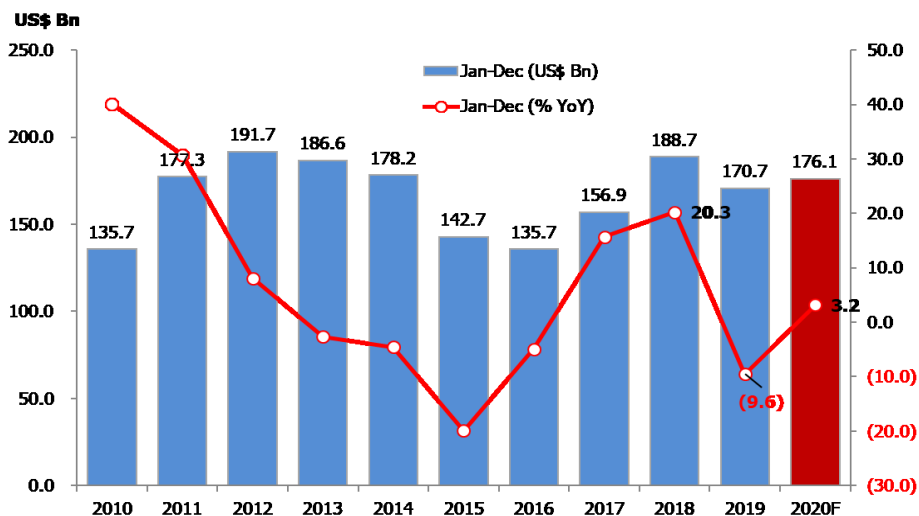
Source: BPS

Graph 2. Exports Performance



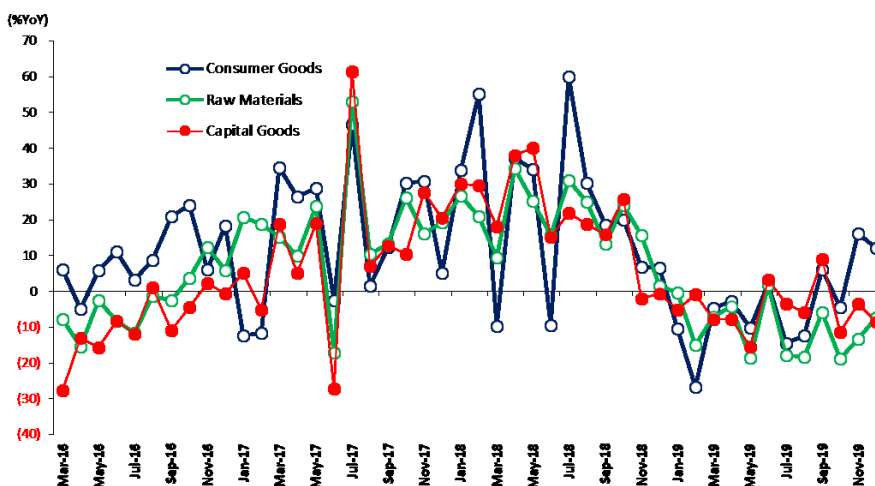
Source: BPS, Danareksa Research Institute

Graph 3. Imports Performance



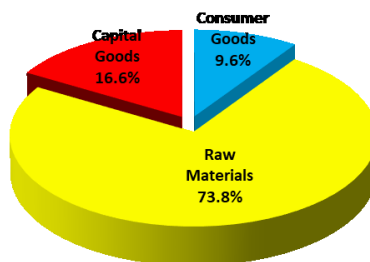
Source: BPS, Danareksa Research Institute

Graph 4. YoY Change in Imports



Source: BPS

Graph 5. Imports Share by Type of Use (Jan-Dec'19)



Source: BPS

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