

October Update: Imports Fall Sharply

Forecast for 2020

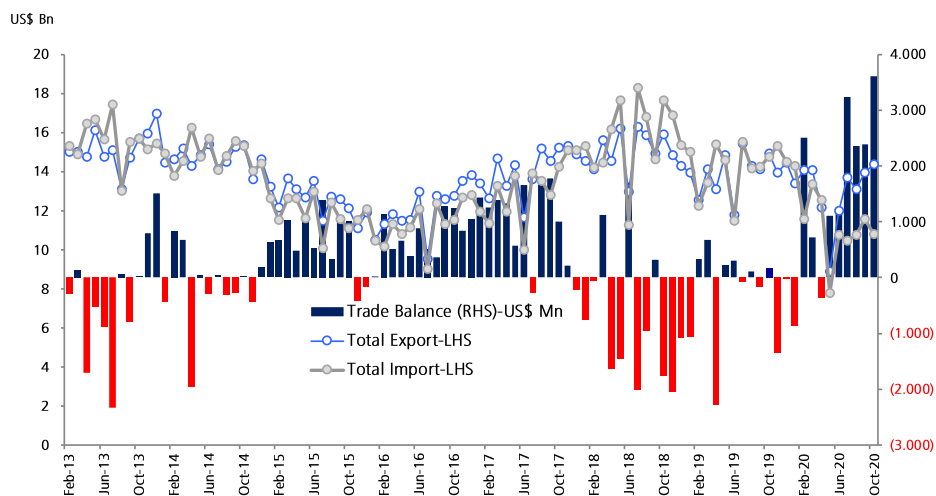
Exports	USD 152.21 bn
Imports	USD 138.60 bn
Trade Balance	USD 13.61 bn

- Indonesia's larger trade surplus in October reflects a sharp fall in imports.** In October 2020, Indonesia recorded a USD 3.61 bn trade surplus, higher than in the previous month (a USD 2.39 bn surplus) and in October 2019 (a USD 0.17 bn surplus). The trade surplus in October 2020 is higher than the median consensus of a USD 2.23 bn surplus and our estimate of a USD 2.20 bn surplus. The improvement in exports performance was driven by higher trade volume. By contrast, however, imports declined, especially imports of raw materials and capital goods which must be closely monitored because of the impact on domestic industrial production activities. Exports in October 2020 increased to USD 14.39 bn (+3.1% mom, -3.6% yoy). By contrast, imports decreased to USD 10.79 bn (-6.8% mom, -26.9% yoy). The trade balance has shown a surplus for six consecutive months since May 2020, and in the period January - October 2020 the trade surplus reached USD 17.07 bn.
- The increase in exports reflects higher trade volumes.** On a monthly basis the value of Indonesian exports increased mainly from higher non-oil and gas exports - indicating an increase in global demand amid improving manufacturing indicators in partner countries. The PMIs of Indonesia's major trading partners rose and were in the expansion zone except for Japan's PMI amid the increasing number of daily cases of Covid-19. The higher exports reflect higher trade volumes (+7.58% mom, -23.02% yoy) while the average prices of exports decreased (-4.17% mom, +25.63% yoy). In October 2020, non-oil and gas exports rose to USD 13.76 bn (+3.54% mom, -1.84% yoy) while oil and gas exports fell to USD 0.62 bn (-5.94% mom, -26.89% yoy). By product type, the shipments of Indonesia's top non-oil and gas exports increased including exports of animal/ vegetable fats and oil (HS 15), mineral fuel (HS 27) and footwear (HS 64). By destination country, the value of Indonesia's non-oil and gas exports to China and Japan both increased (+8.94% mom and +0.33% mom). By contrast, exports to the US declined (-2.94%).
- Imports declined on lower trade volumes.** Indonesia's manufacturing sector index rose slightly but remained in the contraction zone. In October 2020, Indonesia's PMI stood at 47.80 or up from 47.20 in the previous month. This reflects a limited improvement in manufacturing sector conditions. Production volume contracted in October while new orders fell albeit at a slower pace. The fall in monthly imports was driven by lower non-oil and gas imports of USD 9.70 bn (-6.65% mom, -25.36% yoy) and lower oil and gas imports of USD 1.07 bn (-8.03% mom, -38.54% yoy). The lower imports reflect lower trade volumes (-6.02% mom, -11.01% yoy) and lower import average prices (-0.82% mom, -17.89% yoy). By product type, lower non-oil and gas imports were seen in the categories of electrical machinery and equipment (HS 85), plastic and plastic goods (HS 39), and in the food industry (HS 23). By country of origin, imports of non-oil and gas products from China and Japan both declined (-20.22% mom and -4.69% mom). By contrast, imps from Singapore increased (+14.14%).
- In October 2020, the imports of capital goods, raw materials and consumption goods all decreased (-13.33% mom, -5.00% mom, and -7.58% mom, respectively). During January - October there was still a decline in imports of raw materials and capital goods when compared to the same period in the previous year, indicating that the industrial sector in Indonesia has not yet fully recovered. Also, the lower imports of consumer goods still indicates that the people's purchasing power remains weak amid the distribution of the government's social assistance in relation to the covid-19 pandemic.

