

Trade:

When Indonesia runs hot, but China runs cold

Thierry Nora Kusuma
Economist / Analyst

Barra Kukuh Mamia
Senior Economist

15 Dec 2023

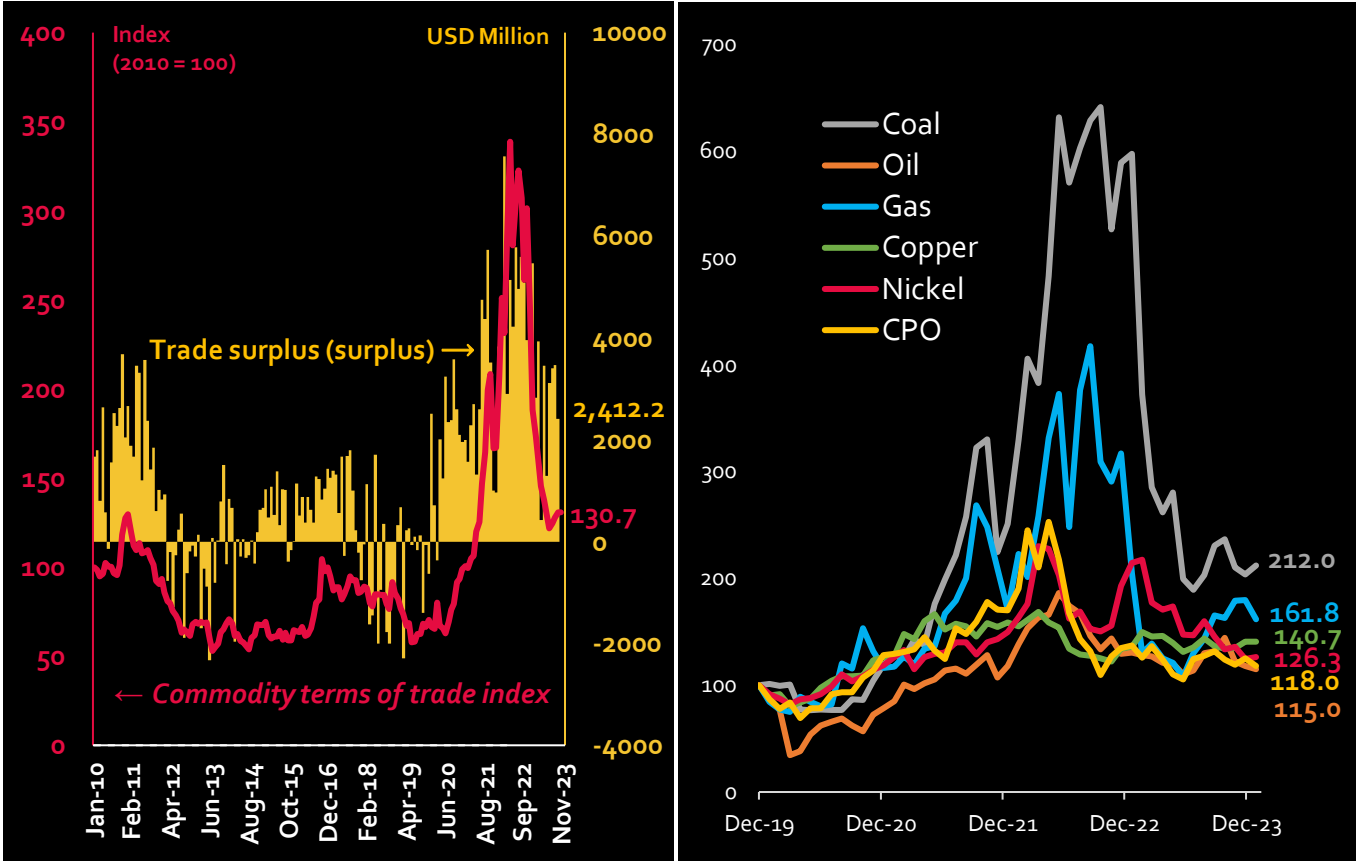
Executive Summary

- The trade surplus dipped to USD 2.41 Bn as imports rose at +4.89% MoM (+3.29% YoY), while exports declined at -0.67% MoM (-8.56% YoY) linked to China's activities downturn.
- Import trends stemmed from the government's program to stabilize food supply and prices along with Pertamina oil restocking ahead of heightened demand. Strong growth in ores, slags and ash as well as capital goods imports (CAPEX) are driven by both the private sector and public sector.
- The Q4-23 outlook hinges on election-related spending and the corresponding consumption boom. Q4-23 seems to be heading towards neutral CA (either a slight surplus or slight deficit), even though moderate CA deficit due to more imports would be the preferable scenario that would nudge FY 23 GDP growth towards 5.1% as we expect.

- Indonesia's trade surplus in Nov-23 dipped to USD 2.41 Bn, falling between market consensus of a USD 3.05 Bn surplus and our forecast of USD 1.9 Bn. Imports rose at +4.89% MoM (+3.29% YoY), while exports declined at -0.67% MoM (-8.56% YoY).
- The latter appears to be related to the downturn in China's activities, after seemingly turning the corner in Q3-23. Its manufacturing slowdown (with Nov-23 PMI at 49.4) has had negative effect on our steel and nickel exports, while the increase in tin exports merely reflect Myanmar's tin mining ban diverting demand towards Indonesia.
- Some items continued to see strong export volumes, despite a decline in prices. CPO exports saw substantial volume increments in the past two months – though this may be limited during India's Diwali Festival in Oct-Nov. Coal volumes also surged despite price drops, sustained by strong demand ahead of winter.
- On the import side, the government's program to maintain stability of food supply and prices (SPHP) led to a surge in sugar imports, along with corn for animal feed. There is also a possible restocking by Pertamina, ahead of heightened demand during the Christmas and New Year holidays. These price stabilization initiatives might continue through Q1-24, given the Elections and upcoming festivities (Chinese New Year, Ramadan, Lebaran).
- Import data are still abound with signs of strong growth, starting with the imports of ores, slags, and ash to supply local smelters as well as capital goods imports to meet the strong investment growth. As we have frequently noted, this CAPEX is driven by both the private sector and also the public sector (i.e. ramping-up of new capital city and other strategic projects at the end of Pres. Jokowi's tenure).

