

Trade Surplus Improves: Maintaining Short-Term Rupiah Stability

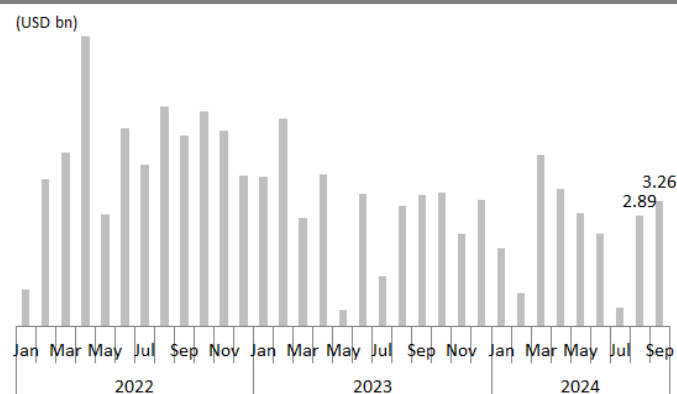
The larger decline in imports (-8.91% MoM) compared to exports (-6.17% MoM) in Sep '24 helped improve Indonesia's trade surplus to USD3.26 bn (Cons: USD2.80 bn, KBVS: USD2.49 bn, Prev: USD2.89 bn), the highest level since Mar '24. This continued trade surplus marks the 53rd consecutive month of surplus since May '19. However, the cumulative trade surplus for 3Q24, amounting to USD6.60 bn, may not be sufficient to reverse the current account deficit that has persisted since 2Q23.

From the export side, the largest monthly decline in Sep '24 came from the category of Animal/Vegetable Fats and Oils (HS15), which fell by -14.50% MoM to USD1.98 bn (Prev: USD2.39 bn). This was followed by a sharp drop in Ores, Slag, and Ash (HS26), which fell -32.0% MoM to USD0.71 bn (Prev: USD1.04 bn). In terms of export destinations, significant declines were seen in shipments to South Korea (-25.7% MoM), the United States (-15.0% MoM), and Japan (-13.9% MoM). Meanwhile, export growth was recorded in Crude Oil (+63.4% MoM) and Iron&Steel (HS72), which rose by +10.4% MoM, driven by higher demand from the Netherlands (+23.2% MoM) and Italy (+16.9% MoM), alongside stable exports to China, which increased slightly by +0.34% MoM.

On the import side, the decline in Sep '24 was broad-based, affecting all categories of goods (see Table 1, p.3). In terms of specific product categories, the largest drops were seen in Electrical Machinery and Equipment (HS85) - 14.48% MoM, Organic Chemicals (HS29) -22.77% MoM, and Precious Metals & Jewelry (HS71) -23.1% MoM. The only increase in imports came from Miscellaneous Chemical Products (HS38) +4.2% MoM and Optical, Photographic, Cinematographic & Medical Instruments (HS90) -9.2% MoM. By country of origin, the highest import increases came from South Korea (+10.9% MoM) and the Netherlands (+27.1% MoM), while the largest declines were seen from Australia (-23.1% MoM) and Singapore (-15.2% MoM).

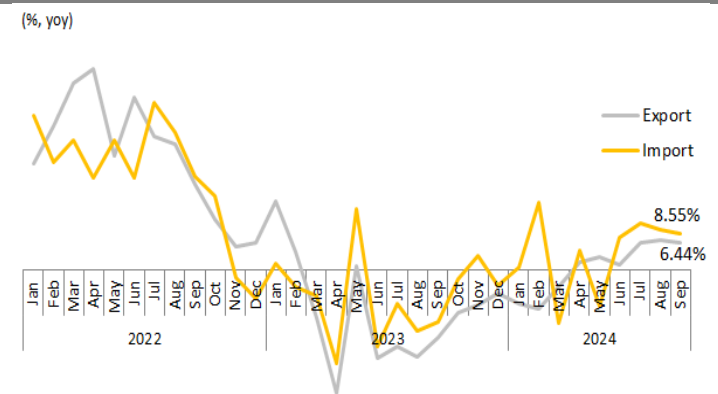
In the short term, we view the increase in the trade surplus as a positive factor for the Rupiah, particularly ahead of Bank Indonesia's monetary policy meeting tomorrow. However, given concerns that the current account deficit will likely persist in 3Q24, alongside the continued contraction in manufacturing PMIs of major economies, we foresee risks of fundamental Rupiah weakening in the long term. Therefore, we estimate that the Rupiah will likely remain in the range of IDR 15,400 to IDR 15,700 per USD until the end of 2024. At the same time, we do not expect Bank Indonesia to lower its policy rate hastily before further reductions in the Fed rate occur.

