

Trade:

## Will the bumper surplus persist?

Keely Julia Hasim  
Economist / Analyst

Barra Kukuh Mamia  
Senior Economist

22 Apr 2024

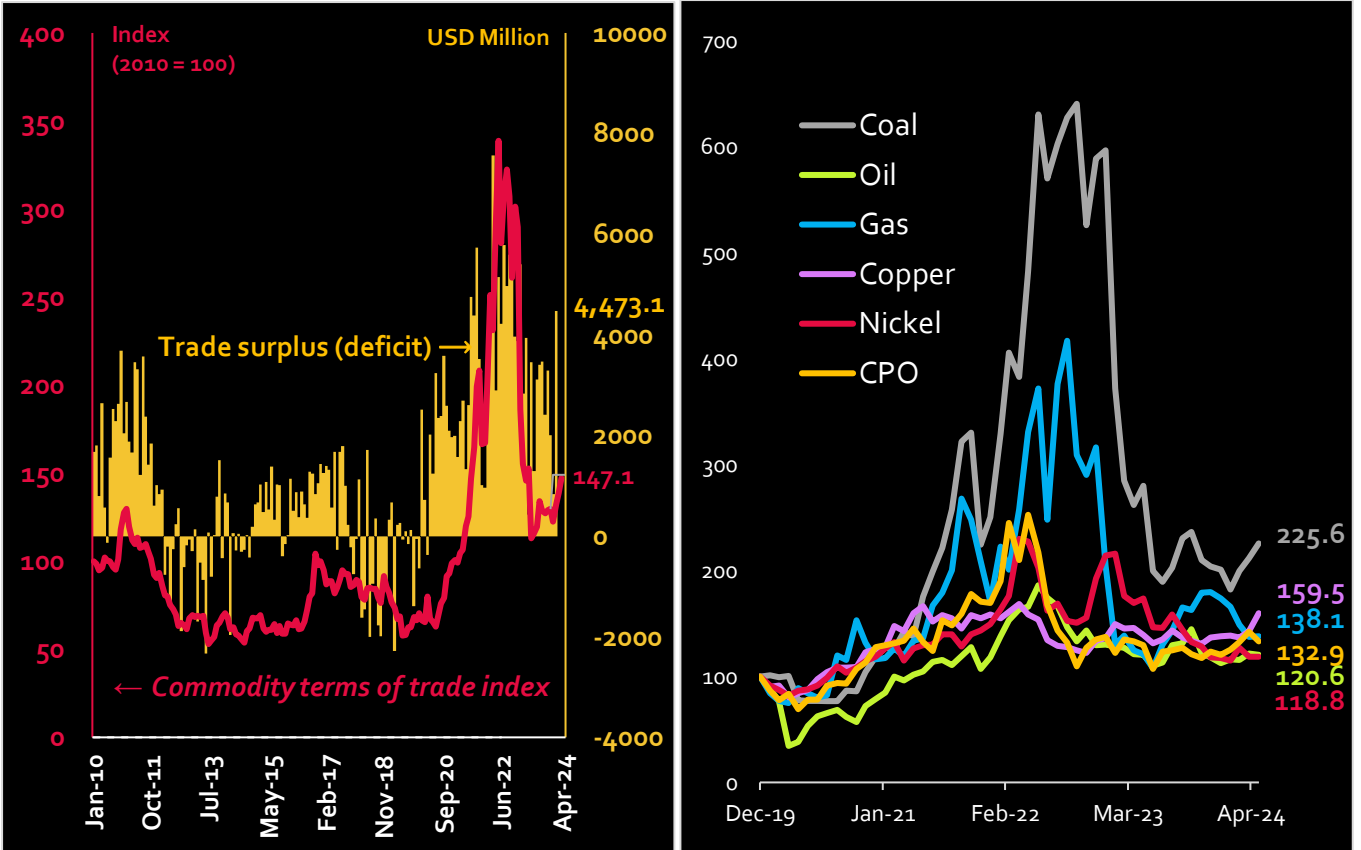
### Executive Summary

- The trade surplus increased to USD 4.47 Bn in March 2024, driven by a 16.40% MoM (-4.19% YoY) surge in exports, and a 2.60% MoM (-12.76% YoY) decline in imports.
- Exports increased mainly due to heightened gold demand from China and recovery in prices of other metals including tin, copper, and nickel. However, exports of coal remain subdued due to ample supply in China.
- Meanwhile, the decline in imports was mainly driven by capital goods, while consumer goods imports declined the least. This suggests a shifting growth pattern from one led by investment to that led by consumption.
- The overall impact of the oil price rally to Indonesia is still uncertain since the correlation between oil and other commodities is imperfect.
- BI might need to adopt a flexible and realistic move to bolster the Rupiah, especially if the trade balance falters in the coming months.

