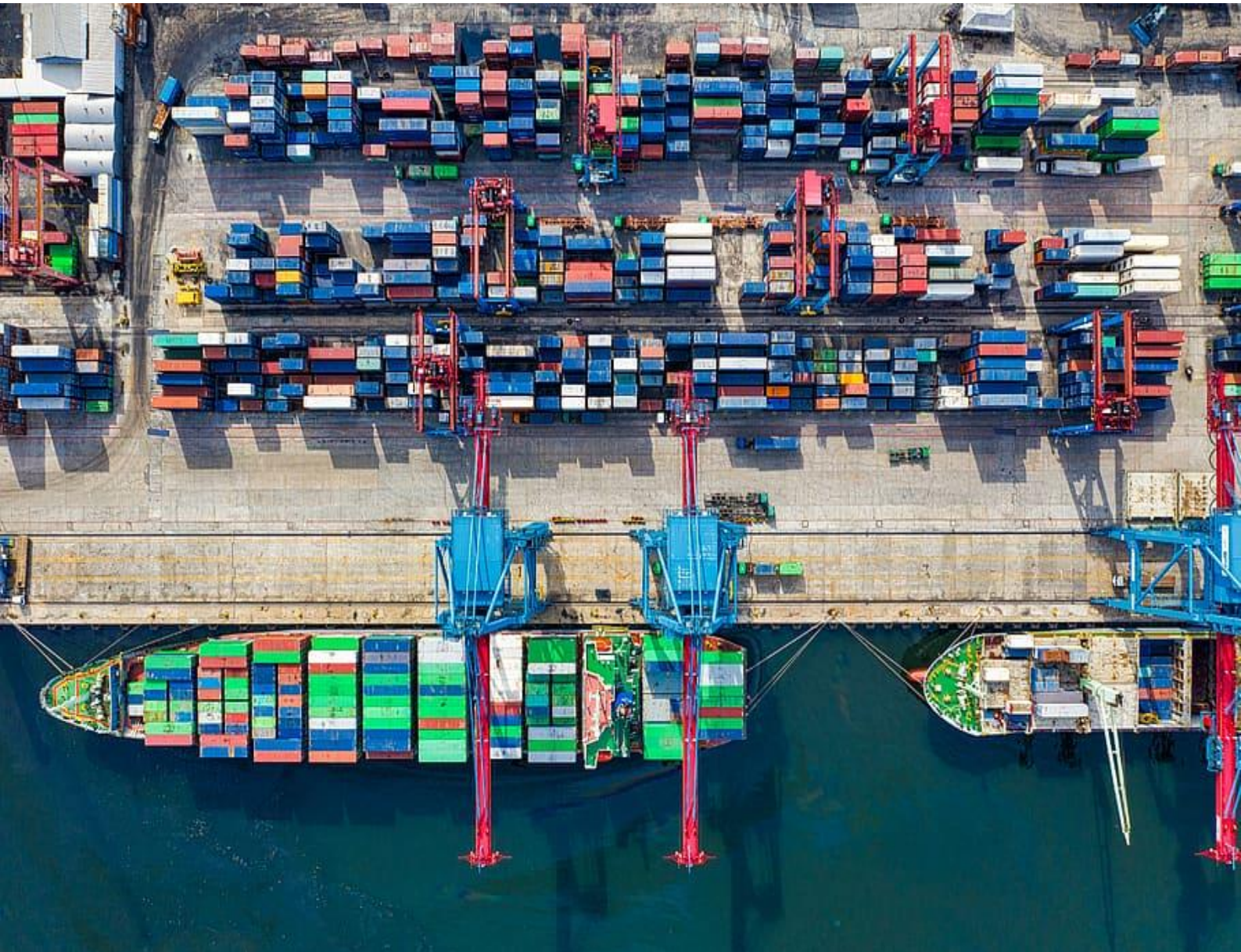


# economic

FLASH REPORT SERIES

## Expecting Another Trade Surplus



## Exhibit 1. June 2021 Trade Data Forecast

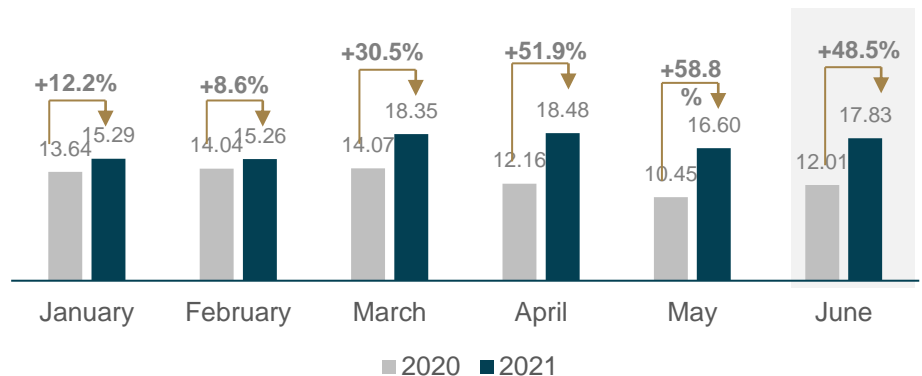
Trade Indicators	May-21	June-21F
Export Values (USD bn)	16.6	17.83
Import Values (USD bn)	14.23	15.74
Trade Balance (USD bn)	2.36	2.09
Export Growth (%YoY)	58.76	48.47
Import Growth (%YoY)	68.68	46.27

Source : Indonesia Bureau of Statistics, MNCS Estimate

**Another Trade Surplus will Likely in June-21.** Indonesia has been successfully managed a trade surplus in the last 5 months amid slowing down of economic recovery due to Covid-19. The recorded cumulative trade balance from period of Jan-May 21 was USD10.17 bn. We expect June-21 figure will mark another trade surplus of USD2.08 bn with export grew 48.47% YoY, while import rose 46.27% YoY.

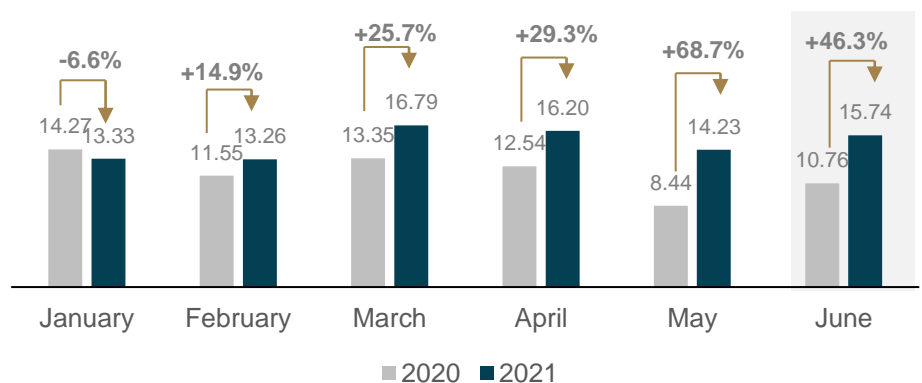
**Rationale of Indonesia Trade Surplus for 1H21.** Trade surplus will be the key theme for 1H21 Indonesia international trade. As a commodity exporter country, Indonesia is benefitted by strong commodity price hikes. Combination of loose monetary policy, fiscal expansive, tightened supply as well as pent up demand seen in developed nations that already boost vaccine inoculation were the driving forces of price surge, let alone with some speculation on commodity futures market. We also can not deny that low based effect also playing role in the exports & imports surge.

## Exhibit 2. Export Value of Indonesia in 2021 (USD bn)



Notes : +/- indicating year on year growth; shaded area indicating forecast value and growth for export June-21  
Source : BPS, MNCS Estimate

