

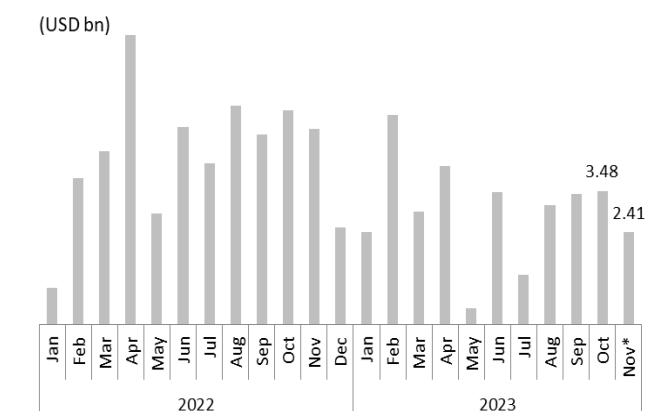
**Trade Surplus in Nov '23 Declines, Adding Risks of 4Q23 Current Account Deficit**

The trade surplus took an unexpected downturn in Nov '23, despite a USD5.0 bn increase in foreign exchange reserves (see Fig. 6, page 2). **The surplus declined sharply to just USD2.41 bn (Cons: USD2.97 bn, KBVS: USD4.95 bn, Prev: USD3.48 bn), marking the lowest value since Jul '23. This decline was fueled by a notable +4.89% MoM or +3.29% YoY surge in imports, reaching USD19.59 bn during Nov '23.** Imports saw an upsurge in Consumer Goods by +10.53% MoM, driven by the holiday season, followed by Capital Goods rising by 6.98% MoM and Raw Materials/Intermediates by +3.60% MoM. Sector-wise, the increase in Oil and Gas imports of 8.79% MoM stemmed from heightened Gas imports by 11.55% MoM, Oil Product imports by +10.77% MoM, and Crude Oil imports by +4.89% MoM. Concurrently, the increase in Non-Oil and Gas imports was driven by an +87.27% MoM increase in Metal Ore Slag and Ash (HS26), a +76.58% MoM rise in Fertilizers (HS31), and a +31.98% MoM surge in imports of Food Industry Residues and Waste (HS23).

**Meanwhile, exports continued facing pressure, declining by 0.67% MoM or -8.56% YoY.** This decline was rooted in a -6.38% MoM drop in Oil and Gas exports, followed by the Agriculture, Forestry, and Fisheries sector with a -0.82% MoM dip, and the Manufacturing Industry with a -0.43% MoM decrease. Notably, specific categories such as Food Industry Residues and Waste (HS23) suffered a 27.80% MoM decline in export, Nickel and its products (HS75) experienced a 17.16% MoM decrease, and Iron and Steel (HS72) dropped 6.82% MoM. These decline was aligned with a reduction in Newcastle Coal prices by -11.67% MoM in Nov '23 (see Fig 3, page 2) and a -6.78% MoM decrease in Nickel prices (see Fig. 8 page 2). Simultaneously, the Manufacturing PMI in major trading partner countries during Nov '23, particularly the US was dropped to 49.4 (Prev: 50.0), while Japan at 48.3 (Prev: 48.1), and Taiwan at 48.3 (Prev: 47.6), both are remain in the contraction zone, contributed to the Non-oil and Gas export decline (see table 2, page 3). Consequently, exports of Non-Oil and Gas to these three trading partners plummeted by -1.62% MoM (to the US), -17.92% MoM (to Japan), and -9.22% MoM (to Taiwan). However, amidst these decline, positive developments were noted with an increase in the export value of Tin and its products (HS80) by +41.09% MoM, as well as Precious Metals and Jewelry/Gems (HS71) by +10.05% MoM.

