

Trade Surplus Improves, but Not Enough to Support the Rupiah in The Long Term

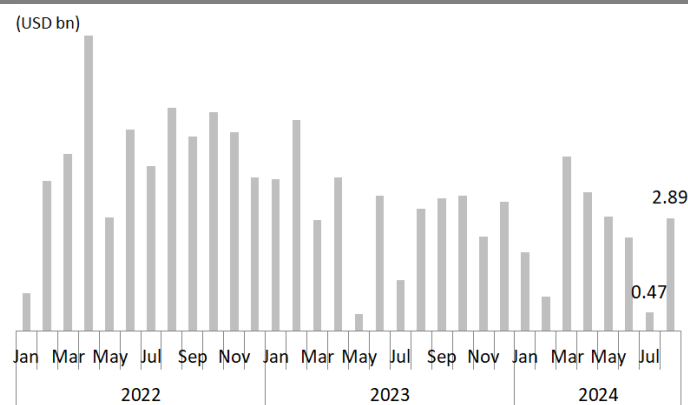
The decline in imports (-4.93% MoM) - primarily driven by a 7.16% MoM drop in the Raw Materials group-, contrasted with a significant rise in exports (+5.97% MoM) - notably, commodities like CPO and its derivatives surged by 27.86% MoM - resulting in an improved trade surplus in Aug '24 of USD2.89 bn (Cons: USD 1.93 bn, KBVS: USD0.22 bn, Prev: USD 0.47 bn). The positive trade surplus in Aug '24 offers optimism for Rupiah stability in the short term. **However, the trade surplus for Jul-Aug '24, amounting to only USD3.36 bn, is considerably lower than the same period last year (USD4.41 bn), raising concerns over a potential current account deficit in Q3 2024 and fears of long-term Rupiah depreciation.**

Despite the improved trade surplus in Aug '24, it appears insufficient to drive a significant increase in FX Reserves. As illustrated in *Fig. 5 (page 2)*, which tracks monthly movements in FX Reserves, the Trade Balance, and Capital Inflow (in SBN and JCI) from early '23 to Aug '24, the FX reserves increase of USD4.83 bn in Aug '24 seems largely driven by capital inflows into JCI and SBN, which amounted to USD4.31 bn (equal to IDR68.01 tn). This suggests that PP No. 36/2023 regarding the placement of export earnings from natural resources (DHE SDA) may not yet be fully effective.

From the perspective of trading partners, China remains Indonesia's largest Non-Oil and Gas export and import partner in Aug '24. On the export side, 23.19% of Indonesia's Non-Oil and Gas exports, valued at USD5.33 bn, were directed to China. Conversely, 35.52% of Non-Oil and Gas imports to Indonesia, valued at USD6.43 bn, originated from China. This puts focus on the PBoC rate cut in Jul '24, which lowered the 1-year and 5-year lending prime rates by 10 bps. Meanwhile, China's Caixin Manufacturing PMI returned to expansion in Aug '24, at 50.4 (Prev: 49.8), with the New Orders component rising above 50.0. This suggests faster production expansion amid improved demand conditions, which is expected to positively impact the absorption of Indonesian exports. Simultaneously, this could help mitigate the risk of imported inflation, given China's significant role in Indonesia's imports.

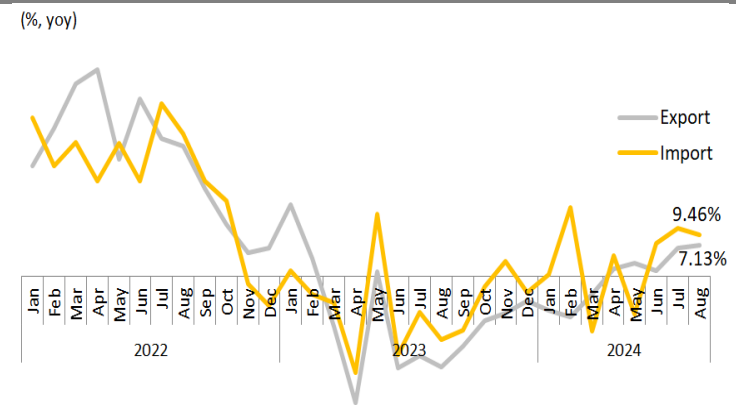
Looking ahead, we expect the trade surplus to remain positive as commodity prices (e.g., coal) recover and demand for products (ex: CPO) increases. However, challenges remain in promoting the placement of DHE domestically and diversifying both products and trading partners to achieve a "fair" and balanced trade for Indonesia, while also maintaining the long-term stability of the Rupiah.