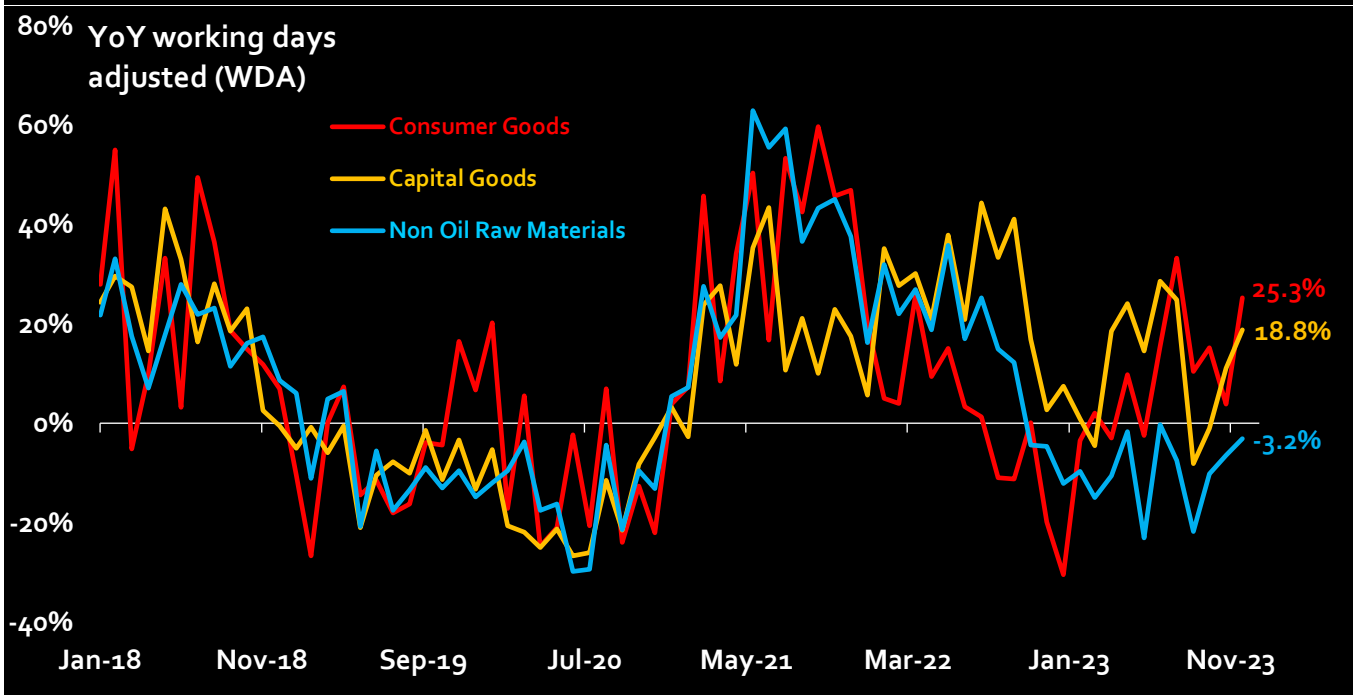
- The key to our growth and CA outlook for Q4, however, lies in Election-related spending and the corresponding consumption boom. So far, the evidence remains mixed. The growth of consumer goods imports was strong at 10.5% MoM, but fiscal disbursement in Oct-23 was a relatively meagre IDR 272.8 Tn. It is certainly possible that fiscal spending will accelerate in Nov-Dec, which would explain November's strong imports.
- Overall, Q4-23 seems to be heading towards neutral CA (either a slight surplus or slight deficit), even though moderate CA deficit would be more in line with a relatively "hot" Indonesian economy. One possible driver for CA deficit is if exports weaken further in December – as China continues to slow, CPO demand slumps post-Diwali, and winter demand for coal disappoints. This, however, would imply a weaker global economy and weaker growth potentials for Indonesia. CA deficit due to more imports would be the preferable scenario that would nudge FY 23 GDP growth towards 5.1% as we expect.

Panel 1. Indonesia's trade balance is still in surplus, despite still-subpar commodity prices



