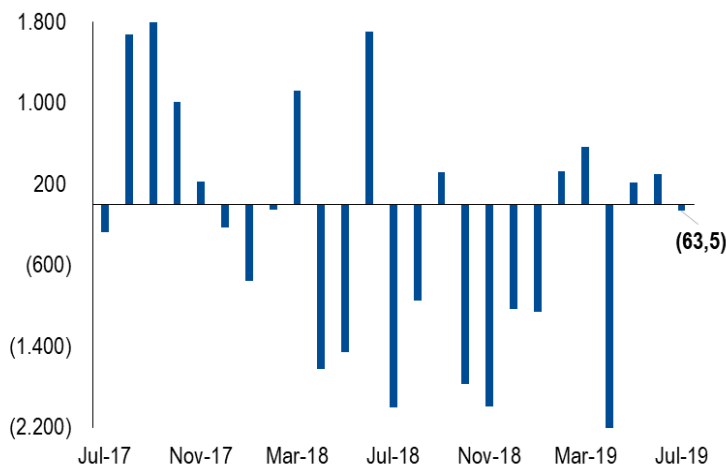


July's Trade Balance

Driven by Oil& Gas Exports

Indonesia's Trade Balance



Source: Indonesia Statistics, NHKS research

Highlights of July 2019's Trade Balance

Indonesia Trade Balance of July 2019 posted a deficit of USD63 million, a decrease from June's surplus of USD297 million. July's trade performance was below our estimate of USD100 billion surplus and market consensus of USD400 million deficit. The sharp increase in oil& gas exports and nonoil& gas imports were main culprits of July's deficit.

July's oil& gas exports saw a 115.5% m-m surge to USD1.6 billion, while July's oil& gas imports only nudged up 2.0% m-m to USD1.7 billion. On the other hand, the nonoil& gas imports saw a sharp surge of 40.7% m-m to USD13.7 billion. The sharp surge showed the imbalance between the nonoil& gas imports and nonoil& gas exports. The nonoil& gas exports only edged up 25.3% m-m to USD13.8 billion. This condition is hampered by a global economic slowdown and low commodities prices.

Impacts of Surging Oil& Gas Exports

July's exports saw only a 5.1% y-y decrease, much lower than a 9.1% y-y decrease in June also our estimate of a 14.4% y-y decrease. The lower decrease was attributable to the rising oil& gas exports (July's 13.3% y-y vs. June's -55.6%) despite the deep contraction of nonoil& gas exports (July's -6.8% y-y vs. June's -2.2%). The favorable oil& gas exports were attributed to exports of crude oil refineries skyrocketing to 275.6% y-y: a sharp surge from June's 26.1% y-y growth. The favorable figure was also on the back of the increase of 10.4% y-y in gas exports. In conclusion, July's exports posted an increase of USD3.7 billion to USD15.4 billion due to the normal trade activities after Idulfitri.

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Raw Material Imports Dominated

July's imports were contracted by -15.2% y-y, deeper than June's 2.0% y-y and falling shortly at our estimate of a -20.4% y-y. July's figure can be translated into an increase of USD4.0 billion to USD15.5 billion. July's nonoil& gas imports of USD13.8 billion responded to the maintainable domestic demand. The nonoil& gas imports were comprised of imports of machinery/aircraft, electric equipment, iron, and steel. Meanwhile, July's oil& gas imports surged to USD1.7 billion; the surge occurred in the crude oil component along with the rising crude oil exports. Based on goods categories, raw materials materials showed 72.6% domination; capital goods and consumer goods were at 17.9% and 9.5%, respectively.

Estimate and Policy Implication

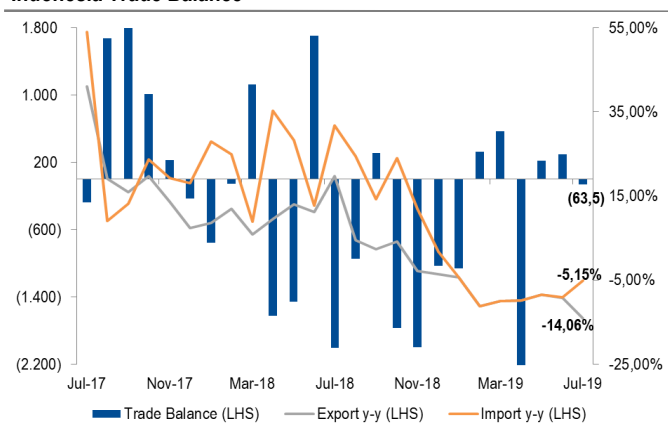
In August 2019, we estimate exports will slow, while imports are likely to grow at a moderate rate due to the world's low crude oil prices and B-20 mandatory effectively curbing oil& gas imports. January-July 2019 trade deficit got narrower to USD1.9 billion (vs. a deficit of USD3,2 billion from January to July 2018) gives Bank Indonesia more rooms to cut BI 7-DRRR in 2019. But we are certain that BI's Board of Governors Meeting to be held next week will hold BI 7-DRRR unchanged due to the wobbly global economy and clarity on Fed's policy on FMOCC meeting of September 2019.

