

## Trade:

# Narrowed by the festive seasons

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### Executive Summary

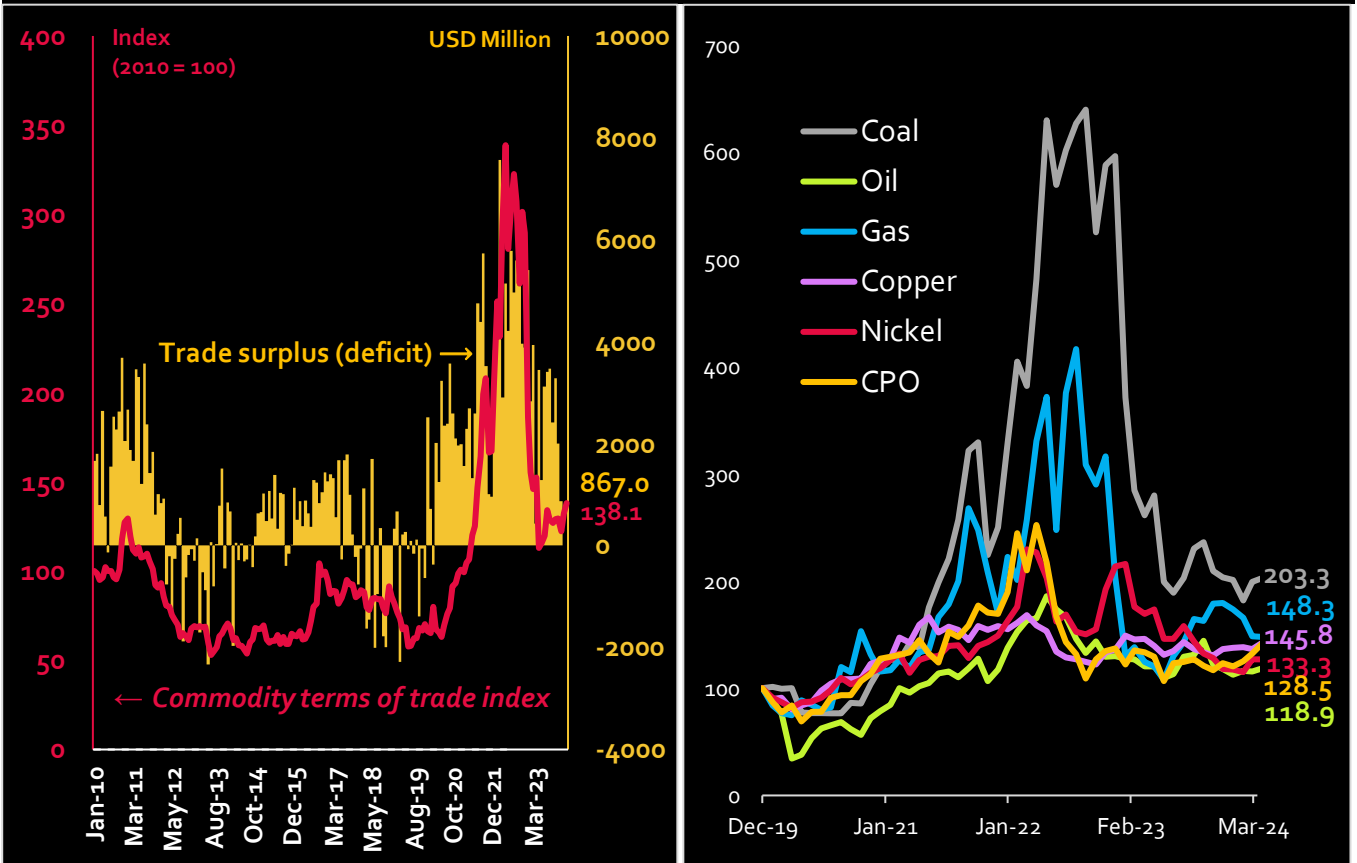
- The trade surplus narrowed to USD 0.87 Bn in February 2024, much lower than consensus, as exports surprised to the downside while imports was on the upside.
- Exports suffered from low demand from China due to the Chinese New Year, which dampened industrial activities temporarily but is likely to recover along with a dose of stimulus.
- Imports remain strong, especially for consumer goods. This was driven by the Election effect, continued rice imports, and anticipation of Ramadan.
- The narrow surplus might be just a one-off due to the festive seasons and could recover in March, but we maintain our case for modest CA deficit which necessitates BI to stay quite conservative.

