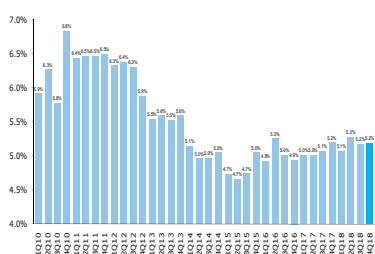


Macroeconomics Indicator

	2018	2019F
GDP growth (% yoy)	5.2	5.2
Inflation (% yoy)	3.1	3.1
7DRRR (% year end)	6.00	6.50
IDR/USD (median)	14,282	14,426
CA balance (% of GDP)	-3.0	-2.5
Fiscal balance (% of GDP)	-1.8	-1.8

GDP growth (% , yoy)



Money & Forex Reserves

	latest	% yoy
M1 - Jan19, Rptn	1377.6	3.8
M2 - Jan19, Rptn	5646.4	5.5
Reserves -Jan19, US\$bn	120.1	-9.0

Source: BI, BPS, CEIC

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The two sides of surplus

- Trade booked US\$0.33bn surplus on declining exports and imports
- Exports dwindled 10% mom and imports -18.6% mom;
- ...driven by material decline in commodity-based exports
- Given Ex-Im decline, trade surplus should impact the market positively.

Trade in surplus. Feb19's trade data generated a surplus reading of US\$0.33bn, driven heavily by imports reduction which offset the decline in exports. Market consensus had seen another deficit in Feb19, taking into account the fall in exports and imports by lesser magnitudes. Albeit the surplus was largely driven by dwindling exports and imports, for the market, the realised trade data would be positive in our view due to: (1) Surplus registration forms better trade prospect in 1Q19 and the current account deficit (CAD), (2) Cumulative trade stood at US\$0.73bn by Feb19 and was better than last year's, and (3) Improvement materialised in NOG trade balance.

Waning exports and imports. Trade surplus was attributable to negative export and import growth (exports: -10% mom, -11.3% yoy; imports: -18.6% mom, -14% yoy). Historical decline in exports and imports every February was apparent, data suggest, albeit Feb19's decline was wider, where each export and import booked about 2.8x more decline than the average within last five years. The surplus was driven entirely by augmented NOG trade, whereas OG trade deficit was slightly widening. If the trend persists and driven by healthy increase, the NOG trend should bring positive impact to overall trade, as 2018's bulky US\$-8.5bn deficit was backed by weak NOG trade.

Substantial decline in commodities. Export correction was material in commodity-based NOG exports including coal, CPO, and ores; coal and CPO were largest traditional contributors of Indonesian exports. In the same fashion, imports were also reduced largely on the back of raw materials (-21.1% mom), potentially due to intended curtailment by the government. Annual export growth trend was no better as every sector comprising mining, manufacturing, and agriculture growth was subdued by 21%, 8%, and 1% yoy, respectively. Nonetheless, we think the import decline was better than it should be since there was improvement in the terms of trade. This is also validated as real trade dropped by only 10% mom (vs trade value's -18.6% mom).

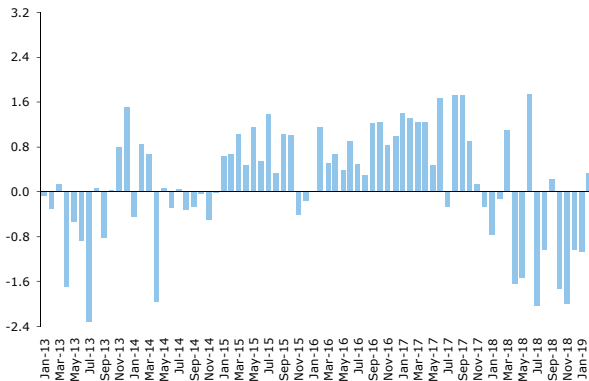
Positive impact to market. Provided declines in export-import, we expect trade to affect market positively as new trade surplus (1) supports better expectation for CAD formation this quarter and (2) latest data suggested an improving trend. Cumulative trade as of 2M19 was US\$0.73bn and about 9.3% better than last year's. NOG trade enhancement was 224% mom; it was reversing its course of trend from negative to positive growth on annual basis. Where OG trade deteriorated on monthly basis (-10% mom), its annual trend remains in upward trajectory (+45% yoy) - continual to movement since Dec18, where global oil price plummeted (ICP was -21% lower than its peak in Nov18). Albeit a second best solution, we view imports limitation bestows merit on its own, given potential consequence to growth.

