

Indonesia May trade updates

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May trade figures: Unexciting surplus

Exports: Further declined 15.24% y-y and 4.11% m-m

- **Exports dropped 15.24% y-y, on lower oil and gas exports:** Worse than market estimates, May exports declined 15.24% y-y and 4.11% m-m to USD12.6bn. This follows a decline of 8.32% y-y for April, mainly due to continued weak global demand and lower oil prices, which resulted in decreased oil & gas exports, down 42% y-y (April: -45% y-y).
- **Non-oil & gas exports also down, at slower pace of 10.1% y-y:** On the non-oil & gas side, May figures remained subdued but relatively better compared to oil and gas exports and only decreased 10.1% y-y and 3.9% m-m to USD11.2bn, due to slower exports for mineral products (-15.7% m-m), vehicles (-10.8% m-m) and rubber (-10.1% m-m).

Imports: Decelerated to USD12.6bn, signaling weak domestic demand

- **May imports declined 21.4% y-y, on lower oil prices:** Worse than the street's estimates, May imports continued to decline 21.4% y-y and 8.1% m-m, mainly on continued IDR weakness and lower oil prices which led aggregate average prices of Indonesian imports dipping 16% y-y to USD1,015/ton in May 2015 (May 2014: USD1,211/ton).
- **Lower raw materials imports, suggesting weak domestic demand:** Despite the upcoming Ramadhan & Lebaran festivities and expected pick-up of government projects in 2Q15, both consumer goods and raw materials imports have continued to fall 14.5% y-y and 18.9% respectively (Exhibit 3). In addition, May imports (2 months prior to Lebaran) decreased 8.05% m-m and 21.40% m-m, different from previous trends in the last 5 years when imports accelerated 2 months prior to Lebaran (Exhibit 4). Thus, we think this suggests continued weak domestic demand and slow economic growth with our revised-down 2015F GDP growth of 5.02% y-y remaining intact.

5M15 trade balance: Surplus up to USD3.86bn

Trade figures were much better than the street's estimates with May trade balance having booked a surplus of USD955m (April: USD477m), bringing the 5M15 trade surplus to USD3.86bn (5M14: -USD0.84bn), the highest Jan-May surplus since 2012, mainly caused by lower oil & gas imports (Exhibit 6).

1H15F trade figures: To remain in surplus and improve 2Q15 CAD

Looking ahead, we expect the foreign trade balance to remain in surplus for 1H15, but expect the June import figure to start to accelerate on higher raw materials and capital goods demand for several sizable government projects starting in 2Q15. On the flip side, we expect exports to remain sluggish amid continued low commodity prices and weak global economies. Additionally, this improved trade balance should help to improve 2Q15 current account deficit (CAD), which we estimate to reach 3.2% of GDP (2Q14: 4.27% of GDP), before improving to 2.3% by the end of 2015. However, we believe this expected improvement in 2Q15 CAD is not sufficient for the Central Bank to cut its 7.50% policy rate due to expected higher inflation in the medium term, continued IDR weakness and future Fed rate hikes.

Exhibit 1. Macroeconomic forecasts

	2014A	2015F	2016F
Cur acc bal (%GDP)	(3.0)	(2.3)	(2.5)
Fiscal bal (%GDP)	(2.3)	(2.2)	(2.2)
GDP growth (%y-y)	5.0	5.0	5.3
Inflation (%y-y)	8.4	4.3	5.1
Oil price (USD/bbl)	57.33	65.0	75.0
Oil price (USD/bbl)*	99.5	60.0	70.0
IDR/USD	12,385	13,000	13,150
BI rate (% p.a.)	7.75	7.25	7.25
FX reserve (USD\$b)	111.9	114.0	120.5

Source: BI, BPS, Bahana estimate, *Average Brent oil price

Exhibit 2. Exports and imports

	May 15	BS	Cons. Apr 15
Exports (% y-y)	(15.24)	-	(8.11) (8.32)
Imports (% y-y)	(21.40)	-	(12.40) (22.32)
Trade bal (USDmn)	955	-	661 477

Source: Statistics Indonesia

Exhibit 3. Imports purpose category

Type of Imports	5M14 (USDm)	5M15 (USDm)	Growth % y-y
Consumer Goods	5,141	4,395	(14.51)
Raw Materials	56,856	46,105	(18.91)
Capital Goods	12,259	10,467	(14.62)
Total	74,256	60,967	(14.62)

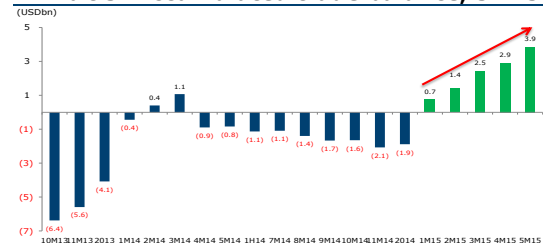
Source: Statistics Indonesia

Exhibit 4. Imports growth prior to Lebaran

Month	(%, m-m)	(%, y-y)
July-10	7.36	45.40
May-11	7.53	48.55
May-12	0.58	14.90
June-13	11.39	(6.53)
June-14	6.28	0.39
May-15	(8.05)	(21.40)