- Indonesia's trade surplus increased to USD 4.47 Bn in March 2024, driven by a 16.40% MoM (-4.19% YoY) surge in exports, and a 2.60% MoM (-12.76% YoY) decline in imports. In our previous report, we have mentioned that March would likely see a recovery in trade surplus owing to a rebound in metal prices, but this was even more drastic than what we anticipated.
- Of all the metals, none glittered as brightly as gold, which became the China's go-to asset in recent months. Both the PBoC (as part of de-risking against US Treasuries) and retail investors (diversifying from the slumping real estate and stock markets) were part of this gold-buying spree, and there is therefore strong reason to suspect that the 206.6% MoM jump in precious metals/jewelry exports is tied to this phenomenon.
- Other metals such as tin, copper, and nickel also showed significant price recovery, and the latter in particular boosted Indonesian steel exports (HS 72) – which mostly consists of nickel pig iron (NPI) exports to China. CPO exports also perked up, as Malaysian palm oil inventory showed a sharp drop (7%) in March.
- However, the same cannot be said for coal exports, which only grew by 2.08% MoM despite the slight recovery in coal prices (8.3% MoM) in March. Despite signs of robust industrial activities (and therefore demand for commodities) from China, the ample coal inventories may continue to limit the potential upside for this fossil fuel.

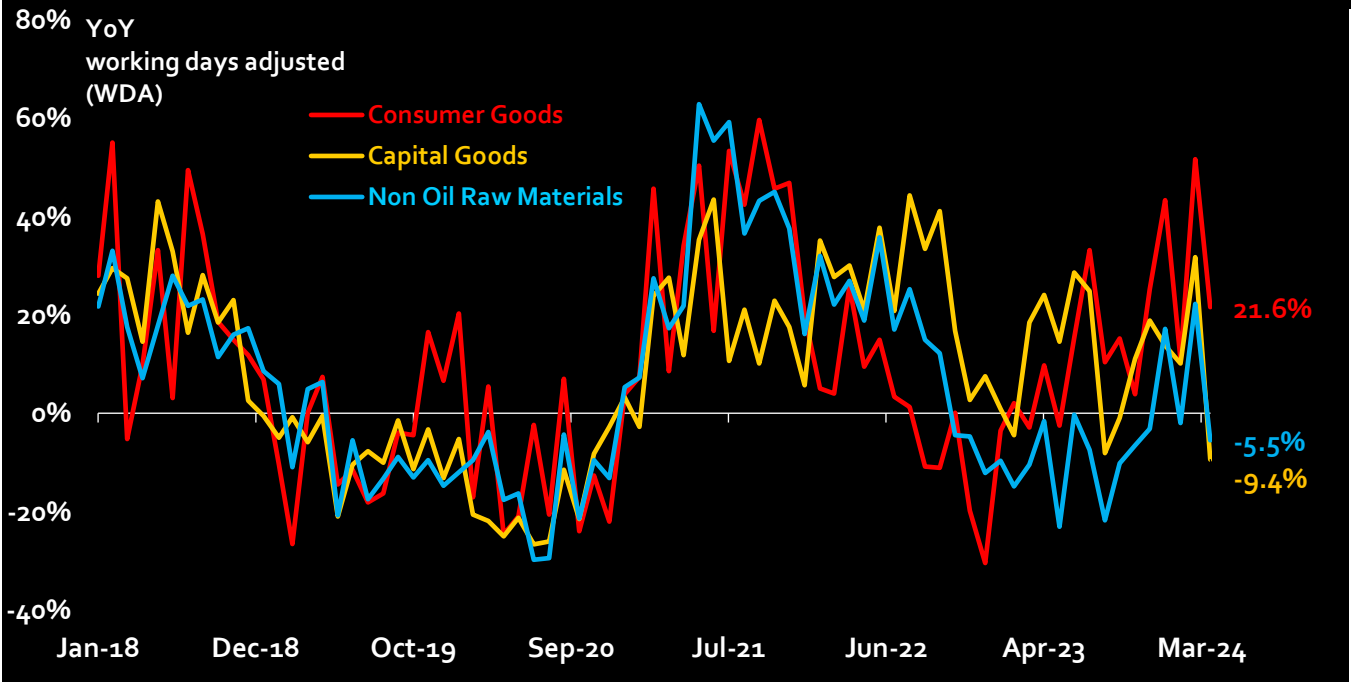
- The drop in imports, meanwhile, was led by the decline in capital goods (-11.26% MoM, -21.72% YoY), whereas consumer goods saw the least decline (-0.69% MoM, 4.97% YoY). This arguably portends a shift towards a consumption-led growth in 2024, in contrast to a mainly investment-led one last year.
- The decline in investment largely follows the lower commodity prices, which has slowed down the smelter/energy boom of recent years. Construction, namely on government projects such as the new capital city (IKN) is now the single-biggest driver of investment, but it has less headroom going forward given potential budget constraints and transition to a new administration.
- Rumors of consumption's demise, on the other hand, have been greatly exaggerated. While we do see a strong tendency among upper-middle income households to spend less (and save more) in the past 2-3 quarters, consumption by lower-income households seemed to have been quite robust in Q1. This was buoyed not just by the Elections and Ramadan – both of which boosted cash circulation – but also by the government's consistent efforts to stabilize food prices, which was apparent from (among others) the strong increase in grains imports (25.97% MoM, 144.02% YoY).
- Overall, the rally in the prices of precious and industrial metals have clearly benefited Indonesia's trade balance. The question that remains is whether the more recent oil rally would also benefit Indonesia. For this, we would argue, the jury is still out. While an oil boom tends to correlate positively with other commodity prices, the correlation is imperfect, and some of Indonesian export mainstays (especially coal and nickel) may be hampered by oversupply and fluctuating demand from China.
- Note also that even with the large surplus in March, FX reserves still declined by USD 3.6 Bn amid rapid foreign capital outflows and BI interventions. This suggests that BI's maneuvering room to support the Rupiah could significantly narrow if the trade surplus falters, and that a more realistic/flexible stance might be required. Paradoxically, then, we view the bumper March surplus not as an all-out positive sign for the Rupiah, but as a further trigger for BI to either consider hiking its benchmark rate and/or adopt some bold, creative policies to bolster the Rupiah while simultaneously maintaining the growth momentum.

