

Indonesia's Trade Surplus Ends After Six Years

Indonesia's trade balance unexpectedly swung into a deficit of USD1.61 bn in May '26 (Cons: USD1.10 bn, KBVS: USD1.20 bn, Prev: USD0.09 bn), **marking the country's first monthly trade deficit after 72 consecutive months of surpluses and the largest deficit since Apr '19**. The deterioration was primarily driven by a sharp contraction in exports, which fell to -5.73% YoY (Cons: 4.00% YoY, KBVS: -, Prev: 21.98% YoY), while imports remained elevated at 22.16% YoY (Cons: 18.00% YoY, KBVS: -, Prev: 22.49% YoY). The combination of weaker export momentum and resilient import demand points to a temporary deterioration in Indonesia's external balance, reflecting softer global demand alongside still-robust domestic economic activity.

The primary downside came from the export side, where export value declined -5.73% YoY to USD23.20 bn, mainly due to weaker non-oil and gas exports, which fell -4.50% YoY. The decline was largely attributable to lower exports of precious metals, jewellery and gemstones, metal ores, and iron and steel. From a sectoral perspective, manufacturing recorded the largest drag, declining -3.59% YoY (-2.88 pts from overall export growth), mainly due to weaker shipments of jewellery and precious articles, palm oil products, electrical equipment, and non-ferrous base metals. Meanwhile, exports from the mining sector contracted -7.03% YoY following lower copper ore exports, while agricultural exports fell -20.43% YoY due to weaker fruit shipments. The broad-based weakness suggests that Indonesia's export sector continued to face pressure from softer global commodity demand despite resilient energy prices during the month.

On the import side, import value increased 22.16% YoY to USD24.81 bn, mainly driven by a 70.78% YoY surge in oil and gas imports, while non-oil and gas imports remained robust, rising 14.89% YoY. The increase was primarily supported by higher imports of raw and auxiliary materials, which expanded 25.17% YoY (+17.41 pts to overall import growth), reflecting sustained demand for industrial inputs. Among major commodity groups, imports of machinery and mechanical appliances, electrical machinery and equipment, as well as plastics and plastic articles continued to record solid growth. Elevated global crude oil prices during May '26, coupled with Rupiah depreciation, further increased Indonesia's import bill during the month.

External factors contributing to the trade deficit include elevated global oil prices during May '26 due to geopolitical tensions in the Middle East, softer global commodity demand, and lower export values of coal, steel products, and other mining commodities.

During the escalation of the Israel-Iran conflict, concerns over potential disruptions to oil shipments through the Strait of Hormuz, which carries around 20% of global oil trade, caused Brent crude oil prices to rise sharply, peaking at USD114.44/bbl on 4 May '26, causing higher risk premiums in the region. The increase in global oil prices subsequently raised Indonesia's oil and gas import bill, while higher freight costs, maritime insurance premiums, and logistics expenses further increased the cost of imported goods. At the same time, weaker global demand and lower commodity prices reduced export earnings, particularly for Indonesia's mining-related products.

Since China remains Indonesia's largest export destination, accounting for 25.90% of Indonesia's non-oil and gas exports, the moderation in China's industrial activity and commodity demand has also weighed on Indonesia's export performance. In addition, China has introduced stricter regulations governing its domestic thermal coal market for 2026, encouraging greater reliance on domestic coal production through long-term supply contracts with local producers rather than with foreign firms. Furthermore, several Chinese coal buyers reportedly postponed June import purchases following Indonesia's implementation of its one-stop export policy, which took

effect on 1 Jun '26. The policy created uncertainty regarding export procedures and transaction timelines, prompting buyers to temporarily delay purchases while awaiting further regulatory clarity. Although these delays are expected to be temporary rather than permanent cancellations, they have nevertheless weighed on Indonesia's coal export performance in the near term.

Domestic factors influencing the trade deficit include the depreciation of the Rupiah, which has increased import costs, continued domestic demand for intermediate and capital goods, and rising fuel import requirements. The weaker exchange rate, which hit a record low of IDR18,175/USD on 8 Jun '26 and weakened by 3.24% MoM in May, has increased the cost of importing fuel, machinery, electronic equipment, and industrial raw materials, while resilient domestic investment activity has continued to support imports of capital and intermediate goods. Together, these factors have widened Indonesia's import bill and therefore reduced the overall trade balance.