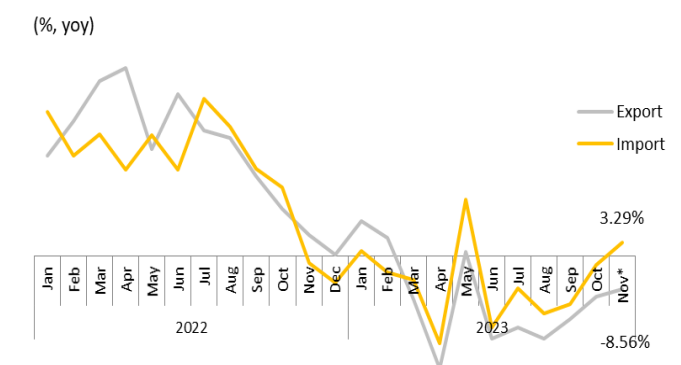
Looking ahead, we anticipate a potential relief from export price pressures due to the expected global decrease in policy rates, aiding in reducing the substantial cost of funds and fostering global Manufacturing PMI recovery. We aspire for an improved trade surplus in Dec '23, aiming for a 4Q23 surplus to exceed USD10.0 bn (compared to USD13.26 bn in 4Q22). However, concerns on Japan's Manufacturing PMI which worsening to 47.7 in Dec '23 pose a challenge for exports to that country. It's hoped that an improving trend in manufacturing PMI and exports to regions like Europe, China, India, South Korea, and Australia will mitigate this. **The goal is to reduce the risk of a current account deficit witnessed in the last two<sup>o</sup> quarters (see Fig 7, page 2), thereby reducing the twin deficits' risk, a major challenge to Rupiah stability.** Additionally, the anticipated improvement in the fiscal deficit by the end of 2023, standing at only 1.0% of GDP (compared to the APBN target of 2.84% of GDP), could further support this effort.

Fig 1. Trade Balance



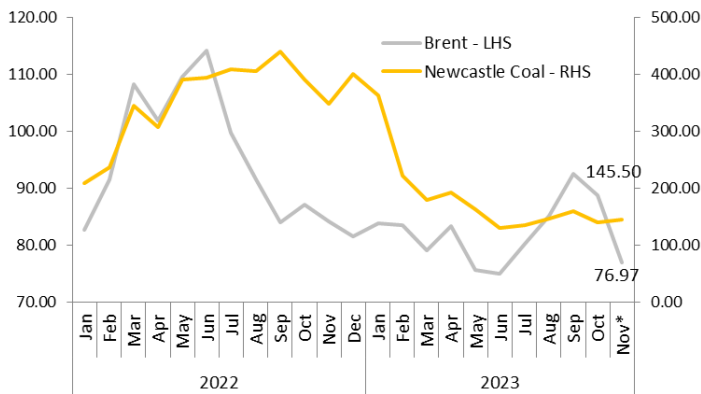
Sources: BPS, KBVS Research - treated (2023)

Fig 2. Export and Import Growth



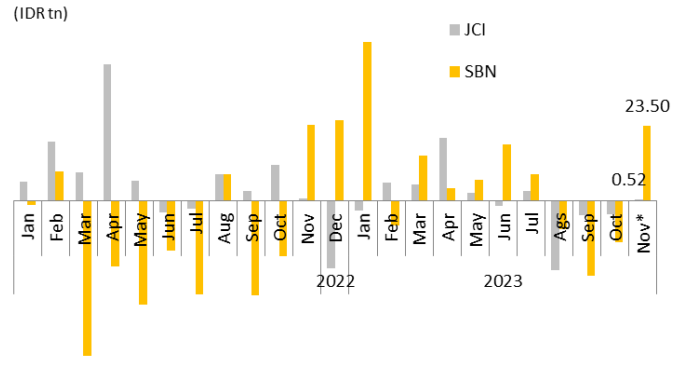
Sources: BPS, KBVS Research - treated (2023)

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



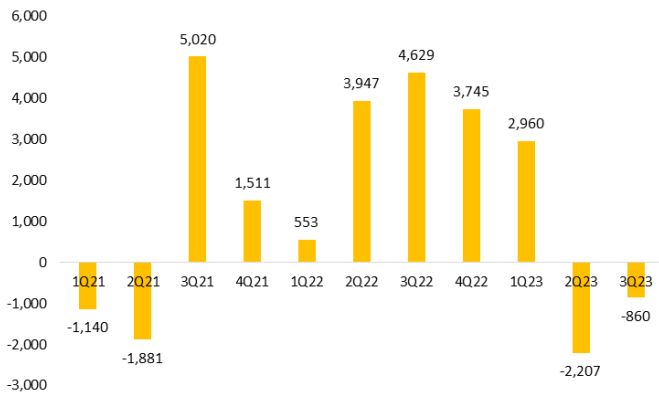
Sources: Bank Indonesia, KBVS Research - treated (2023)