Moekti P. Soejachmoen, PhD
 Chief Economist
 (62-21) 29555777/888 ext 3600
 moekti.prasetiani@danareksa.co.id

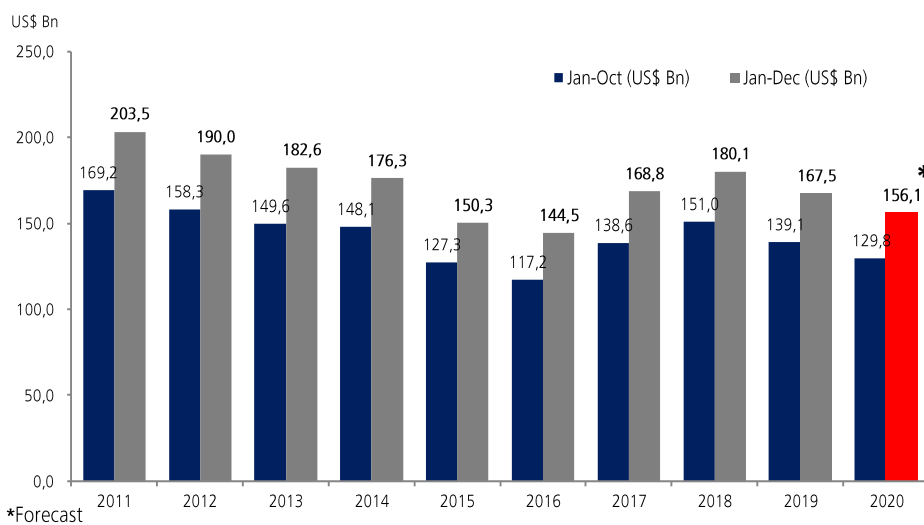
Sella F. Anindita
 Research Specialist
 (62-21) 29555777/888 ext 3604
 sell.a.anindita@danareksa.co.id

