

Trade Surplus Sustained, China Draws Closer to Indonesia

The increase in exports by 6.76% mom in Oct '23, despite a concurrent rise in imports by 7.68% mom, has sustained a trade surplus at USD3.48 bn (Cons: USD2.83 bn, KBVS: USD3.30 bn, Prev: USD3.42 bn). This has driven the Indonesia's FOB export value to reach USD22.15 bn (prev: USD20.75 bn) in the same month, comprising USD1.37 bn in Oil&Gas exports (prev: USD1.41 bn), while Non-Oil&Gas exports reached USD20.78 bn (prev: USD20.75 bn). The largest increase in exports originated from Mineral Fuels (HS27) with a USD0.67 bn increase or 24.61% mom, followed by Precious Metals&Jewelry/Gems (HS71) with a USD0.21 bn increase or 43.10% mom, and Footwear (HS64) with a USD0.17 bn increase or 39.55% mom. Conversely, the most significant decrease in exports stemmed from Machinery&Electrical Equipment and Parts Exports (HS85), which decreased by USD0.09 bn compared to the previous month or -7.48% mom. Additionally, positive indicators were observed in Indonesia's top exported products, such as Coal (+24.11% mom), followed by Iron & Steel (+5.76% mom), and Palm Oil (+2.59% mom) in the respective month.

On the import side, Indonesia's CIF import value reached USD18.67 bn (prev: USD17.34 bn) in Oct '23. This figure comprises USD3.21 bn in Oil&Gas imports (prev: USD3.33 bn), mainly attributed to a decrease in Crude Oil imports by -19.64% mom, while Processed Oil increased by +3.01% mom and Gas by +33.50% mom. Meanwhile, Non-Oil & Gas imports reached USD15.47 bn (Prev: USD14.01 bn) in Oct '23, driven by a substantial increase in imports of Machinery/Electrical Equipment & Parts (HS85) by USD0.39 billion, marking a +21.06% mom increase compared to the previous month, followed by a USD0.29 bn increase in Machinery/Mechanical Equipment&Parts (HS84) imports or +11.19% mom. Conversely, the largest decrease in imports was seen in Vegetables (HS07), declining by -38.86% to USD0.06 bn in Oct '23. Then, based on the Goods Usage Classification, all categories have seen an uptick – Consumer Goods (+14.52% mom), Capital Goods (+9.17% mom), and Raw Materials/Intermediates (+5.87% mom).

Meanwhile, we anticipate further propulsion for Indonesia's economy, align with the ongoing recovery in the Chinese economy, as the interconnection between Indonesia and China's trade has strengthened. This is evident in the share of Non-Oil&Gas exports to China, which increased to 27.83% (prev: 25.25%), while the share of Non-Oil & Gas imports from China reached 34.63% (prev: 32.92%) in the respective period. Moreover, the Chinese industrial production in Oct '23 improving to 4.6% YoY (Cons: 4.4% YoY, Prev: 4.5% YoY) – see Page 2, Fig 6 – alongside the increased Production&Business Activities Expectation Index in the same month to 55.6 (prev: 55.5).

Additionally, with China's stable inflation at 0.0% YoY in Oct '23, followed by the CNY depreciation by 4.97% (ytd, as of 15 Nov '23) against the USD, it is expected to lower the risk of imported inflation transmission from China. Conversely, it is also expected to increase the relative competitive advantage of Indonesian export products to that country. This is further expected to boost Indonesia's imports to China from the USD6.29 bn in Oct '23. This anticipation is also supported by the optimization of the Local Currency Transaction (LCT), which includes investments, financial markets, banking, and payment transactions between Indonesia and China, involving 16 banks in Indonesia and 8 banks in China through the signing of the Memorandum of Understanding between Bank Indonesia and PBoC on the 26 Sep '23.

