

Indonesia

Second Record Trade Deficit In May

- ◆ Total exports for May were higher at 12.5% YoY (April: 9.6%), while total imports remained high at 28.1% YoY (April: 35.2%);
- ◆ Export performance was due to oil & gas, as well as non-oil & gas-related, while imports of capital goods recorded strong growth;
- ◆ As a result, trade balance recorded a deficit of USD1.5bn, a second consecutive month of record contractions.

Exports recorded a higher growth of 12.5% YoY in May (April: 9.6%), led by stronger growth in oil & gas, as well as non-oil & gas-related exports.

Oil related exports grew 21.5% in May (April: 17.8%), while non-oil related exports grew by 11.6% (April: 8.9%).

For non-oil & gas exports, support came from the growth in the exporting of machinery, minerals, iron, and textile products.

Meanwhile, imports grew at 28.1% YoY (April: 35.2%). Oil & gas imports recorded a growth of 57.2% (April: 41.4%), while non-oil imports posted a lower growth of 23.8% (April: 34.3%).

Imports of capital goods led the growth in May, posting a growth of 43.4% (April: 41.4%). This was as the imports of machinery and electrical goods rose during the month.

Moving forward, we envisage the exports of goods and services to grow by a healthy 10% in 2018, supported by a weaker IDR.

Meanwhile, the current account deficit is expected to widen in 2Q18. May's trade data shows a second month of trade deficits – at USD1.5bn – from a deficit of USD1.6bn in April. This was a 4-year record low.

Economist

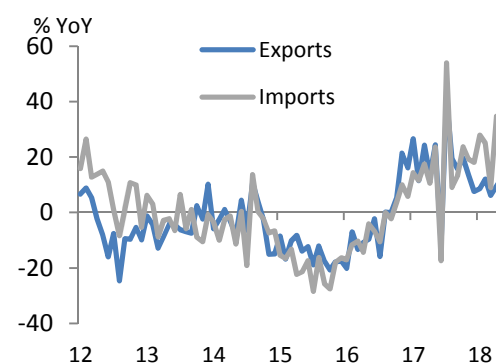
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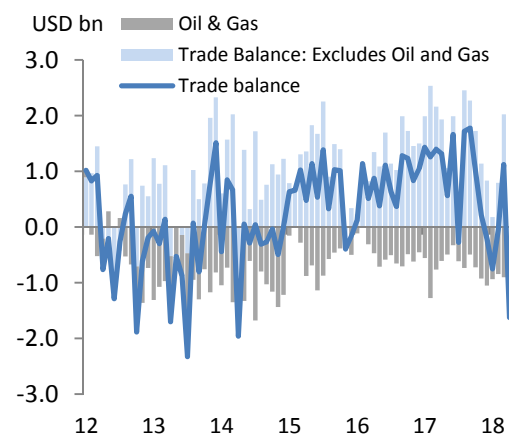


Imports continue to grow



Source: Statistics Indonesia (BPS), RHB

Trade balance posts second month of deficits



Source: BPS, RHB

Key indicators

% YoY	2016	2017	Jan-18	Feb-18	Mar-18	Apr-18	May-18
Total Exports	-3.4	16.3	8.6	12.0	6.2	9.6	12.5
Non-Oil & Gas	0.2	15.9	9.1	11.6	8.2	8.9	11.6
Oil & Gas	-29.4	20.1	4.1	16.1	-11.5	17.8	21.5
Total Imports	-4.9	15.7	27.9	24.9	8.9	35.2	28.1
Non-Oil & Gas	-1.0	13.4	28.7	34.6	11.1	34.3	23.8
Oil & Gas	-23.9	29.8	23.6	-9.6	-1.7	41.4	57.2
Trade Balance (USD bn)	9.5	11.9	-0.8	-0.1	1.1	-1.6	-1.5

