

Trade Surplus Continues, But Global Risks Pose a Threat

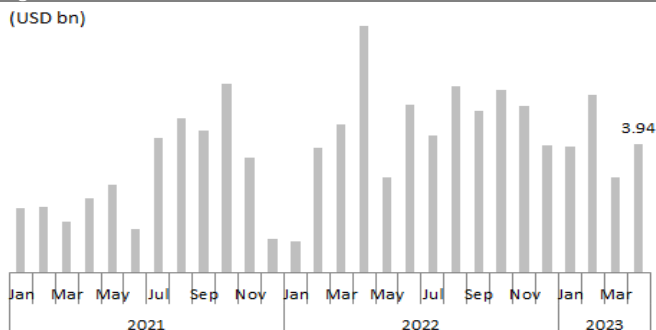
The trade surplus for April 2023 was USD3.94bn, exceeding expectations (Cons: USD3.38bn, KBVS: USD3.48bn, Prev: USD2.91bn) and marking the 36th consecutive month of surplus. Although it has not yet been reflected in foreign reserves, which actually decreased by USD1.02bn in the same month, this is due to the incomplete revision of Government Regulation (PP) No. 1 of 2019 on Export Proceeds (DHE). The Apr '23 trade surplus was driven by weaker import performance compared to exports, as well as the Lebaran holiday cycle and weak global demand, indicated by the JPMorgan Global Manufacturing PMI still being in contraction.

Exports for April '23 were down by 17.90% MoM or -29.40% YoY (Cons: -18.55% YoY, KBVS: -23.50% YoY, Prev: -11.33% YoY), driven by a decrease in non-oil and gas exports of 18.33% (MoM) or -30.35% (YoY). The manufacturing industry saw the largest decline in exports, down by 31.95% (YoY), due to lower commodity prices (especially iron and steel) and export volumes (especially palm oil and coal). Furthermore, the largest percentage decrease in non-oil and gas exports came from Precious metals & stones/jewelry (HS71) at -52.30% (MoM), while the highest percentage increase came from Ships, boats & floating structures (HS89) growing at 113.95% (MoM). At the same time, the majority of major export destinations also experienced declines, especially China (-18.49% MoM), ASEAN (-22.81% MoM), and the US (-19.98% MoM).

Meanwhile, imports declined by -25.44% MoM or -22.31% YoY (Cons: -7.85% YoY, KBVS: -11.80% YoY, Prev: -22.26% YoY). According to commodity groups, Vehicles & their parts (HS87) fell by 37.03% MoM, Iron & Steel (HS72) by 36.44% MoM, Plastics & plastic goods (HS39) by 35.14% MoM, and Machinery & Electrical Equipment and its parts (HS85) by 32.01% MoM, contributing to the largest decreases, which was also reflected in a decrease in raw materials/auxiliaries by 23.26% (MoM) or -25.33% (YoY).

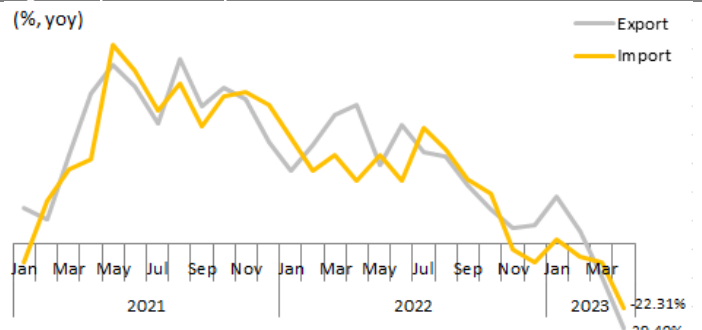
We are of the view, although the trade surplus is seen as a positive factor in boosting the current account surplus and stabilizing the Rupiah exchange rate, the decline in exports and imports of raw materials/auxiliaries is a cause for concern as it could be a negative signal for declining growth in the domestic manufacturing sector. Especially as China, which accounts for 23.95% of Indonesia's total exports, shows a Manufacturing PMI in contraction territory (49.2 in Apr '23) and issues debt and high-level infrastructure investment domestically, while the US, which accounts for 8.16% of Indonesia's total exports, experiences concerns about bank collapse, debt default, and low consumer confidence. Therefore, **export diversification**, for example with Pakistan and Germany, **is still needed**. In addition, **the promotion of local currency transactions is necessary to avoid the risk of volatility of vehicle currency**, which also helps to maintain the positive impact of trade surplus.

