

Sustained Trade Surplus Reduces Risks of Current Account Deficit and Rupiah Depreciation

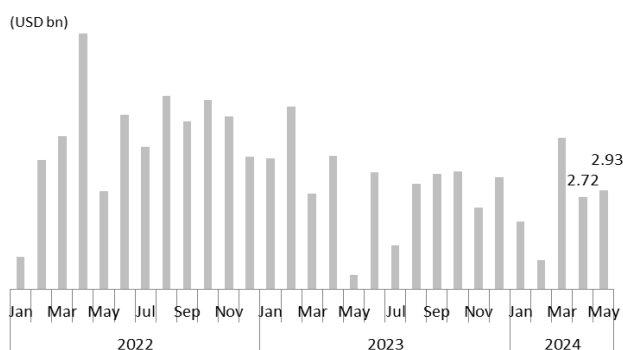
The sustained trade surplus in May '24, amounting to USD2.93 bn (Cons: USD2.96 bn, KBVS: USD3.00 bn, Prev: USD2.72 bn - *revised*), marks the continuation of 49 consecutive months of trade surplus since Apr '20. This figure also represents a significant increase of trade surplus compared to May '23, which only reached USD0.43 bn. Consequently, the total trade surplus in the first two months of 2Q24 sharply rose to USD6.52 bn (VS USD4.36 bn in 2Q23).

In May '24, exports increased by 13.82% MoM or 2.86% YoY (Cons: -0.10% YoY, KBVS: 1.01% YoY, Prev: 1.72% YoY). This growth was driven by a rise in Oil and Gas exports by 5.12% MoM or 8.44% YoY, while Non-Oil and Gas exports increased by 14.46% MoM or 2.50% YoY. By commodity category (see Table 1, P.3), the largest increase in Oil and Gas exports came from Crude Oil exports, which rose by 45.23% MoM or 29.30% YoY. The largest increase in Non-Oil and Gas exports was in Machinery&Electrical Equipment and Parts (HS85), which rose by USD263.60 bn or 26.66% MoM or 1.72% YoY, reaching USD1,252.5 bn. By export destination (see Table 2, P.3), the improvement in China's Caixin General Manufacturing PMI to 51.7 (Prev: 51.4) in May '24 contributed to a 10.59% MoM increase in exports to China, though YoY it showed a -0.95% decline.

On the import side, there was a 14.82% MoM increase or -8.83% YoY decline (Cons: -9.90% YoY, KBVS: 3.83% YoY, Prev: 4.62% YoY). By commodity category, the largest increase in imports came from Machinery/Mechanical Equipment&Parts (HS84), rising by 30.17% MoM or -6.42% YoY. Positive trends were also seen in imports by usage category, with the largest increase from Raw Materials/Intermediate Goods, which rose by 12.46% MoM or -7.51% YoY to USD14.16 bn, making up 72.98% of total imports in the same month. Simultaneously, imports of Capital Goods saw a more expansive increase of 22.28% MoM or -10.13% YoY.

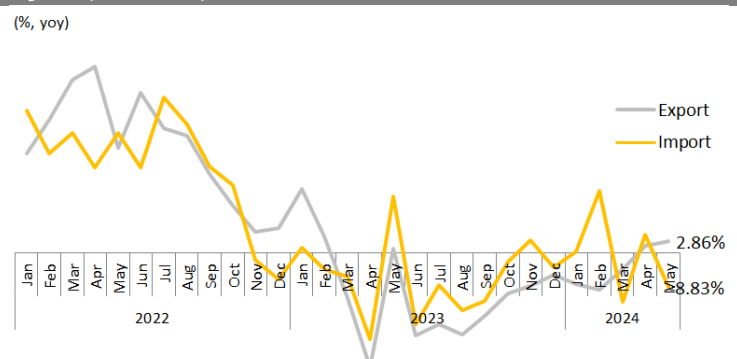
Concurrently, with the expectation of (1) continued expansion in China's PMI supporting the recovery in metal and mineral commodity prices, and (2) imports being used as components for re-exports, we anticipate the trade surplus in Jun '24 to increase around USD4.0 bn. Meanwhile, with (3) the trend of declining external debt to USD398.3 bn (Prev: USD404.8 bn) in Apr '24, we also expect to further reduce the current account deficit throughout 2Q24 to only USD1.8 bn (Prev: USD2.1 bn), or 0.54% of GDP (Prev: 0.64% of GDP). Furthermore, we expect this to facilitate an appreciation of the Rupiah and maintain the BI rate at 6.25% through the end of 2Q24.

