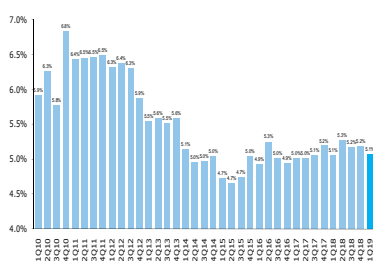


Macroeconomics Indicator

	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 -May19, US\$bn	120.3	-3.2

Source: BI, BPS, CEIC

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A temporary relief

- Registered trade surplus at US\$0.21bn, against consensus' deficit.
- Improvement in notably the NOG trade, from manufacturing exports.
- Better OG trade result of boost in mining export, might be unsustainable.
- Overall trade still suffered from soft NOGT pricing and weak OGT exports.

Trade surplus beyond expectation. Reading from trade data suggested significant improvement in the trade balance was taking place in May19, as US\$0.21bn trade surplus was booked. This was against consensus' and our expectation (consensus: US\$-1.38bn deficit, ours: US\$-0.97bn), as frail trade in Apr19 (of US\$-2.29bn) developed little expectation of any immediate upgrade, notably as May19 was Ramadan fasting month, which traditionally saw less exports activities. Reading from data suggested the trade surplus was a result of monthly-based higher exports (12.4% mom; -9% yoy) and lower imports (-5.6% mom; -17.7% yoy). It was also due to significant upturn in the non-oil and gas trade (NOGT) of +249% and OGT deficit reduction of 35%. We view trade remained fragile as it was exposed to risk on pricing and real trade fronts.

NOGT improvement came from manufacturing. NOGT improvement from US\$0.8bn deficit (after data revision) to US\$1.2bn surplus was material in changing the whole trade narrative in May19 from the month before. NOGT enhanced as NOG exports rose 10% mom driven by manufacturing exports increase, among others. In terms of goods type, the top three contributors included animal and vegetable fats, precious stone, and mineral fuel. Although China remained major export destination, exports value had dwindled to the country and other partners, likely from price impact. In NOG imports, raw materials and capital goods reduction of 8% and 2% mom, respectively, compensated for the rise in consumer goods, as expected in Ramadan.

Better OG trade. OGT deficit shrunk in May to record US\$-0.98bn, an improvement against Apr19's US\$-1.49bn. We are vigilant toward the OGT development as it was a result of boost in OG mining volume including crude oil (+168% mom) and gas (123% mom) to record 960.5tnd and 2140tnd tonnes, which might be one-off and unsustainable since average crude oil and gas volume were 287tnd and 1661tnd tonnes, respectively, up until Apr19 - the figure was immediately revised up after May's data realisation. Although OG pricings remained relatively high, the price opportunity could be difficult to tap with the low real exports in OGT.

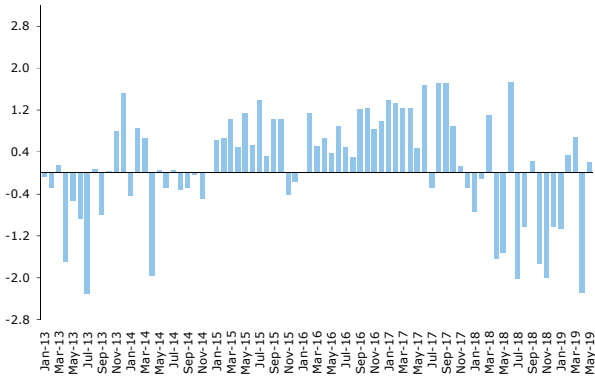
Overall trade remained worrisome. Although May's surplus gave temporary relief for the market, whose attention focused on formation of current account deficit by trade, we believe overall trade remained concerning with the 1) weak real OGT, despite being exposed to relatively good pricing, and 2) soft NOGT prices, despite NOGT demonstrated continuous pick-up in real terms since 2016. Similar tone of caution was shared by the government (via Central Statistics Agency) with the May19's data launch. To boost trade in uncertain global environment would therefore require structural barrier to be removed and investment conduciveness improved, which would materialise expectedly in medium- to long-term.

