

Trade:

Resilience amid global headwinds

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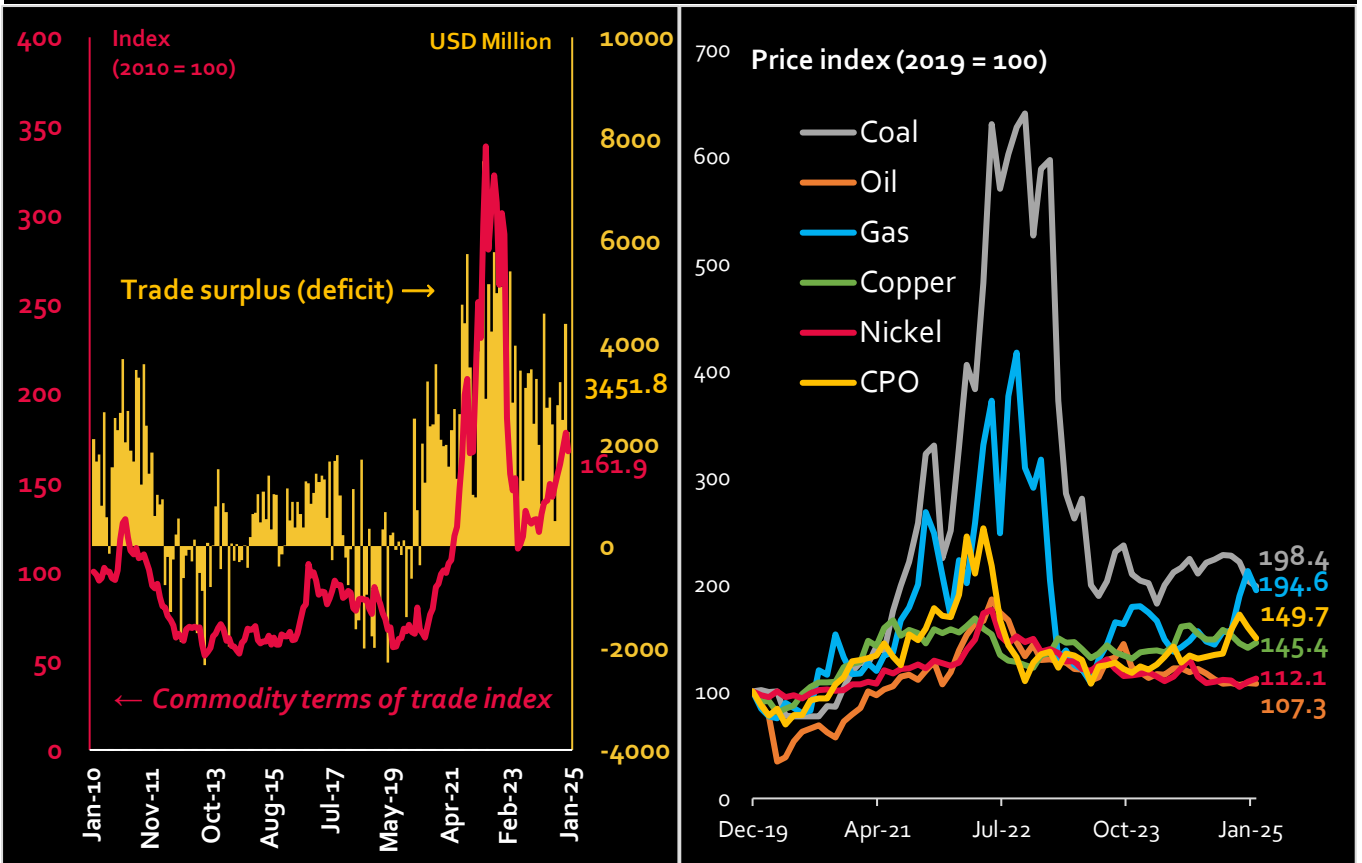
17 February 2025