Fig 1. Trade Balance



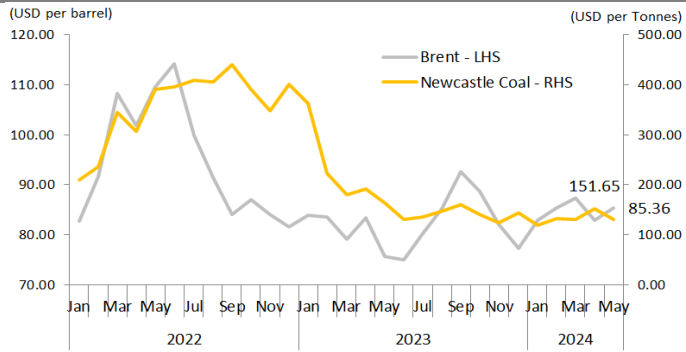
Sources: BPS, KBVS Research - treated (2024)

Fig 2. Export and Import Growth



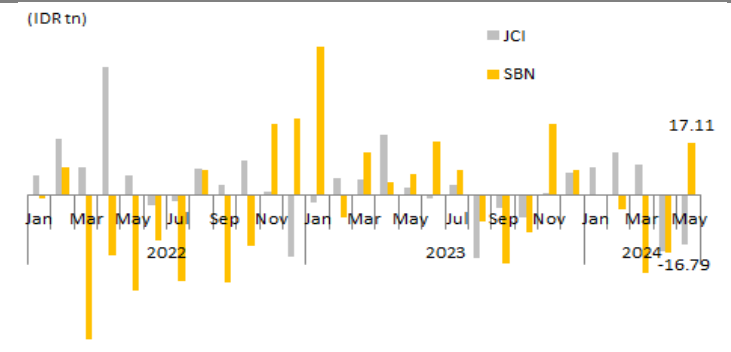
Sources: BPS, KBVS Research - treated (2024)

Fig 3. Oil and Coal Price



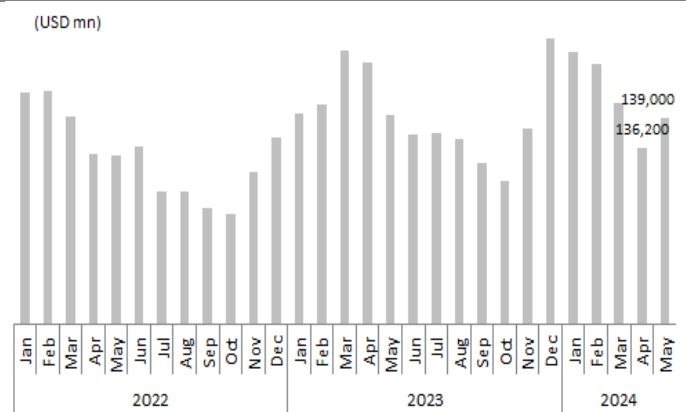
Sources: Bloomberg, KBVS Research - treated (2024)

Fig 4. Monthly Non Resident Capital Flows



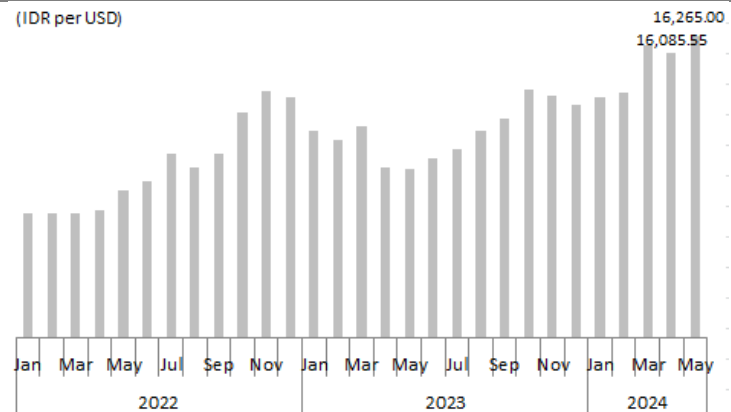
Sources: Bloomberg, KBVS Research - treated (2024)

