

Improving Trade Surplus and Strengthening Rupiah Amid Rising Geopolitical Risks

In line with our projections at KBVS, Indonesia's trade surplus in Dec '23 increased to USD3.30 bn (Cons: USD1.92 bn, KBVS: USD3.07 bn, Prev: USD2.41 bn). We view this as a positive development, coupled with the rise in domestic FX reserves from USD138.10 bn (on 20 Nov '23) to USD146.38 bn (on 29 Dec '23) – see Fig.5, p.2. Furthermore, throughout 2023, the trade surplus amounted to USD36.93 bn, marking a 32.18% decrease compared to the 2022 figure of USD54.46 bn. Consequently, we estimate that the net-export side indicates weakened growth and is projected to have a -0.1% YoY impact on the economy in the same year.

Moreover, the increase in the Dec '23 trade surplus was driven by the growth in the Non-Oil and Gas sector surplus, reaching USD5.20 bn (prev: USD4.62 bn), accompanied by a decline in the Oil and Gas sector deficit to just USD1.89 bn (prev: USD2.21 bn). Based on commodity groups, export growth was propelled by the category of Metal Ores, Slag, and Ash (HS26) +37.37% MoM, including Copper Ore exports; Precious Metals and Jewelry/Gems (HS71) +14.85% MoM; and Mineral Fuels (HS27) +10.07% MoM. Conversely, export declines were noted in the Tobacco and Manufactured Tobacco Substitutes category (HS24) -29.90% MoM; Animal and Vegetable Fats and Oils (HS15) -22.52% MoM, including Palm Oil; Tin and Articles Thereof (HS80) -20.73% MoM.

On the import side, the largest increase came from the Mineral Fuels (HS27) +89.80% MoM; Precious Metals and Jewelry/Gems (HS71) +70.26% MoM; Metal Ores, Slag, and Ash (HS26) +41.07% MoM; and Cereals (HS10) +30.67% MoM. Conversely, significant import decreases were observed in Aircraft and Associated Equipment (HS88) -34.55% MoM; Vehicles and Their Parts (HS87) -19.08% MoM; Electrical Machinery and Equipment and Parts Thereof (HS85) -11.42% MoM; Plastics and Articles Thereof (HS39) -9.77% MoM; and Machinery/Mechanical Appliances and Parts thereof (HS84) -6.17% MoM.

We anticipate that the 1.89% MoM increase in exports in Dec '23 will continue, in line with the Manufacturing PMI of key trading partners, especially China, which reached an expansion zone of 50.8 in Dec '23 – see Table 2, P.3. On the other hand, we also anticipate export improvement from Palm Oil, which has risen above MYR 3700 per tonne since 9 Jan '24. However, simultaneously, we observe the possibility of a decline in export and global supply chain activities, particularly between Asia-Africa and Asia-Europe, amidst increasing geopolitical tension in the Middle East since early 2024. At the same time, the rise in imports of consumer goods is a concern for us in Jan '24, given the front-loading activities by businesses ahead of the upcoming Ramadan season starting in the second week of Mar '24 and Eid, approximately 30 days thereafter.

