

May Update: Decline in Import as a Signal of Economic Slowdown

Forecast for 2020

Exports	USD 173.5 bn
Imports	USD 176.1 bn
Trade Balance	USD (5.59) bn

- In contrast to the USD 0.37 bn deficit in April 2020, Indonesia recorded a large trade surplus of USD 2.09 bn in May 2020. May's surplus was also higher than our estimate of a USD 0.49 bn surplus and the median consensus of a USD 0.62 bn surplus. However, the surplus in May is not very encouraging as both exports and imports declined. Exports in May 2020 fell to USD 10.53 bn (-13.40% mom, -28.95% yoy), or similar to our estimate. At the same time, imports surprisingly declined to USD 8.44 bn (-32.65% mom, -42.20% yoy). The surplus in May 2020 is worthy of attention as it signals a weakening economy marked by a decline in exports and imports, especially a decline in imports of raw materials and capital goods. During January - May 2020, the trade balance recorded a surplus of USD 4.32 bn.
- Indonesia's exports fell in May 2020 on the back of lower oil and gas exports of USD 652.1 mn (15.64% mom, -42.64% yoy) and lower non oil and gas exports of USD 9,881.7 mn (-14.81% mom, -27.81% yoy). In volume terms, Indonesia's exports in May 2020 were down by -6.07% mom compared to the previous month due to lower volumes of non-oil and gas exports (-7.16% mom). By contrast, volumes of oil and gas exports increased by 18.43%. The aggregate average prices of exported goods decreased in May 2020 (-7.80% mom, -3.23% yoy). By product type, the shipments of Indonesia's top non oil and gas exports fell including exports of animal/ vegetable fats and oil (HS 15), mineral fuel (HS 27), precious metals and jewelry (HS 71), rubber (HS 40), and footwear (HS 64). By contrast, there was a significant increase in shipments of iron and steel (HS 72). By destination country, the value of Indonesia's non oil and gas exports to China edged up by 0.37% mom, while exports to the U.S. and Japan fell further (-15.93% mom and -20.67% mom). Exports in May 2020 were the lowest since July 2019, driven by economic weakness in destination countries and restrictions on social activities due to the Covid-19 outbreak.
- Imports fell sharply in May 2020, driven by lower oil and gas imports (-23.04% mom, -69.87% yoy) and lower non-oil and gas imports (-33.46% mom, -37.34% mom). Total import volumes decreased (-32.99% mom), while average prices increased (+0.50% mom). By product type, lower non oil and gas imports were seen in the categories of machinery and mechanical equipment (HS 84), electrical machinery and equipment (HS 85), iron and steel (HS 72), plastic and plastic goods (HS 39), and organic chemicals (HS 29). By country of origin, imports of non oil and gas products from China, Japan and Thailand all declined (-37.68% mom, -55.46% mom and -47.24% mom). The decline in imports was the result of falling domestic demand and interruptions in the production process due to large-scale social restrictions due to the Covid-19 outbreak
- In May 2020, the imports of consumption goods, raw materials and capital goods all declined (-23.08% mom, -34.66% mom and -29.01% mom, respectively). The declining imports of capital goods and raw materials sends a signal of potential economic slowdown in the near future with domestic manufacturing activities set to weaken.

