

Trade Surplus Improves Despites Sharp Decline In Exports And Imports

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As expected, significant decreases in exports and imports occurred in Indonesia in Jun '23. The larger-than-expected decline in imports has helped maintain a trade surplus of USD3.46 bn (Cons: USD1.16 bn, KBVS: -USD0.27 bn, Prev: USD0.44 bn). This decline in imports happened across all categories of goods usage, with a decrease of -23.33% MoM in Consumer Goods; -19.24% MoM in Raw Materials/Intermediary Goods; and -17.97% MoM in Capital Goods. Furthermore, the largest import declines were observed in Crude Oil imports, which decreased by -43.24% MoM; Gas imports decreased by -34.11% MoM; and Oil Product imports decreased by -17.57% MoM. Additionally, there were significant declines in Vehicle And Parts imports (HS87) by -26.89% MoM; Plastic And Plastic Goods imports (HS39) by -20.10% MoM; and Electrical Machinery/Equipment And Parts imports (HS85) by -18.44% MoM.

On the other hand, Indonesia's export decline of -21.18% YoY (Cons: -17.80% YoY, KBVS: -21.96% YoY, Prev: 0.96% YoY) was driven by a significant decrease in the export of ships, boats, and floating structures (HS89) by -94.31% MoM; precious metals and jewelry/gemstones (HS71) by -41.41% MoM; nickel and its products (HS75) by -41.33% MoM; metal ores, slag, and ash (HS26) by -34.64% MoM; and mineral fuels (HS27) by -11.54% MoM. The decline in various categories of goods is attributed to the decrease in global market prices, where coal decreased by -20.01% MoM; palm oil decreased by -4.96% MoM; and nickel decreased by -3.25% MoM, while steel rebar decreased by -0.91% MoM. Furthermore, export decline was observed in major destination countries, particularly China by -7.44% MoM; the US by -22.65% MoM; and India by -17.63% MoM.

The global manufacturing PMI developments in Jun '23, which still tend to be in the contraction zone, such as the US (at 46.3), China (49.0), and Euro Area (43.4), are expected to continue exerting pressure on global trade, as well as global commodity prices. Therefore, the progress of the export side is anticipated to remain challenging going forward.

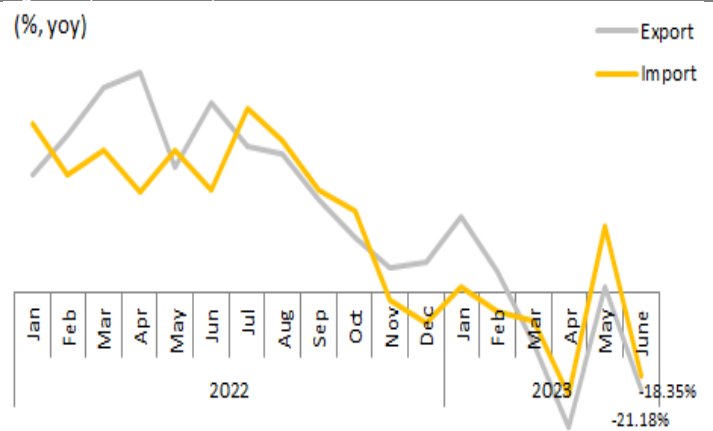
However, we are of the view that the improving trade surplus can potentially serve as a source of stability to mitigate Rupiah volatility. Furthermore, going forward, a smaller interest rate differential (Bi7DRRR-Fed Rate) is expected to occur, which is anticipated to help maintain Foreign Exchange Reserves. This is expected to be supported by the enforcement of Government Regulation (PP) No. 36 of 2023 regarding DHE, effective from 1 Ags '23. Therefore, with the projected Rupiah stability in the future, we anticipate BI to have room for Bi7DRRR reduction sooner.

Fig 1. Trade Balan



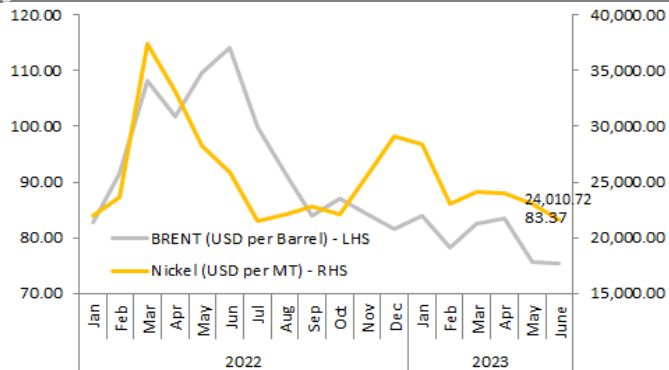
Sources : BPS, KBVS Research – treated (2023)