- Indonesia's trade surplus unexpectedly declined to USD 0.87 Bn in February 2024, far from the consensus of USD 2.28 Bn. Exports declined by 9.45% YoY (-5.79% MoM), while imports accelerated to 15.84% YoY (-0.29% MoM). Both went sharper than the market consensus of -6.42% YoY exports and 10.14% YoY imports.
- We had been expecting a narrower surplus in our previous reports, but the drop-off in February was more drastic than even we expected. A lot of this can be attributed to the two festive seasons that affect exports and imports separately in February, namely the Chinese New Year and the Muslim fasting month of Ramadan, meaning that the situation in February could be a one-off.
- The notable decline in exports is due to lower volumes, while commodity prices did not change much from January. It is not a coincidence that exports to China (-19.26% YoY, -10.75% MoM) was the biggest contributor, as the Chinese New Year dampened industrial activities. Indeed, all the sharp drops came from countries that largely celebrate Chinese New Year, including China, Singapore, and Taiwan.
- If that is the case, we need not hyperventilate, as demand from China could recover quite strongly in March. In our last TFP report, we mentioned that alongside the gold price rally, there was also a rally in metal prices including nickel and copper around the end of February, which seems to also be driven by China.
- Further supply-side stimulus may be part of this story. Last week, the Chinese government announced its economic growth target at an ambitious 5% YoY. Given its still-troubled property sector and the effect on household consumption – which unlike last year is not

helped by low-base effect – the path to 5% looks quite tough. That is, unless we expect massive stimulus, as the Chinese government doubles down on its manufacturing sector and investment in areas such as renewables and electric vehicles. This will boost demand for Indonesia’s commodities, and might also explain the ongoing price rally.