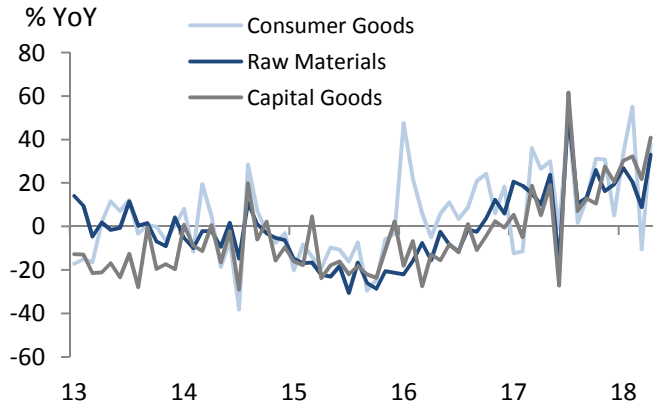
Source: BPS, RHB

Figure 1: Exports were supported by machinery and minerals; imports by capital oriented goods

Selected exports products	Value USDm	Change May (% YoY)	Share (%)	Selected imports products	Value USDm	Change January-May (% YoY)	Share (%)
Animal or veg. fats and oils	1,583.5	-2.5	12.3	Machine and mechanical tools	2 534.8	32.0	16.8
Electric machine/tools	779.6	14.8	5.2	Machine and electrical tools	1 979.4	28.2	13.5
Rubber and goods from rubber	584.2	-3.6	4.2	Iron and steel	921.4	39.3	6.5
Jewelry/gems	434.9	-16.8	4.0	Vehicles and part of vehicles	645.5	29.1	5.2
Ores, crust, and metal ash	571.6	20.6	3.5	Cereals	396.4	29.3	2.2
Iron and steel	530.2	45.7	3.2	Sugar and confectionery	295.1	-15.4	1.3
Knit goods	399.3	38.1	2.4	Planes and part of planes	41.8	95.2	0.9
Wood pulp	188.0	-16.1	1.6	Ship and floating building	162.8	-7.6	0.8
Lead	265.9	200.7	1.0	Coffee, tea, and spices	29.5	123.2	0.4
Ship	4.2	-71.4	0.1	Vegetables	69.4	-23.1	0.4