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

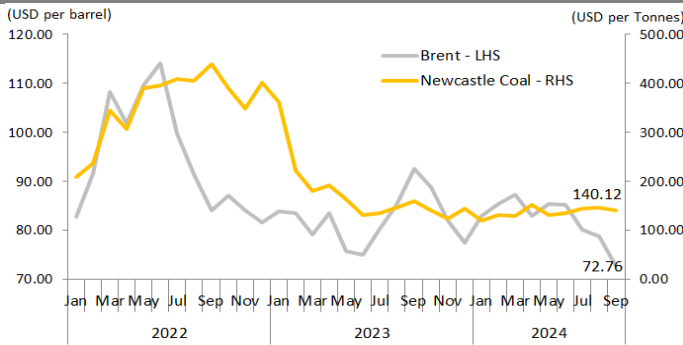


Fig 4. Monthly Non Resident Capital Flows

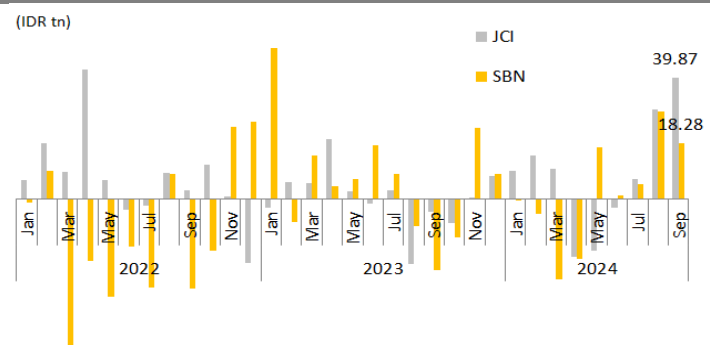


Fig 5. Monthly Change of FX Reserves

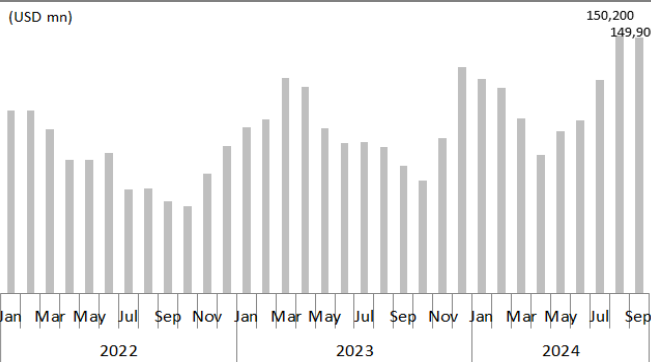


Fig 6. Monthly Average Rupiah Exchange Rate

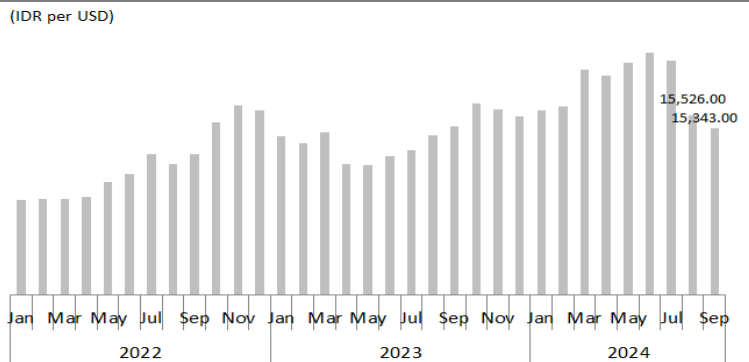


Fig 7. Indonesia's Current Account

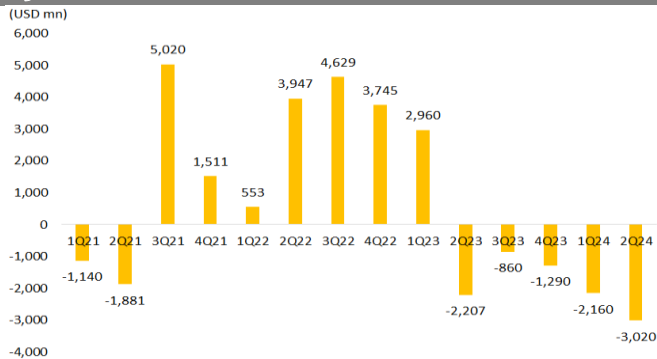


Fig 8. CPO Price

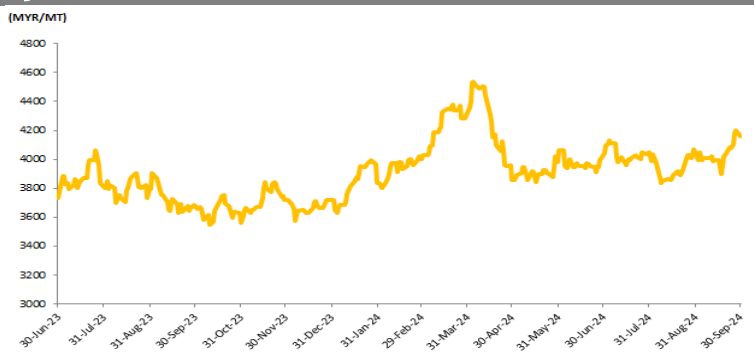


Fig 9. Nickel Price



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

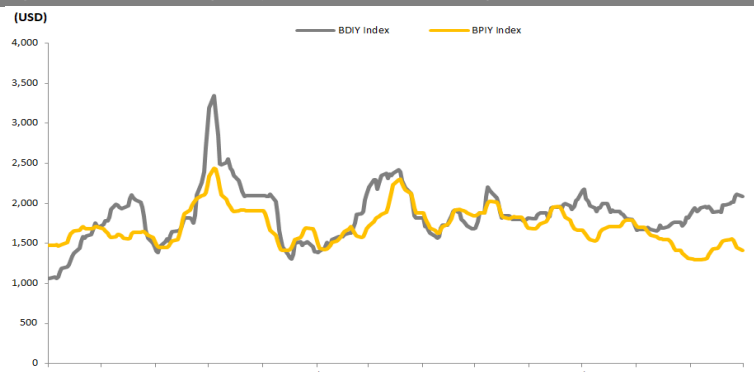


Table 1. Indonesia's Trade Balance

Indicators	Value (USD bn)		Growth (%)	
	Latest	M-1	Mom	YoY
Total Export	22.08	23.44	-5.80	6.44
Oil and Gas	1.17	1.20	-2.80	-16.74
- Crude Oil	0.20	0.12	63.47	-3.61
- Processed Oil	0.31	0.36	-12.90	-37.22
- Gas	0.66	0.72	-8.87	-6.05
Non-Oil and Gas	20.91	22.24	-5.96	8.13
- Agriculture, Forestry, and Fisheries	0.56	0.55	2.95	38.76
- Manufacturing	16.46	17.59	-6.38	7.11
- Mining & Others	3.89	4.10	-5.36	9.03
Total Import	18.82	20.67	-8.91	8.55
Oil and Gas	2.53	2.65	-4.53	-24.04
- Crude Oil	0.75	0.71	6.16	-41.55
- Processing Oil	1.78	1.94	-8.41	-13.05
- Gas	0.00	0.00	0.00	0.00
Non-Oil and Gas	16.30	18.02	-9.55	16.29
Import Based on the Goods Usage Classification				