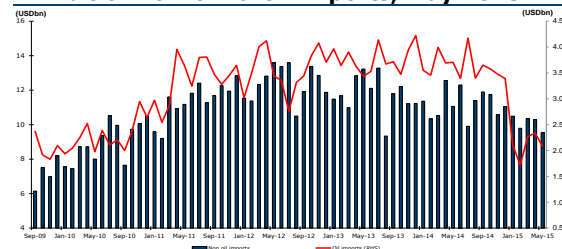
Source: Statistics Indonesia, Bahana

Exhibit 5. Accumulated trade balance, 5M15



Source: Statistics Indonesia

Exhibit 6. Non-oil & oil imports, May 2015



Source: Statistics Indonesia

Global economic indicators – schedule

June 2015

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
	ID: May CPI YoY (P: 6.79%) GE: May CPI YoY (P: 0.50%)	GE: May Unemployment Rate (P: 6.40%) IN: Jun Repurchase Rate (P: 7.50%)	AU: 1Q15 GDP YoY (P: 2.50%) US: May Employment Change (P: 169k)	UK: Jun BoE Bank Rate (P: 0.50%) SK: 1Q15 GDP YoY (P: 2.40%)	PH: May CPI YoY (P: 2.20%) US: May Unemployment Rate (P: 5.40%)	CO: May CPI YoY (P: 4.64%)
7	8	9	10	11	12	13
	JN: 1Q15 GDP YoY (P: 3.40%) NA: 1Q15 GDP YoY (P: 8.90%)	CH: May CPI YoY (P: 1.50%) MX: May CPI YoY (P: 3.06%)	SK: May Unemployment Rate (P: 3.70%) TU: 1Q15 GDP YoY (P: 2.60%)	FR: May CPI YoY (P: 0.10%) SW: May CPI YoY (P: -0.20%)	HK: 1Q15 PPI YoY (P: -1.20%) SP: May CPI MoM (P: 1.10%)	GE: May Price Index YoY (P: -0.90%)
14	15	16	17	18	19	20
	IR: 1Q15 GDP YoY (P: 4.10%) SW: May Unemployment Rate (P: 8.30%)	GE: May CPI YoY (P: -) UK: May CPI YoY (P: -0.10%)	EC: May CPI YoY (P: -%) UK: May Unemployment Rate (P: 5.50%)	ID: May BI Rate (P: 7.50%) US: Jun Continuing Claims (P: -%)	JN: Jun Monetary Base (P: -) GE: May PPI YoY (P: -1.50%)	MO: 1Q15 GDP YoY (P: 1.80%)
21	22	23	24	25	26	27
	HK: May CPI YoY (P: 2.80%) IS: Jun Base Rate (P: 0.10%)	MU: May CPI YoY (P: 4.51%) AO: Jun Interest Rate (P: -)	FR: 1Q15 GDP YoY (P: 0.70%) HR: May Unemployment Rate (P: 18.40%)	US: Jun Initial Jobless Claim (P: -) VN: 2Q GDP Ytd YoY (P: 6.03%)	JN: May Nat'l CPI YoY (P: -) MX: May Unemployment Rate (P: -%)	AR: 1Q15 GDP YoY (P: 0.40%)
28	29	30				
	GE: Jun CPI MoM (P: -) MU: May Unemployment Rate (P: -)	UK: 1Q15 GDP YoY (P: -) GE: Jun Unemployment Rate (P: -)				

Source: Bloomberg, P=Prior, F=Consensus forecast, B=Bahana forecast

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Bahana Securities may from time to time have an individual employed by or associated with it serves as an officer of any of the companies under its research coverage.

Bahana Securities market making

Bahana Securities may from time to time make a market in securities covered by this research.

Additional information may be available upon request.**Japan - additional notification items pursuant to Article 37 of the Financial Instruments and Exchange Law**

(This Notification is only applicable where report is distributed by Daiwa Securities Co. Ltd.)

If you decide to enter into a business arrangement with us based on the information described in materials presented along with this document, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, we will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction.
- In some cases, we may also charge a maximum of ¥ 2 million (including tax) per year as a standing proxy fee for our deposit of your securities, if you are a non-resident of Japan.
- For derivative and margin transactions etc., we may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by us.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

*The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with us.

Corporate Name: Daiwa Securities Co. Ltd.

Financial instruments firm: chief of Kanto Local Finance Bureau (Kin-sho) No.108

Memberships: Japan Securities Dealers Association, Financial Futures Association of Japan

Japan Securities Investment Advisers Association

Type II Financial Instruments Firms Association