

The Drop in Energy Prices Dragged Exports, But Boosts Domestic Demand

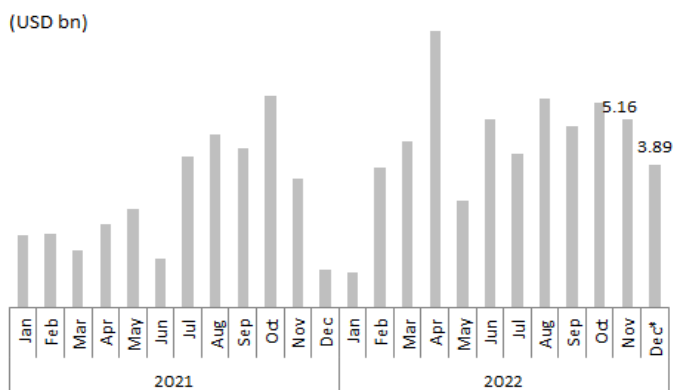
The December trade surplus was below market consensus and our expectations, at just USD3.89bn (Cons: 4.03bn) and lower than Nov '22 of USD5.13bn. The decrease in Indonesia's trade balance surplus was driven by a decrease in exports at -1.10% (mom) or +6.58% (yoy), while imports rose by +5.16% (mom) or -6.61% (yoy). Nevertheless, this drove the 2022 trade balance surplus to reach USD54.45bn, the highest in history, and much higher than 2021 and 2020 figures, which were only USD35.39bn and USD21.74bn respectively.

The decrease in energy prices, indicated by the Bloomberg Energy Index -10.87% (mom), we view as the main cause of the decrease in Dec '22 exports. This is seen from the monthly decrease in exports of USD-0.26bn which largely driven by decreases in Mineral Fuels, Oils, and Waxes exports (HS27) of -USD0.48bn or -9.44% (mom) and Fat and Oil of Animals/Vegetables (HS15) of -USD0.27bn or -9.47% (mom). However, the increase in Nickel prices of +13.45% (mom) was able to add the value of Nickel and Articles exports (HS80) of USD+0.22bn or 41.50% (mom).

On the other hand, the Christmas holiday, New Year, and school holiday cycle drove up demand for Oil Products imports by USD0.28bn or +17.22% (mom) and Crude Oil imports by +USD0.11bn or +12.80% (mom), pushing total imports up USD0.98bn to USD19.94bn in Dec '22. Additionally, the import increase also came from Cereals (HS10) +66.03% (mom) to USD0.45bn and Railway, Tramway and Parts Thereof (HS86) by +605.06% to USD0.17bn. Conversely, decreases in imports from Plastics and Articles of Plastics (HS39) by -USD0.12bn and Fertilizers (HS31) by -USD0.09bn were seen in the same period.

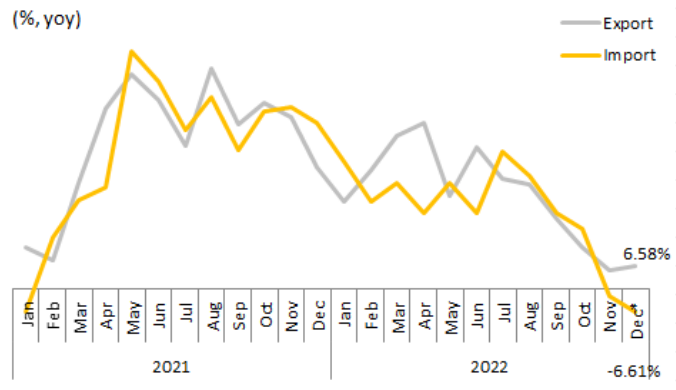
However, the continuation of Indonesia's 32 consecutive months of trade surplus is a positive factor in boosting foreign exchange reserves and maintaining the stability of the Rupiah, indicated by the JISDOR average of IDR15479 per USD (ytd, as of 16 Jan '23). Meanwhile, the largest decrease in exports and imports from Ukraine is a negative geopolitical impact on Indonesia that must be addressed immediately by diversifying markets.