Fig 1. Trade Balance



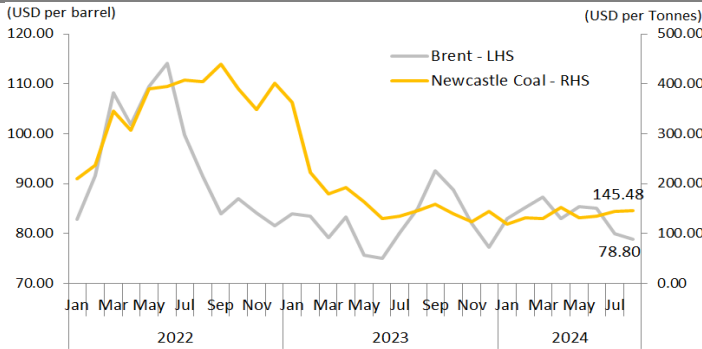
Sources: BPS, KBVS Research – treated (2024)

Fig 2. Export and Import Growth



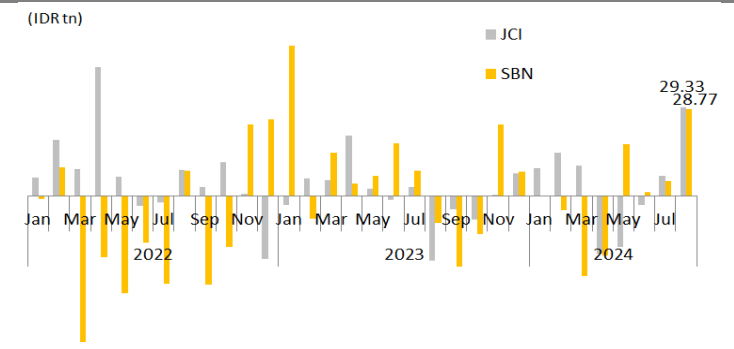
Sources: BPS, KBVS Research – treated (2024)

Fig 3. Oil and Coal Price



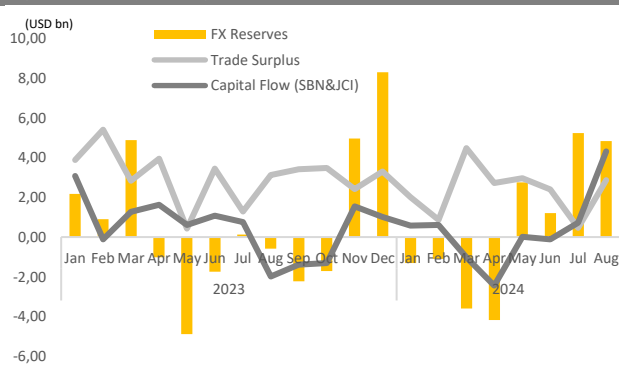
Sources: Bloomberg, KBVS Research – treated (2024)

Fig 4. Monthly Non Resident Capital Flows



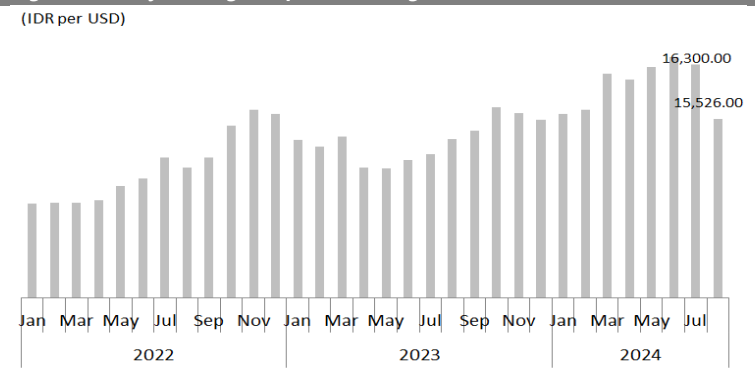
Sources: Bloomberg, KBVS Research – treated (2024)

Fig 5. Monthly Change of FX Reserves, Trade Balance & Capital Flow



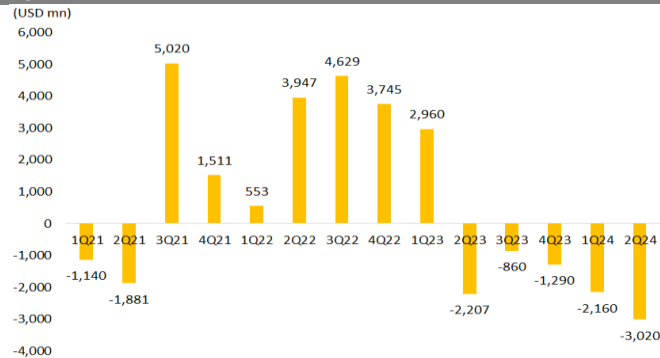
Sources: Bank Indonesia, BPS, and KBVS Research – treated (2024)