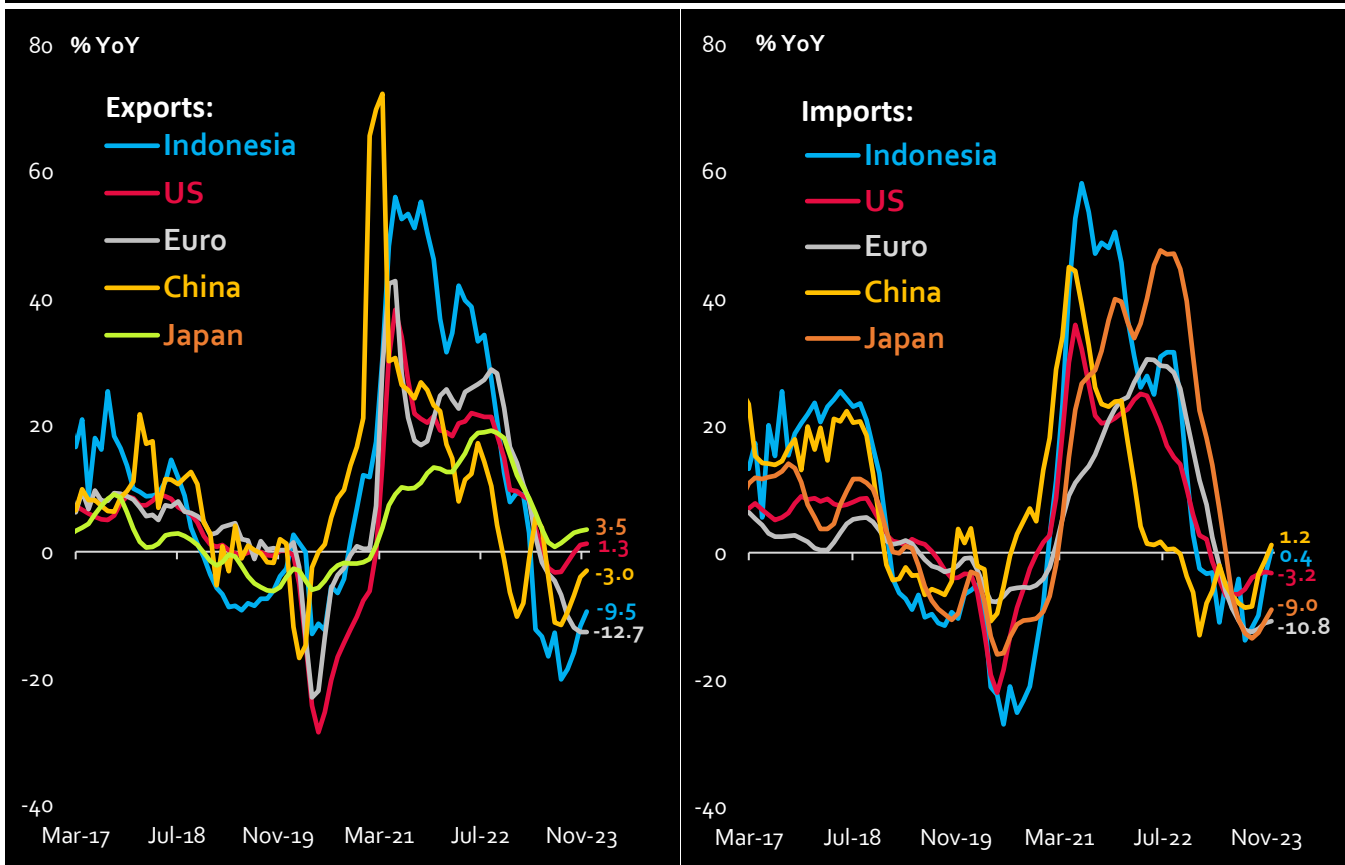
Source: BPS, Bloomberg, BCA Economist calculations

Panel 2. Imports of capital goods are picking up steam once more



Source: BPS, BCA Economist

Panel 3. After prolonged decline since mid-2022, global export/imports seem to be rising again



Source: Bloomberg

Panel 4. Indonesia's manufacturing activities have remained resilient despite declines seen for many other countries

PMI	Nov-23	Dec-23	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Indonesia	50.3	50.9	51.3	51.2	51.9	52.7	50.3	52.5	53.3	53.9	52.3	51.5	51.7
Malaysia	47.9	47.8	46.5	48.4	48.8	48.8	47.8	47.7	47.8	47.8	46.8	46.8	47.9
Thailand	51.1	52.5	54.5	54.8	53.1	60.4	58.2	53.2	50.7	48.9	47.8	47.5	47.6
Philippines	52.7	53.1	53.5	52.7	52.5	51.4	52.2	50.9	51.9	49.7	50.6	52.4	52.7
Vietnam	47.4	46.4	47.4	51.2	47.7	46.7	45.3	46.2	48.7	50.5	49.7	49.6	47.3
India	55.7	57.8	55.4	55.3	56.4	57.2	58.7	58.7	57.7	58.6	57.5	55.5	56.0
Australia	51.3	50.2	50.0	50.5	49.1	48.0	48.4	48.2	49.6	49.6	48.7	48.2	47.7
China	48.0	47.0	50.1	52.6	51.9	49.2	48.8	49.0	49.3	49.7	50.2	49.5	49.4
South Korea	49.0	48.2	48.5	48.5	47.6	48.1	48.4	47.8	49.4	48.9	49.9	49.8	50.0
Japan	49.0	48.9	48.9	47.7	49.2	49.5	50.6	49.8	49.6	49.6	48.5	48.7	48.3
Euro Area	47.1	47.8	48.8	48.5	47.3	45.8	44.8	43.6	42.7	43.5	43.4	43.1	44.2
US	49.0	48.4	47.4	47.7	46.3	47.1	46.9	46.0	46.4	47.6	49.0	46.7	46.7
Mexico	50.6	51.3	48.9	51.0	51.0	51.1	50.5	50.9	53.2	51.2	49.8	52.1	52.5

