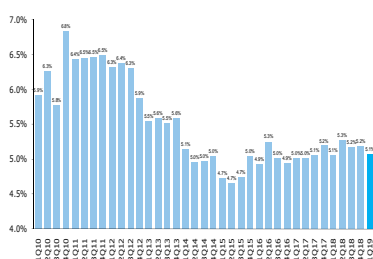


Macroeconomics Indicator

	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 - Mar19, Rptn	1426.4	4.8
M2 - Mar19, Rptn	5745.1	6.5
Reserves - Apr19, US\$bn	124.3	-0.5

Source: BI, BPS, CEIC

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Trade's series of misfortunes

- Substantial trade deterioration, Apr19 deficit at US\$2.5bn.
- Trade in real term improved, but disadvantaged by lower prices.
- NOG trade contributive to decline, as commodities exports dropped.
- Immediate negative reaction, BI to hold rate on Thursday meeting.

Sizeable trade deficit. Poor deficit of US\$2.5bn registered in the Apr19 trade account, reading from recent data suggest. The substantial deficit quickly presented negative sentiment toward domestic market, notably as consensus and we had under estimated the steep reduction in exports (consensus: US\$-0.5bn; ours: US\$-0.01bn). Exports plunged by 11% mom, fortifying the already growing imports (+12% mom), whose 57% of which was part of NOG trade. April's trade had traditionally been low and this time it was reinforced by *Ramadan* effect, but the deficit was enormous (record low in the last five years) that it set a precarious beginning of 2Q19's trade realisation. Cumulative trade deficit had now appointed to US\$2.6bn by Apr19 as data launched.

Real-term trade improved. We believe trade in real term was indeed in continuous improvement momentum, as its exports grew +9.5% yoy (vs -13.1% yoy nominal figure, see Fig. 2) and net real surplus expanded 16% yoy. This improvement was offset by price disadvantage, where NOG import average price rose 9.6% mom and aggregate export prices dropped by 1% mom. The impact of two events altogether contributed to the deterioration of terms of trade (Fig. 3), which might be a combination of misfortune and weak structural fundamentals, as at least 30% of exports were still commodities-based and exposed to volatile pricings. To note, this happens around a background of expectedly prolonged US-China trade tension, current thesis suggests, as measures becomes more *tit-for-tat*.

NOG trade large contributor to decline. Although outstanding deficit was larger in OG trade (US\$1.49bn; NOG trade: US\$1bn), Apr19 hefty deficit was largely (or about 65%) explained by weaker NOG trade, as this component booked US\$1.1bn surplus in the month before (Fig. 4). Partially, it was seasonality behind every fasting (*Ramadan*) season and the preparation of *Eid*, as seen in the growth of consumer goods import (+24% mom). In contrast, OG trade had been traditionally in deficit as the country has remained net oil importer. Its deficit expansion in Apr19, therefore, was a double impact of higher oil prices and lower OG export volume as oil lifting under achieved. As this is structural issue, we expect some gap time to occur for OG trade enhancement.

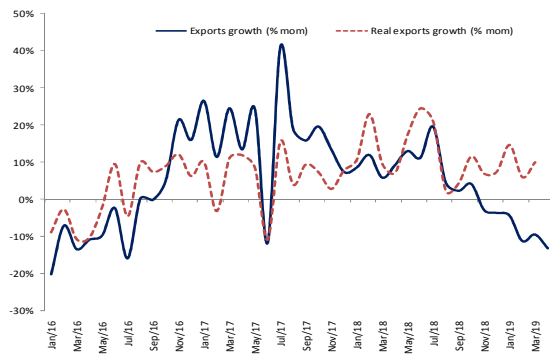
Negative market reaction. With its record deficit size, market immediately took an overturn upon data retrieval. This poor trade realisation was a disappointment which came amidst tumbling market after trade tension rebuilt between US and China; which was prevalent in Indonesia, but less comparably in our peers. Bank Indonesia had upcoming monetary decision today, which certainly would choose to sustain rate at its 6% level. Expectation for any rate cut would look dim currently as the central bank had reserved ammunition for a projected weaker CAD of 2Q19. Expect policy rate to remain at 6% until this June.