Fig 1. Trade Balance

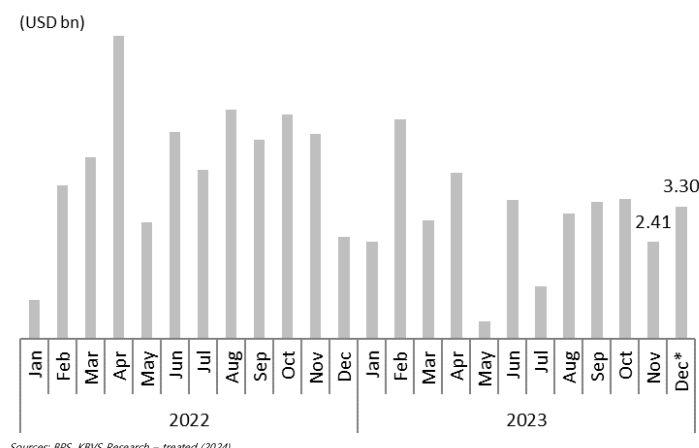


Fig 2. Export and Import Growth

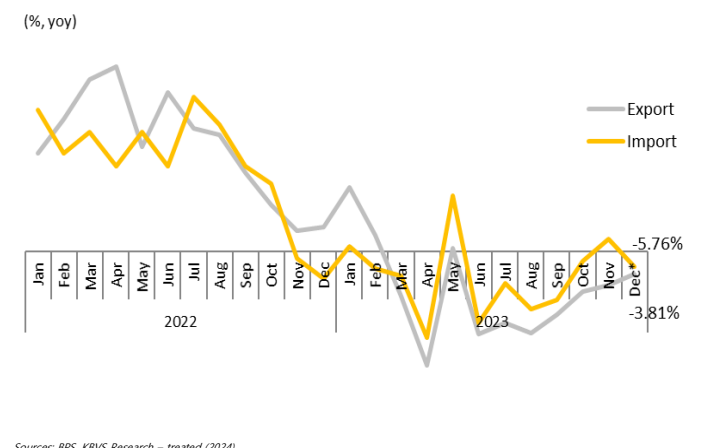
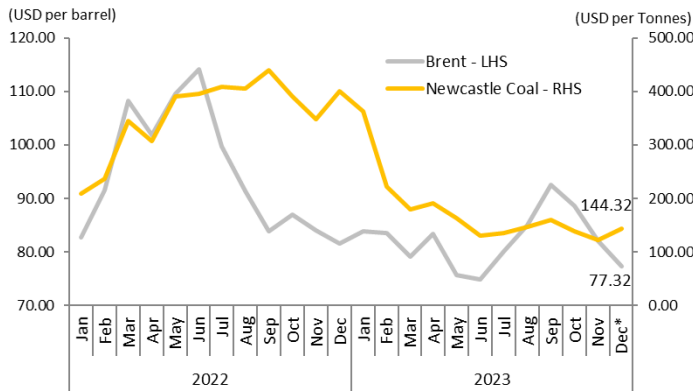
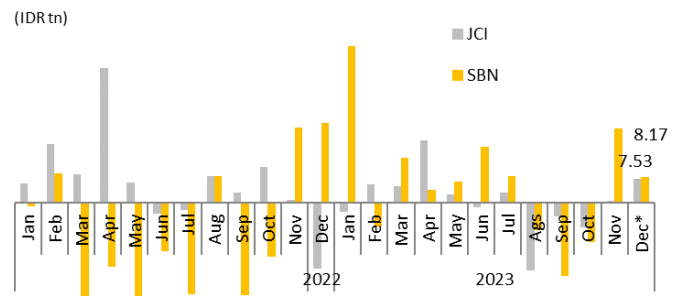


Fig 3. Oil and Coal Price



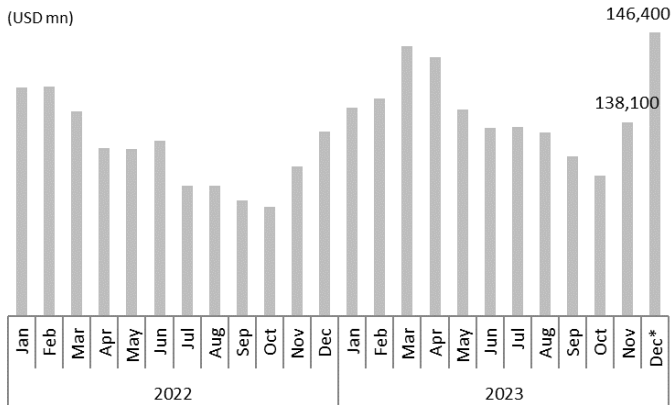
Sources: Bloomberg, KBVS Research – treated (2024)

Fig 4. Monthly Non Resident Capital Flows



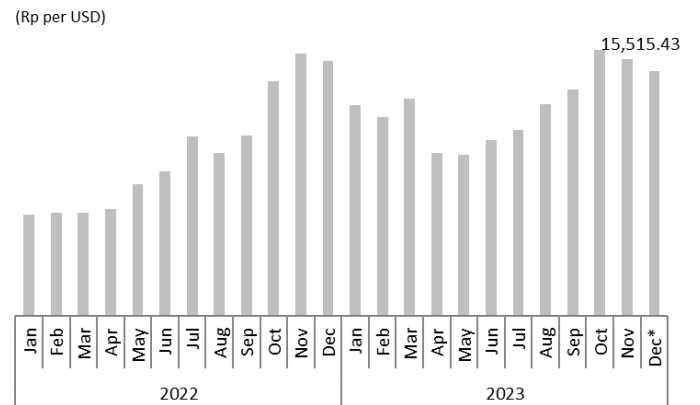
Sources: Bloomberg, KBVS Research – treated (2024)