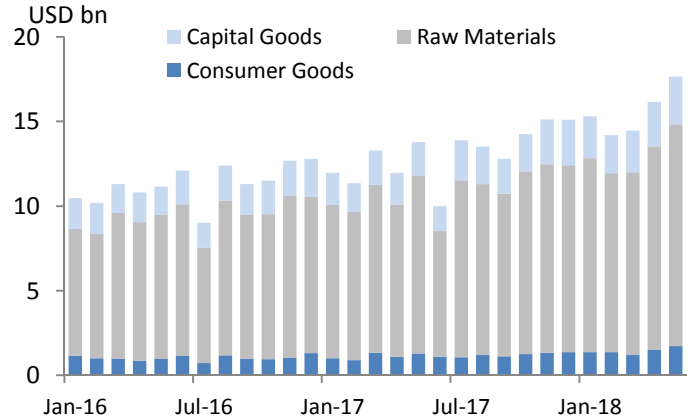
Source: BPS, RHB

Figure 2: Capital imports lead the growth in May



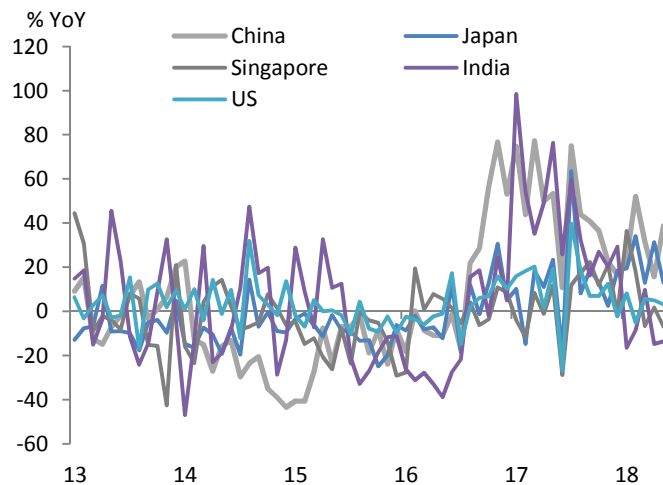
Source: BPS, RHB

Figure 3: Raw materials still make up the majority of imports



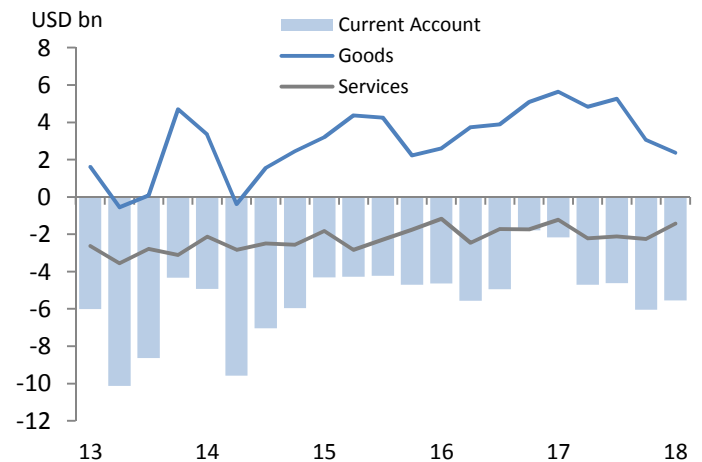
Source: BPS, RHB

Figure 4: Exports to major trading partners supported by growth to China



Source: BPS, RHB

Figure 5: Current account deficit may widen further in 2Q18



Source: BPS, RHB

Figure 6: Regional economic indicators

ASEAN & CHINA ECONOMIC INDICATORS																
Country	GDP growth (%)				Inflation (%)				Policy rate (end period,%)				Exchange rate (end period, vs. USD)			
	2016	2017	2018F	2019F	2016	2017	2018F	2019F	2016	2017	2018F	2019F	2016	2017	2018F	2019F
Indonesia	5.0	5.1	5.3	5.5	3.5	3.8	3.5	3.5	4.75	4.25	5.00	5.00	13540	13588	14400	14500
Malaysia	4.2	5.9	5.2	5.0	2.1	3.7	1.9	2.5	3.00	3.00	3.50	3.75	4.49	4.06	3.98	4.00
Philippines	6.8	6.7	6.5	6.6	1.8	3.2	4.0	3.5	3.00	3.00	3.50	3.50	49.62	49.83	49.79	50.00
Singapore	2.4	3.6	3.0	2.8	-0.5	0.6	1.6	1.6	-	-	-	-	1.45	1.34	1.33	1.34
Thailand	3.2	3.9	4.2	3.7	0.2	0.7	1.2	1.4	1.50	1.50	1.50	1.50	35.85	32.57	32.20	32.50
Vietnam*	6.2	6.8	6.3	6.2	2.7	3.5	3.4	3.6	6.50	6.00	6.00	6.00	22770	22709	22700	22700
China**	6.7	6.9	6.6	6.4	2.0	1.6	2.5	2.6	4.35	4.35	4.35	4.35	6.95	6.51	6.45	6.50

