

economic

FLASH REPORT SERIES

July-21 Trade Balance : Still Expecting a Surplus!

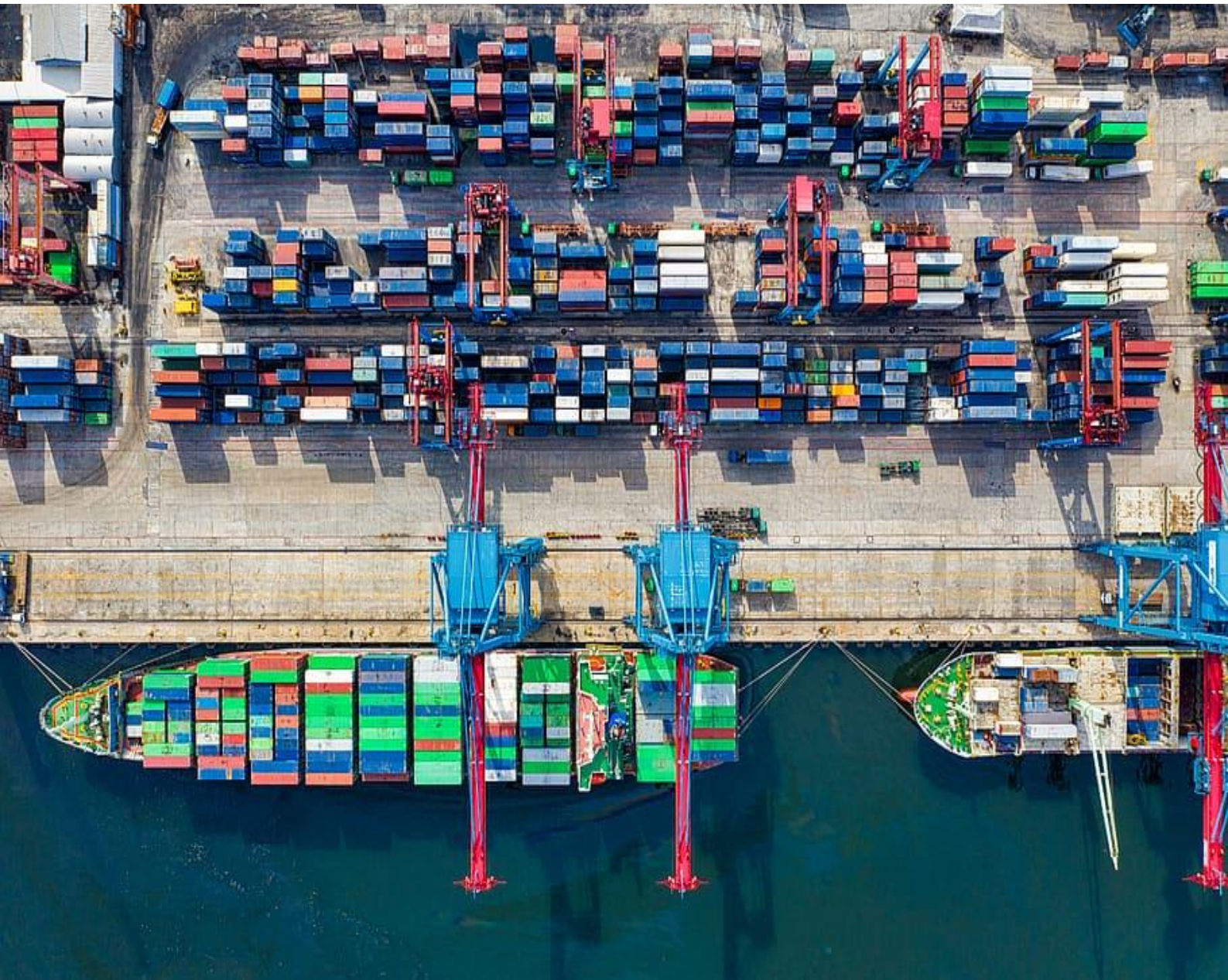


Exhibit 1. Indonesia Macro Data Forecast

Macro Indicators	2020	2021F
Real GDP (%YoY)	-2.07	3.76
Average Inflation (%YoY)	2.04	1.87
BI-7 DRR (%)	3.75	3.5
Budget Deficit (%GDP)	6.09	5.42
USD/IDR	14,500	14,400
10 Year Indo GB (%)	5.89	6.46
JCI	5,979	6,320
EPS Growth (%)	-30	20

