



	May-16 (Actual)	May-16* (Forecast)	May-16 (Consensus)	Apr-16**
Export Growth (% y-o-y)	-9.8	-10.5	-7.8	-12.4
Import Growth (% y-o-y)	-4.1	-7.1	-5.8	-14.4
Trade Balance (USD bn)	0.38	0.57	0.72	0.66

Source: Bloomberg, BPS, CEIC, *Danamon Estimates, **Revised

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- Indonesia's monthly trade surplus edged down to USD0.4bn in May 2016 on the back of widening oil import. Interesting to see that up until last year, the size of imported crude oil is half of imported refined oil. Now, they are much less the same amid declining domestic exploration and expansion on foreign soils. Cumulative trade surplus (ytd) amounted to USD 2.7bn, which is lower compared to 5M15 figure of USD 3.9bn.
- Non-oil import volume still recorded positive growth albeit mainly for consumptive foods (such as cereals and sugar). Both raw material and capital goods have not shown signs of a pick-up, which may be a preview towards 2Q16 domestic demand. Growth of imported capital goods was at 16.7% coc vs 14.6% during 5M15. We remain hopeful on the outlook, nonetheless, after a financial close for the 2GW Batang Power Plant commenced last week. Should the project roll-over, then we can expect massive machinery import to start coming in.
- Market participants have been on their toes due to lingering impact from a possible Brexit, which will be decided on 23 June. We took a quick look at the direct impact it holds for Indonesia and found minimum exposure through the trade channel. UK's market share is only around 1.0% of total export but mainly on manufactured goods (please see Table 1). Furthermore, Brexit would result in a weaker EU and temporary displacement of global financial liquidity, leading to another strong Dollar cycle.
- All in all, it can be concluded that major improvements in terms of trade were more fiscal-driven. The role of monetary stimulus primarily converge on managing currency and its volatility to enhance competitiveness of local products. Hence, capital injection and realization of key infrastructure projects would be pivotal to determine trade structure in years to come. As such, we believe the central bank will maintain its policy rates and monetary stance for the time being.

Please see the important disclaimer and information on the back of this report.

Table 1. Main Export Products to the UK, 2014

HS Code	Commodity	USD mn	of Total
64	Footwear	247	14.9%
62	Apparel and clothing	164	9.9%
85	Electrical machinery	132	7.9%
44	Wood	107	6.5%
40	Rubber	102	6.1%
94	Furniture	88	5.3%
84	Mechanical appliances	76	4.6%
	Other	743	44.8%
	Total	1,659	100.0%

Source: BPS, UN Comtrade

Table 2. Imported Products from the UK, 2014

HS Code	Commodity	USD mn	of Total
84	Mechanical appliances	210	23.5%
85	Electrical machinery	99	11.0%
87	Vehicles non-railway	66	7.4%
33	Perfumery and cosmetic	54	6.1%
47	Pulp of wood	43	4.8%
90	Optical & photo inst.	39	4.4%
39	Plastics	37	4.2%
	Other	346	38.6%
	Total	895	100.0%

Source: BPS, UN Comtrade

Indonesia: Selected Economic Indicators

	2011	2012	2013	2014	2015	2016E
National Accounts						
Real GDP (% y-o-y)	6.2	6.0	5.6	5.0	4.8	5.0
Domestic demand ex. inventory (% y-o-y)	6.1	7.7	5.0	5.4	3.9	5.0
Real Consumption: Private (% y-o-y)	5.1	5.5	5.4	5.2	5.0	5.1
Real Gross Fixed Capital Formation (% y-o-y)	8.9	9.1	5.0	4.6	5.1	4.8
GDP (US\$bn) — nominal	893	918	915	890	862	893
GDP per capita (US\$) — nominal	3,688	3,741	3,668	3,530	3,374	3,453
Open Unemployment Rate (%)	6.6	6.1	6.3	5.9	6.2	6.0
External Sector						
Exports, fob (% y-o-y, US\$ bn)	29.0	-6.6	-3.9	-3.4	-14.8	-7.5
Imports, fob (% y-o-y, US\$ bn)	30.8	8.0	-2.6	-4.5	-19.9	-6.9
Trade balance (US\$ bn)	26.1	-1.7	-4.1	-1.9	7.6	6.1
Current account (% of GDP)	0.2	-2.7	-3.7	-3.2	-2.1	-2.3
Central government debt (% of GDP)	22.3	22.3	21.3	23.6	25.0	24.6
International Reserves –IRFCL (US\$ bn)	110.1	112.8	99.4	111.9	105.9	103.0
Reserve Cover (Months of imports & ext. debt)	6.3	6.1	5.4	6.5	7.4	7.0
Currency/US\$ (Year-end)	9,068	9,670	12,189	12,440	13,795	13,500
Currency/US\$ (Average)	8,779	9,380	10,428	11,900	13,392	13,390
Other						
BI policy rate (% year end)	6.00	5.75	7.50	7.75	7.50	6.75*
BI 7-Day Reverse Repo rate (% year end)	N/A	N/A	N/A	N/A	6.25	5.25
Consumer prices (% year end)	3.78	3.65	8.08	8.36	3.35	3.94
Fiscal balance (% of GDP; FY)	-1.14	-1.77	-2.24	-2.26	-2.70	-2.50
S&P's Rating – FCY	BB+	BB+	BB+	BB+	BB+	BB+

Source: CEIC, E = Danamon Estimates, *) Up to August 2016

Economic and Market Research

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