## Exhibit 3. Import Value of Indonesia in 2021 (USD bn)



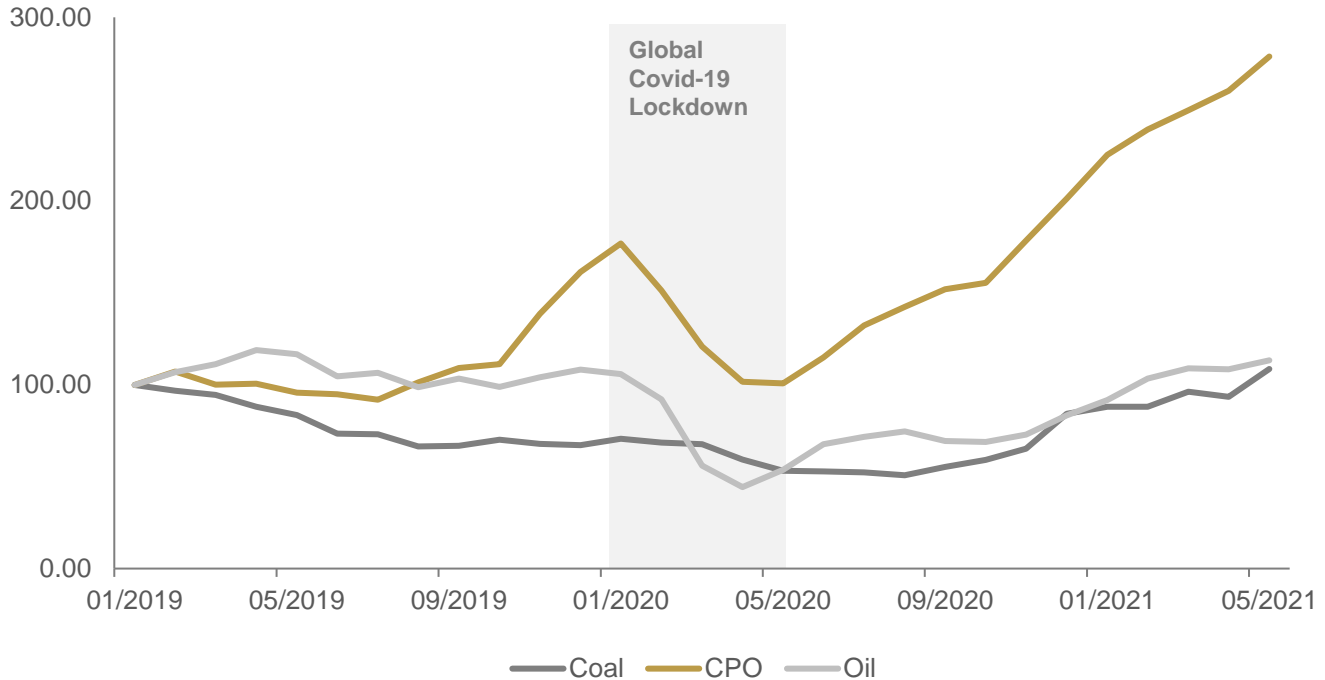
Notes : +/- indicating year on year growth; shaded area indicating forecast value and growth for import June-21  
Source : BPS, MNCS Estimate



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**Exhibit 4. Commodity Price Movement in the Last 2 Years**