Source : BI, MoF, BPS, MNCS Estimate

Exhibit 2. Global & Domestic Key Rates

Rates (%)	Dec-20	Aug-21*
BI-7 DRR	3.75	3.50
Lending Facility	4.50	4.25
Deposit Facility	3.00	2.75
10 Year Indo GB	5.89	6.35
FFR	0.25	0.25
ECB Rate	0.00	0.00
BoE Rate	0.10	0.10
BoJ Rate	-0.10	-0.10

Source : Bloomberg, BI as of Aug 12, 2021

Exhibit 3. Indonesia Trade Forecast

Period	Jun-21	Jul-21F
Exports (USD bn)	18.55	17.74
Imports (USD bn)	17.23	15.19
Trade Balance (USD bn)	1.32	2.55
Exports (%YoY)	54.46	29.88
Imports (%YoY)	60.12	44.65

Source : BPS, MNCS Estimate



Tirta Widi Gilang Citradi

Economist & Fixed Income Analyst

We expect another trade surplus for July-21

We are pretty confident that July-21 Indonesia trade data which will come in next week would mark another trade surplus. We expect exports value to jump by 29.88% YoY and imports value to grow 44.65% YoY in July-21. Trade value is expected to reach USD32.93bn with USD17.74bn coming from exports and USD15.19bn from imports causing a surplus of USD2.55bn (Figure 3). Given this scenario, 7M21 trade balance would record a total surplus of USD13.73bn and marking 7-month streak of positive net balance. Surely, this is a rare case in normal condition without Covid-19.

Both domestic and external factors drive the surplus. A gradual recovery in global trade particularly driven by massive stimulus and ultra-easy policy taken by government worldwide helped to boost export demand. Global trade rebounded in 1Q21 by increasing 10% YoY and projected to further rebound in 2Q21 with the growth of 16% YoY or equivalent to USD6.6tn of values of goods and services according to UNCTAD report.

U.S. and China although tied to a rivalry, strong economic performance in both nations also drive the flow of trade despite the global supply chain disruption remains in place. U.S. and China are the largest trading partner for Indonesia. As of July-21 both country recorded a solid economic condition which already reflected in its strong factory activity (Figure 4), which we believe helping to boost Indonesia's exports (Figure 5).

Rising commodity price to a multiyear high also helped jacking up exports from EM with Indonesia is no exception (Figure 6). And this trend is likely to continue at least until the end of this year. Shifting towards a more sustainable industry and infrastructure development both in EM and DM also benefitting Indonesia as the major player in metal based commodities. In June-21 metal and manufacturing product exports were among the highest compared to other category (Figure 7).

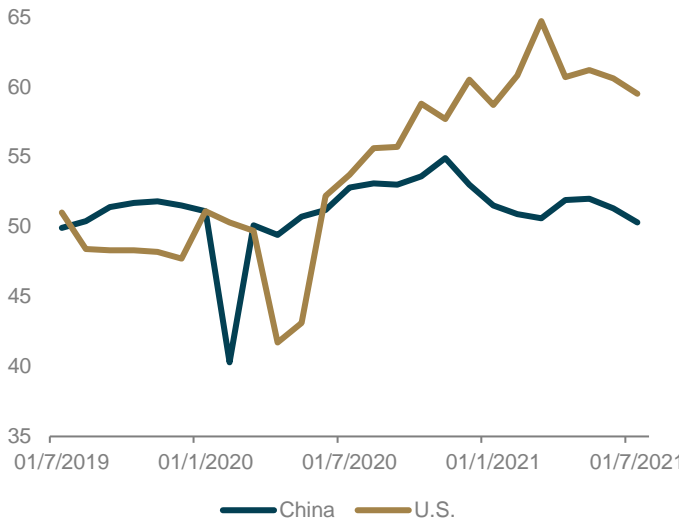
Improving domestic condition were seen across macro indicators in 2Q21 from consumer sentiments to manufacturing activity. Surging imports of raw materials and capital goods (Figure 8) are good sign that economic recovery is still on track. Both exports and imports booked a more than 30% YoY in 2Q21 supporting Indonesia's economy to end the 4-consecutive quarter of economic recession (Figure 9). However recurring Covid-19 cases in early June-21 that turned into a massive strike of second wave outbreak has a devastating impact.

A stricter social distancing measures was imposed to Java & Bali in early July-21. Public mobility dropped significantly afterwards. Manufacturing PMI contracted for the first time in the last 9-month (Figure 10), and consumer confidence declined to a lowest level since October-20 reading (Figure 11). Considering that newly variant commonly known as a Delta virus not only spreading across Indonesia but the world, hence it is not only affecting Indonesia's imports but also could hurt global trade again and economic prospect going forward.