Fig 6. Monthly Average Rupiah Exchange Rate



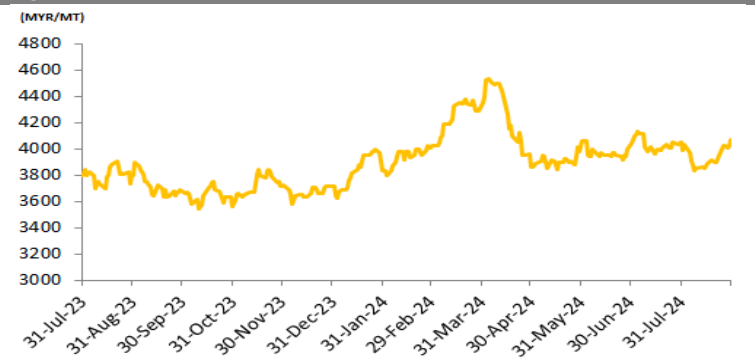
Sources: Bank Indonesia, KBVS Research – treated (2024)

Fig 7. Indonesia's Current Account



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

Fig 8. CPO Price



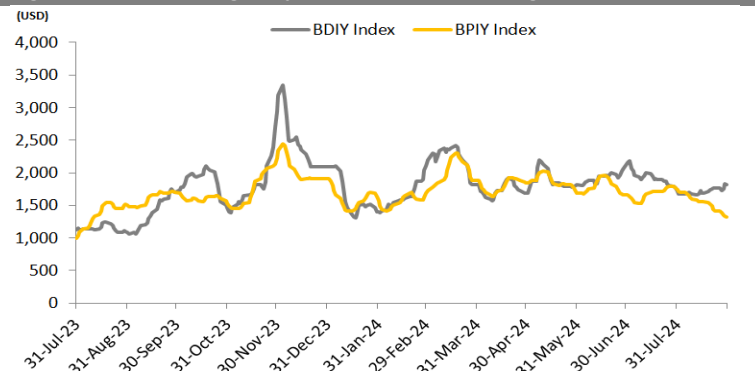
Sources: Bloomberg, KBVS Research – treated (2024)

Fig 9. Nickel Price



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

Fig 10. Baltic Exchange Dry Index & Baltic Exchange Panamax Index



Sources: Bloomberg, KBVS Research – treated (2024)

Table 1. Indonesia's Trade Balance				
Indicators	Value (USD bn)		Growth (%)	
	Latest	M-1	Mom	YoY
Total Export	23.56	22.24	5.97	7.13
Oil and Gas	1.20	1.42	-15.41	-8.73
- Crude Oil	0.12	0.21	-41.97	68.21
- Processed Oil	0.36	0.34	5.90	-29.68
- Gas	0.72	0.88	-17.34	-1.73
Non-Oil and Gas	22.36	20.81	7.43	8.14
- Agriculture, Forestry, and Fisheries	0.54	0.50	8.70	39.61
- Manufacturing	17.71	16.54	7.09	8.70
- Mining & Others	4.10	3.77	8.77	2.79
Total Import	20.67	21.74	-4.93	9.46
Oil and Gas	2.65	3.56	-25.56	-0.51
- Crude Oil	0.71	1.09	-35.11	7.04
- Processing Oil	2.00	2.47	-18.91	-3.00
- Gas	0.00	0.00	0.00	0.00
Non-Oil and Gas	18.02	18.18	-0.89	11.09
Import Based on the Goods Usage Classification				
Consumption Goods	1.98	2.07	-4.58	-7.40
Raw/Auxiliary Materials	14.88	16.03	-7.16	11.53
Capital Goods	3.81	3.64	4.69	11.92
Trade Balance	2.90	0.50	478.90%	-7.06%
Oil and Gas Trade Balance	-1.44	-2.13	47.76%	7.82%
Non-Oil and Gas Trade Balance	4.34	2.64	-39.33%	-395.54%

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

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

Countries	Share Export From Indonesia	Share Import To Indonesia	Trade Balance With Indonesia	Latest PMI Manufacturing
China	23.19	35.52	-1,102.50	49.1
Japan	7.88	7.28	383.00	49.8
US	10.57	4.93	1,707.00	47.9
India	8.68	2.48	1,081.20	57.5
Thailand	1.95	5.14	-549.70	48.5
South Korea	3.84	4.40	244.50	51.9
Singapore	2.58	1.91	172.70	51.5
Malaysia	2.93	5.06	-312.80	50.9
Australia	4.08	3.10	348.40	49.7
Taiwan	2.38	5.10	-152.00	52.0
Germany	0.97	1.86	-122.60	42.4
Netherlands	1.83	0.44	315.60	47.7
Italy	0.96	0.84	63.90	49.4
Total 13 Countries	71.84	78.06	2,076.70	
Others	28.16	21.94	2,267.80	
Total	100.00	100.00	4,344.50	

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

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