Trade:

Imports declined, another wide surplus

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Executive Summary

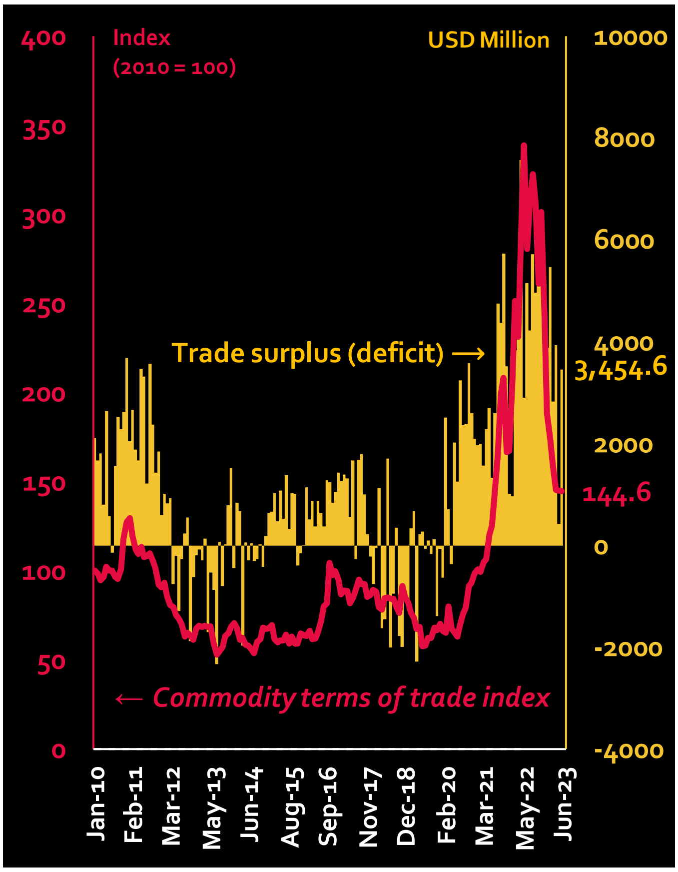
- Indonesia recorded a trade surplus of USD 3.46 Bn in June 2023, as there is a sharper decline in imports (-18.3% YoY, -19.4% MoM) than exports (-21.2% YoY, -5.1% MoM)
- Normalization of commodity prices is still suppressing export performance, especially on coal, although coal prices seems to begin bottoming out.
- The declining imports can be attributed to falling oil/gas imports volume and iron and steel imports. However, capital goods and consumer goods imports still reported a solid growth.
- China slowdown and expectations of Fed pivot could give BI room to ease policy in the next few months.