Outlook

Following the decline in global oil prices since mid-Jun '26, we expect Indonesia's trade balance to gradually return to surplus over the coming months. The easing of geopolitical tensions in the Middle East has led to lower crude oil prices, which should help reduce Indonesia's oil and gas import bill. In addition, improving shipping conditions are expected to gradually lower logistics and freight costs, providing further support to the trade balance. Nevertheless, the recovery is likely to be gradual rather than immediate, as import demand is expected to remain relatively resilient, supported by continued strength in domestic economic activity.

On the export side, challenges are expected to persist. Although external conditions have improved, China's weaker industrial activity and softer commodity demand are likely to continue weighing on Indonesia's export performance. Furthermore, ongoing discussions regarding Indonesia's coal export policy and stronger domestic supply obligations could potentially limit future coal export growth. As a result, export recovery is expected to remain relatively subdued despite the improvement in global energy markets.

Domestic factors will also remain a key determinant of Indonesia's external balance. The depreciation of the Rupiah has increased the cost of imported goods, particularly fuel and industrial inputs. However, resilient domestic demand, especially for energy consumption, is expected to keep import growth relatively elevated. Meanwhile, Indonesia's Manufacturing PMI declined into contraction territory at 46.9 in Jun '26 (Prev: 50.0), signaling weaker manufacturing activity. This slowdown is expected to reduce imports of machinery, capital goods, and raw materials in the near term, partially offsetting the upward pressure on imports from stronger domestic demand.

Nevertheless, downside risks remain: a) stemming from renewed geopolitical tensions; b) volatility in global commodity prices; c) weaker-than-expected demand from Indonesia's major trading partners, d) evolving global trade policies, and e) ongoing domestic deindustrialization. These factors are likely to continue weighing on Indonesia's external sector and could result in further volatility in the country's trade performance.