Executive Summary

- Indonesia's trade surplus reached USD 3.45 Bn, with exports decreased by -8.56% MoM (+4.68% YoY) and imports declined at -15.18% MoM (-2.67% YoY).
 - Declining commodity prices still became the main drivers of the drop in exports. Meanwhile, government policies, including import restrictions on key staples (rice, corn, sugar, and salt) and potential curbs on manufactured goods, could further suppress imports but raise concerns over inflation and domestic capacity.
 - BI is likely to consider further rate cut(s) to support growth but may have to tread cautiously given volatility in capital flows.
- Indonesia's trade balance remained resilient in Jan-25, posting a surplus of USD 3.45 Bn — well above market expectations of USD 1.91 Bn and an improvement from Dec-24's USD 2.24 Bn. Both exports and imports declined on MoM basis (-8.56% and -15.18%, respectively), yet exports still managed to grow 4.68% YoY. Imports, however, saw a steeper contraction, falling -2.67% YoY, might signal softening domestic demand.
 - The drop in exports was primarily driven by declining commodity prices, particularly coal, which fell -9.92% MoM and Nickel (-0.27% MoM), added with weaker global demand, especially from China. Meanwhile, CPO prices also declined -8.42% MoM. While commodity prices may experience short-term fluctuations, the anticipated effects of La Niña could support agricultural exports in the coming months.
 - Not all export segments suffered. Precious metals and jewelry, notably gold, continued their upward trend due to increased global demand for gold as safe-haven asset amid looming uncertainties. More striking, however, was the growth in manufactured exports, particularly electronics (+20.49% YoY) and footwear (+17.05% YoY). This suggests a potential front-running of U.S. trade policies, as businesses anticipate higher import tariffs under a second Trump administration. The recovery in Indonesia's manufacturing sector, reflected in an improving PMI (51.2 in Dec-24, rising to 51.9 in Jan-25), further supports this trend.
 - On the import side, a sharp -38.84% MoM decline in oil imports was observed, largely due to high base effect from December's restocking. Iron and steel imports also tapered off after hitting record highs in December, possibly as government priorities shifted from infrastructure to other programs under the new administration, such as the Free Nutritious Meals initiative (Makan Bergizi Gratis).