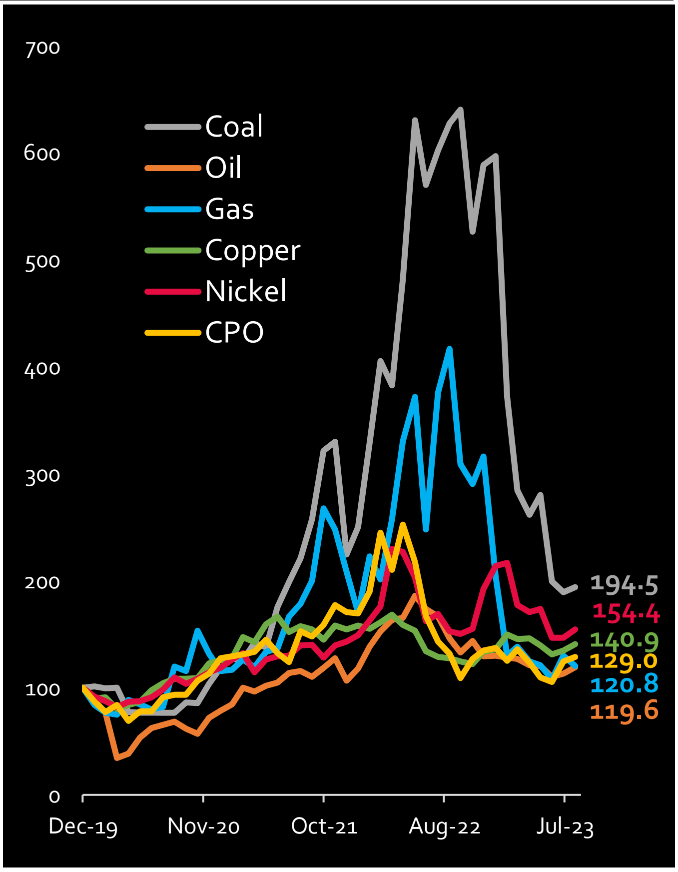
- The trade surplus surged to USD 3.46 Bn in Jun-23, thanks to an unexpectedly sharp decline in imports (-18.3% YoY, -19.4% MoM), while exports (-21.2% YoY, -5.1% MoM) were closer to consensus. The declines on both sides can partly be attributed to fewer working days, but there are many additional factors at play.
- The normalization of commodity prices continue to drag on exports, and this time it affected coal prices in a big way as bad news on China's growth momentum piled up in June. To be sure, there is some hope that coal prices are (almost) bottoming out now, with more stable movements so far in July while bets on energy commodities in future markets begin to shift away from extreme bearish sentiments.
- Other commodities show more of a mixed record. The ban on bauxite exports, which came into effect on June 10th, has had immediate negative impact on mineral exports. On the other hand, CPO exports rose a remarkable 44% MoM, which correlated with a drop in Malaysia's inventory levels. This could be a sign of things to come as El Nino picks up in intensity, but it could easily be a one-off considering the rather limited rise in prices so far.
- Commodities also played a large role in the weak import numbers. Oil/gas imports fell, mostly by volumes, resulting in a 20-month-low oil/gas imports despite prices being relatively stable. Another notable decline was observed in iron and steel, which does not seem ideal for our structure investment/construction sector which has languished amid the post-Covid recovery. However, there are still good news, stemming from the solid capital goods and consumer goods imports, which is an indication of still-healthy domestic demand overall.
- The elephant in the room behind this decline in trade is, of course, China, whose GDP growth in Q2 fell far short of expectations. Whereas its high inventory levels and weak domestic demand led to an influx of Chinese goods earlier in the year, it is now entering a phase where falling profits are forcing industries to close down or at least scale back their production. This

in turn reduces China's exports, which may mean weaker global growth but also less trade-driven disinflation going forward.

- Amid this doom and gloom about trade, Indonesia can take solace in the new government regulation regarding export receipts (DHE – *devisa hasil ekspor*), which obliges commodity exporters to keep their proceeds domestically for at least three months. This rule means more FX liquidity at home, although unfortunately it only takes effect after commodity prices have been slashed in the past few months.
- The jump in trade surplus should assure us that Indonesia is not going to experience large current account shocks, 2013/2018-style any time soon. However, our baseline view is still for the trade balance to normalize to an average of USD 2-3 Bn per month, with the current account around 0.5-0.8% deficit relative to the GDP. Weaker USD amid growing speculations of a Fed pivot gives BI more room to ease policy, although we think this is still a few months away for now.