Fig. 1: Apr19's trade overview

	Apr19 US\$bn	Apr19 change% mom	Apr19 change yoy
Export	12.6	-10.8	-13.1
Export oil and gas	0.7	-34.9	-37.1
Export non-oil and gas	11.9	-8.7	-11.0
Export Manufacturing	9.5	-8.2	-11.5
Export Agriculture	0.3	-7.4	-15.8
Export Mining	2.2	-7.2	-6.5
Import	15.1	12.2	-6.6
Import oil and gas	2.2	47.0	-4.0
Import non-oil and gas	12.9	7.8	-7.0

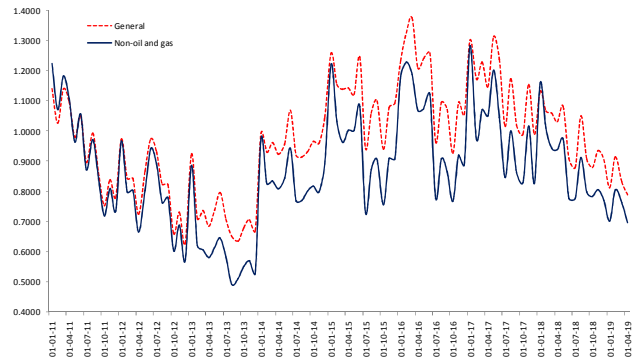
Source : Statistics Indonesia, IndoPremier

Fig. 2: Real exports in improvement momentum (% mom)



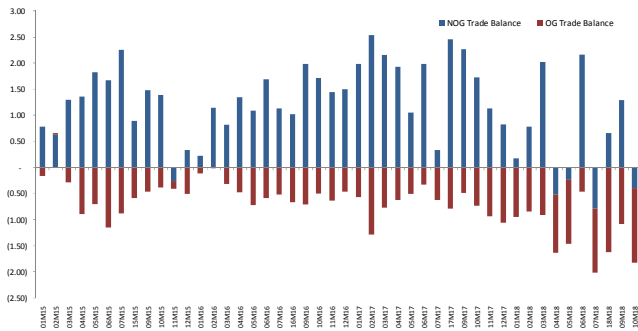
Source : Statistics Indonesia, IndoPremier

Fig. 3: Terms of trade



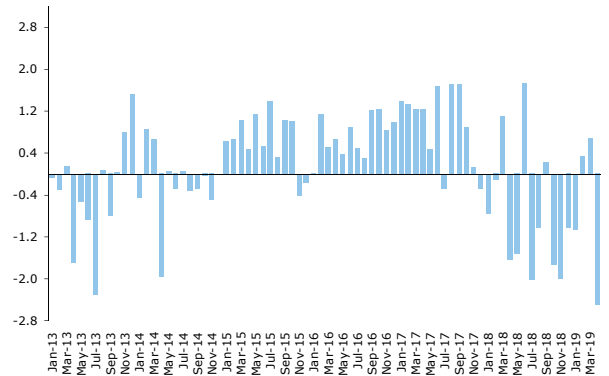
Source : Statistics Indonesia, IndoPremier

Fig. 4: OG vs NOG trade balance (US\$bn)



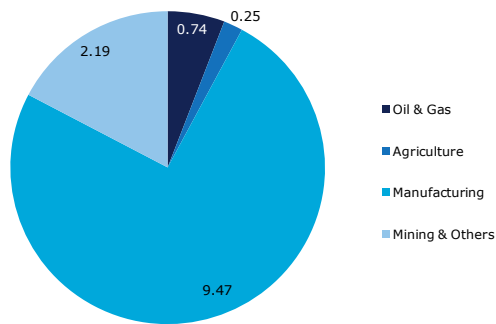
Source : Statistics Indonesia, IndoPremier

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



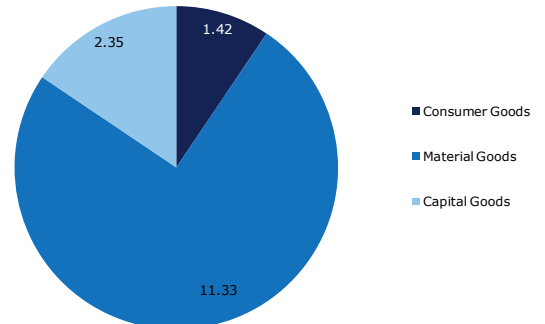
Source : Statistics Indonesia, IndoPremier

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



Source : Statistics Indonesia, IndoPremier

Fig. 7: Imports by commodity (US\$bn)



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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