

Aug '23 Trade Surplus Improves but Further Current Account Deficit In 3Q23 Looms

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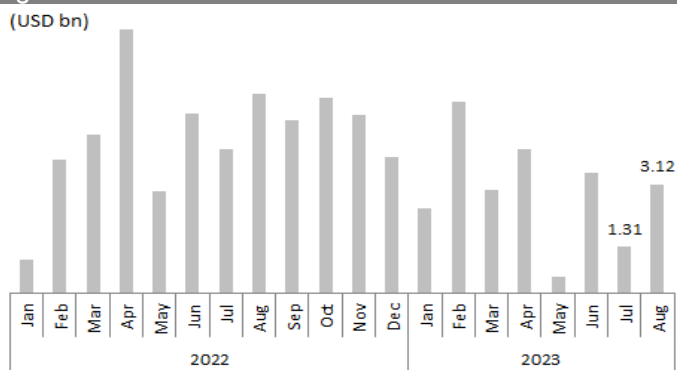
Exceeding expectations, Indonesia's trade surplus in Aug '23 increased to USD3.12 bn (Cons: USD1.50 bn, KBVS: USD0.58 bn, Prev: USD1.31 bn), marking the 40th consecutive month of trade surplus. The surplus derived from non-oil and gas sector trade transactions that reached USD4.47 bn, but was offset by the oil and gas sector's trade deficit of USD1.34 bn. Therefore, during Jan to Aug '23, Indonesia has recorded a trade surplus of USD24.34 bn, although lower compared to the same period in 2022, which stood at USD34.89 bn.

The increase in exports of 5.47% mom, particularly driven by a 40.25% mom surge in commodity exports related to processed oil products which is accompanied by categories HS26 (Metal Ores, Slag, and Ash), HS15 (Animal and Vegetable Oils), and HS61 (Apparel and Accessories). Meanwhile, the total value of non-oil and gas exports in Aug '23 to the 13 destination countries was worth USD15.26 bn (+6.34% yoy) due to the increasing value of exports to most major destination countries compared to Jul '23, especially China at +USD0.46 bn, South Korea at +USD0.14 bn and Japan at +USD0.09 bn.

Conversely, imports declined by -3.53% mom, notably with a 46.46% mom decrease in crude oil imports, followed by decreases in imports of HS49 (Ships and Floating Structures), HS85 (Machinery, Electrical Equipment, and Parts), HS31 (Fertilizers), and HS26 (Metal Ores, Slag, and Ash). The import value from Jan to Aug '23 decreased by USD12.50 bn, reaching only USD147.18 bn (-14.77% YoY). Based on categories of product usage, the decline in imports was driven by Capital Goods -4.55% mom (-3.97% yoy); and Raw Materials/Intermediates -4.13% mom (-20.39% yoy); while Consumer Goods still increased by 2.19% mom (+15.47% YoY).

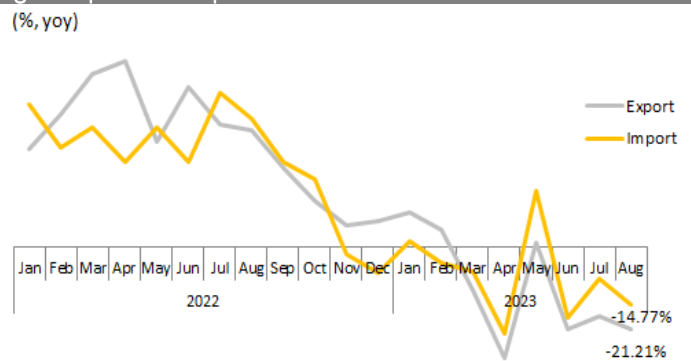
On one hand, we anticipate that the development of the trade surplus will alleviate concerns on imported inflation in the current month. However, on the other hand, the IDR30.34 tn (USD1.99 bn) net foreign sales in Indonesia's portfolio assets in Aug '23 coupled with decreasing foreign exchange reserves in Aug '23 to USD 137.1 bn (-USD0.44 bn from Jun '23), brings concern that this will lead into another current account deficit in 3Q23. This is a fundamental challenge for the stability of the Rupiah and domestic portfolio assets. Therefore, this also prompts us to postpone our expectations for a reduction in the Bi7DRRR from initially expected in Sep '23 to Dec '23.

Fig 1. Trade Balance



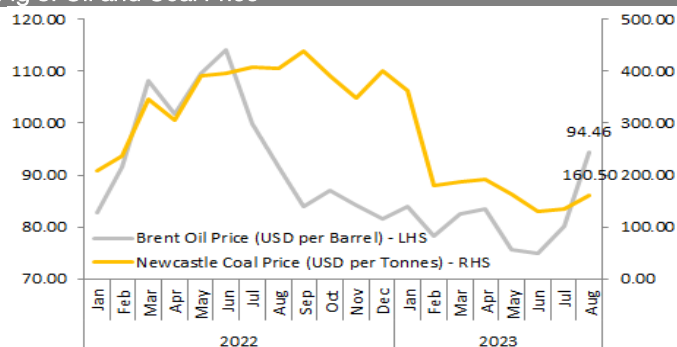
Sources : BPS, KBVS Research – treated (2023)