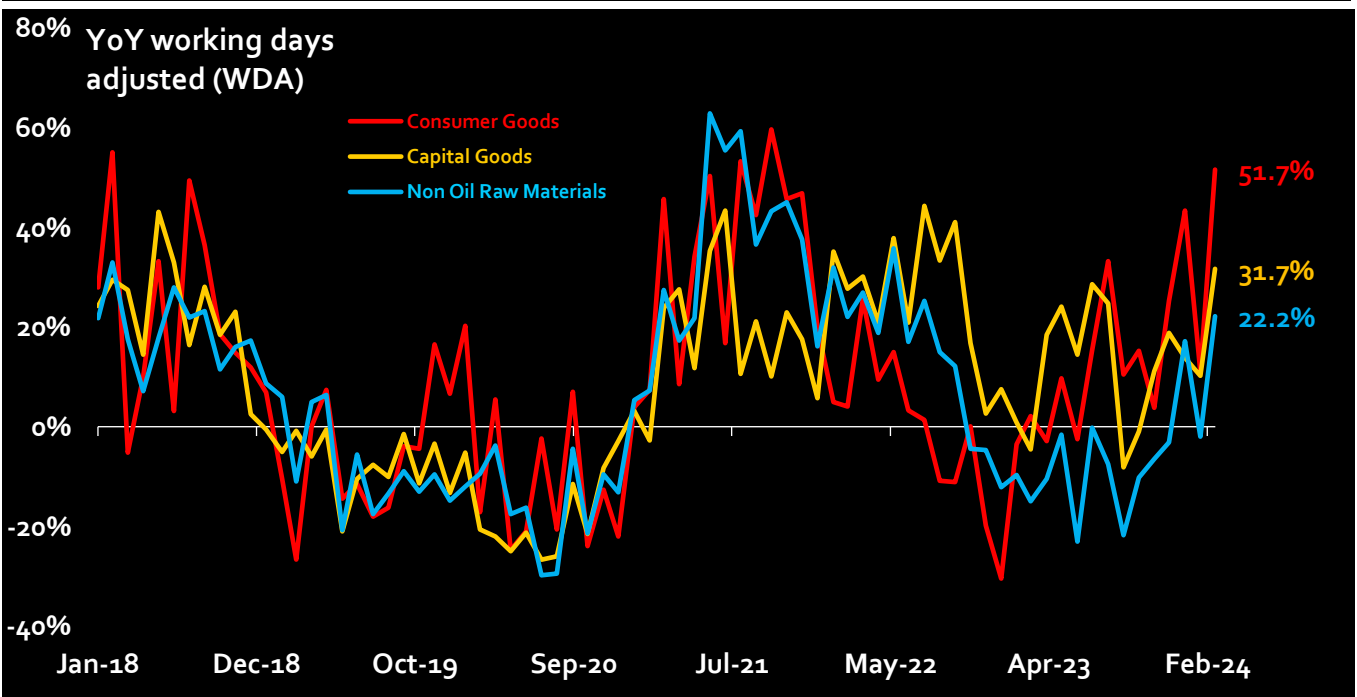
- Imports, meanwhile, recorded fantastic yearly growth due to the low-base effect from last year, but the monthly growth is no slouch either. Usually, February imports are much lower than January because of fewer working days (18 vs 22 this year), but even with working days adjustment, import growth remains very robust (28.7% YoY, 28.5% MoM).
- The main factor here was imports of consumer goods (see Panel 2), which increased by 5.1% MoM. There might be two reasons for this increase. First, as we have already mentioned, is the increased money in circulation around the Election, which bolsters consumption. The government also continued to import rice, to offset the effect of crop failure because of El Nino.
- Second, the Election effect ran almost immediately into Ramadan. Importers, then, seemed to have stocked up all at once both for the Election boost and Ramadan, thus frontloading Ramadan imports in February instead of March. Rising staple goods imports, such as sugar and garlic, is one indication of this Ramadan effect. Another indication comes from a higher import of dates. Given this bonanza, imports in March might ease considerably.
- The narrow surplus last month might have been just a one-off, and we can expect higher exports and lower imports in March, hence another surplus in the range of USD 2 – 3 billion. Still, with the low surplus in February, CA is likely to remain in a modest deficit in Q1. However, the impact on the Rupiah might be minimal since the main factor for the moment remains capital flows and expectation of the Fed rate. All in all, we expect the currently anemic inflows to persist, and BI will remain conservative and only cut in the second half when the Fed starts to cut its rate.

**Panel 1. Indonesia's trade balance surplus narrowed despite the relatively flat commodity prices due to lower exports volume and higher imports volume**



