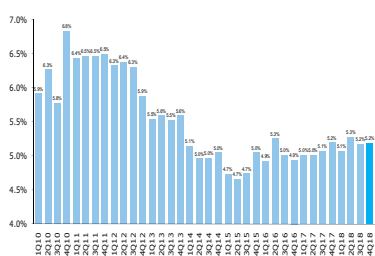


Macroeconomics Indicator

	2018	2019F
GDP growth (% yoy)	5.2	5.2
Inflation (% yoy)	3.1	2.9
7DRRR (% year end)	6.00	6.00
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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Considerate gain in trade

- Trade generated surplus for the second consecutive month.
- Enhancement came from both OG and NOG trades.
- Albeit deficit, 1Q19 trade had solid underpinnings.
- We project 1Q19 CAD at 2.84% of GDP.

Second consecutive surplus. Trade booked in a US\$0.54bn surplus for the second month in 1Q19, against consensus' deficit expectation. Exports enhanced by c. 11.7% and imports 10.3%, which represent better trade as the two evidences reversed previous trajectory, where exports and imports steadily declined in the four months prior to Mar19, as impact of both global market condition and domestic policy. Trade deficit in 1Q19 had by now registered US\$-0.19bn and 162% weaker than a year before. Nonetheless, we believe the path where trade gradually improved was positive indication of its underpinnings, which should reduce the burden to current account deficit this quarter and this year, if persistently occurring.

Stronger OG and NOG trades. Mar19's trade enhancement was attributable to improvement in both OG and NOG trades. While deficit in the OG trade was reduced by 5.4%, the surplus in NOG trade also increased by 23% mom to record US\$0.98bn, a level unattained since 3Q18. Volume wise, imports had significantly reduced by 21.4% yoy in 1Q19 (or -11.9% mom and -32.4 yoy in Mar19) in the OG segment, following a similar downward course in OG exports, which should partially reflect the B20 implementation. In NOG trade, improvement materialised as there were larger exports in coal, iron and steel, as well as paper and petrochemical products; all of which corresponded to increase in manufacturing products (+9.5% mom), which was positive as it underwent its first positive trend in the year.

1Q19 smaller deficit. Where 1Q19 deficit remained a sizeable US\$0.19bn, the future of it should be brighter, provided consistent improvement in its underpinnings. Fundamentally, 1Q19's trade deficit was positive in light of 1) Gradual improvement in OG and NOG trades, which was mostly driven by larger exports, 2) The extent where real trades remained positively growing (exports: 10% yoy; imports 0.8% yoy), despite lower aggregate prices (exports: -16.8% yoy; imports: -8.3% yoy), and 3) Import reduction, which mostly took place in consumer goods (1Q19: -14.3% yoy) rather than raw materials or capital goods (To note, imports of all goods categories had been positive again in Mar19 with better trade in the month).

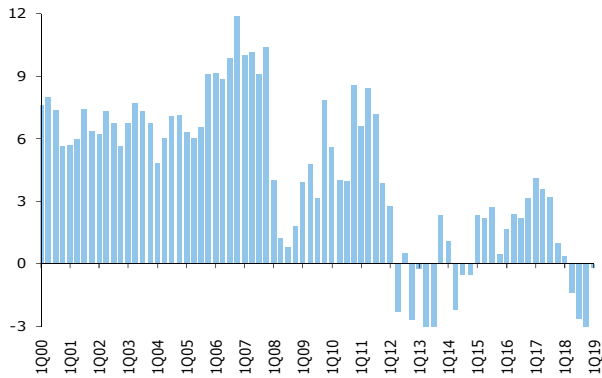
Impact to CAD. With last year's capital outflow triggered by concerns evolving on Indonesian current account deficit (CAD), we view a similar risk should deteriorate as an impact of less tightening emerging in the US and notably given latest update in the Indonesia's trade balance. Bank Indonesia in coordination with the fiscal authority made it an objective to narrow the CA gap to below 2.5% of GDP. Assuming for 5.11% GDP growth in 1Q19, we estimate CAD to be 2.84% of GDP in 1Q19. Although this was substantially wider than 1Q18's -2.07%, it should be considerate gain against 4Q18's CAD at -3.56% of GDP. A consistent improvement should help form stronger CAD, and thus support an achievement of BI's objective this year.

