

Trade: A recovery, but with strings attached

Executive Summary:

- **Indonesia recorded another trade surplus amounting to USD 2.0 Bn last month, even as annual import growth (+14.9%) outpaced annual export growth (+8.6%).**
- **The significant rebound in imports however, isn't necessarily indicative of a large-scale economic recovery that it seems to suggest.** Statistical discrepancies coming from low base import growth figures recorded last year (Covid began to wreak noticeable havoc on imports last February) may have helped inflate last month's import figures.
- **None of this is to say however, that there is no real uptrend to be observed.** The drop in daily new Covid cases, ongoing vaccinations, as well as the nearing of Lebaran, may point to some form of an uptick in the coming months. Import figures may partly reflect expectations of such a recovery, albeit one with strings attached.

- **Indonesia recorded another trade surplus amounting to USD 2.0 Bn last month, largely in line with analysts' expectations.** Neatly packaged with this latest iteration of Covid-struck Indonesia's customary two billion dollar trade surplus however, is what appears to be a Covid-era novelty: import growth (+14.9% YoY) numbers far outpacing that of exports (+8.6% YoY). **These numbers however, are not necessarily indicative of the large-scale rebound in domestic economic activity that they seem to suggest.**
- **Export growth, for its own part, did not seem to show much divergence from its previous trends.** Last month's annual growth figures are largely in line with numbers from the past few months and appear to be driven by the same fundamentals that have been driving export growth since mid-2020: the recovery in global industry and the persistent strength of commodity prices.
- Imports, on the other hand, recorded a significant jump that dwarfed anything that had come before it since the pandemic struck (**Chart 1**). Trade figures seem to suggest a significant recovery in import activity and, as is likely by extension, of domestic economic activity as well. **But here lies the rub: other metrics of economic activity do not seem to correlate perfectly with the remarkably sunny outlook emerging from last month's import figures.** Manufacturing PMI fell last month from its January high, although it still recorded an expansion in the industrial sector. Our own Business Transactions Index tells a similar story, with business activity actually experiencing a rather significant decrease in February (**Chart 2**). How then, do we reconcile these seemingly conflicting figures?
- Statistical discrepancies may play some role in explaining these seeming contradictions. The first significant shocks from Covid only began to make wreak their effects on imports in February last year. **As such, last month's yearly import growth figures may bear the imprint of the low base figures recorded last year.** As the coming months begin to coincide with the timing of the depths of the Covid shock last year, we may increasingly see larger spikes in annual export and import growth in the coming months.
- None of this is to say that there is no real uptrend to be observed however. The number of daily new Covid cases has been dramatically falling for the past few days, in the first significant inversion of Indonesia's official Covid curve since the crisis began. **This, alongside ongoing vaccinations, may point to an uptick in economic activity in the next few months, particularly as Lebaran approaches.** Indeed, our Business Transactions Index recorded a substantial recovery coming into March, at the same time as mobility indices began to show a steady improvement (**Chart 2**). **Viewed from this lens then, February's higher import figures may indicate business expectations of precisely such a recovery in the coming months, albeit one saddled with a great deal of caveats.**

Chart 1. Imports surged by a significant degree last month...