Fig 5. Indonesia's Foreign Reserves



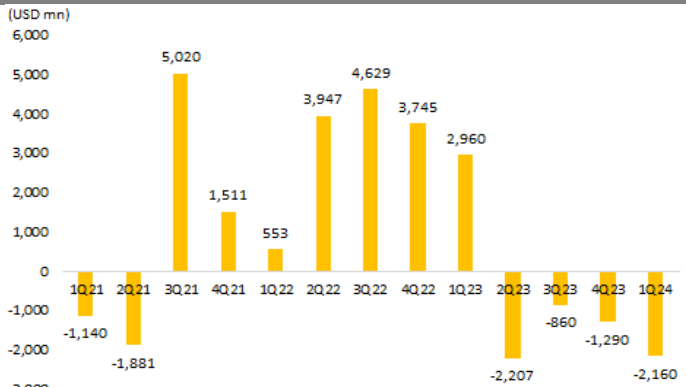
Sources: Bank Indonesia, KBVS Research - treated (2024)

Fig 6. Monthly Average Rupiah Exchange Rate



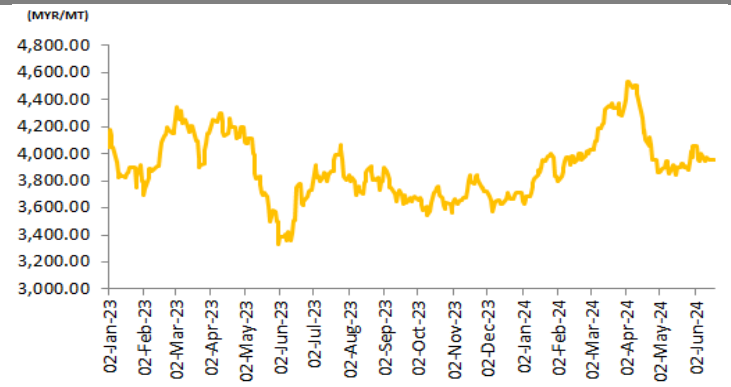
Sources: Bank Indonesia, KBVS Research - treated (2024)

Fig 7. Indonesia's Current Account



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

Fig 8. CPO Price



Sources: Bloomberg, KBVS Research - treated (2024)

Table 1. Indonesia's Trade Balance

Indicators	Value (USD bn)		Growth (%)	
	Latest	M-1	Mom	YoY
Total Export	22.33	19.62	13.82	2.86
Oil and Gas	1.42	1.35	5.19	8.44
- Crude Oil	0.21	0.15	45.58	29.30
- Processed Oil	0.38	0.44	-13.56	-8.82
- Gas	0.83	0.77	7.95	13.49
Non-Oil and Gas	20.91	18.27	14.46	2.50
- Agriculture, Forestry, and Fisheries	0.40	0.30	32.33	1.90
- Manufacturing	16.30	14.00	16.40	4.66
- Mining & Others	4.21	3.97	6.25	-5.05
Total Import	19.40	16.90	14.82	-8.83
Oil and Gas	2.75	2.98	-7.91	-12.34
- Crude Oil	0.84	0.84	0.00	-29.4
- Processing Oil	1.91	2.15	-11.03	-1.98
- Gas	0.00	0.00	0.00	0.00
Non-Oil and Gas	16.65	13.91	19.70	-8.23
Import Based on the Goods Usage Classification				
Consumption Goods	1.73	1.44	20.60	-16.19
Raw/Auxiliary Materials	14.16	12.59	12.46	-7.51
Capital Goods	3.51	2.87	22.27	-10.13
Trade Balance	2.93	2.72	7.61%	565.23%
Oil and Gas Trade Balance	-1.33	-1.64	23.02%	-26.57%
Non-Oil and Gas Trade Balance	4.26	4.35	2.30%	88.32%

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

Table 2. Indonesia's Non-Oil and Gas Main Trading Partner in May'24

Countries	Share Export From Indonesia	Share Import To Indonesia	Trade Balance With Indonesia	Latest PMI Manufacturing
China	22.92	35.45	-1,319.20	51.7
Japan	8.01	6.99	742.20	50.4
US	10.48	4.95	1,205.50	51.3
India	9.07	2.46	1,552.40	57.5
Thailand	1.94	5.03	-539.30	49.7
South Korea	3.90	4.59	1.90	51.6
Singapore	2.48	1.97	152.90	50.9
Malaysia	2.90	4.68	-206.30	50.6
Australia	4.18	3.04	361.40	50.2
Taiwan	2.31	5.34	1,013.30	50.3
Germany	0.96	1.85	-87.20	45.4
Netherlands	1.85	0.45	375.50	52.5
Italy	0.98	0.88	30.80	45.6
Total 13 Countries	71.98	77.68	3,283.90	
Others	28.02	22.32	972.20	
Total	100.00	100.00	4,256.10	

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

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