Fig 1. Trade Balance

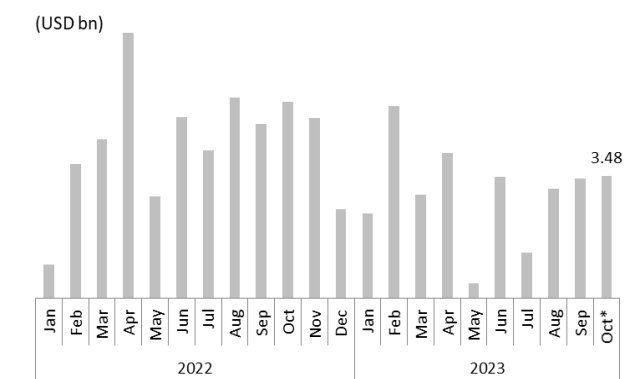
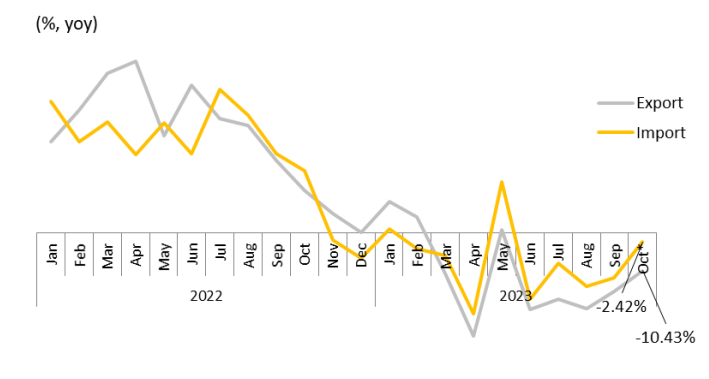


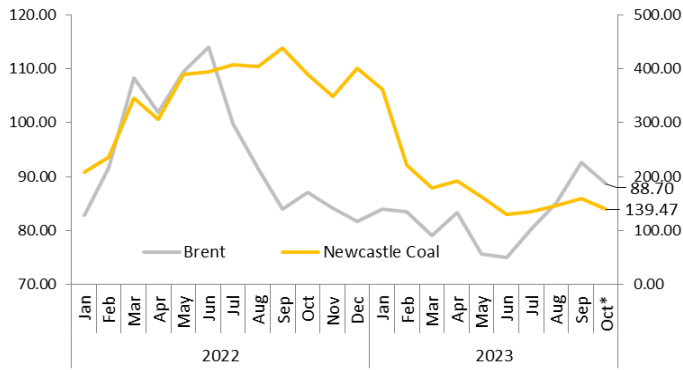
Fig 2. Export and Import Growth



Sources: BPS, KBVS Research - treated (2023)

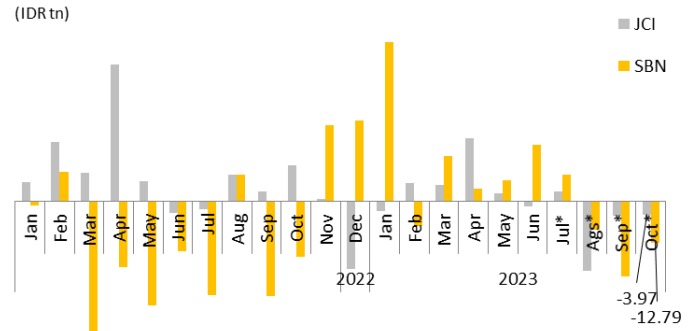
Sources: BPS, KBVS Research - treated (2023)

Fig 3. Oil and Coal Price



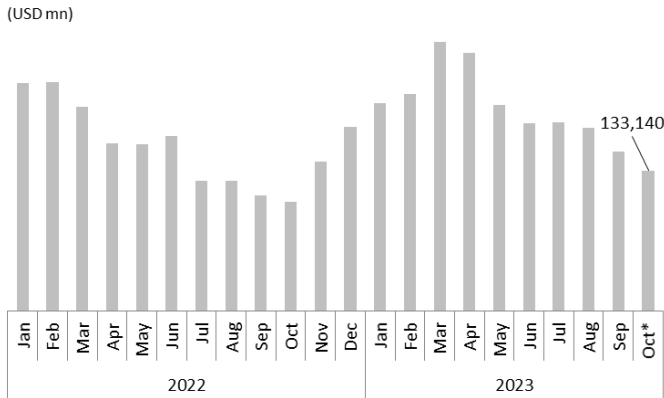
Sources: Bloomberg, KBVS Research - treated (2023)