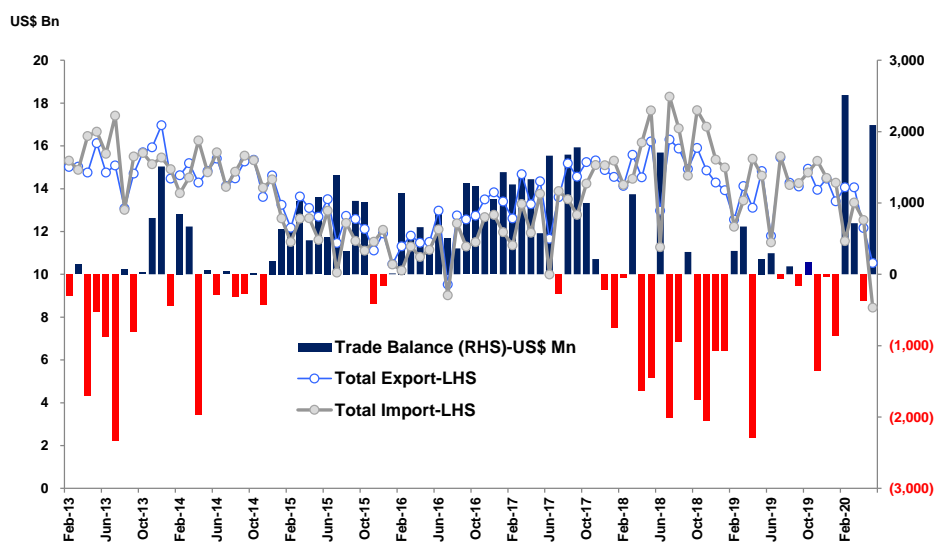
Moekti P. Soejachmoen, PhD

Head of Economic Research
 (62-21) 29555777/888 ext 3600
 moekti.prasetiani@danareksa.co.id

Sella F. Anindita

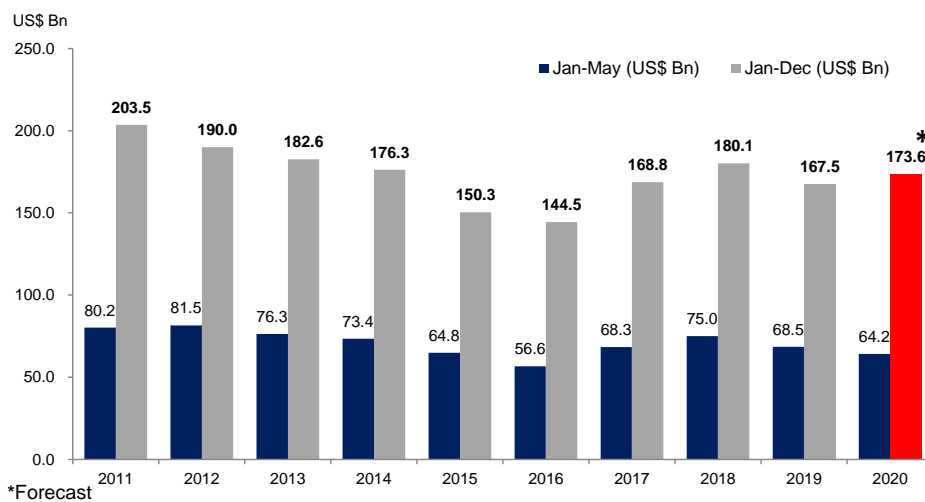
Research Specialist
 (62-21) 29555777/888 ext 3604
 sella.anindita@danareksa.co.id

