

Trade Balance: May '23 Surplus Dropped Amid Rising Oil Imports

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In line with our expectations, the trade surplus in May '23 decreased to USD0.44 bn (Cons: USD3.20 bn, KBVS: USD2.00 bn, Prev: USD3.94 bn). The hypothesis of the drop in trade surplus is already indicated by the decline in foreign exchange reserves of USD4.88 bn and portfolio flows reaching only USD0.62 bn during the period. In addition, the appreciation of the Rupiah by 0.11% mom was accompanied by a decrease in global commodity prices, reflected by a -6.15% mom decline in the S&P GSCI Commodity index in the same month. The global industry condition, as indicated by the JPMorgan Global Manufacturing PMI, remains in contraction territory for the past three months. Furthermore, concerns regarding the debt ceiling issue, which tends to make economic agents adopt a *wait-and-see* approach, have also contributed to additional worries.

However, it seems that the unfavorable global conditions do not apply to Indonesia. In fact, Indonesian exports increased in the period. The export growth was particularly significant for Vehicles and Parts (HS87) with a month-on-month increase of 60.20%; Machinery and Mechanical Appliances and Parts (HS34) with a rise of 53.77%, and Electrical Machinery and Equipment and Parts (HS85) with a growth of 19.11%. Similarly, the value of Non-Oil and Gas Exports with major trading partners also experienced an increase, with China up by 3.41%, ASEAN up by 26.02% mom, and the United States up by 30.23% mom. Although there was a decrease in the export value of two main Indonesian export products, namely Mineral Fuels (HS27) by 4.39% mom and Iron and Steel by 6.33% mom.

However, a more expansive increase in imports, particularly crude oil imports which rose by 51.81% mom, has caused the trade surplus to decline to its lowest level in the past 37 months. This condition is evident in imports occurring across all categories of goods usage, namely Capital Goods (+66.0% mom), Consumer Goods (+47.9% mom), and Intermediate Goods (+4.42% MoM). We are of the view that this is a positive sign and an indication of prudent domestic economic activity, supported by an expanding consumer confidence index of 128.3 in May '23 - the highest since Jun '22. Furthermore, the increase in imports comes from key non-oil and gas products, such as Machinery and Mechanical Appliances and Parts (HS84) which rose 52.49% mom, Electrical Machinery and Equipment and Parts (HS85) as well as Iron and Steel (HS72) with a 38.81% mom and 33.46% mom increase, respectively. However, there were decreases in imports of Animal Meat (HS02) by 17.53% mom and Fertilizers (HS31) by 38.72% mom.

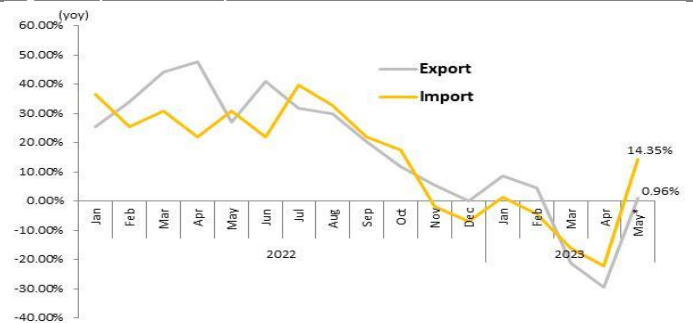
We are of the view that the decrease in the trade surplus can be attributed to the decline in commodity prices, which, on one hand, continues to hinder export growth but can also be seen as a precautionary measure to maintain domestic oil inventories. In Jun '23, we anticipate that the increase in imports will be lower, potentially leading to a better trade surplus balance. However, global commodity prices, particularly for coal, iron and steel, and palm oil, will still be a concern, as well as global oil prices. Alongside this, there is hope for positive momentum in the increase of imports of Capital Goods, which is expected to be a key driver for domestic economic growth.