Graph 1. Indonesia's Exports and Imports



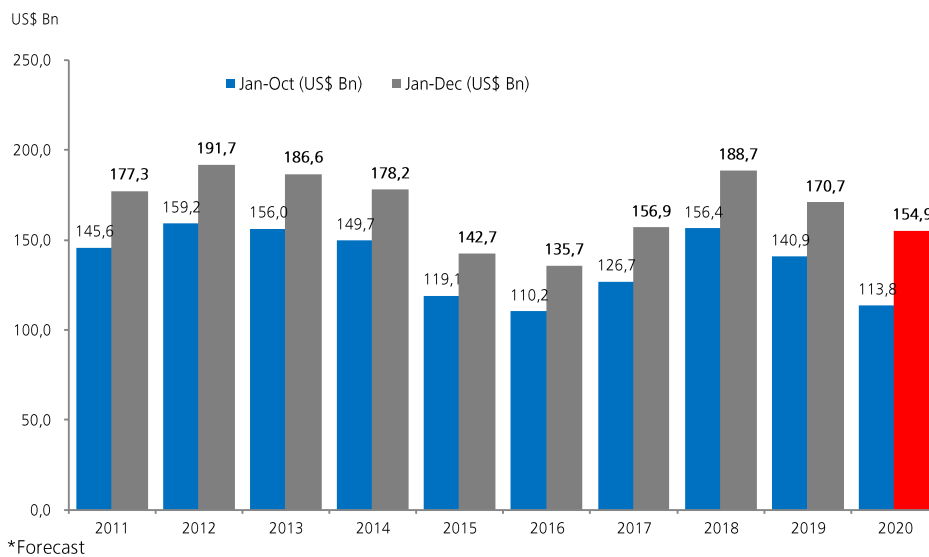
Source: BPS

Graph 2. Exports Performance



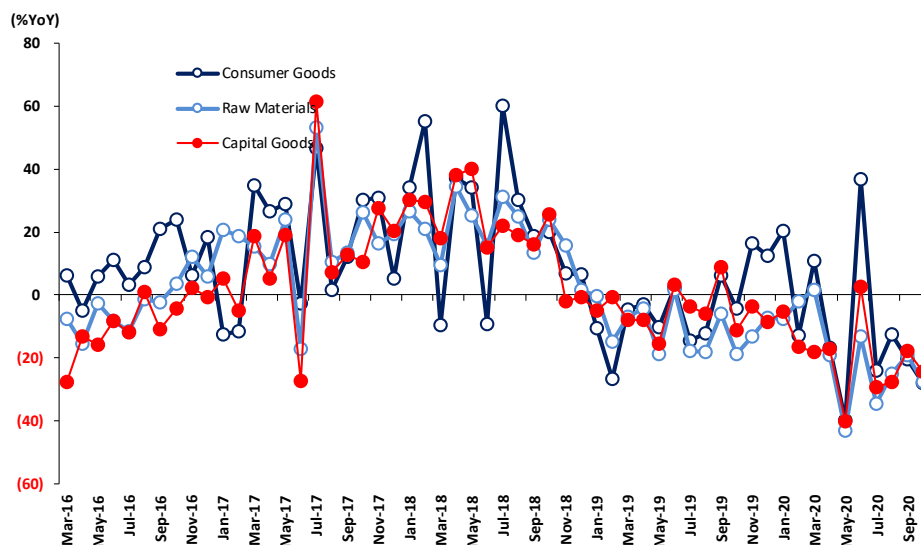
Source: BPS, Danareksa Research Institute

Graph 3. Imports Performance



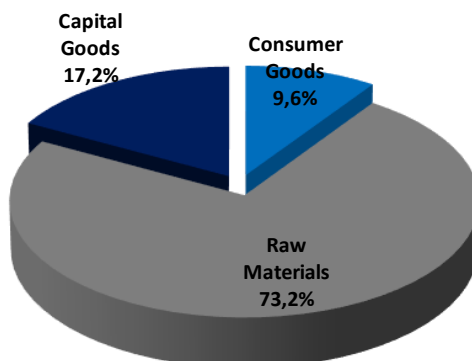
Source: BPS, Danareksa Research Institute

Graph 4. YoY Change in Imports



Source: BPS

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



Source: BPS

RESEARCH TEAM

Moekti P. Soejachmoen, PhD
Chief Economist
moekti.prasetiani@danareksa.co.id

M. Ikbal Iskandar
Senior Researcher
sella.anindita@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 (hunting)
Fax : (62 21) 3501709

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