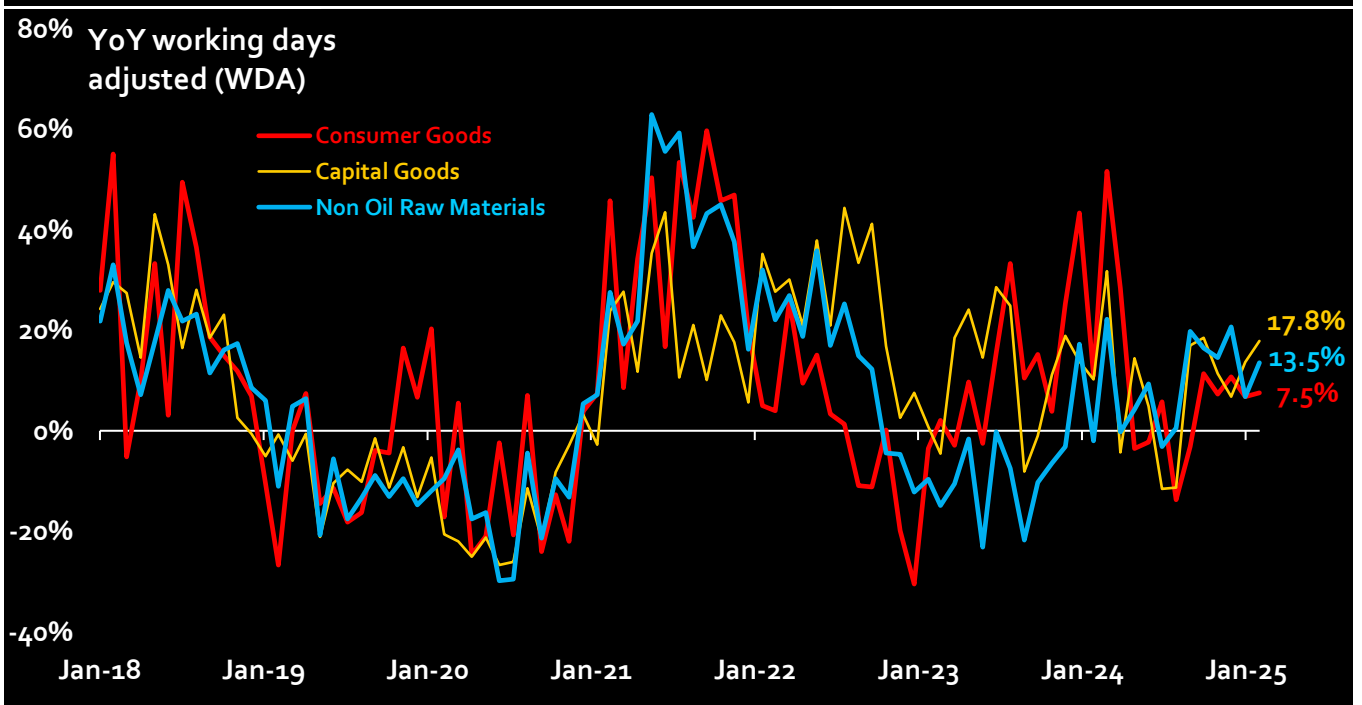
- Consumer goods imports also declined (-7.16% YoY, -28.65% MoM), defying the usual seasonal trend of increased demand ahead of Chinese New Year and Ramadan. Notably, cereal imports plunged (-60.75% YoY, -56.36% MoM) following President Prabowo's policy to halt rice imports in a bid to achieve self-sufficiency. Similar import restrictions have also been imposed on key staples like corn, sugar, and salt. These measures could suppress imports in the short-term, but whether they could truly foster food self-sufficiency or merely temporary remains in question, especially if food inflation returns.
- Beyond raw materials, speculation is mounting over potential import restrictions on manufactured goods, including textiles and furniture, aimed at shielding local producers from cheap imports. While protectionist policies could provide short-term relief for domestic industries, the same question as with the ban on food imports are also at play here – whether or not domestic industries retain sufficient capacity to fill in the gap, or if imports merely shift to the black markets.
- Given these dynamics, Indonesia's trade surplus is likely to remain at current levels, supported by rebound in commodity prices and import restrictions. However, downside risks persist, as global disruptions – driven by tariff measures and slowing demand from key trading partners – continue to weigh on export performance. Indonesia's economic growth prospects also remain capped by ongoing liquidity concerns and potential short-term disruptions as the government shifts spending priorities.
- Against this backdrop, we think that BI is inclined to cut rates in order to support growth, but will have to tread cautiously given volatility in capital flows (especially the recent foreign selloff of Indonesian equities). Interestingly, the global situation is actually turning more supportive for the prospects of BI rate cut in February or March, given recent declines in the USD and global long-term yields amid US debt ceiling and the Treasury Dept's plan to shift UST issuance back to short-term bills. Rupiah is currently at 16.260 (+0.98% YTD) and SBN 10Y at 6.75% (-21.36bps YTD).