Fig 6. Monthly Average Rupiah Exchange Rate



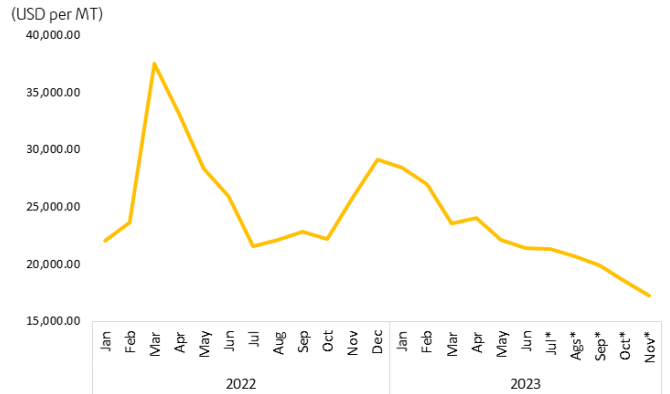
Sources: Bank Indonesia, KBVS Research - treated (2023)

Fig 7. Indonesia's Current Account



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

Fig 8. Nickel Price



Sources: Bloomberg, KBVS Research - treated (2023)

Indicators	Value (USD bn)		Growth (%)	
	Latest	M-1	MoM	YoY
<b>Total Export</b>	22.00	22.15	-0.67	-8.56
<b>Oil and Gas</b>	1.28	1.37	-6.38	16.43
- Crude Oil	0.19	0.18	7.15	11.68
- Processed Oil	0.34	0.49	-29.95	39.85
- Gas	0.75	0.70	6.52	-2.95
<b>Non-Oil and Gas</b>	20.72	20.78	-0.29	-9.76
- Agriculture, Forestry, and Fisheries	0.37	0.37	-0.82	-11.59
- Manufacturing	16.07	16.14	-0.43	-3.45
- Mining & Others	4.27	4.26	0.27	-27.47
<b>Total Import</b>	19.59	18.67	4.89	3.29
<b>Oil and Gas</b>	3.49	3.21	8.79	24.41
- Crude Oil	1.08	1.03	4.39	27.91
- Processing Oil	2.08	1.88	10.78	28.38
- Gas	0.33	0.30	11.55	-2.80
<b>Non Oil and Gas</b>	16.10	15.47	4.08	-0.37
<b>Import Based on the Goods Usage Classification</b>				
Consumption Goods	2.01	1.82	10.53	19.82
Raw/Auxiliary Materials	13.92	13.44	3.60	-1.05
Capital Goods	3.66	3.42	6.98	13.66
<b>Trade Balance</b>	2.41	3.48	-30.60%	-52.67%
<b>Oil and Gas Trade Balance</b>	-2.21	-1.84	-16.75%	29.58%
<b>Non-Oil and Gas Trade Balance</b>	4.62	5.31	14.99%	-32.08%

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

Table 2. Indonesia's Non-Oil and Gas Main Trading Partner in Nov '23

Countries	Share Export From Indonesia	Share Import To Indonesia	Trade Balance With Indonesia	Latest PMI Manufacturing
China	26.11	35.43	-295.60	50.7*
Japan	6.97	7.95	163.50	47.7**
US	9.38	4.33	1,245.80	49.4*
India	9.68	2.86	1,544.10	56.0*
Thailand	4.24	5.04	67.00	47.6*
South Korea	3.88	4.75	39.30	50.0*
Singapore	3.13	4.28	-41.90	50.3*
Malaysia	2.26	3.28	-59.90	47.9*
Australia	1.23	4.41	-455.60	47.8**
Taiwan	2.12	1.93	128.20	48.3*
Germany	0.95	2.06	-134.60	42.6*
Netherlands	1.79	0.48	293.60	44.9*
Italy	0.62	0.88	-12.80	44.4*
Total 13 Countries	72.35	77.69	2,481.10	
Others	27.65	22.31	2,136.90	
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>4,618.00</b>	

Note : \* : Nov '23,

\*\* : Dec '23.

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

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