Fig 5. Indonesia's Foreign Reserves



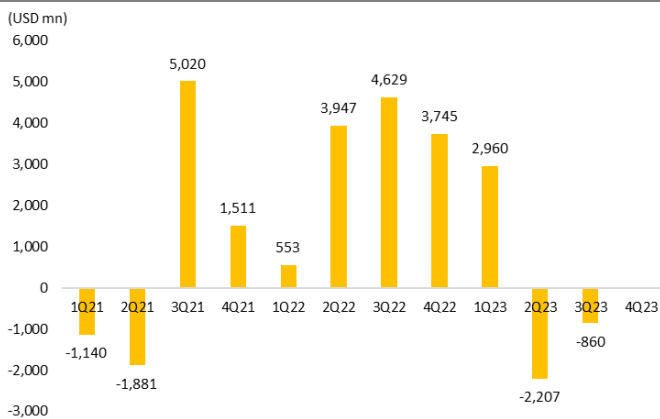
Sources: Bank Indonesia, KBVS Research – treated (2024)

Fig 6. Monthly Average Rupiah Exchange Rate



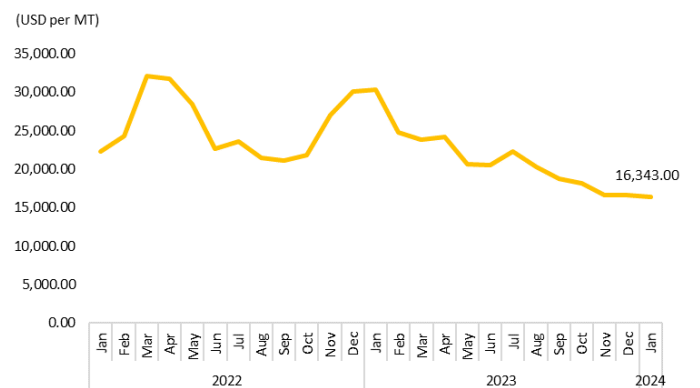
Sources: Bank Indonesia, KBVS Research – treated (2024)

Fig 7. Indonesia's Current Account



Sources: Bank Indonesia, KBVS Research – treated (2024)

Fig 8. Nickel Price



Sources: Bloomberg, KBVS Research – treated (2024)

Indicators	Value (USD bn)		Growth (%)	
	Latest	M-1	MoM	YoY
Total Export	22.41	22.00	-0.67	-5.76
Oil and Gas	1.48	1.28	-6.38	1.45
- Crude Oil	0.11	0.19	7.15	-24.44
- Processed Oil	0.61	0.34	-29.95	91.15
- Gas	0.76	0.75	0.92	-23.61
Non-Oil and Gas	20.93	20.72	-0.29	-6.23
- Agriculture, Forestry, and Fisheries	0.35	0.37	-0.82	-4.36
- Manufacturing	15.75	16.07	-0.43	-4.27
- Mining & Others	4.83	4.27	0.27	-12.20
Total Import	19.11	19.59	-2.45	-3.81
Oil and Gas	3.37	3.49	8.79	5.35
- Crude Oil	0.91	1.08	-15.25	-3.9
- Processing Oil	2.13	2.08	2.44	12.19
- Gas	0.33	0.33	11.55	-6.46
Non Oil and Gas	15.73	16.10	-2.26	-5.57
Import Based on the Goods Usage Classification				
Consumption Goods	2.05	2.01	10.53	13.46
Raw/Auxiliary Materials	13.79	13.92	3.60	-4.43
Capital Goods	3.27	3.66	6.98	-9.91
Trade Balance	3.31	2.41	37.10%	-15.62%
Oil and Gas Trade Balance	-1.89	-2.21	16.51%	8.62%
Non-Oil and Gas Trade Balance	5.20	4.62	-11.22%	-8.16%

Sources: BPS, KBVS Research – treated (2024).

Countries	Share Export From Indonesia	Share Import To Indonesia	Trade Balance With Indonesia	Latest PMI Manufacturing
China	27.55	34.62	320.20	50.8
Japan	7.68	7.88	368.20	47.9
US	9.87	4.72	1,323.00	47.9
India	8.75	2.55	1,429.80	54.9
Thailand	1.80	4.97	-405.70	45.1
South Korea	4.14	4.55	150.70	49.9
Singapore	3.17	4.08	22.10	50.5
Malaysia	3.61	3.29	237.70	47.9
Australia	1.48	5.57	-567.50	47.6
Taiwan	2.28	1.58	228.90	47.1
Germany	0.82	1.85	-119.60	43.3
Netherlands	1.52	0.42	252.30	44.8
Italy	0.46	0.85	-37.40	45.3
Total 13 Countries	73.13	76.95	3,202.70	
Others	26.87	23.05	1,997.90	
Total	100.00	100.00	5,200.60	

Sources: BPS, KBVS Research – treated (2024).

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