Fig 2. Export and Import Growth



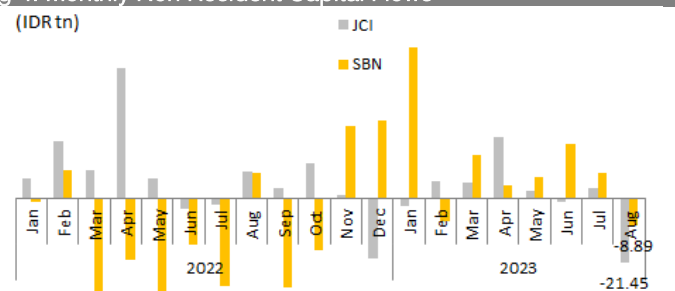
Sources : BPS, KBVS Research – treated (2023)

Fig 3. Oil and Coal Price



Sources : Bloomberg, KBVS Research – treated (2023)

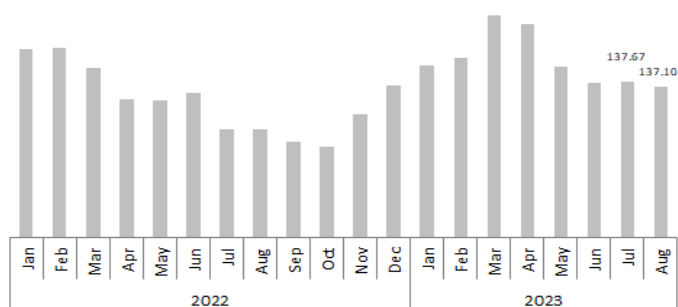
Fig 4. Monthly Non Resident Capital Flows



Sources : Bloomberg, KBVS Research – treated (2023)

Fig 5.Indonesia's Foreign Reserves

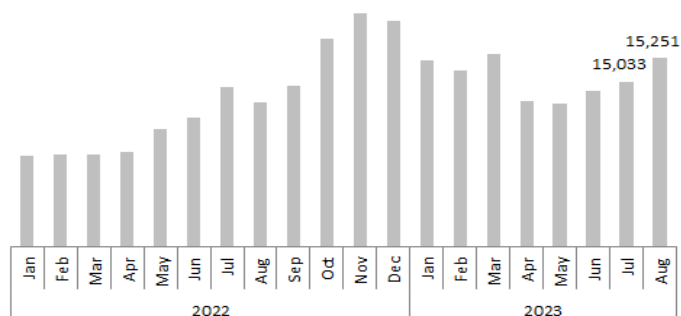
(USD bn)



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

Fig 6. Monthly Average Rupiah Exchange Rate

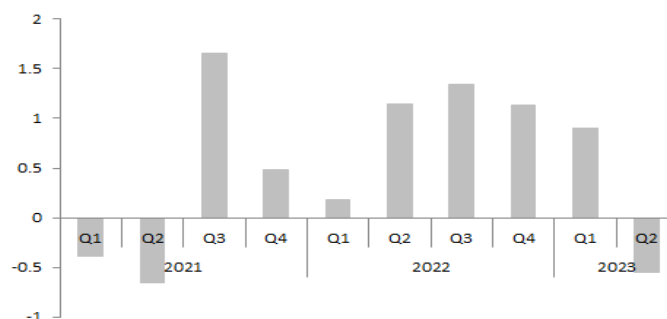
(Rp per USD)



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

Fig 7. Indonesia's Current Account

(% to GDP)



Sources : BPS, KBVS Research – treated (2023)

Table 1. Indonesia's Trade Balance

Indicators	Value (USD bn)		Growth (%)	
	Latest	M-1	MoM	YoY
Total Export	22.00	20.88	5.36	-21.21
Oil & Gas	1.32	1.23	7.60	-20.69
- Crude Oil	0.07	0.11	-36.88	-46.26
- Processed Oil	0.51	0.36	40.50	11.52
- Gas	0.73	0.75	-3.04	-31.21
Non-Oil & Gas	20.68	19.65	5.22	-21.25
- Agriculture, Forestry, and Fisheries	0.39	0.37	4.03	-30.50
- Manufacturing	16.33	15.85	3.02	-17.33
- Mining & Others	3.96	3.43	15.50	-33.39
Total Import	18.88	19.57	-3.52	-14.77
Oil & Gas	2.66	3.13	-15.08	-28.08
- Crude Oil	0.66	1.23	-46.46	-39.10
- Processing Oil	1.72	1.74	-1.02	-20.29
- Gas	0.28	0.16	73.16	-38.64
Non Oil & Gas	22.15	16.44	34.76	-14.77
- Consumption Goods	1.85	2.09	-11.56	15.47
- Raw/Auxiliary Materials	16.76	13.92	20.44	-20.39
- Capital Goods	3.54	3.56	-0.58	-3.97
Trade Balance	3.12	1.31	138.11%	-45.93%

Sources: BPS, KBVS Research – treated (2023).

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