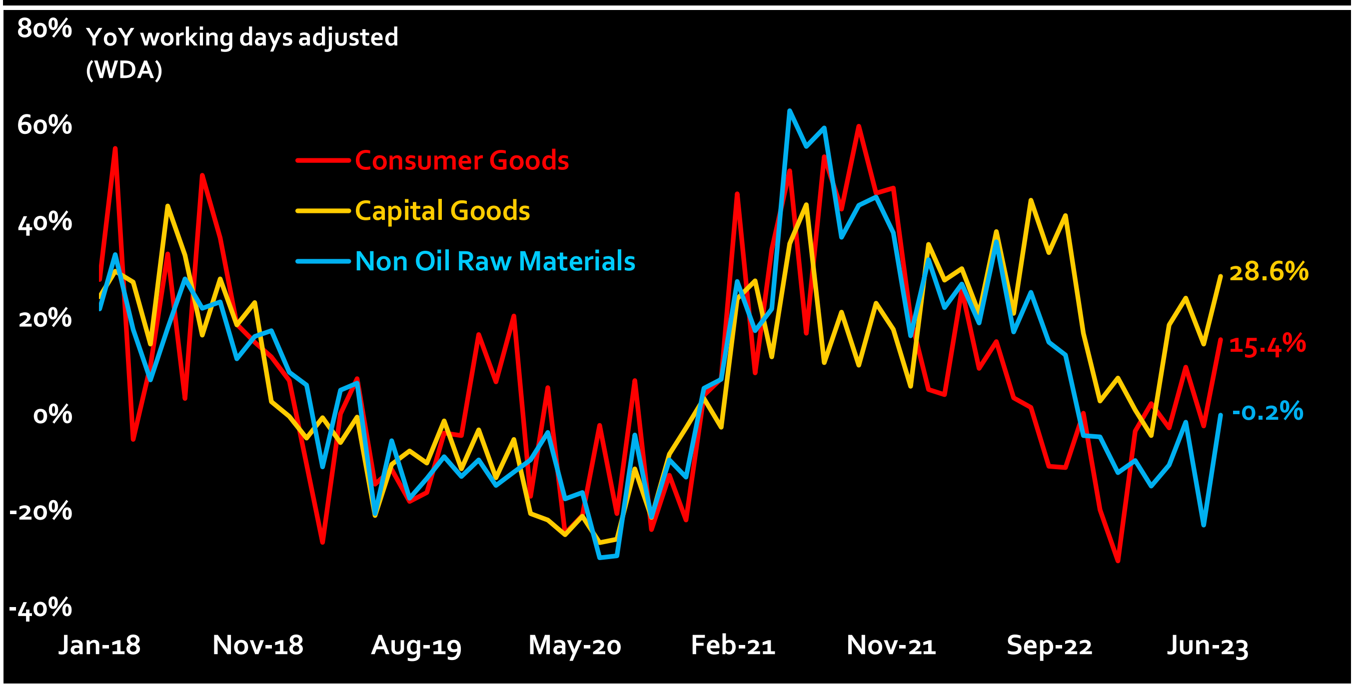
Panel 1. Surplus increased as imports volume dropped though commodity prices remain stable





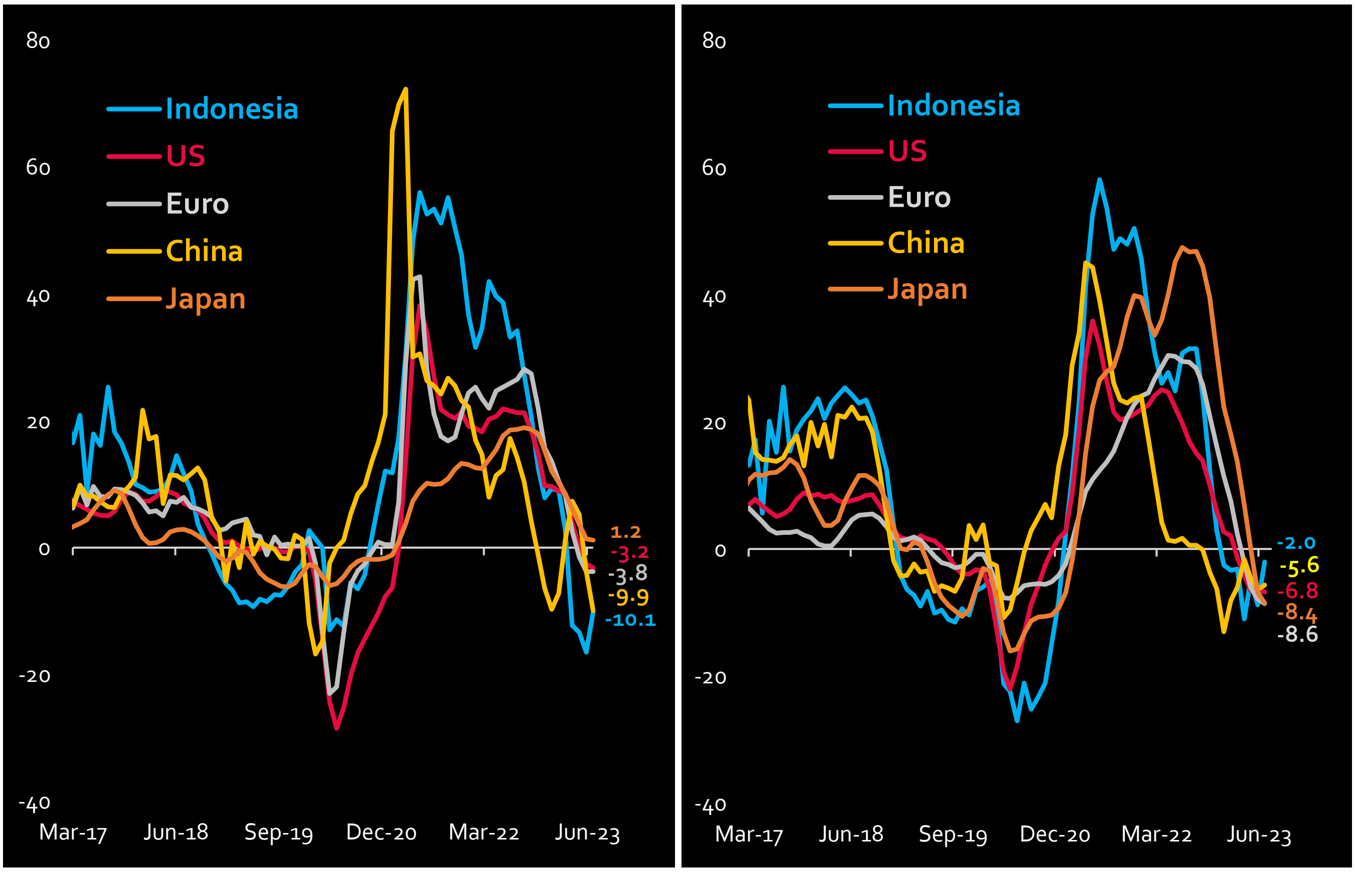
Source: BPS, Bloomberg, BCA Economist calculations