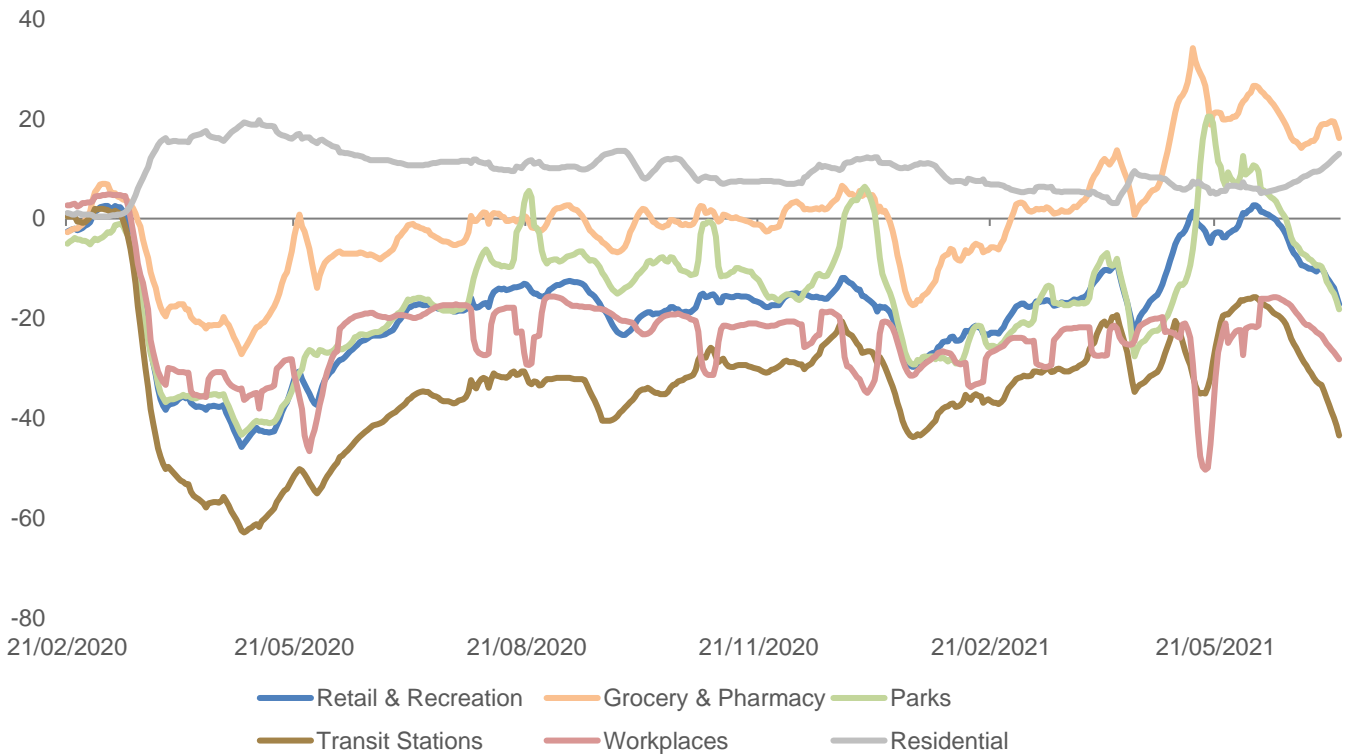
Note : prices are rebased to 100 points  
Source : Bloomberg

## Should We Worry about Rising Oil Price?

As we know after dropping to a negative territory for the first time in history for WTI in April 2020, oil price started to rise as lockdown eased in many countries. Besides that, OPEC+ policy to curb production also have a balancing impact to market supply & demand dynamic supporting price recovery.

However in our opinion, rising oil price to a more than two year high reaching to >USD70/barrel would only have a limited impact on inflation as the demand for fuel remained limited due to the implementation of public mobility restriction.

**Exhibit 5. Public Mobility in Indonesia during Covid-19 Outbreak**

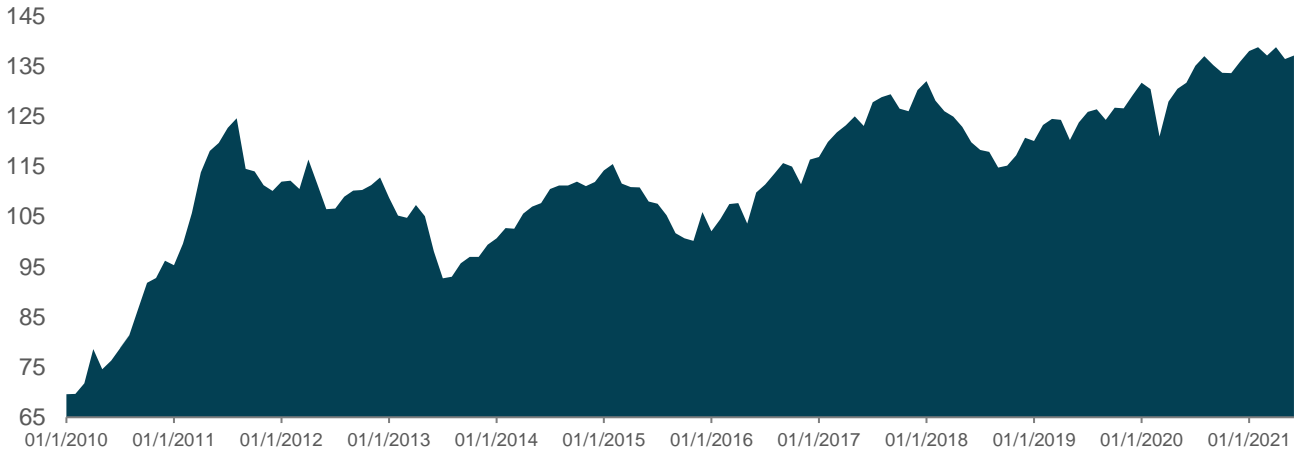


Note : mobility data are smoothed using 7-day rolling average  
 Source : Google Covid-19 Community Mobility Report, MNCS Calculation