Fig. 1: May19's trade overview

	May19 US\$bn	May19 change% mom	May19 Change% yoy
Export	14.7	12.4	-9.1
Export oil and gas	1.1	50.2	-32.2
Export non-oil and gas	13.6	10.2	-6.4
Export Manufacturing	11.7	23.3	-0.4
Export Agriculture	0.3	26.8	2.1
Export Mining	2.2	-1.7	-14.2
Import	14.5	-5.6	-17.7
Import oil and gas	2.1	-6.4	-26.9
Import non-oil and gas	12.4	-5.5	-15.9

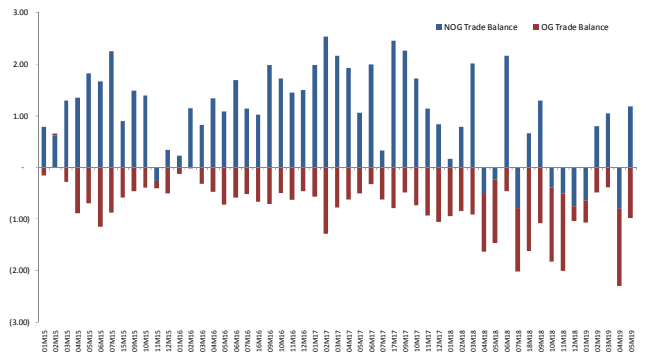
Source : Statistics Indonesia, IndoPremier

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



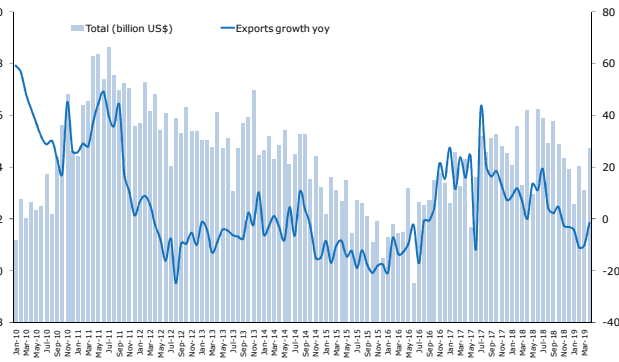
Source : Statistics Indonesia, IndoPremier

Fig. 3: OG vs NOG trades (US\$bn)



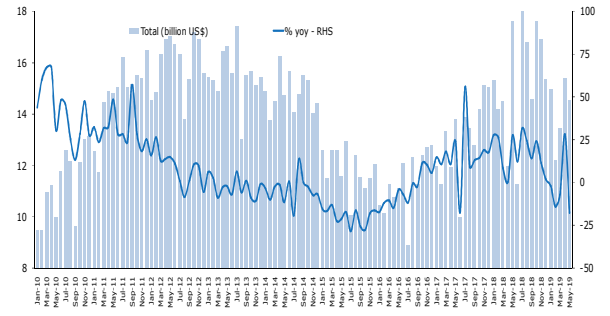
Source : Statistics Indonesia, IndoPremier

Fig. 4: Exports value and growth (US\$bn; %, yoy)



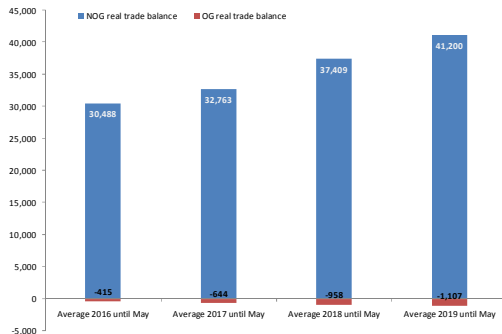
Source : Statistics Indonesia, IndoPremier

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



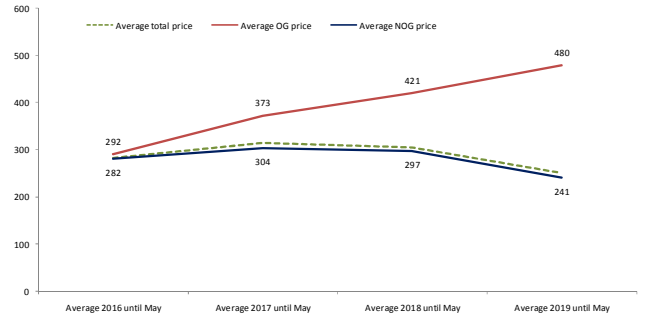
Source : Statistics Indonesia, IndoPremier

Fig. 6: Average real trade (tnd tonne)



Source : Statistics Indonesia, IndoPremier

Fig. 7: Average trade price (US\$/ tonne)



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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