Fig 2. Export and Import Growth



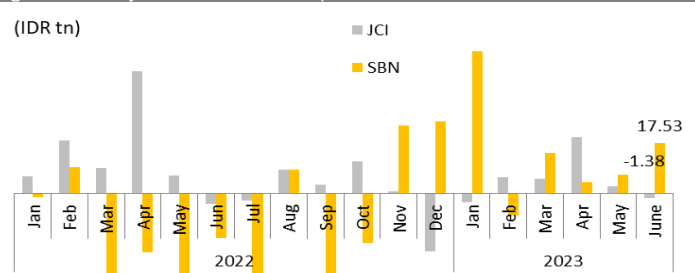
Sources : BPS, KBVS Research – treated (2023)

Fig 3. Oil and Coal Price



Sources : BPS, KBVS Research – treated (2023)

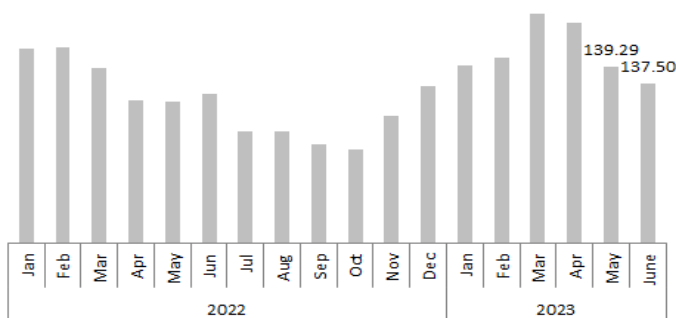
Fig 4. Monthly Non Resident Capital Flows



Sources : Bloomberg, KBVS Research – treated (2023)

Fig 5. Foreign Reserves

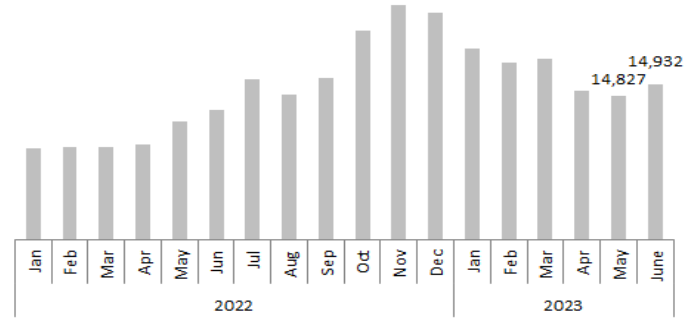
(USD bn)



Sources : Bank Indonesia, KBVS Research – treated (2023)

Fig 6. Monthly Average Rupiah Exchange Rate

(Rp per USD)



Sources : Bank Indonesia, KBVS Research – treated (2023)

Table 1. Indonesia's Trade Balance

Indicators	Value (USD bn)		Growth (%)	
	Latest	M-1	MoM	YoY
Total Export	20.60	21.70	-5.07	-21.18
Oil & Gas	1.26	1.30	-3.08	-18.74
- Crude Oil	0.18	0.16	12.50	-31.46
- Processed Oil	0.42	0.41	2.44	-4.16
- Gas	0.65	0.72	-9.72	-22.37
Non Oil & Gas	19.34	20.39	-5.15	-21.33
- Agriculture, Forestry, and Fisheries	0.35	0.39	-10.26	-1.87
- Manufacturing	15.24	15.59	-2.25	-16.43
- Mining & Others	3.73	4.40	-15.23	-37.49
Total Import	17.15	21.27	-19.37	-18.35
Oil & Gas	2.22	3.13	-29.07	-39.49
- Crude Oil	0.67	1.18	-43.22	-33.35
- Processing Oil	1.31	1.60	-18.13	-41.97
- Gas	0.23	0.34	-32.35	-40.95
Non Oil & Gas	14.92	18.14	-17.75	-13.86
- Consumption Goods	1.58	2.06	-23.30	-6.59
- Raw/Auxiliary Materials	12.36	15.30	-19.22	-23.83
- Capital Goods	3.20	3.90	-17.95	4.11
Trade Balance	2.45	0.42	483.33	-52.15

Sources : Bank Indonesia, KBVS Research – treated (2023).

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