Source: BI, Bloomberg

Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	14-Dec	-1 mth	Chg (%)
US	5.50	Dec-23	2.40	Baltic Dry Index	2,411.0	1,655.0	45.7
UK	5.25	Dec-23	0.65	S&P GSCI Index	535.5	567.0	-5.6
EU	4.50	Dec-23	2.10	Oil (Brent, \$/brl)	76.6	82.5	-7.2
Japan	-0.10	Jan-16	-3.40	Coal (\$/MT)	144.0	129.6	11.1
China (lending)	2.50	Dec-23	4.85	Gas (\$/MMBtu)	2.39	2.61	-8.4
Korea	3.50	Nov-23	0.20	Gold (\$/oz.)	2,036.4	1,946.9	4.6
India	6.50	Dec-23	0.95	Copper (\$/MT)	8,460.5	8,081.3	4.7
Indonesia	6.00	Nov-23	3.14	Nickel (\$/MT)	16,762.0	17,167.0	-2.4
Money Mkt Rates	14-Dec	-1 mth	Chg (bps)	CPO (\$/MT)	775.2	779.4	-0.5
SPN (1M)	5.88	5.80	7.6	Rubber (\$/kg)	1.43	1.47	-2.7
SUN (10Y)	6.62	6.84	-22.1	External Sector	Nov	Oct	Chg (%)
INDONIA (O/N, Rp)	5.86	5.84	1.4	Export (\$ bn)	22.00	22.15	-0.68
JIBOR 1M (Rp)	6.65	6.66	-0.5	Import (\$ bn)	19.59	18.67	4.89
Bank Rates (Rp)	Sep	Aug	Chg (bps)	Trade bal. (\$ bn)	2.41	3.48	-30.60
Lending (WC)	9.02	8.96	5.79	Central bank reserves (\$ bn)*	138.1	133.1	3.73
Deposit 1M	4.33	4.29	4.24	Prompt Indicators	Nov	Oct	Sep
Savings	0.66	0.66	0.38	Consumer confidence index (CCI)	123.6	124.3	121.7
Currency/USD	14-Dec	-1 mth	Chg (%)	Car sales (%YoY)	-7.5	-13.8	-20.1
UK Pound	0.783	0.814	3.97	Motorcycle sales (%YoY)	-2.8	-4.0	-0.9
Euro	0.910	0.935	2.76	Manufacturing PMI	Nov	Oct	Chg (bps)
Japanese Yen	141.9	151.7	6.93	USA	46.7	46.7	0
Chinese RMB	7.112	7.289	2.49	Eurozone	44.2	43.1	110
Indonesia Rupiah	15,497	15,700	1.31	Japan	48.3	48.7	-40
Capital Mkt	14-Dec	-1 mth	Chg (%)	China	50.7	49.5	120
JCI	7,176.0	6,838.3	4.94	Korea	50.0	49.8	20
DJIA	37,248.4	34,337.9	8.48	Indonesia	51.7	51.5	20
FTSE	7,649.0	7,425.8	3.01				
Nikkei 225	32,686.3	32,585.1	0.31				
Hang Seng	16,402.2	17,426.2	-5.88				
Foreign portfolio ownership (Rp Tn)	Nov	Oct	Chg (Rp Tn)				
Stock	3,136.1	2,895.1	240.91				
Govt. Bond	833.9	810.4	23.50				
Corp. Bond	11.2	11.3	-0.14				

