

## Positive Impacts of Domestic Industrialization On Trade Balance

In Feb '23, Indonesia's domestic trade surplus increased to USD5.48 bn (Prev: USD3.87 bn), exceeding the expected forecast (Cons: USD3.27 bn, KBVS: USD2.96 bn). This surplus was driven by the drop in imports which decreased by 13.67% mom (-4.32% yoy), largely offset exports which decreased at a slower pace of 4.15% mom (+4.51% yoy). The decrease in import values was also supported by the 0.79% mom appreciation of the Rupiah in the period. Nonetheless, Feb '23 marked the 34th consecutive month of Indonesia's trade surplus since Apr '20.

All categories of imported goods experienced a decrease, with Capital Goods witnessing the steepest decline of 15.09% mom (-8.10% yoy), followed by Consumer Goods with a decrease of 14.54% mom (+13.42% yoy). This is in line with the decline in Engine Class/Electrical Equipment and its parts (HS85), which dropped by 15.22% mom at USD355.4 mn; Machinery/Mechanical Equipment and its parts (HS84) down by 7.27% mom to USD179.4 mn; Plastics and Plastic Goods (HS39) decreased by 15.21% mom to USD119.1 mn; Mineral Fuels (HS27) decreased by 25.69% mom to USD108.1 mn; and Cereals (HS10) decreased by 18.57% mom to USD102.6 mn. On the other hand, Metal Ores, Slag and Ash (HS26) commodities experienced the most significant increase with a USD111.1 mn or +249.87% mom; followed by Live Animals (HS01) at USD27.9mn or +1,033.95% mom; Milk, Butter and Eggs (HS04) at USD23.5mn or +21.41% mom; Trains, Trams and Their Parts (HS86) at USD17.5 mn or +73.30% mom; then Coffee, Tea and Spices (HS09) at USD15.9 mn or +26.82% mom.

Meanwhile, the limited decline in exports was supported by improved exports to some non-traditional countries (e.g Bangladesh, Taiwan and Egypt) apart from India, Singapore and Thailand. The decline of exports was mainly caused by a decrease in the value of exports to several major destination countries, such as the European Union (USD408.6 mn or -24.68% mom), South Korea (USD218.1 mn or -23.45% mom, China (USD210.4 mn or -4.01% mom) and Japan (USD152.4 mn or -8.07% mom). Therefore, the total value of non-oil and gas exports in Feb '23 for the 13 destination countries only reached USD14.7 bn or a decrease of USD480.1 mn or -3.16% mom. According to HS Code, the most significant decrease in value was seen in Mineral Fuels (HS27) with a decrease of -USD277.0 mn or -6.51% mom, while the largest increase was Electrical Machinery, Equipment and Their Parts (HS85) with an increase of USD141.0 mn or +10.93% mom.

Undoubtedly, the improvement of the trade surplus in Feb '23 is a positive fundamental for the domestic economy, even though the increase in foreign reserve assets was lower (only +USD0.90 bn) in the same month. Moreover, the volatility in the global financial market, indicated by the significant increase in VIX since W2 Mar '23, was driven by the collapse of SVB and the change in the stance of The Fed recently. We are of the view that the drop in Capital Goods is an advantageous outcome of the rising domestic industrialization since the beginning of 2023 which is also reflected in the domestic Manufacturing PMI that rose to 51.2 in Feb '23. Therefore, we hope that the risk of a decrease in the country's revenue from lower commodity prices windfall can be compensated by an improvement in value added of the domestic industry sector.