Panel 1. Indonesia terms of trade increased due to slower imports amidst declining commodity prices



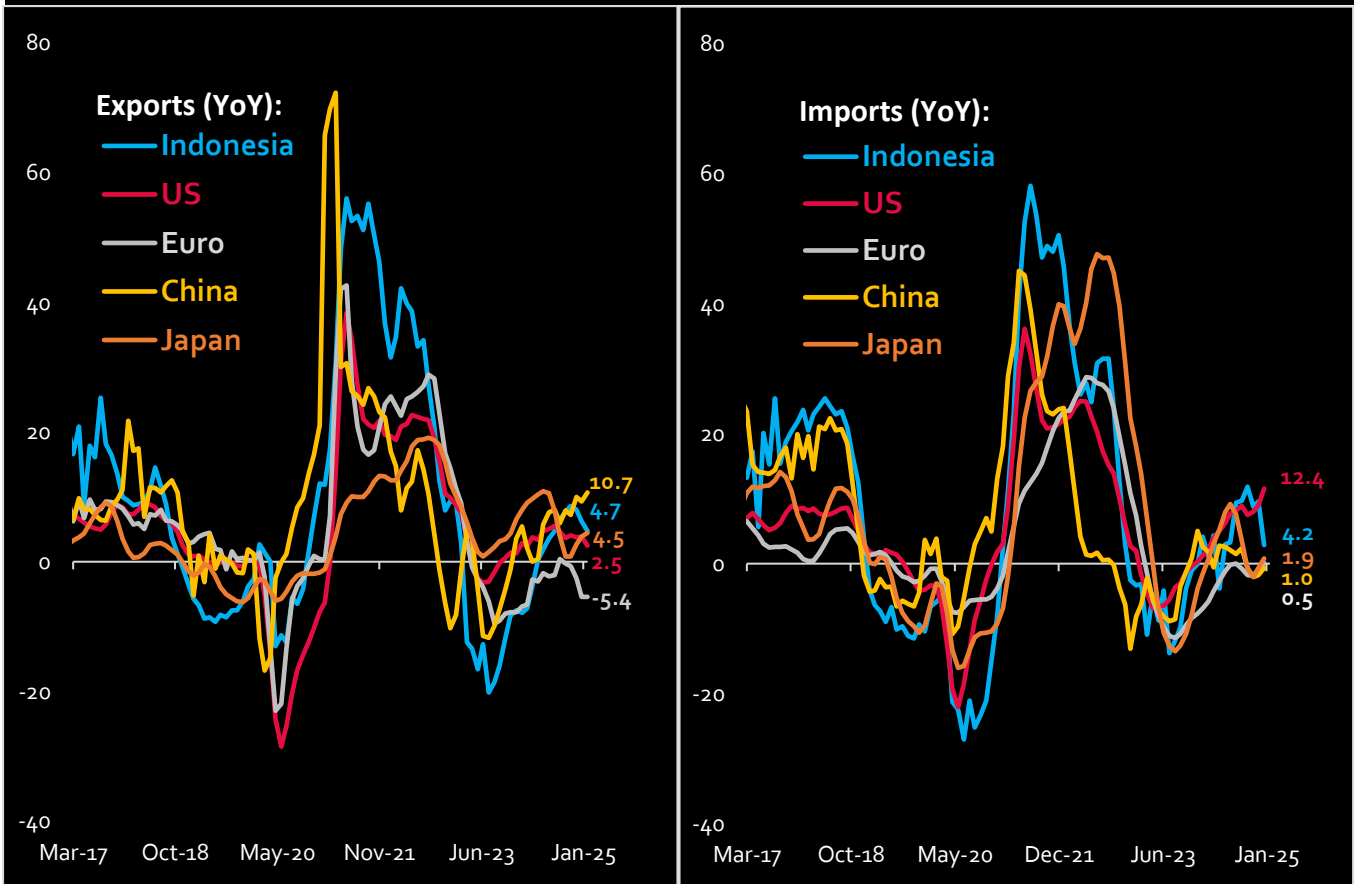
Source: BPS, Bloomberg, BCA Economist calculations

Panel 2. Capital goods and raw materials imports rebounded as manufacturing activity starting to expand



Source: BPS, BCA Economist

Panel 3. Indonesian exports and imports grow relatively stronger compared to other nations



Source: Bloomberg

Panel 4. Indonesian manufacturing started to expand, likely driven by the front-running of Trump tariffs

PMI Manufaktur	2024												
	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Indonesia	52.9	52.7	54.2	52.9	52.1	50.7	49.3	48.9	49.2	49.2	49.6	51.2	51.9
Malaysia	49.0	49.5	48.4	49.0	50.2	49.9	49.7	49.7	49.5	49.5	49.2	48.6	48.7
Thailand	46.7	45.3	49.1	48.6	50.3	51.7	52.8	52.0	50.4	50.0	50.2	51.4	49.6
Philippines	50.9	51.0	50.9	52.2	51.9	51.3	51.2	51.2	53.7	52.9	53.8	54.3	52.3
Vietnam	50.3	50.4	49.9	50.3	50.3	54.7	54.7	52.4	47.3	51.2	50.8	49.8	48.9
India	56.5	56.9	59.1	58.8	57.5	58.3	58.1	57.5	56.5	57.5	56.5	56.4	57.7
Australia	50.1	47.8	47.3	49.6	49.7	47.2	47.5	48.5	46.7	47.3	49.4	47.8	50.2
China	49.2	49.1	50.8	50.4	49.5	49.5	49.4	49.1	49.8	50.1	50.3	50.1	49.1
South Korea	51.2	50.7	49.8	49.4	51.6	52.0	51.4	51.9	48.3	48.3	50.6	49.0	50.3
Japan	48.0	47.2	48.2	49.6	50.4	50.0	49.1	49.8	49.7	49.2	49.0	49.6	48.7
Euro Area	46.6	46.5	46.1	45.7	47.3	45.8	45.8	45.8	45.0	46.0	45.2	45.1	46.6
US	49.1	47.8	50.3	49.2	48.7	48.5	46.8	47.2	47.5	46.9	48.4	49.2	50.9
Mexico	50.2	52.3	52.2	51.0	51.2	51.1	49.6	48.5	47.3	48.4	49.9	49.8	49.1