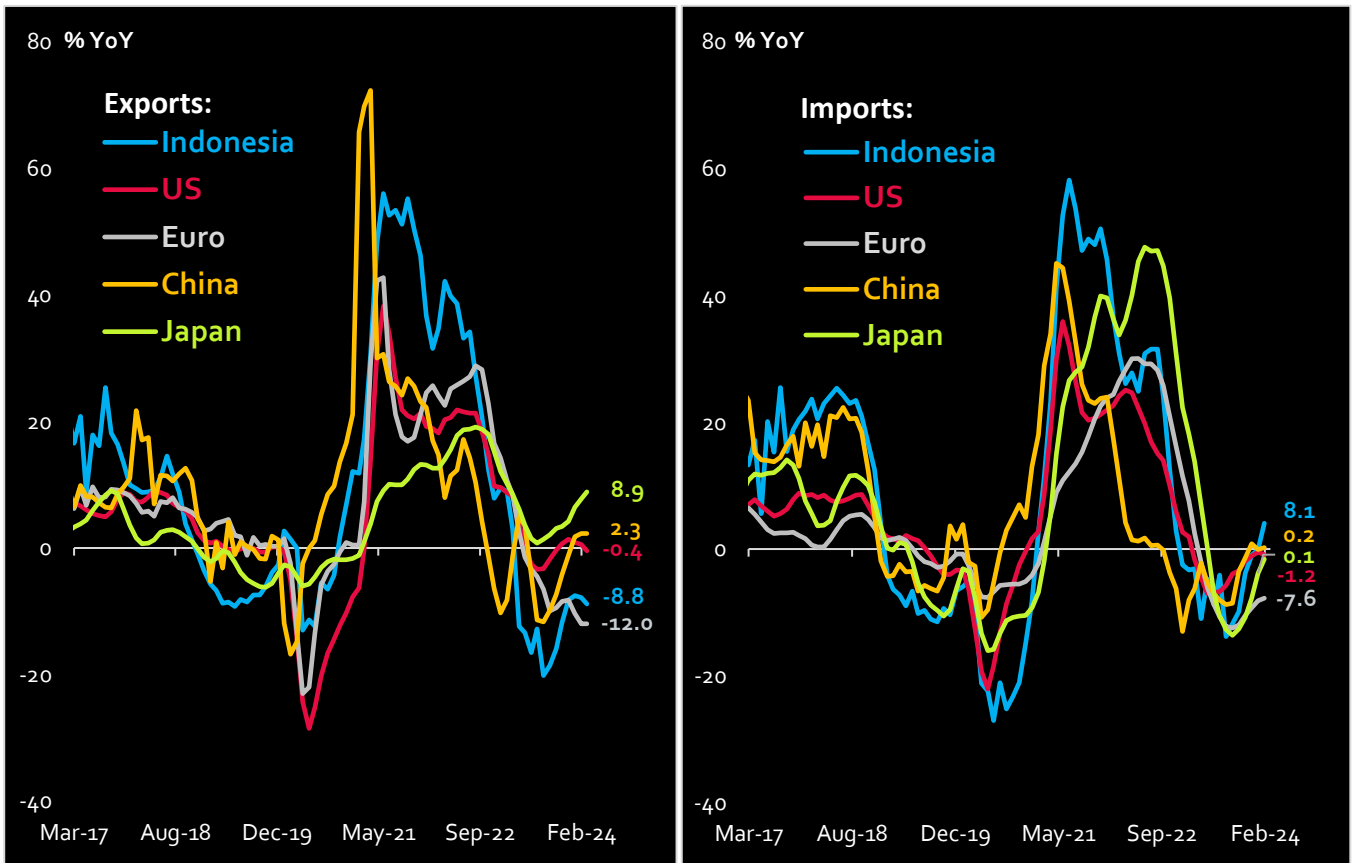
Source: BPS, Bloomberg, BCA Economist calculations

**Panel 2. Imports of consumer goods performed superbly due to Ramadan and election**



Source: BPS, BCA Economist

**Panel 3. The global imports momentum seems to recover, but not at similar pace as before**



Source: Bloomberg

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

PMI Manufaktur PMI	2023												2024	
	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	
Indonesia	51.2	51.9	52.7	50.3	52.5	53.3	53.9	52.3	51.5	51.7	52.2	52.9	52.7	
Malaysia	48.4	48.8	48.8	47.8	47.7	47.8	47.8	46.8	46.8	47.9	47.9	49.0	49.5	
Thailand	54.8	53.1	60.4	58.2	53.2	50.7	48.9	47.8	47.5	47.6	45.1	46.7	45.3	
Philippines	52.7	52.5	51.4	52.2	50.9	51.9	49.7	50.6	52.4	52.7	51.5	50.9	51.0	
Vietnam	51.2	47.7	46.7	45.3	46.2	48.7	50.5	49.7	49.6	47.3	48.9	50.3	50.4	
India	55.3	56.4	57.2	58.7	57.8	57.7	58.6	57.5	55.5	56.0	54.9	56.5	56.9	
Australia	50.5	49.1	48.0	48.4	48.2	49.6	49.6	48.7	48.2	47.7	47.6	50.1	47.8	
China	52.6	51.9	49.2	48.8	49.0	49.3	49.7	50.2	49.5	49.4	49.0	49.2	49.1	
South Korea	48.5	47.6	48.1	48.4	47.8	49.4	48.9	49.9	49.8	50.0	49.9	51.2	50.7	
Japan	47.7	49.2	49.5	50.6	49.8	49.6	49.6	48.5	48.7	48.3	47.9	48.0	47.2	
Euro Area	48.5	47.3	45.8	44.8	43.4	42.7	43.5	43.4	43.1	44.2	44.4	46.6	46.5	
US	47.7	46.5	47.0	46.6	46.4	46.5	47.6	48.6	46.9	46.6	47.1	49.1	47.8	
Mexico	51.0	51.0	51.1	50.5	50.9	53.2	51.2	49.8	52.1	52.5	52.0	50.2	52.3	