Graph 1. Indonesia's Exports and Imports



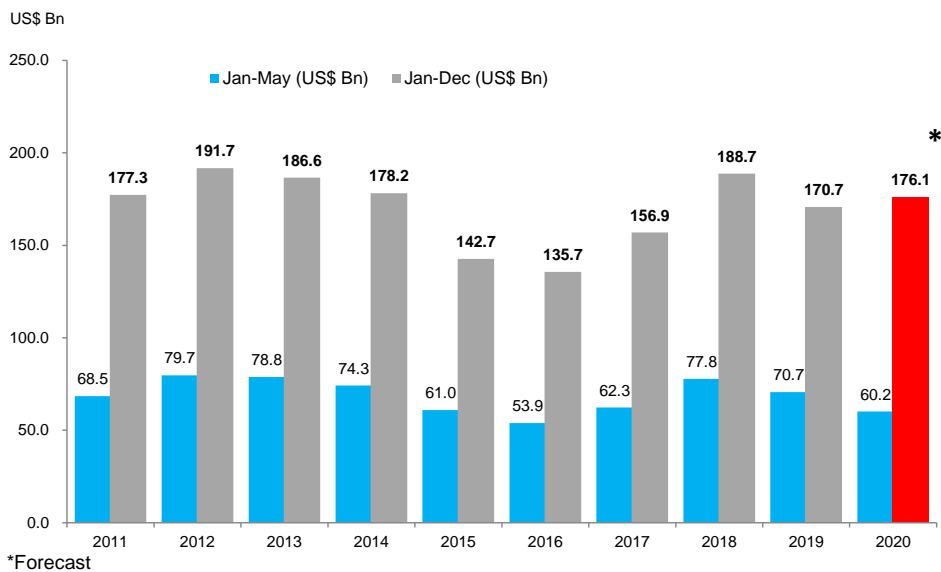
Source: BPS

Graph 2. Exports Performance



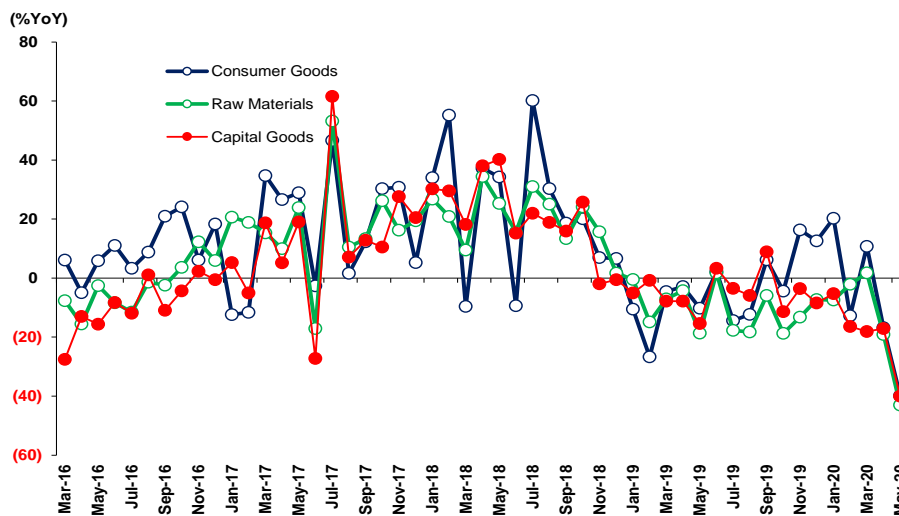
Source: BPS, Danareksa Research Institute

Graph 3. Imports Performance



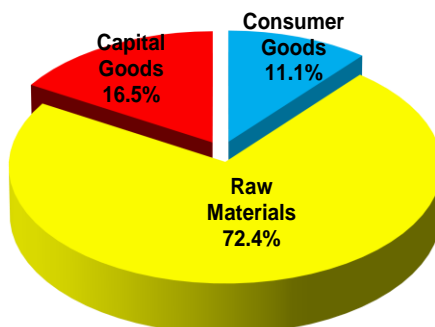
Source: BPS, Danareksa Research Institute

Graph 4. YoY Change in Imports



Source: BPS

Graph 5. Imports Share by Type of Use (May 2020)



Source: BPS

RESEARCH TEAM

Moekti P. Soejachmoen, PhD
Head of Economic Research
moekti.prasetiani@danareksa.co.id

Sella F. Anindita
Research Specialist
sella.anindita@danareksa.co.id

Martin Jenkins
Editor
martin@danareksa.co.id

Danareksa Research Institute

Plaza BP Jamsostek Lt 10
Jl. HR Rasuna Said Kav. 112 Blok B
Jakarta, 12910
INDONESIA
Tel : (62-21) 29555 777 / 888 (hunung)
Fax : (62 21) 3501709

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