Fig. 1: Mar19's trade overview

	Mar19 US\$bn	Mar19 change% mom	Mar19 change yoy
Export	14.0	11.7	-10.0
Export oil and gas	1.1	-1.6	-18.3
Export non-oil and gas	12.9	13.0	-9.2
Export Manufacturing	10.3	9.5	-8.1
Export Agriculture	0.3	15.9	-15.4
Export Mining	2.4	31.3	-3.9
Import	13.5	10.3	-6.8
Import oil and gas	1.5	-2.7	-31.2
Import non-oil and gas	12.0	12.2	-2.3

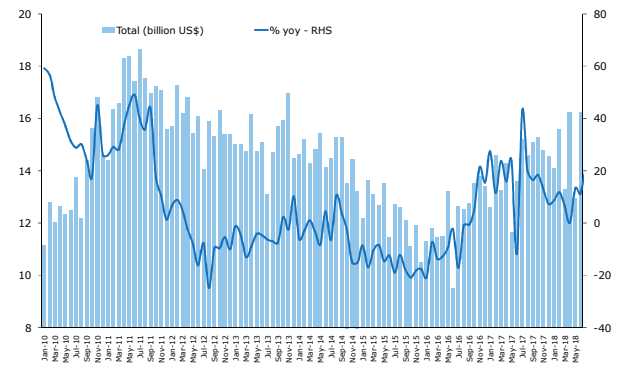
Source : Statistics Indonesia, IndoPremier

Fig. 2: Quarterly trade balance (US\$bn)



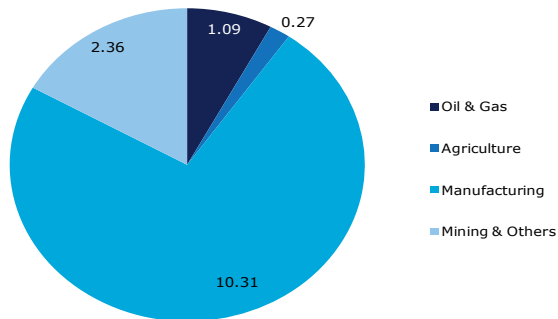
Source : Statistics Indonesia, IndoPremier

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



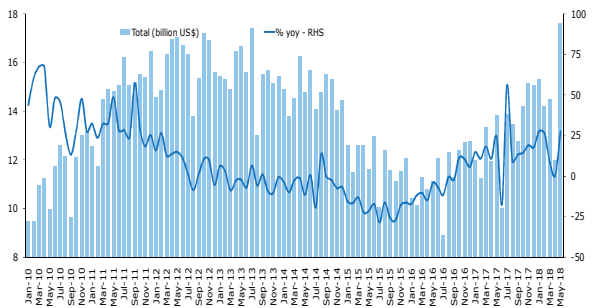
Source : Statistics Indonesia, IndoPremier

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



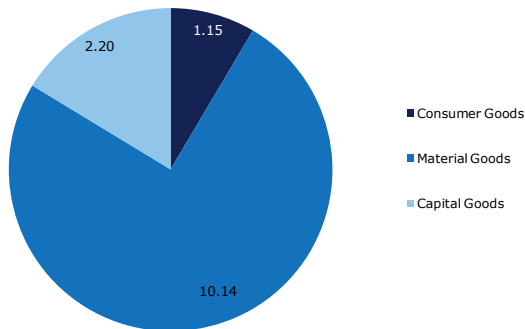
Source : Statistics Indonesia, IndoPremier

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



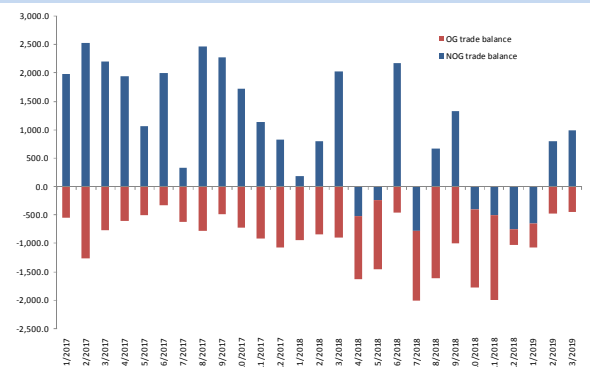
Source : Statistics Indonesia, IndoPremier

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

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