Moving forward, prolonged tight social restriction measures would only cost a severe impact to the economy. Imports would likely to decelerate further if this trend continue, thus, we might see another trade surplus ahead which we believe as a blessing in disguise.

Exhibit 4. U.S. & China Manufacturing PMI

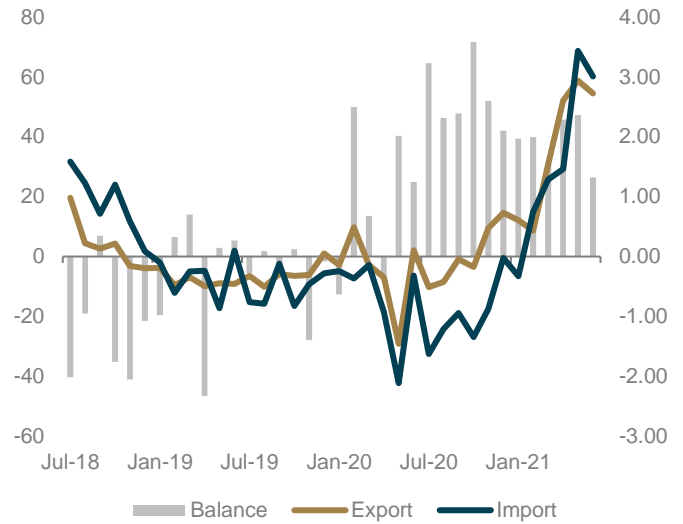
(Points)



Source : Bloomberg

Exhibit 5. Indonesia Trade Balance

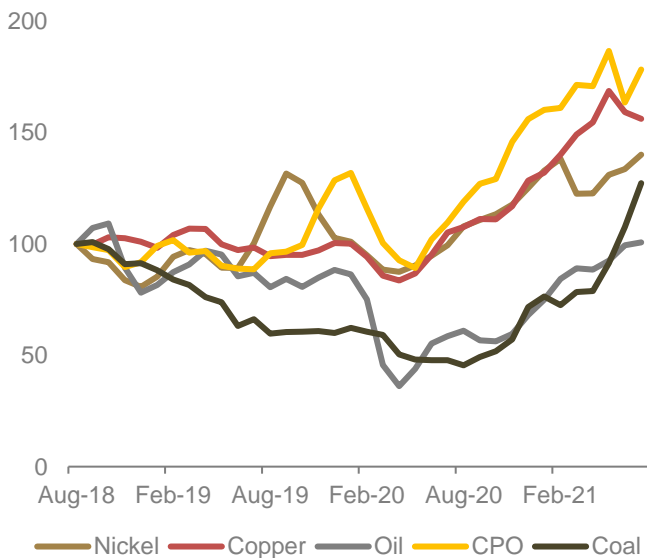
(Export & Import in %YoY-LHS; Balance in USD bn-RHS)



Source : Statistics Indonesia

Exhibit 6. Commodity Price Movement

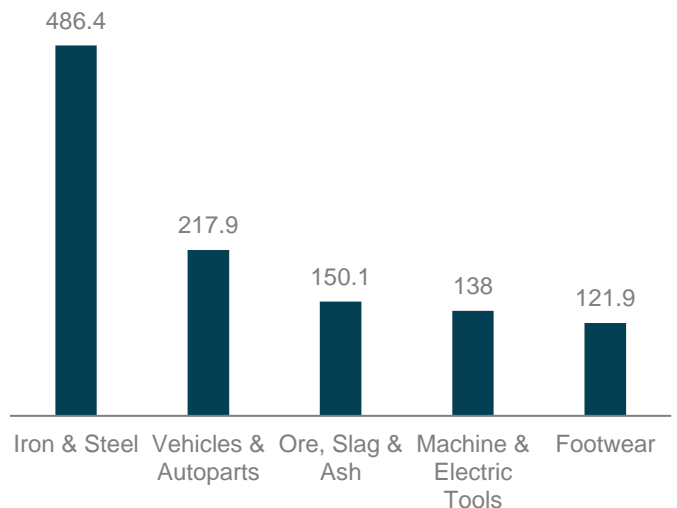
(Rebased)