Fig 1. Trade Balance

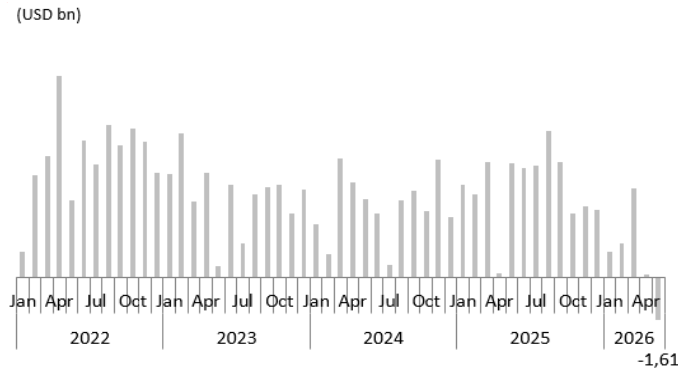


Fig 2. Export and Import Growth

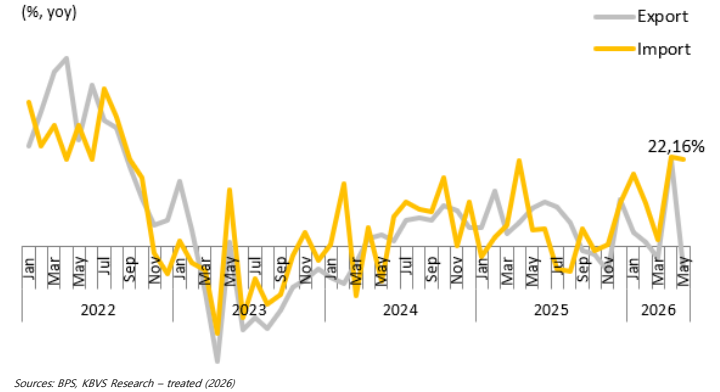


Fig 3. Oil and Coal Price

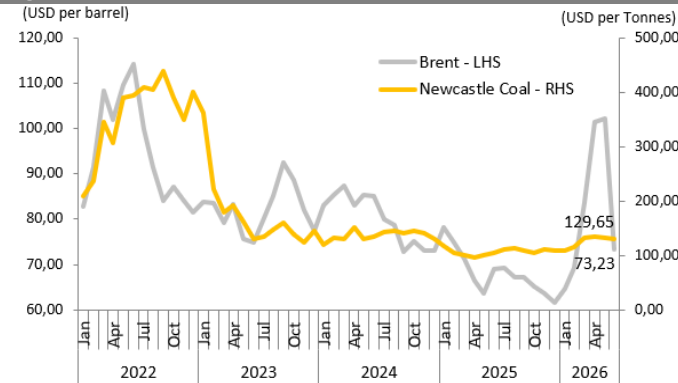


Fig 4. Monthly Non-Resident Capital Flows

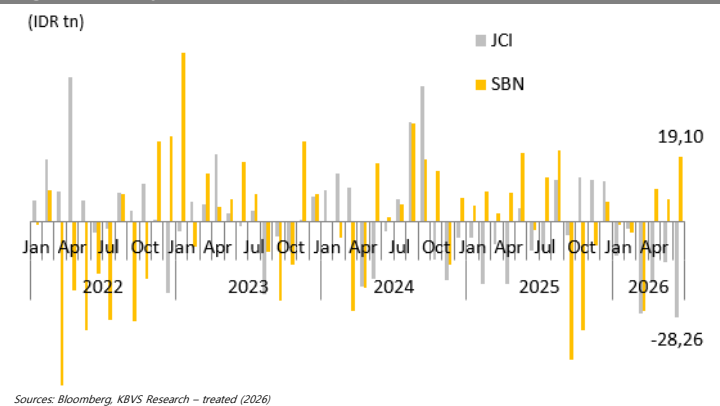


Fig 5. Monthly Change of FX Reserves

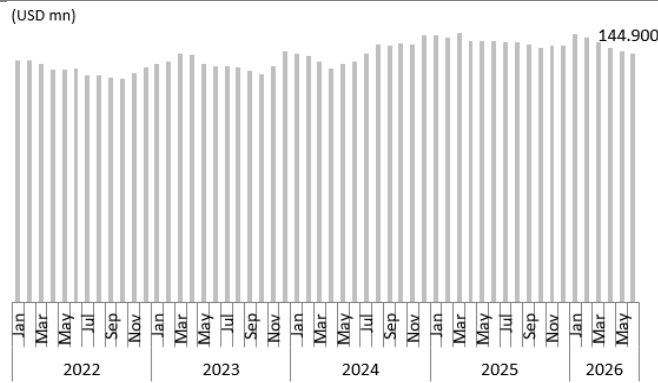


Fig 6. Monthly Average Rupiah Exchange Rate

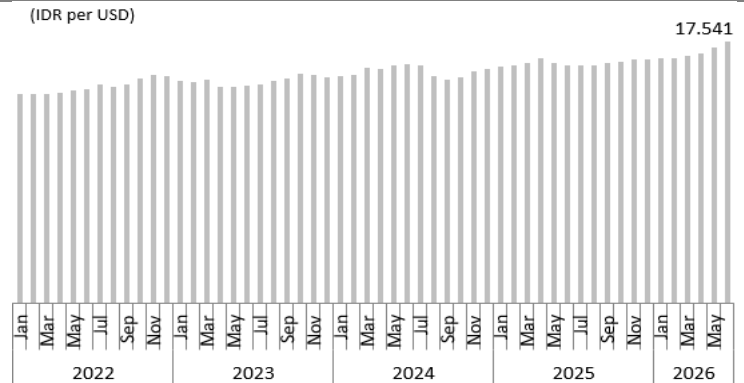


Fig 7. Indonesia Current Account

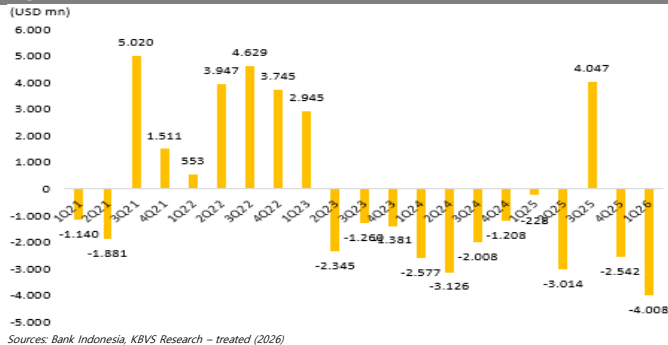


Fig 8. CPO Price



Indicators	Value (USD bn)		Growth (%)	
	Latest	M-1	MoM	YoY
Total Export (FOB)	23,20	25,30	-8,30	-5,73
Oil and Gas	0,76	1,16	-34,38	-31,76
- Crude Oil	-	0,07	-100,00	-100,00
- Processed Oil	0,41	0,56	-26,10	4,05
- Gas	0,35	0,53	-34,85	-44,57
Non-Oil and Gas	22,45	24,15	-7,05	-4,50
- Agriculture, Forestry, and Fisheries	0,50	0,45	11,31	-20,43
- Manufacturing	19,05	20,59	-7,46	-3,59
- Mining & Others	2,89	3,11	-6,99	-7,03
Total Import (CIF)	24,81	25,21	-1,59	22,16
Oil and Gas	4,51	4,60	-1,82	70,78
- Crude Oil	0,70	1,09	-35,56	-4,06
- Processing Oil	3,81	3,51	8,68	99,49
- Gas	0,00	0,00	0,00	0,00
Non-Oil and Gas	20,30	20,62	-1,53	14,89
Import Based on the Goods Usage Classification				
Consumption Goods	2,23	2,43	-8,42	21,99
Raw/Auxiliary Materials	17,58	18,65	-5,72	25,17
Capital Goods	5,00	4,13	21,12	12,7
Trade Balance	-1,61	0,09	-1907,18%	-137,45%
Oil and Gas Trade Balance	-3,76	-3,44	9,10%	145,53%
Non-Oil and Gas Trade Balance	2,15	3,53	-39,24%	-63,18%

Sources: BPS, KBVS Research – treated (2026).

Countries	Share Export From Indonesia (%)	Share Import To Indonesia (%)	Trade Balance of Non-Oil & Gas with Indonesia	Latest PMI Manufacturing
China	25,90	41,83	-2.692,10	51,8
Japan	5,64	5,51	263,90	54,9