**Panel 1. Indonesia's trade surplus increased significantly due to a rebound in metal prices**



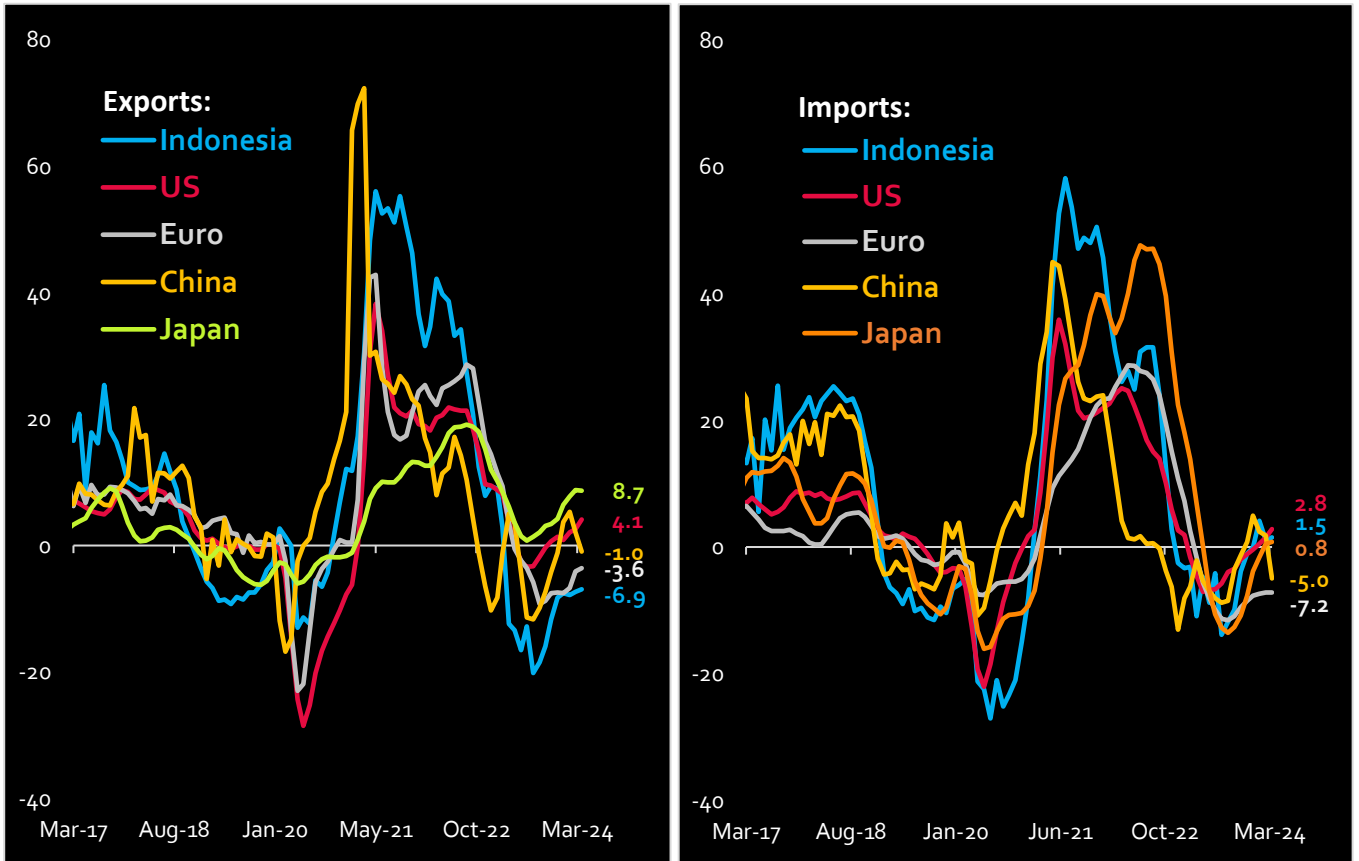
Source: BPS, Bloomberg, BCA Economist calculations