Fig. 1: Feb19's trade overview

	Feb19 US\$bn	Feb19 change% mom	Feb19 change yoy
Export	12.5	-10.0	-11.3
Export oil and gas	1.1	-11.8	-21.7
Export non-oil and gas	11.4	-9.8	-10.2
Export Manufacturing	9.4	-7.7	-8.3
Export Agriculture	0.2	-17.4	-0.9
Export Mining	1.8	-18.8	-20.8
Import	12.2	-18.6	-14.0
Import oil and gas	1.5	-6.3	-30.5
Import non-oil and gas	10.7	-20.1	-10.9

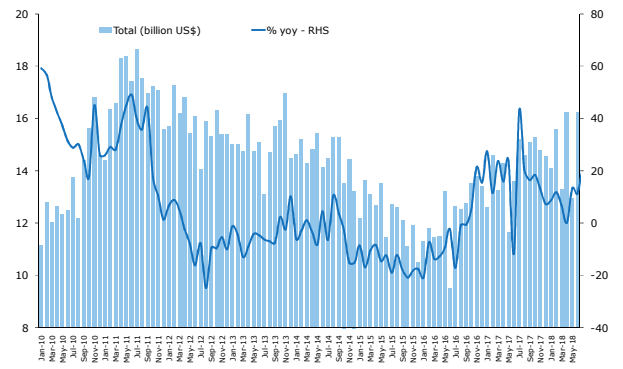
Source : Statistics Indonesia, IndoPremier

Fig. 2: Trade balance (US\$bn)



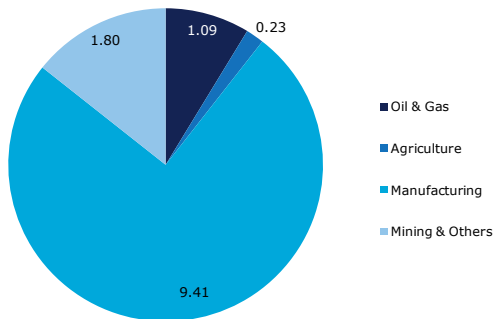
Source : Statistics Indonesia, IndoPremier

Fig. 3: Exports value and growth (US\$bn; %, yoy)



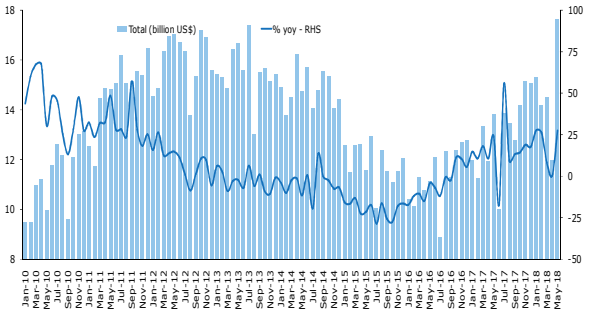
Source : Statistics Indonesia, IndoPremier

Fig. 4: Exports by commodity (US\$bn)



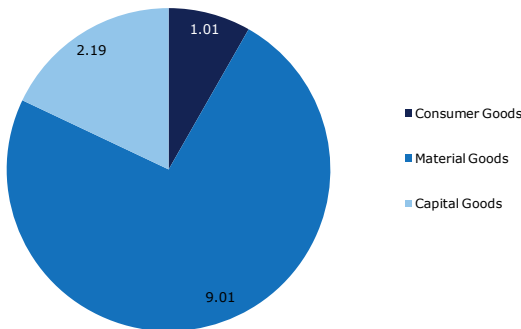
Source : Statistics Indonesia, IndoPremier

Fig. 5: Imports value and growth (US\$bn; %, yoy)



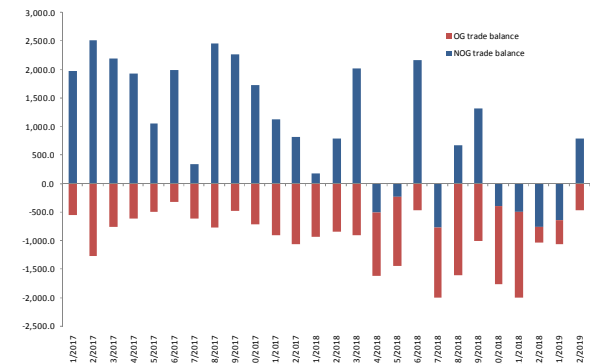
Source : Statistics Indonesia, IndoPremier

Fig. 6: Imports by commodity (US\$bn)



Source : Statistics Indonesia, IndoPremier

Fig. 7: OG and NOG trade balance (US\$mn)



Source : Statistics Indonesia, IndoPremier

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INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period
HOLD : Expected total return between -10% and 10% within a 12-month period
SELL : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION.

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