Fig 1. Trade Balance



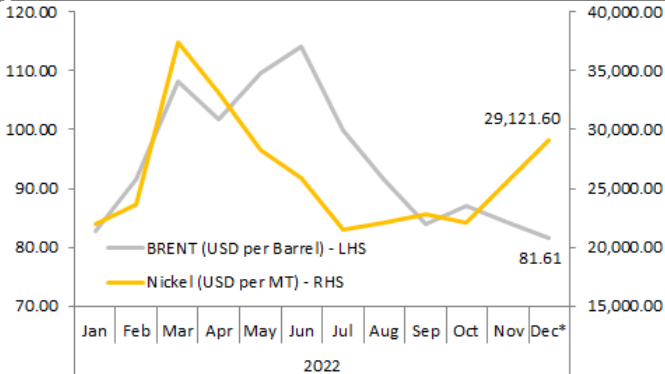
Sources : BPS, KBVS Research – treated 2022

Fig 2. Export and Import Growth



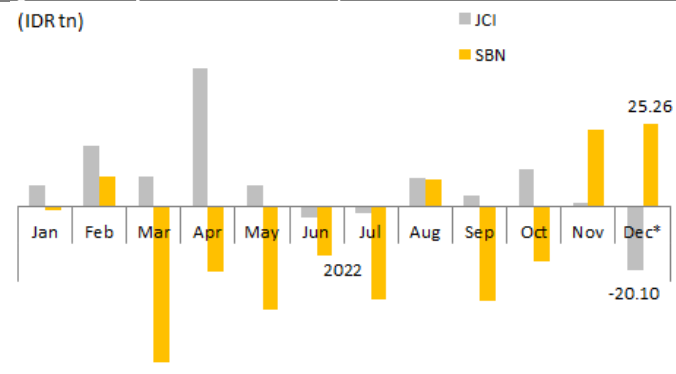
Sources : BPS, KBVS Research – treated 2022

Fig 3. Oil and Nickel Price



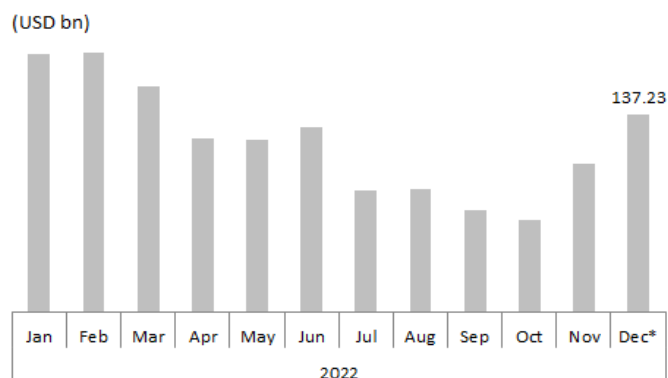
Sources : BPS, KBVS Research – treated (2023)

Fig 4. Monthly Non Resident Capital Flows



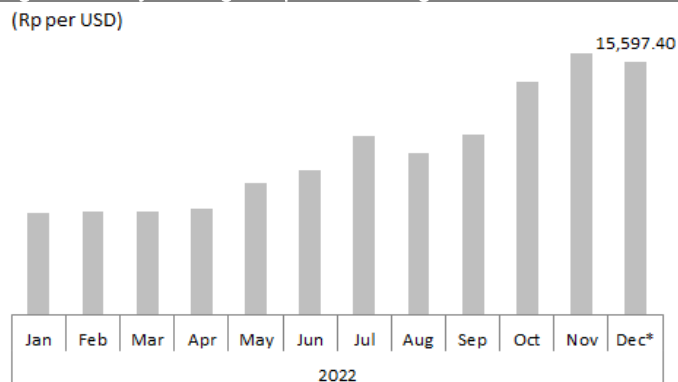
Sources : Bloomberg, KBVS Research – treated (2023)

Fig 5. Foreign Reserves



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

Fig 6. Monthly Average Rupiah Exchange Rate



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

Table 1. Indonesia's Trade Balance

Indicators	Value (USD bn)		Growth (%)	
	Latest	M-1	MtM	YoY
Total Export	23.83	24.12	-1.10	6.58
Oil & Gas	1.48	1.14	32.45	38.17
- Crude Oil	0.15	0.09	73.24	29.08
- Processed Oil	0.32	0.25	31.73	73.35
- Gas	1.00	0.80	28.28	31.03
Non Oil & Gas	22.35	22.99	-2.73	4.99
- Agriculture, Forestry, and Fisheries	0.37	0.42	-12.09	-8.13
- Manufacturing	16.48	16.68	-1.12	-3.56
- Mining & Others	5.50	5.89	-6.61	44.84
Total Import	19.94	18.96	5.16	-6.61
Oil & Gas	3.20	2.80	14.15	-5.23
- Crude Oil	0.95	0.84	12.80	-21.60
- Processing Oil	1.90	1.62	17.22	8.74
- Gas	0.36	0.34	3.05	-16.01
Non Oil & Gas	16.74	16.16	3.60	-6.87
- Consumption Goods	1.80	1.68	7.71	-27.46
- Raw/Auxiliary Materials	14.50	14.07	3.08	-7.18
- Capital Goods	3.63	3.22	12.90	12.18
Trade Balance	3.89	5.13	-24.19	286.80

Sources : BPS, KBVS Research – treated (2023)

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