U.S	11,56	4,54	1.665,70	55,7
India	6,74	2,22	897,20	54,5
Thailand	1,27	5,35	-571,50	51,2
South Korea	3,19	3,56	-51,00	54,8
Singapore	1,95	2,40	-302,90	56,1
Malaysia	3,02	4,02	91,90	51,0
Australia	4,25	2,71	410,60	49,9
Taiwan	3,65	4,11	-122,30	52,6
Germany	0,78	1,60	-275,50	50,0
Netherlands	2,19	0,36	465,00	55,9
Italy	1,08	0,77	123,00	52,9
Total 13 Countries	71,22	78,98	-98,00	
Others	28,78	21,02	2.244,40	
Total	100,00	100,00	2.146,40	

Sources: BPS, KBVS Research – treated (2026).

Our Analysts

Fikri C Permana

Head of Equity Research

Strategy and Economics

fikri.permana

@kbvalbury.com

Adolf R B Setiadi

Equity Analyst

Coal, Renewables, Plantation, Pulp

adolof.setiadi

@kbvalbury.com

Akhmad Nurcahyadi

Senior Equity Analyst

Banks, Consumer, Cigarettes, Auto

akhmad.nurcahyadi

@kbvalbury.com

Andre Suntono

Senior Equity Analyst

Retail, Poultry, Healthcare

andre.suntono

@kbvalbury.com

Ashalia Fitri Yuliana

Equity Analyst

Metal Mining, H-Equipment, Cement,

Media, Chemicals

ashalia.yuliana

@kbvalbury.com

Atikah Tri Adriyanti

Equity Analyst

Small-Mid Caps

atikah.adriyanti

@kbvalbury.com

Steven Gunawan

Senior Equity Analyst

Telco, Tower, Property

steven.gunawan

@kbvalbury.com

Khairunnisa N Syahfiraputri

Associate Economist

khairunnisa.syahfiraputri

@kbvalbury.com

Michael Handisurya

Technical Analyst

michael.handisurya

@kbvalbury.com

Disclaimer

This report is prepared by PT KB Valbury Sekuritas, a member of the Indonesia Stock Exchange, or its subsidiaries or its affiliates ("KBVS"). All the material presented in this report is under copyright to KBVS. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form or by any means or altered in any way, or transmitted to, or distributed to any other party without the prior written consent of KBVS.