## Solid Export Performance Supported Indonesia FX Reserves Position

Solid performance of Indonesia’s export also supported high FX reserves position, on top of government financing program through global bond issuance. As of June-21 the domestic FX reserves position increased by USD0.7 bn to USD137.1 bn or equivalent to finance 9.2 months of imports or 8.8 months of imports and servicing government foreign debt. We expect high FX reserves position can maintain rupiah’s stability although the domestic currency has depreciated against USD recently.

**Exhibit 6. Indonesia FX Reserves Position (USD bn)**

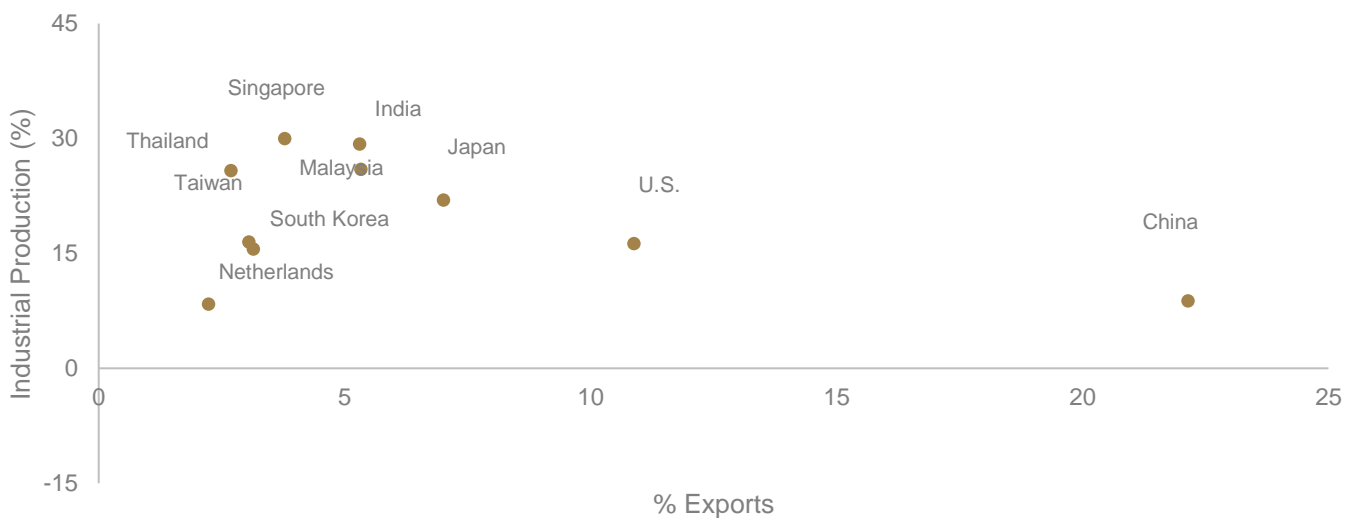


Source : Bloomberg

## Can We Maintain Our Trade Balance Surplus?

If the economic condition in Indonesia's trading partners such as U.S. and China continue to improve, we believe that export demand will likely to stay in place. We saw that Indonesia's top-10 trading partners recorded a double digits on its industrial production figure, indicating positive sign of recovery. However with the stricter restriction (PPKM Darurat) imposed in Java & Bali will likely to derail domestic consumption thus limiting import demands. Therefore we are optimistic that trade surplus will not only a key theme for 1H21 but also big theme for 2021.

**Exhibit 7. Indonesia Top-10 Exporting Destination Countries Industrial Production**



Source : Indonesia Bureau of Statistics, Trading Economics

## MNC Research Industry Ratings Guidance

**OVERWEIGHT:** Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

**NEUTRAL:** Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

**UNDERWEIGHT:** Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

## MNC Research Investment Ratings Guidance

**BUY :** Share price may exceed 10% over the next 12 months

**HOLD :** Share price may fall within the range of +/- 10% of the next 12 months

**SELL :** Share price may fall by more than 10% over the next 12 months

**Not Rated :** Stock is not within regular research coverage

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