Fig 1. Trade Balance



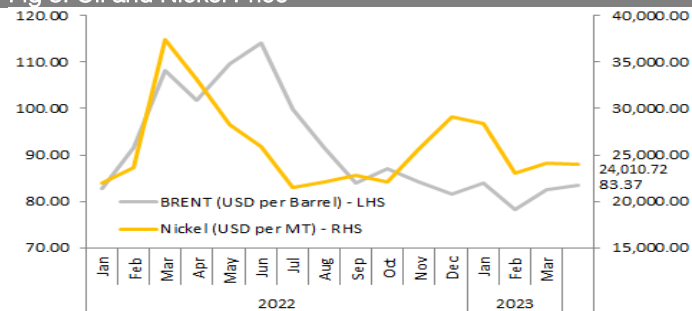
Sources : BPS, KBVS Research – treated (2023)

Fig 2. Export and Import Growth



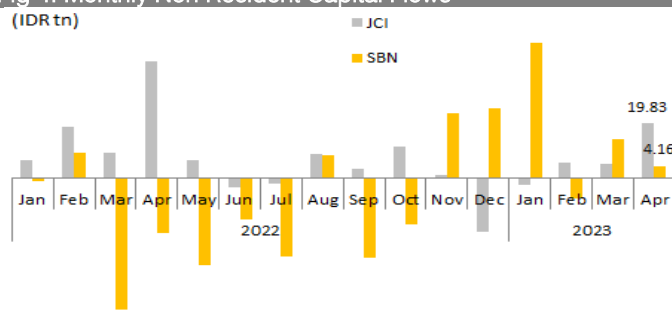
Sources : BPS, KBVS Research – treated (2023)

Fig 3. Oil and Nickel Price



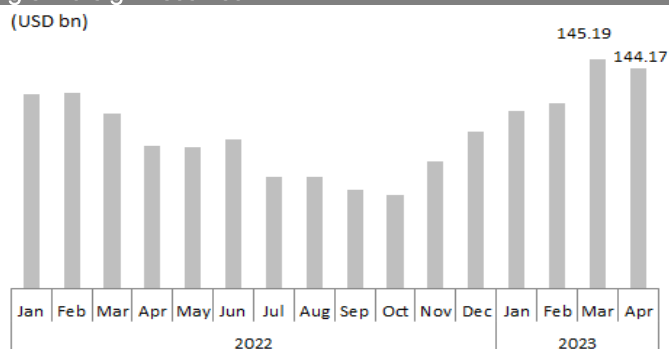
Sources : BPS, KBVS Research – treated (2023)

Fig 4. Monthly Non Resident Capital Flows (IDR tn)



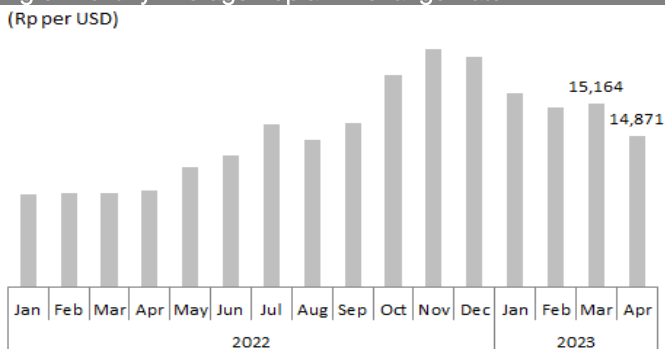
Sources : Bloomberg, KBVS Research – treated (2023)

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	MtM	YoY
Total Export	27.32	23.50	16.26	-29.40
Oil & Gas	1.43	1.33	7.74	-12.18
- Crude Oil	0.11	0.22	-49.55	-19.85
- Processed Oil	0.61	0.39	56.41	-17.72
- Gas	0.71	0.72	-1.25	-6.23
Non Oil & Gas	25.89	22.16	16.83	-30.35
- Agriculture, Forestry, and Fisheries	0.40	0.38	3.95	-26.02
- Manufacturing	19.08	16.62	14.83	-31.95
- Mining & Others	6.41	5.15	24.45	-25.85
Total Import	19.76	20.59	-4.05	-22.32
Oil & Gas	3.81	3.01	26.68	-22.52
- Crude Oil	1.22	0.81	50.86	-36.15
- Processing Oil	2.08	1.81	14.86	-13.37
- Gas	0.51	0.39	31.28	-27.14
Non Oil & Gas	15.94	17.57	-9.26	-22.27
- Consumption Goods	1.70	1.76	-3.52	-20.63
- Raw/Auxiliary Materials	15.53	15.11	2.79	-23.26
- Capital Goods	2.53	3.71	-31.89	-36.66
Trade Balance	3.94	2.91	35.40	-47.88

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

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