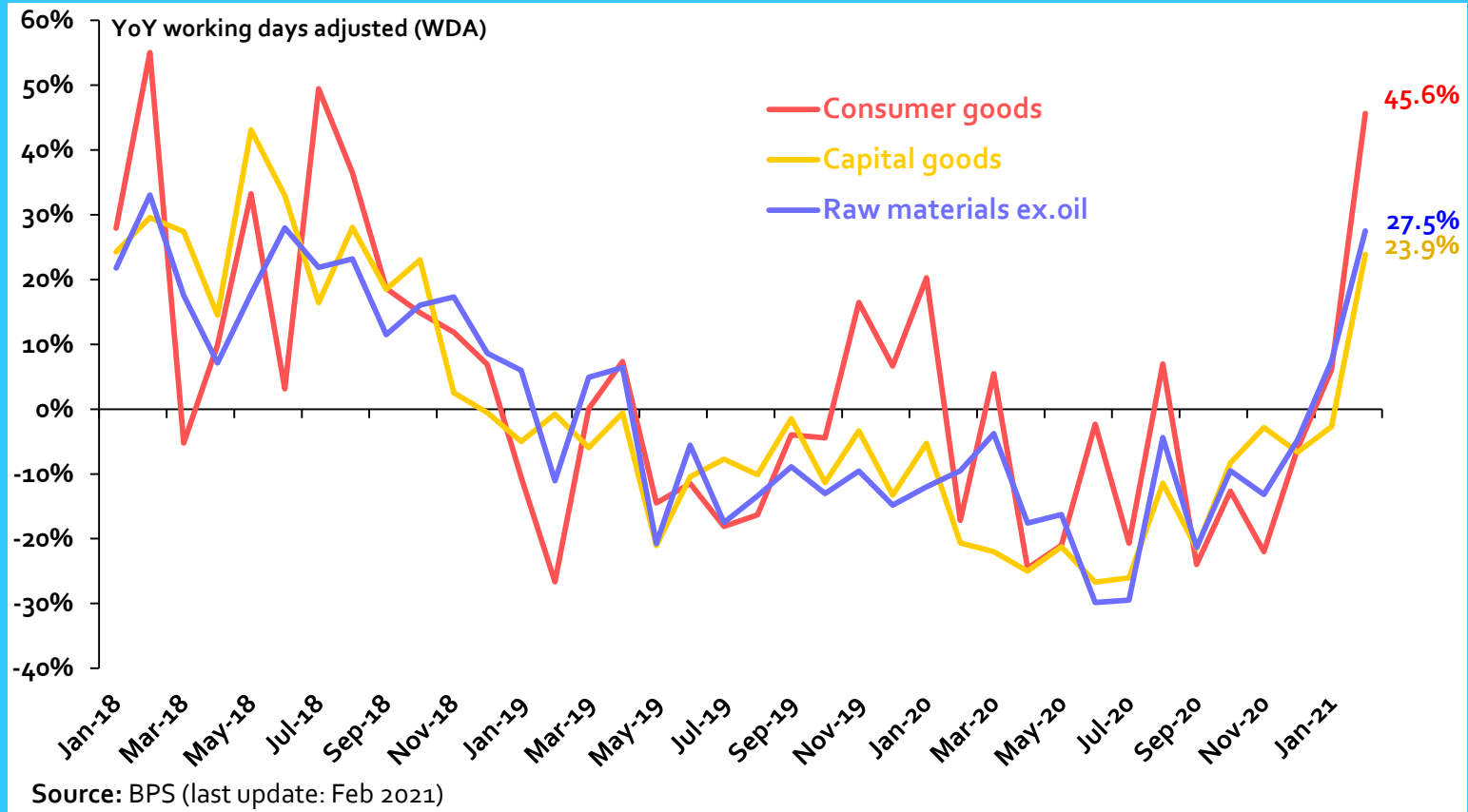