**Panel 2. Capital goods imports declined the most, while consumer goods imports declined more moderately**



Source: BPS, BCA Economist

**Panel 3. The US import momentum remains strong, a sign of a still-robust economy?**



Source: Bloomberg

**Panel 4. Indonesia's manufacturing activities remained resilient despite the contraction in neighboring countries**

PMI Manufaktur PMI	2023										2024		
	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Indonesia	51.9	52.7	50.3	52.5	53.3	53.9	52.3	51.5	51.7	52.2	52.9	52.7	54.2
Malaysia	48.8	48.8	47.8	47.7	47.8	47.8	46.8	46.8	47.9	47.9	49.0	49.5	48.4
Thailand	53.1	60.4	58.2	53.2	50.7	48.9	47.8	47.5	47.6	45.1	46.7	45.3	49.1
Philippines	52.5	51.4	52.2	50.9	51.9	49.7	50.6	52.4	52.7	51.5	50.9	51.0	50.9
Vietnam	47.7	46.7	45.3	46.2	48.7	50.5	49.7	49.6	47.3	48.9	50.3	50.4	49.9
India	56.4	57.2	58.7	57.8	57.7	58.6	57.5	55.5	56.0	54.9	56.5	56.9	59.1
Australia	49.1	48.0	48.4	48.2	49.6	49.6	48.7	48.2	47.7	47.6	50.1	47.8	47.3
China	51.9	49.2	48.8	49.0	49.3	49.7	50.2	49.5	49.4	49.0	49.2	49.1	50.8
South Korea	47.6	48.1	48.4	47.8	49.4	48.9	49.9	49.8	50.0	49.9	51.2	50.7	49.8
Japan	49.2	49.5	50.6	49.8	49.6	49.6	48.5	48.7	48.3	47.9	48.0	47.2	48.2
Euro Area	47.3	45.8	44.8	43.4	42.7	43.5	43.4	43.1	44.2	44.4	46.6	46.5	46.1
US	46.5	47.0	46.6	46.4	46.5	47.6	48.6	46.9	46.6	47.1	49.1	47.8	50.3
Mexico	51.0	51.1	50.5	50.9	53.2	51.2	49.8	52.1	52.5	52.0	50.2	52.3	52.2