Source: Bloomberg, BI, BPS

Notes:

^Data for January 2022

*Data from earlier period

For changes in currency: **Black indicates appreciation against USD, **Red** otherwise

***For PMI, **>50** indicates economic expansion, **<50** otherwise



Scan for the link to our report depository or click:

https://s.id/BCA_REI

Indonesia – Economic Indicators Projection

	2019	2020	2021	2022	2023E	2024E
Gross Domestic Product (% YoY)	5.0	-2.1	3.7	5.3	5.1	5.0
GDP per Capita (US\$)	4175	3912	4350	4784	4982	5149
Consumer Price Index Inflation (% YoY)	2.7	1.7	1.9	5.5	2.8	3.2
BI 7 day Repo Rate (%)	5.00	3.75	3.50	5.50	6.00	5.50
USD/IDR Exchange Rate (end of year)**	13,866	14,050	14,262	15,568	15,728	16,037
Trade Balance (US\$ billion)	-3.2	21.7	35.3	54.5	34.9	32.6
Current Account Balance (% GDP)	-2.7	-0.4	0.3	1.0	-0.4	-0.5

*Estimated number

** Estimation of Rupiah's fundamental exchange rate

Economic, Banking & Industry Research Team

David E.Sumual

Chief Economist

david_sumual@bca.co.id

+6221 2358 8000 Ext:1051352

Victor George Petrus Matindas

Senior Economist

victor_matindas@bca.co.id

+6221 2358 8000 Ext: 1058408

Keely Julia Hasim

Economist / Analyst

keely_hasim@bca.co.id

+6221 2358 8000 Ext: 1071535

Firman Yosep Tember

Research Assistant

firman_tember@bca.co.id

+6221 2358 8000 Ext: 20378

Agus Salim Hardjodinoto

Head of Industry and Regional Research

agus_lim@bca.co.id

+6221 2358 8000 Ext: 1005314

Gabriella Yolivia

Industry Analyst

gabriella_yolivia@bca.co.id

+6221 2358 8000 Ext: 1063933

Elbert Timothy Lasiman

Economist / Analyst

Elbert_lasiman@bca.co.id

+6221 2358 8000 Ext: 1007431

Aldi Rizaldi

Research Assistant

aldi_yanto@bca.co.id

+6221 2358 8000 Ext: 1020451

Barra Kukuh Mamia

Senior Economist

barra_mamia@bca.co.id

+6221 2358 8000 Ext: 1053819

Lazuardin Thariq Hamzah

Economist / Analyst

lazuardin_hamzah@bca.co.id

+6221 2358 8000 Ext: 1071724

Thierris Nora Kusuma

Economist / Analyst

thierris_kusuma@bca.co.id

+6221 2358 8000 Ext: 1071930

PT Bank Central Asia Tbk

Economic, Banking & Industry Research of BCA Group

20th Grand Indonesia, Menara BCA

Jl. M.H Thamrin No. 1, Jakarta 10310, Indonesia

Ph : (62-21) 2358-8000 Fax : (62-21) 2358-8343

DISCLAIMER

This report is for information only, and is not intended as an offer or solicitation with respect to the purchase or sale of a security. We deem that the information contained in this report has been taken from sources which we deem reliable. However, we do not guarantee their accuracy, and any such information may be incomplete or condensed. None of PT. Bank Central Asia Tbk, and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof. The Company, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Company or any other person has been advised of the possibility thereof. Opinion expressed is the analysts' current personal views as of the date appearing on this material only, and subject to change without notice. It is intended for the use by recipient only and may not be reproduced or copied/photocopied or duplicated or made available in any form, by any means, or redist ted to others without written permission of PT Bank Central Asia Tbk.

All opinions and estimates included in this report are based on certain assumptions. Actual results may differ materially. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice. For further information please contact: (62-21) 2358 8000, Ext: 20378 or fax to: (62-21) 2358 8343 or email: firmantember@bca.co.id