Fig 4. Monthly Non Resident Capital Flows



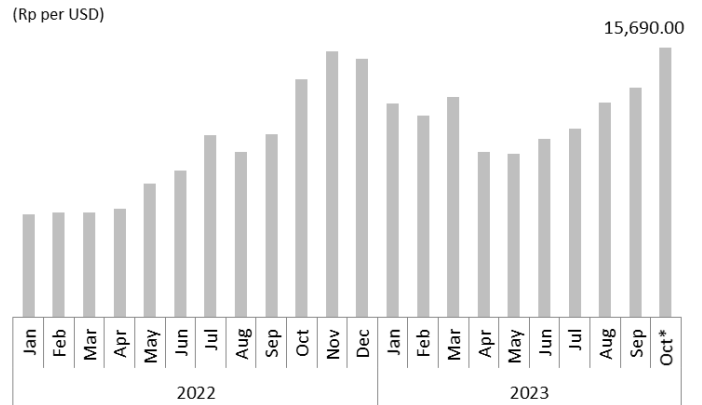
Sources: Bloomberg, KBVS Research - treated (2023)

Fig 5. Indonesia's Foreign Reserves



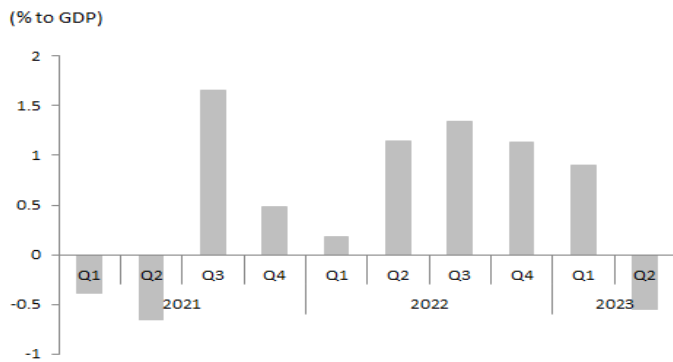
Sources: Bank Indonesia, KBVS Research - treated (2023)

Fig 6. Monthly Average Rupiah Exchange Rate



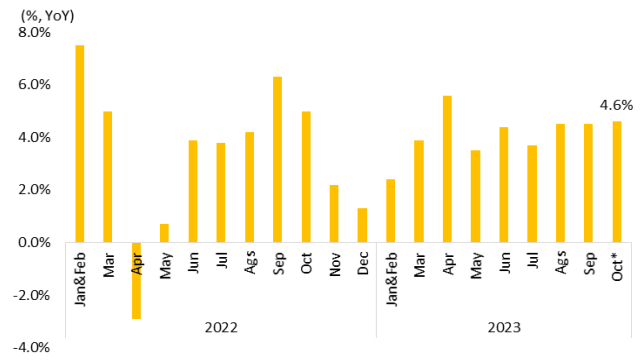
Sources: Bank Indonesia, KBVS Research - treated (2023)

Fig 7. Indonesia's Current Account



Sources: BI, KBVS Research - treated (2023)

Fig 8. Chinese Industrial Production



Sources: NBS China, KBVS Research - treated (2023)