Source: BI, Bloomberg

## Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	19-Apr	-1 mth	Chg (%)
US	5.50	Dec-23	2.00	Baltic Dry Index	1,919.0	2,392.0	-19.8
UK	5.25	Dec-23	2.05	S&P GSCI Index	590.3	582.9	1.3
EU	4.50	Dec-23	2.10	Oil (Brent, \$/bbl)	87.3	87.4	-0.1
Japan	-0.10	Jan-16	-2.80	Coal (\$/MT)	146.3	130.7	11.9
China (lending)	2.50	Dec-23	4.25	Gas (\$/MMBtu)	1.43	1.55	-7.7
Korea	3.50	Nov-23	0.40	Gold (\$/oz.)	2,391.9	2,157.6	10.9
India	6.50	Dec-23	1.65	Copper (\$/MT)	9,797.2	8,870.8	10.4
Indonesia	6.00	Nov-23	2.95	Nickel (\$/MT)	19,161.2	17,189.9	11.5
Money Mkt Rates	19-Apr	-1 mth	Chg (bps)	CPO (\$/MT)	859.3	916.7	-6.3
SPN (1M)	5.88	5.80	7.6	Rubber (\$/kg)	1.61	1.70	-5.3
SUN (10Y)	6.98	6.64	34.3	External Sector	Mar	Feb	Chg (%)
INDONIA (O/N, Rp)	5.77	5.87	-10.2	Export (\$ bn)	22.43	19.31	16.20
JIBOR 1M (Rp)	6.65	6.65	0.5	Import (\$ bn)	17.96	18.44	-2.60
Bank Rates (Rp)	Jan	Dec	Chg (bps)	Trade bal. (\$ bn)	4.47	0.87	415.93
Lending (WC)	8.87	8.86	1.70	Central bank reserves (\$ bn)*	140.4	144.0	-2.53
Deposit 1M	4.68	4.76	-7.90	Prompt Indicators	Mar	Feb	Jan
Savings	0.68	0.69	-1.30	Consumer confidence index (CCI)	123.8	123.1	125.0
Currency/USD	19-Apr	-1 mth	Chg (%)	Car sales (%YoY)	-26.2	-18.8	-26.1
UK Pound	0.808	0.786	-2.77	Motorcycle sales (%YoY)	-7.8	-2.9	-3.7
Euro	0.938	0.920	-1.93	Manufacturing PMI	Mar	Feb	Chg (bps)
Japanese Yen	154.6	150.9	-2.44	USA	51.9	52.2	-30
Chinese RMB	7.239	7.199	-0.55	Eurozone	46.1	46.5	-40
Indonesia Rupiah	16,255	15,715	-3.32	Japan	48.2	47.2	100
Capital Mkt	19-Apr	-1 mth	Chg (%)	China	51.1	50.9	20
JCI	7,087.3	7,336.7	-3.40	Korea	49.8	50.7	-90
DJIA	37,986.4	39,110.8	-2.87	Indonesia	54.2	52.7	150
FTSE	7,895.9	7,738.3	2.04	Foreign portfolio ownership (Rp Tn)	Mar	Feb	Chg (Rp Tn)
Nikkei 225	37,068.4	40,003.6	-7.34	Stock	3,226.6	3,236.2	-9.67
Hang Seng	16,224.1	16,529.5	-1.85	Govt. Bond	810.7	837.1	-26.42
				Corp. Bond	9.4	9.5	-0.10

Source: Bloomberg, BI, BPS

Notes:

\*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](https://s.id/BCA_REI)

## Indonesia – Economic Indicators Projection

	2019	2020	2021	2022	2023	2024E
Gross Domestic Product (% YoY)	5.0	-2.1	3.7	5.3	5.0	5.0
GDP per Capita (US\$)	4175	3912	4350	4784	4920	5149
Consumer Price Index Inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	3.2
BI 7-day Repo Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00
USD/IDR Exchange Rate (end of the year)*	13,866	14,050	14,262	15,568	15,397	16,119
Trade Balance (US\$ billion)	-3.2	21.7	35.3	54.5	37.0	32.6
Current Account Balance (% GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.5

\* 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

**Aldi Rizaldi**

*Research Assistant*

aldi\_yanto@bca.co.id

+6221 2358 8000 Ext: 1020451

**Agus Salim Hardjodinto**

*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

**Fikri Adam Zaqi**

*Research Assistant*

Fikri\_zaqi@bca.co.id

+6221 2358 8000 Ext: 20378

**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

20<sup>th</sup> 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: 1020451 or fax to: (62-21) 2358 8343 or email: [aldi\\_yanto@bca.co.id](mailto:aldi_yanto@bca.co.id)