Consumption Goods	1.85	1.98	-6.37	11.30
Raw/Auxiliary Materials	13.44	14.88	-9.69	5.87
Capital Goods	3.53	3.81	-7.15	18.44
Trade Balance	3.26	2.77	17.35%	-4.79%
Oil and Gas Trade Balance	-1.36	-1.44	6.34%	-29.24%
Non-Oil and Gas Trade Balance	4.62	4.22	-8.57%	-13.73%

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

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

Countries	Share Export From Indonesia	Share Import To Indonesia	Trade Balance With Indonesia	Latest PMI Manufacturing
China	23.48	35.65	-630.70	49.8
Japan	7.83	7.31	315.20	49.7
US	10.58	4.95	1,386.90	47.3
India	8.45	2.51	942.10	56.5
Thailand	1.94	5.08	-369.40	46.7
South Korea	3.78	4.42	-72.80	48.3
Singapore	2.58	1.92	217.30	50.8
Malaysia	2.95	5.04	-131.40	51.0
Australia	4.13	3.17	118.10	49.5
Taiwan	2.29	5.06	-318.50	50.4
Germany	0.96	1.87	-114.00	40.6
Netherlands	1.88	0.47	365.60	48.2
Italy	0.98	0.85	78.00	48.3
Total 13 Countries	71.83	78.30	1,786.40	
Others	28.17	21.70	2,829.20	
Total	100.00	100.00	4,615.60	

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

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KB Valbury Sekuritas Head Office

Sahid Sudirman Center 41st 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 41st 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