Table 1. Indonesia's Trade Balance				
Indicators	Value (USD bn)		Growth (%)	
	Latest	M-1	MoM	YoY
<b>Total Export</b>	<b>22.15</b>	<b>20.75</b>	<b>6.76</b>	<b>-10.43</b>
<b>Oil &amp; Gas</b>	<b>1.37</b>	<b>1.41</b>	<b>-2.38</b>	<b>6.63</b>
- Crude Oil	0.18	0.21	-11.85	40.96
- Processed Oil	0.49	0.50	-2.00	50.74
- Gas	0.70	0.70	0.11	-15.76
<b>Non-Oil &amp; Gas</b>	<b>20.78</b>	<b>19.35</b>	<b>7.42</b>	<b>-10.43</b>
- Agriculture, Forestry, and Fisheries	0.37	0.40	-8.00	-21.58
- Manufacturing	16.14	15.39	4.83	-5.03
- Mining & Others	4.26	3.54	20.47	-28.57
<b>Total Import</b>	<b>18.67</b>	<b>17.34</b>	<b>7.68</b>	<b>-2.42</b>
<b>Oil &amp; Gas</b>	<b>3.21</b>	<b>3.33</b>	<b>-3.66</b>	<b>-4.68</b>
- Crude Oil	1.28	1.03	-19.64	-0.68
- Processing Oil	1.88	1.82	3.01	-6.79
- Gas	0.30	0.22	33.50	-4.39
<b>Non Oil &amp; Gas</b>	<b>15.47</b>	<b>14.01</b>	<b>10.37</b>	<b>-1.94</b>
<b>Import Based on the Goods Usage Classification</b>				
Consumption Goods	1.82	1.67	9.17	3.83
Raw/Auxiliary Materials	13.44	12.69	5.87	-6.08
Capital Goods	3.42	2.98	14.52	11.08
<b>Trade Balance</b>	<b>3.48</b>	<b>3.42</b>	<b>1.63</b>	<b>-37.78</b>
<b>Oil&amp;Gas Trade Balance</b>	<b>-1.84</b>	<b>-1.92</b>	<b>4.80</b>	<b>-11.69</b>
<b>Non-Oil&amp;Gas Trade Balance</b>	<b>5.31</b>	<b>5.33</b>	<b>0.34</b>	<b>-30.76</b>

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

## 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 be 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 41<sup>st</sup> Floor Unit A-C  
Jalan Jenderal Sudirman No. 86 Kelurahan Karet Tengsin,  
Kecamatan Tanah Abang, Jakarta Pusat 10220, Indonesia  
T. +62 21 – 250 98 300  
F. +62 21 – 255 33 778

### Branch Office

#### Jakarta – Sudirman

Sahid Sudirman Center 41<sup>st</sup> Floor Unit A-C  
Jalan Jenderal Sudirman No. 86 Karet Tengsin,  
Tanah Abang, Jakarta Pusat 10220  
T. (021) 25098300/301

#### Bandung

Jl. HOS Cokroaminato No. 82  
Bandung 40171  
T. (022) 87255800

#### Palembang

Komplek PTC Mall Blok I No. 7  
Jl. R. Sukanto  
Palembang 30114  
T. (0711) 5700281

#### Semarang

Candi Plaza Building Lt. Dasar  
Jl. Sultan Agung No. 90-90A  
Semarang 50252  
T. (024) 8501122

#### Jakarta – Kelapa Gading

Rukan Plaza Pasifik  
Jl. Raya Boulevard Barat Blok A1 No. 10  
Jakarta Utara 11620  
T. (021) 29451577

#### Malang

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

#### Surabaya

Pelawon Center Lt 21  
Jl. Embong Malang No.1  
Surabaya 60261  
T. (031) 2955788

#### Makassar

Komplek RUKO Citraland City Losari  
Business Park, Blok B2 No. 09  
Jl. Citraland Boulevard Makassar 90111  
T. (0241) 16000818

#### Jakarta – Puri Indah

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

#### Banjarmasin

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

#### Padang

Jl. Kampung Nias II No. 10,  
Padang 25211  
T. (0751) 8955747

#### Medan

Komplek Jati Junction No. PS-5A  
Jl. Perintis Kemerdekaan  
Medan 20218  
T. (061) 88816222

#### Jakarta – Pluit

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

#### Pekanbaru

Jl. Tuanku Tambusai, Komplek CNN  
Blok A No. 3 Pekanbaru 28291  
T. (0761) 839993

#### Yogyakarta

Jl. Magelang KM 5.5 No. 75  
Yogyakarta 55000  
T. (0274) 623111

#### Denpasar

Jl. Teuku Umar No. 177  
Komplek Ibis Styles Hotel  
Denpasar Bali 80114  
T. (0361) 225229

### Investment Gallery

#### Jakarta

Citra Garden 6 Ruko Sixth Avenue  
Blok J.1 A/18, Cengkareng  
Jakarta Barat 11820  
T. (021) 522392181

#### Semarang

Jl. MT Haryono 637  
Semarang 50242  
T. (024) 8415195

#### Salatiga

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

#### Solo

Jl. Ronggowarsito No. 34  
Surakarta 57118  
T. (0271) 6726306