Source: BI, Bloomberg

## Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	14-Mar	-1 mth	Chg (%)
US	5.50	Dec-23	2.30	Baltic Dry Index	2,350.0	1,572.0	49.5
UK	5.25	Dec-23	1.25	S&P GSCI Index	573.8	558.1	2.8
EU	4.50	Dec-23	1.90	Oil (Brent, \$/bbl)	85.4	82.0	4.2
Japan	-0.10	Jan-16	-2.30	Coal (\$/MT)	129.5	124.0	4.4
China (lending)	2.50	Dec-23	3.65	Gas (\$/MMBtu)	1.24	1.77	-29.9
Korea	3.50	Nov-23	0.40	Gold (\$/oz.)	2,162.2	2,020.1	7.0
India	6.50	Dec-23	1.41	Copper (\$/MT)	8,783.3	8,128.7	8.1
Indonesia	6.00	Nov-23	3.25	Nickel (\$/MT)	17,865.5	15,783.0	13.2
				CPO (\$/MT)	923.2	834.2	10.7
				Rubber (\$/kg)	1.63	1.50	8.7
Money Mkt Rates	14-Mar	-1 mth	Chg (bps)	External Sector	Feb	Jan	Chg (%)
SPN (1M)	5.88	5.80	7.6	Export (\$ bn)	19.31	20.49	-5.79
SUN (10Y)	6.63	6.64	-0.9	Import (\$ bn)	18.44	18.49	-0.29
INDONIA (O/N, Rp)	5.98	5.93	5.0	Trade bal. (\$ bn)	0.87	2.00	-56.64
JIBOR 1M (Rp)	6.65	6.63	1.2	Central bank reserves (\$ bn)*	144.0	145.1	-0.72
Bank Rates (Rp)	Dec	Nov	Chg (bps)	Prompt Indicators	Feb	Jan	Nov
Lending (WC)	8.86	8.91	-4.93	Consumer confidence index (CCI)	123.1	125.0	123.6
Deposit 1M	4.76	4.52	24.61	Car sales (%YoY)	-18.8	-26.1	-7.5
Savings	0.69	0.67	1.94	Motorcycle sales (%YoY)	-2.9	-3.7	-2.8
Currency/USD	14-Mar	-1 mth	Chg (%)	Manufacturing PMI	Feb	Jan	Chg (bps)
UK Pound	0.784	0.792	0.98	USA	52.2	50.7	150
Euro	0.919	0.928	1.03	Eurozone	46.5	46.6	-10
Japanese Yen	148.3	149.4	0.69	Japan	47.2	48.0	-80
Chinese RMB	7.194	7.194	-0.01	China	50.9	50.8	10
Indonesia Rupiah	15,582	15,595	0.08	Korea	50.7	51.2	-50
				Indonesia	52.7	52.9	-20
Capital Mkt	14-Mar	-1 mth	Chg (%)				
JCI	7,433.3	7,297.7	1.86				
DJIA	38,905.7	38,797.4	0.28				
FTSE	7,743.2	7,573.7	2.24				
Nikkei 225	38,807.4	36,897.4	5.18				
Hang Seng	16,961.7	15,746.6	7.72				
Foreign portfolio ownership (Rp Tn)	Feb	Jan	Chg (Rp Tn)				
Stock	3,236.2	3,115.8	120.46				
Govt. Bond	837.1	841.9	-4.76				
Corp. Bond	9.5	10.4	-0.89				

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



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## 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	5.50
USD/IDR Exchange Rate (end of the year)*	13,866	14,050	14,262	15,568	15,397	16.037
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

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