Trade Balance Statistics (USD mn)

	Feb'19	Mar'19	Apr'19	May'19	Jun'19	Jul'19
Trade Balance	329.9	570.2	-2,286.5	218.5	297.3	-63.5
Export						
Oil and Gas	1,110.2	1,092.8	741.9	1,136.8	746.1	1,605.6
Non Oil and Gas	11,445.7	12,933.6	12,370.8	13,688.4	11,046.6	13,845.1
Import						
Oil and Gas	-1,584.0	-1,541.2	-2,235.4	-2,182.2	-1,713.0	-1,748.0
Non Oil and Gas	-10,642.0	-11,945.0	-13,163.8	-12,424.5	-9,782.4	-13,766.2

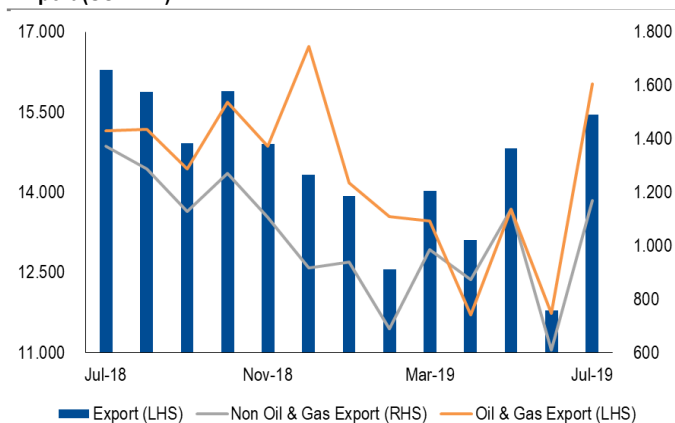
Source: Indonesia Statistics, NHKS Research

Indonesia Trade Balance



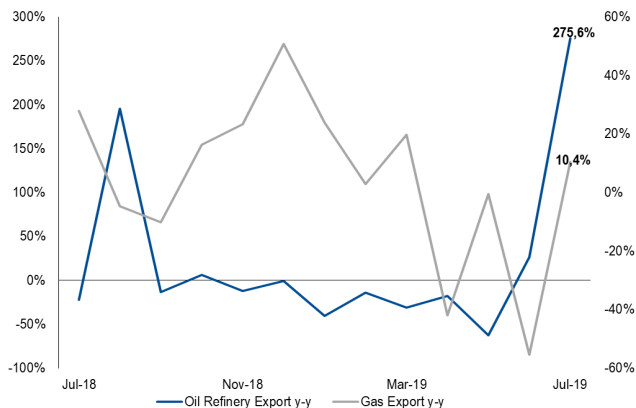
Source: Indonesia Statistics, NHKS Research

Export (USD mn)



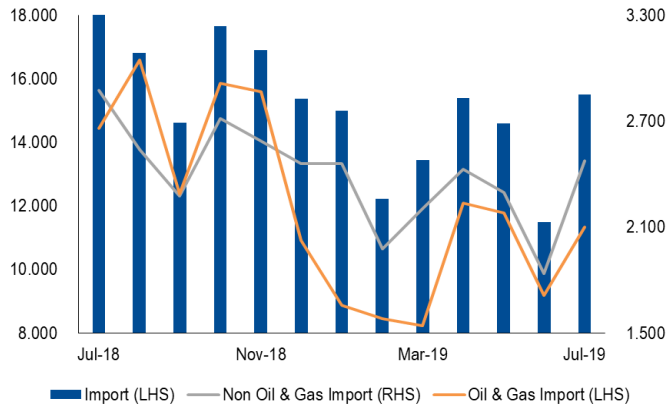
Source: Indonesia Statistics, NHKS Research

Oil Refinery Export & Gas Export (y-y)



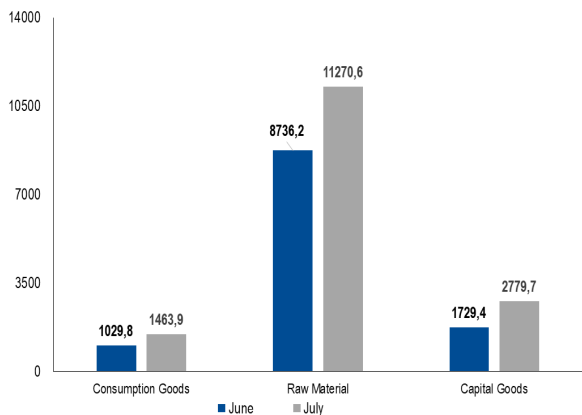
Source: Indonesia Statistics, NHKS Research

Import (USD mn)



Source: Indonesia Statistics, NHKS research

Import by Category (USD mn)



Source: Indonesia Statistics, NHKS research

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