The research presented in this report is based on the information obtained by KBVS from sources believed to be reliable, however KBVS do not make representations as to their accuracy, completeness or correctness. KBVS accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this report and further communication given or relied in relation to this document. The material in this report is not to be construed as an offer or a solicitation of an offer to buy or sell any securities or financial products. This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts and estimates contained in this report reflects a judgement at its original date of publication by KBVS and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The Research Analyst(s) primarily responsible for the content of this research report, in part or as a whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The Analyst also certifies that no part of his/her compensation was, is or will related to specific recommendation views expressed in this report. It also certifies that the views and recommendations expressed in this report do not and will not take into account client circumstances, objectives, needs and no intentions involved as a use for recommendations for sale or buy any securities or financial instruments.

KB Valbury Sekuritas Head Office

Sahid Sudirman Center 41st Floor Unit A-C

Jalan Jenderal Sudirman No. 86 Kelurahan Karet Tengsin,
Kecamatan Tanah Abang, Jakarta Pusat 10220, Indonesia

T. (021) 25098300

F. (021) 25098400

Branch Office

Jakarta - Kelapa Gading

Rukan Plaza Pasifik
Jl. Boulevard Barat Raya Blok A1 No. 10
Jakarta Utara 14240
T. (021) 29451577

Denpasar

Jl. Teuku Umar No. 177
Komplek Ibis Styles Hotel
Denpasar Bali 80114
T. (0361) 3338080

Palembang

Komplek PTC Mall Blok I No. 7
Jl. R. Sukamto
Palembang 30114
T. (0711) 2005050

Semarang

Jl. Gajahmada 23A,
Kecamatan Semarang Tengah,
Kelurahan Kembang Sari 50241
T. (024) 40098080

Pontianak

Jl. Prof. M Yamin No. 14
Kotabaru, Pontianak Selatan
Kalimantan Barat 78116
T. (0561) 8069000

Pekanbaru

Jl. Tuanku Tambusai, Komplek CNN
Blok A No. 3 Pekanbaru 28291

Jakarta - Puri Indah

Rukan Grand Aries Niaga Blok E1 No. IV
Jl. Taman Aries, Kembangan
Jakarta Barat 11620
T. (021) 22542390

Bandung

Jl. Abdul Rivai No. 1A,
Kel. Pasirkaliki, Kec. Cicendo
Bandung 40171
T. (022) 3003133

Yogyakarta

Jl. Magelang KM 5.5 No. 75
Yogyakarta 55000
T. (0274) 8099090

Surabaya

Pakuwon Center Lt 21
Jl. Embong Malang No.1
Surabaya 60261
T. (031) 21008080

Makassar

Komplek Ruko Citraland City Losari
Business Park, Blok B2 No. 09
Jl. Citraland Boulevard Makassar 90111
T. (0411) 6000818

Jakarta - Pluit

Jl. Pluit Putra Raya No. 2
Jakarta Utara 14450
T. (021) 6692119

Malang

Jl. Pahlawan Trip No. 7
Malang 65112
T. (0341) 585888

Banjarmasin

Jl. Gatot Subroto No. 33
Banjarmasin 70235
T. (0511) 3265918

Padang

Jl. Proklamasi No. 60A
Padang Timur 25121
T. (0751) 8688080

Medan

Komplek Golden Trade Center
Jl. Jenderal Gatot Subroto No. 18-19
Medan 20112
T. (061) 50339090

Investment Gallery

Jakarta
Citra Garden 6 Ruko Sixth Avenue
Blok J.1 A/18, Cengkareng
Jakarta Barat 11820
T. (021) 52392181

Semarang
Jl. Jati Raya No. D6,
Sronдол Wetan, Banyumanik,
Semarang 50263
T. (024) 8415195

Salatiga
Jl. Diponegoro No. 68
Salatiga 50711
T. (0298) 313007

Jambi
Jl. Orang Kayo Hitam
No. 48 B
Jambi Timur 36123
T. (0741) 3068533