*prime rate; **1-yr lending rate

Country	Exports growth (%)				Imports growth (%)				Industrial Production growth (%)				Unemployment rate (% labour force)			
	2016	2017	2018F	2019F	2016	2017	2018F	2019F	2016	2017	2018F	2019F	2016	2017	2018F	2019F
Indonesia	-3.9	16.2	10.0	11.0	-4.9	15.6	11.0	12.0	5.0	5.1	5.3	5.6	5.6	5.5	5.4	5.3
Malaysia	1.1	18.9	6.5	4.7	1.9	19.9	6.2	5.1	3.8	5.2	4.5	3.8	3.5	3.4	3.3	3.2
Philippines	-2.4	9.5	8.0	9.0	18.3	10.2	9.0	10.0	6.4	6.2	3.6	6.2	5.5	5.7	5.6	5.5
Singapore	-4.4	8.5	6.7	5.2	-4.2	10.6	10.9	6.5	3.7	10.1	7.6	5.0	2.2	2.1	2.0	2.0
Thailand	0.5	9.9	7.0	5.4	-3.9	14.7	8.6	6.1	1.6	1.6	2.9	2.0	0.9	1.0	0.9	0.9
Vietnam	9.2	21.4	9.5	9.1	5.6	21.4	8.7	8.2	6.9	10.0	8.1	7.8	3.3	3.5	3.6	3.1
China	1.8	6.8	5.2	5.0	3.8	7.3	5.6	5.5	6.1	6.5	5.5	5.2	4.1	4.1	4.1	4.2

Country	Fiscal Balance (% GDP)				Current Acc. (% GDP)				Forex Reserves (USD bn)				External Debt (USD bn)			
	2016	2017	2018F	2019F	2016	2017	2018F	2019F	2016	2017	2018	2019F	2016	2017E	2018F	2019F
Indonesia	-2.5	-2.5	-2.7	-2.5	-1.8	-1.7	-1.9	-2.0	116	130	137	142	320	353	380	400
Malaysia	-3.1	-3.0	-2.8	-2.7	2.4	3.0	2.7	2.9	95	102	114	112	201	213	222	231
Philippines	-2.4	-2.2	-2.8	-2.8	-0.4	-0.8	-1.0	-0.7	81	82	83	83	75	73	71	70
Singapore	1.3	0.5	0.8	0.2	19.0	18.8	17.8	16.7	247	280	265	312	-	-	-	-
Thailand	-2.6	-1.8	-2.9	-3.0	11.4	10.8	7.7	6.9	172	203	208	227	152	155	159	164
Vietnam	-5.0	-5.3	-5.2	-4.8	2.7	1.9	2.1	2.2	43	40	45	49	76	79	83	84
China	-3.5	-3.6	-3.3	-2.6	1.8	1.3	1.1	1.3	3010	3140	3000	3000	1400	1450	1400	1380

Country	Deposit Growth (%)				Loan Growth (%)				L/D Ratio (%)				Money Supply* (%)			
	2016	2017	2018F	2019F	2016	2017	2018F	2019F	2016	2017	2018F	2019F	2016	2017	2018F	2019F
Indonesia	9.6	8.3	9.9	11.0	7.8	10.0	12.8	12.0	92.7	91.9	94.3	93.5	10.0	11.0	12.4	12.4
Malaysia	1.5	5.7	4.6	5.0	5.3	4.1	5.2	5.5	89.8	90.5	90.9	92.2	3.0	4.7	5.0	5.2
Philippines	14.3	11.9	11.8	12.0	16.1	18.1	18.0	18.5	70.7	74.1	74.1	78.7	12.8	11.9	10.0	11.0
Singapore	2.7	3.2	5.4	5.0	0.5	8.0	5.8	5.2	107.9	104.5	104.9	105.0	8.1	4.1	4.5	4.2
Thailand	3.8	4.1	5.3	5.0	3.6	4.1	5.1	4.8	93.3	93.1	92.9	93.0	4.2	5.2	5.3	5.0
Vietnam	15.0	10.0	11.2	10.8	18.0	15.0	13.5	12.9	79.6	81.0	83.0	83.5	16.0	17.0	18.0	17.2
China	11.0	10.7	9.6	8.5	13.5	12.1	10.5	9.5	70.8	71.7	72.2	73.0	11.3	8.2	8.0	7.5

Note: As at 30 May 2018

Note 2: *M2 is used for all countries except for Thailand M1 is used and Philippines M3 is used instead.

Note 3: **Starting 3 Jun 2016, the Philippines' policy rate was changed to purely Bangko Sentral ng Pilipinas' overnight reverse repurchase (RRP) facility at 3%

Source: International Monetary Fund (IMF), Oxford Economics, Various central banks, RHB

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