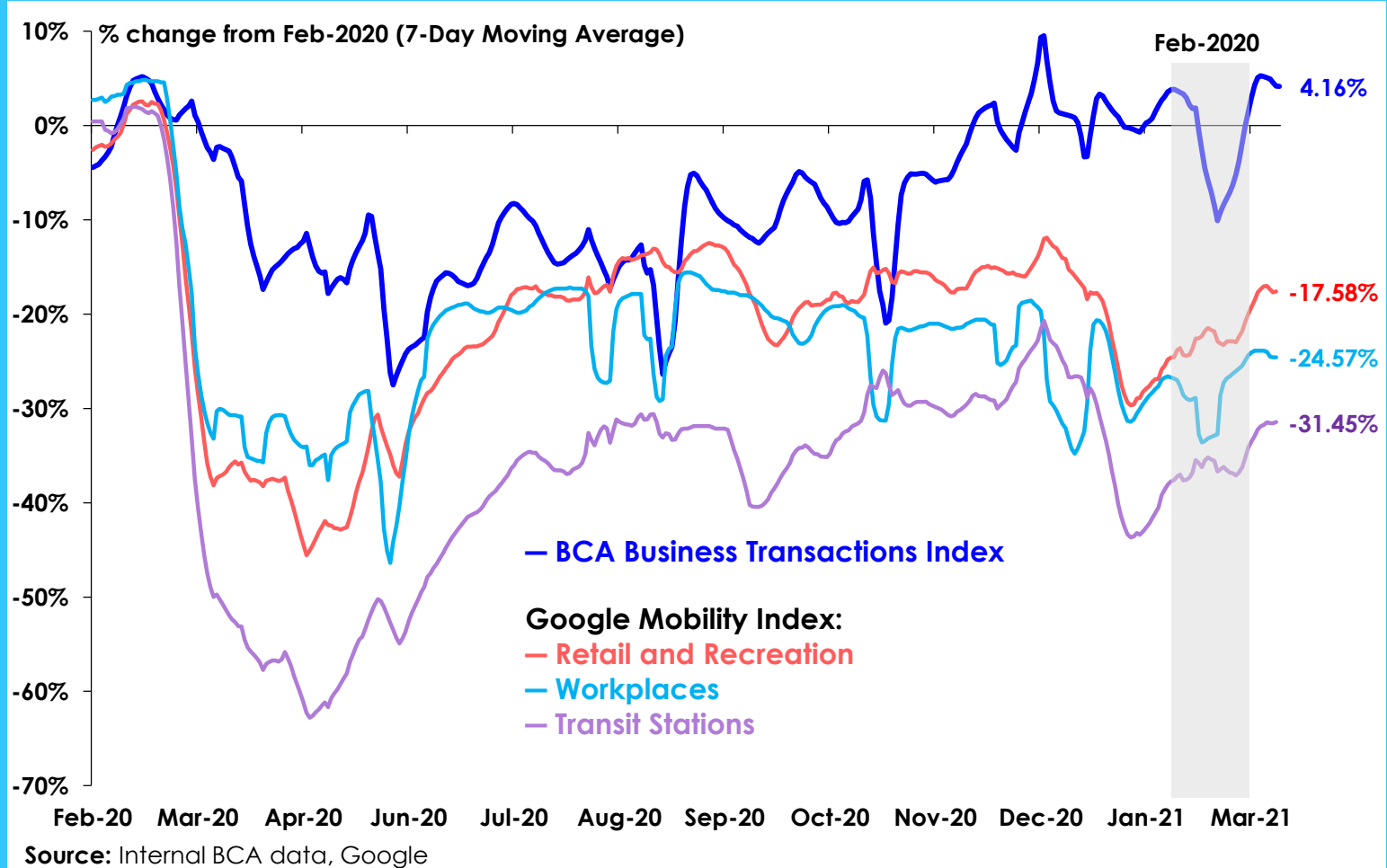