Fig 1. Trade Balance

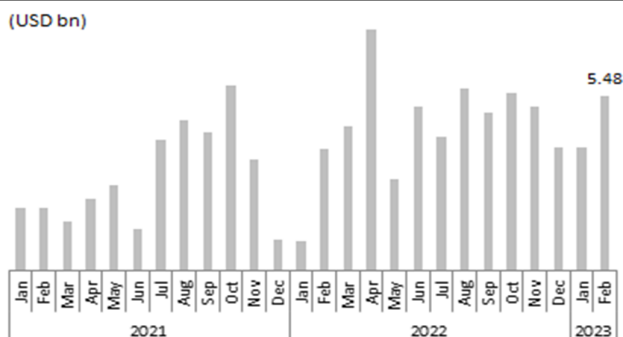


Fig 2. Export and Import Growth

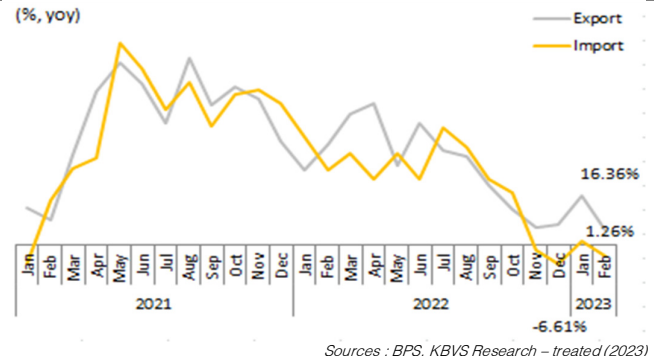


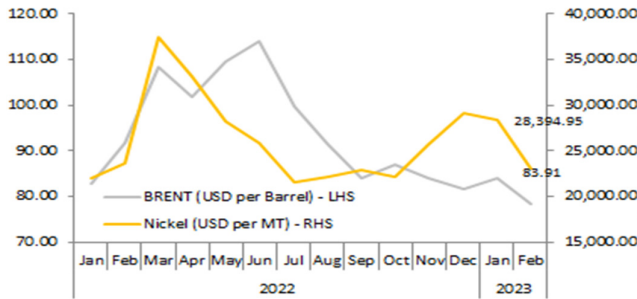
Fig 3. Oil and Nickel Price

Fig 4. Monthly Non Resident Capital Flows

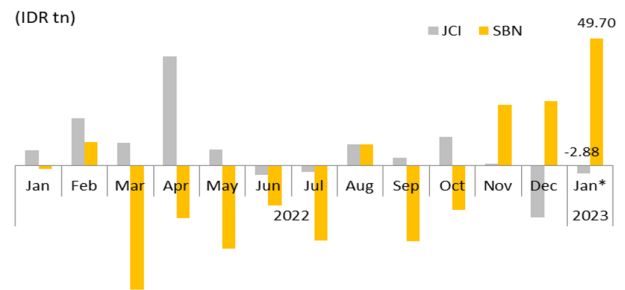
# Indonesia Macro Update

15 March 2023

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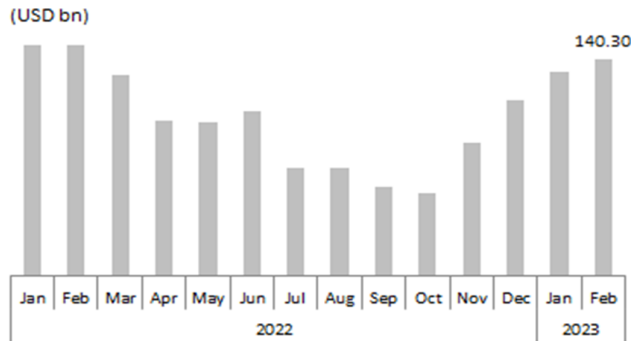


Sources : BPS, KBVS Research – treated (2023)



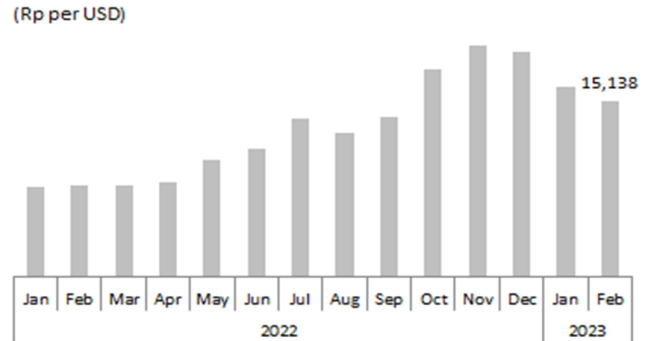
Sources : Bloomberg, KBVS Research – treated (2023)

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

Indicators	Value (USD bn)		Growth (%)	
	Latest	M-1	MoM	YoY
<b>Total Export</b>	<b>21.40</b>	<b>22.32</b>	<b>-4.12</b>	<b>4.51</b>
<b>Oil &amp; Gas</b>	<b>1.19</b>	<b>1.49</b>	<b>-20.13</b>	<b>19.27</b>
- Crude Oil	0.14	0.07	85.65	45.00
- Processed Oil	0.31	0.55	-43.64	-6.26
- Gas	0.74	0.86	-13.95	29.48
<b>Non Oil &amp; Gas</b>	<b>21.39</b>	<b>22.32</b>	<b>-4.17</b>	<b>4.15</b>
- Agriculture, Forestry, and Fisheries	0.34	0.37	-8.11	-2.08
- Manufacturing	15.52	15.65	-0.83	-0.09
- Mining & Others	4.35	4.80	-9.38	20.93
<b>Total Import</b>	<b>15.92</b>	<b>18.44</b>	<b>-13.67</b>	<b>-4.32</b>
<b>Oil &amp; Gas</b>	<b>2.41</b>	<b>2.91</b>	<b>-17.18</b>	<b>-17.08</b>
- Crude Oil	0.53	0.96	-44.79	-29.71
- Processing Oil	1.49	1.63	-8.59	-16.82
- Gas	0.38	0.31	22.58	8.33
<b>Non Oil &amp; Gas</b>	<b>15.92</b>	<b>18.44</b>	<b>-13.67</b>	<b>-4.32</b>
- Consumption Goods	1.36	1.60	-15.00	13.42
- Raw/Auxiliary Materials	11.79	13.89	-15.12	-8.10
- Capital Goods	2.76	2.95	-6.44	6.10
<b>Trade Balance</b>	<b>5.48</b>	<b>3.87</b>	<b>41.59</b>	<b>469.29</b>

Sources : BPS, KBVS Research – treated (2023)

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