Source: BI, Bloomberg

Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	14-Feb	-1 mth	Chg (%)
US	4.50	Dec-24	1.50	Baltic Dry Index	792.0	1,080.0	-26.7
UK	4.50	Feb-25	2.00	S&P GSCI Index	569.4	571.9	-0.4
EU	2.90	Jan-25	0.40	Oil (Brent, \$/brl)	74.7	79.9	-6.5
Japan	0.50	Jan-25	-3.70	Coal (\$/MT)	108.1	120.3	-10.1
China (lending)	2.00	Sep-24	3.85	Gas (\$/MMBtu)	4.60	4.32	6.5
Korea	3.00	Nov-24	0.80	Gold (\$/oz.)	2,882.5	2,677.5	7.7
India	6.25	Feb-25	1.94	Copper (\$/MT)	9,490.4	9,033.7	5.1
Indonesia	5.75	Jan-25	4.99	Nickel (\$/MT)	15,259.3	15,733.1	-3.0
Money Mkt Rates	14-Feb	-1 mth	Chg (bps)	CPO (\$/MT)	1,074.5	1,065.2	0.9
				Rubber (\$/kg)	2.08	1.96	6.1
Bank Rates (Rp)	Nov	Oct	Chg (bps)	External Sector	Jan	Dec	Chg (%)
SPN (1Y)	6.12	6.85	-73.0	Export (\$ bn)	21.45	23.46	-8.56
SUN (10Y)	6.76	7.26	-50.1	Import (\$ bn)	18.00	21.22	-15.18
INDONIA (O/N, Rp)	5.64	6.03	-39.3	Trade bal. (\$ bn)	3.45	2.24	54.17
JIBOR 1M (Rp)	6.38	6.62	-24.2	Central bank reserves (\$ bn)*	156.1	155.7	0.23
Currency/USD	14-Feb	-1 mth	Chg (%)	Prompt Indicators	Jan	Dec	Oct
UK Pound	0.795	0.819	3.04	Consumer confidence index (CCI)	127.2	127.7	121.1
Euro	0.953	0.970	1.79	Car sales (%YoY)	-11.3	-6.4	-3.7
Japanese Yen	152.3	158.0	3.71	Motorcycle sales (%YoY)	-6.0	-5.5	5.4
Chinese RMB	7.257	7.331	1.02	Manufacturing PMI	Jan	Dec	Chg (bps)
Indonesia Rupiah	16,260	16,265	0.03	USA	51.2	49.4	180
Capital Mkt	14-Feb	-1 mth	Chg (%)	Eurozone	46.6	45.1	150
JCI	6,638.5	6,956.7	-4.57	Japan	48.7	49.6	-90
DJIA	44,546.1	42,518.3	4.77	China	50.1	50.5	-40
FTSE	8,732.5	8,201.5	6.47	Korea	50.3	49.0	130
Nikkei 225	39,149.4	38,474.3	1.75	Indonesia	51.9	51.2	70
Hang Seng	22,620.3	19,219.8	17.69				
Foreign portfolio ownership (Rp Tn)	Jan	Dec	Chg (Rp Tn)				
Stock	3,531.1	3,521.3	9.76				
Govt. Bond	881.3	876.6	4.65				
Corp. Bond	6.0	5.9	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



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Indonesia – Economic Indicators Projection

	2019	2020	2021	2022	2023	2024	2025E
Real GDP growth (% YoY)	5.0	-2.1	3.7	5.3	5.0	5.0	4.9
Nominal GDP growth (% YoY)	6.7	-2.5	9.9	15.4	6.7	6.0	7.6
GDP per capita (USD)	4175	3912	4350	4784	4920	4960	5005
CPI inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	1.6	2.3
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	5.50
SBN 10Y yield (%)	7.04	5.86	6.36	6.92	6.45	6.97	7.47
USD/IDR exchange rate (end of year)	13,866	14,050	14,262	15,568	15,397	16,102	16,887
Trade balance (USD Bn)	-3.2	21.7	35.3	54.5	37.0	31.0	26.2
Current account balance (% of GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.6*	-0.9

Notes:

- USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time
- Numbers marked with (*) for 2024 are our projections; other numbers for 2024 are final

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