Chart 2. ...even as BCA's Business Transactions Index pointed to a concurrent slump in economic activity last month



Selected Recent Economic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	12-Mar	-1 mth	Chg (%)
US	0.25	Mar-20	-1.45	Baltic Dry Index	1,960.0	1,306.0	50.1
UK	0.10	Mar-20	-0.60	S&P GSCI Index	492.2	459.6	7.1
EU	0.00	Mar-16	-0.90	Oil (Brent, \$/brl)	69.2	61.1	13.3
Japan	-0.10	Jan-16	0.50	Coal (\$/MT)	87.8	83.7	4.8
China (lending)	4.35	Oct-15	4.55	Gas (\$/MMBtu)	2.60	3.24	-19.8
Korea	0.50	May-20	-0.60	Gold (\$/oz.)	1,727.1	1,838.3	-6.0
India	4.00	May-20	-1.03	Copper (\$/MT)	9,103.5	8,157.8	11.6
Indonesia	3.50	Feb-21	2.12	Nickel (\$/MT)	15,965.0	18,323.5	-12.9
Money Mkt Rates	12-Mar	-1 mth	Chg (bps)	CPO (\$/MT)	1,020.6	966.6	5.6
				Rubber (\$/kg)	1.75	1.61	8.7
Bank Rates (Rp)	Dec	Nov	Chg (bps)	External Sector	Feb	Jan	Chg (%)
SPN (1M)	2.82	2.54	28.5	Export (\$ bn)	15.27	15.30	-0.2
SUN (10Y)	6.71	6.20	50.7	Import (\$ bn)	13.26	13.34	-0.6
INDONIA (O/N, Rp)	2.80	3.04	-24.4	Trade bal. (\$ bn)	2.00	1.96	2.2
JIBOR 1M (Rp)	3.56	3.80	-24.1	Central bank reserves (\$ bn)	138.8	138.0	0.58
Bank Rates (Rp)	Dec	Nov	Chg (bps)	Prompt Indicators	Feb	Jan	Dec
Lending (WC)	9.21	9.32	-10.54	Consumer confidence index (CCI)	85.8	84.9	96.5
Deposit 1M	4.22	4.45	-23.28	Car sales (%YoY)	-38.2	-34.2	-34.4
Savings	0.86	0.87	-0.66	Motorcycle sales (%YoY)	N/A	-14.7	-45.1
Currency /USD	12-Mar	-1 mth	Chg (%)	Cement sales (%YoY)	N/A	-5.9	-12.6
UK Pound	0.718	0.724	0.77	Capital Mkt	12-Mar	-1 mth	Chg (%)
Euro	0.837	0.825	-1.37	JCI	6,358.2	6,181.7	2.86
Japanese Yen	109.0	104.6	-4.07	DJIA	32,778.6	31,375.8	4.47
Chinese RMB	6.509	6.435	-1.12	FTSE	6,761.5	6,531.6	3.52
Indonesia Rupiah	14,385	13,995	-2.71	Nikkei 225	29,717.8	29,505.9	0.72
Capital Mkt	12-Mar	-1 mth	Chg (%)	Hang Seng	28,739.7	29,476.2	-2.50
JCI	6,358.2	6,181.7	2.86	Foreign portfolio ownership (Rp Tn)	Feb	Jan	Chg (Rp Tn)
DJIA	32,778.6	31,375.8	4.47	Stock	1,930.8	1,811.4	119.42
FTSE	6,761.5	6,531.6	3.52	Govt. Bond	971.4	987.3	-15.92
Nikkei 225	29,717.8	29,505.9	0.72	Corp. Bond	28.4	29.3	-0.92
Hang Seng	28,739.7	29,476.2	-2.50	Manufacturing PMI	Feb	Jan	Chg (bps)
Foreign portfolio ownership (Rp Tn)	Feb	Jan	Chg (Rp Tn)	USA	60.8	58.7	210
Stock	1,930.8	1,811.4	119.42	Eurozone	57.9	54.8	310
Govt. Bond	971.4	987.3	-15.92	Japan	51.4	49.8	160
Corp. Bond	28.4	29.3	-0.92	China	50.9	51.5	-60
				Korea	55.3	53.2	210
				Indonesia	50.9	52.2	-130

Source: Bloomberg, BI, BPS

Notes:

*Previous data

For change in currency: **Black indicates appreciation against USD, **Red** indicates depreciation

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

Indonesia – Economic Indicators Projection

	2016	2017	2018	2019	2020	2021E
Gross Domestic Product (% YoY)	5.0	5.1	5.2	5.0	-2.1	4.8
GDP per Capita (US\$)	3605	3877	3927	4175	3912	4055
Consumer Price Index Inflation (% YoY)	3.0	3.6	3.1	2.7	1.7	3.1
BI 7 day Repo Rate (%)	4.75	4.25	6.00	5.00	3.75	3.50
USD/IDR Exchange Rate (end of year)**	13,473	13,433	14,390	13,866	14.050	14.460
Trade Balance (US\$ billion)	8.8	11.8	-8.5	-3.2	21.7	10.1
Current Account Balance (% GDP)	-1.8	-1.6	-3.0	-2.7	-0.4	-1.8

** Estimation of Rupiah's fundamental exchange rate

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