Source : Bloomberg

Exhibit 7. Increase in Exporting Products

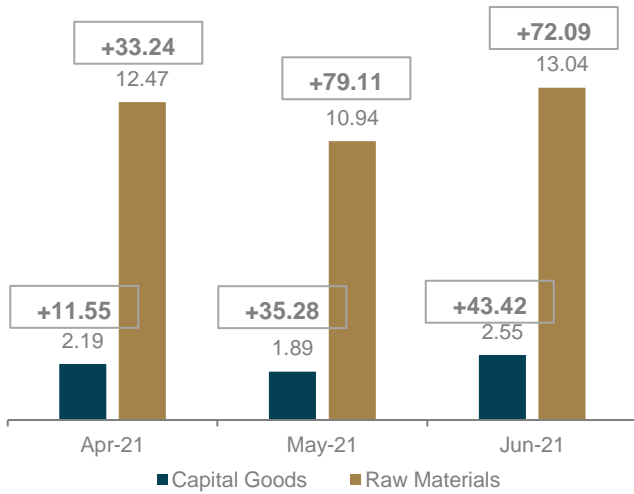
(MoM increase in USD mn)



Source : Statistics Indonesia

Exhibit 8. Indonesia Imports

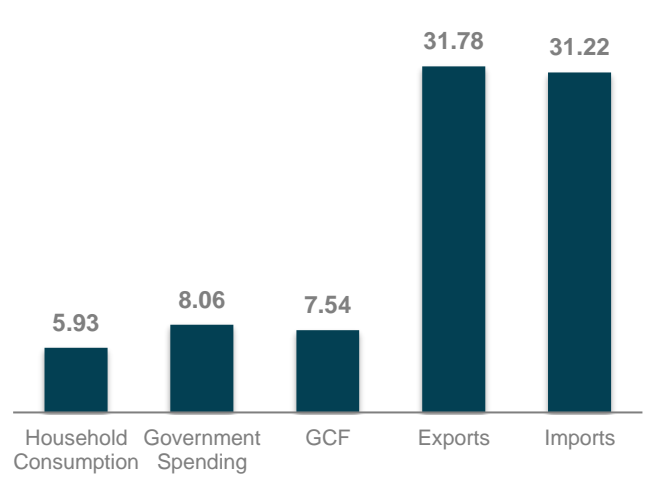
(+/- Growth in %YoY; Value in USD bn)



Source : Statistics Indonesia

Exhibit 9. Indonesia Imports

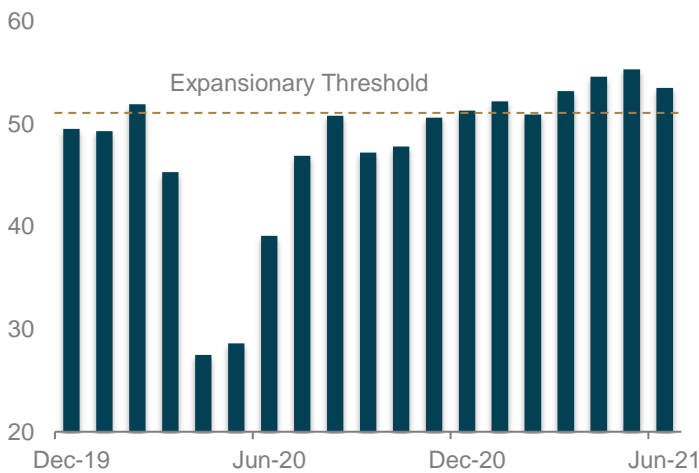
(+/- Growth in %YoY; Value in USD bn)



Source : Statistics Indonesia

Exhibit 10. Indonesia Manufacturing PMI

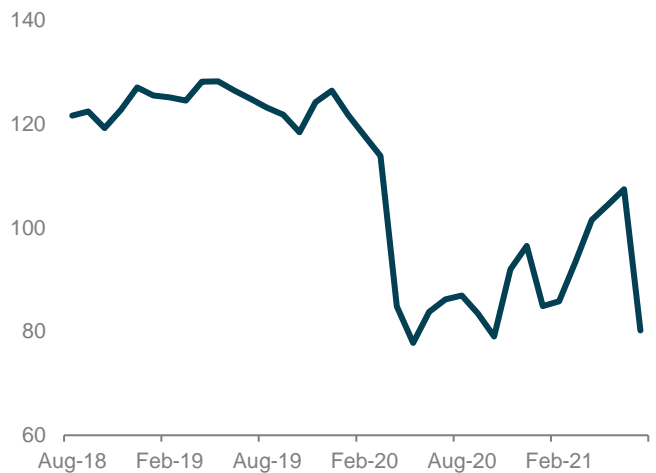
(Points)



Source : IHS Markit

Exhibit 10. Indonesia Consumer Confidence

(Points)



Source : Bank Indonesia

Source : Ministry of Finance

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

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Not Rated : Stock is not within regular research coverage

PT MNC SEKURITAS

MNC Financial Center Lt. 14 – 16

Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340

Telp : (021) 2980 3111

Fax : (021) 3983 6899

Call Center : 1500 899

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