Fig 1. Trade Balance



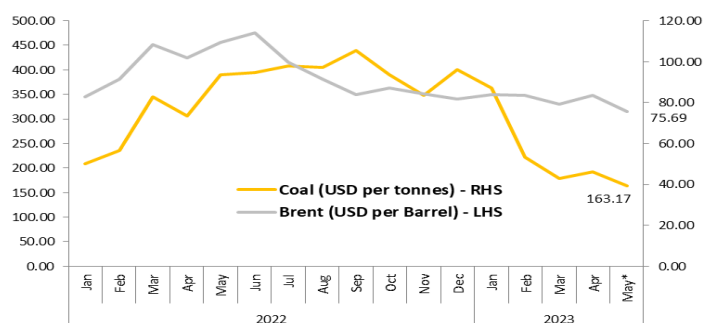
Sources : BPS, KBVS Research – treated (2023)

Fig 2. Export and Import Growth



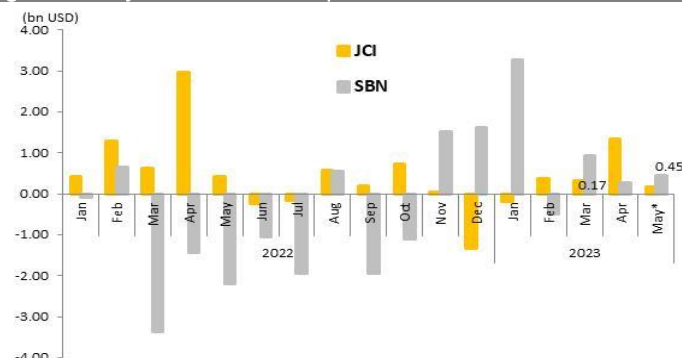
Sources : BPS, KBVS Research – treated (2023)

Fig 3. Oil and Coal Price



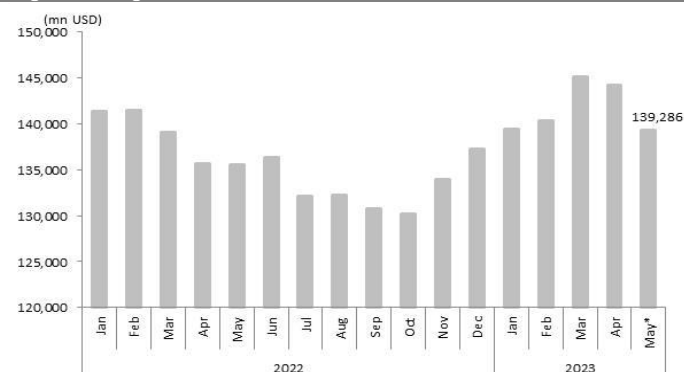
Sources : BPS, KBVS Research – treated (2023)

Fig 4. Monthly Non Resident Capital Flows



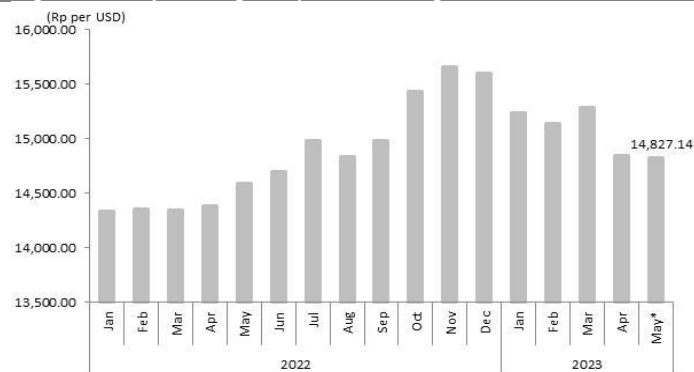
Sources : Bloomberg, KBVS Research – treated (2023)

Fig 5. Foreign Reserves



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	MoM	YoY
Total Export	21.51	19.28	12.61	0.96
Oil & Gas	1.32	1.26	4.48	-12.10
- Crude Oil	0.17	0.09	91.89	13.75
- Processed Oil	0.41	0.50	-17.67	-15.49
- Gas	0.73	0.67	9.40	-14.73
Non Oil & Gas	20.40	18.02	13.18	1.94
- Agriculture, Forestry, and Fisheries	0.39	0.29	33.76	32.38
- Manufacturing	15.59	12.98	20.17	10.34
- Mining & Others	4.41	4.75	-7.17	-20.97
Total Import	21.27	15.34	38.65	14.35
Oil & Gas	3.13	2.95	6.09	-8.70
- Crude Oil	1.18	0.78	51.81	70.68
- Processing Oil	1.60	1.80	-11.11	-25.46
- Gas	0.34	0.37	-6.43	-31.72
Non Oil & Gas	18.14	12.39	46.42	18.94
- Consumption Goods	2.06	1.39	47.96	36.51
- Raw/Auxiliary Materials	15.30	11.59	31.98	4.42
- Capital Goods	3.90	2.35	60.30	66.03
Trade Balance	0.44	3.94	-98.98	-98.62

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

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