Panel 2. Non oil raw materials still recorded a negative growth



Source: BPS, BCA Economist

Panel 3. Indonesia's trade slowdown is in line with the rest of the world



Source: Bloomberg

Panel 4. Pace of expansion in Indonesia's manufacturing sector is starting to slow down

PMI	Jun-22	Jul-22	Aug-22	Sep-22	Oct-23	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Indonesia	50.2	51.3	51.7	53.7	51.8	50.3	50.9	51.3	51.2	51.9	52.7	50.3	52.5
Malaysia	50.4	50.6	50.3	49.1	48.7	47.9	47.8	46.5	48.4	48.8	48.8	47.8	47.7
Thailand	50.7	52.4	53.7	55.7	51.6	51.1	52.5	54.5	54.8	53.1	60.4	58.2	53.2
Philippines	53.8	50.8	51.2	52.9	52.6	52.7	53.1	53.5	52.7	52.5	51.4	52.2	50.9
Vietnam	54.0	51.2	52.7	52.5	50.6	47.4	46.4	47.4	51.2	47.7	46.7	45.3	46.2
India	53.9	56.4	56.2	55.1	55.3	55.7	57.8	55.4	55.3	56.4	57.2	58.7	58.7
Australia	56.2	55.7	53.8	53.5	52.7	51.3	50.2	50.0	50.5	49.1	48.0	48.4	48.2
China	50.2	49.0	49.4	50.1	49.2	48.0	47.0	50.1	52.6	51.9	49.2	48.8	49.0
South Korea	51.3	49.8	47.6	47.3	48.2	49.0	48.2	48.5	48.5	47.6	48.1	48.4	47.8
Japan	52.7	52.1	51.5	50.8	50.7	49.0	48.9	48.9	47.7	49.2	49.5	50.6	49.8
Euro	52.1	49.8	49.6	48.4	46.4	47.1	47.8	48.8	48.5	47.3	45.8	44.8	43.6
US	53.1	52.7	52.9	51.0	50.0	49.0	48.4	47.4	47.7	46.3	47.1	46.9	46.9
Mexico	52.2	48.5	48.5	50.3	50.3	50.6	51.3	48.9	51.0	51.0	51.1	50.5	50.5

Source: BI, Bloomberg

Selected Macroeconomic Indicator

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)
US	5.25	Jul-23	2.25
UK	5.00	Jul-23	-3.70
EU	4.00	Jul-23	-1.50
Japan	-0.10	Jan-16	-3.30
China (lending)	4.35	Jul-23	4.35
Korea	3.50	Jul-23	0.80
India	6.50	Jun-23	1.69
Indonesia	5.75	Jun-23	2.23

Money Mkt Rates	14-Jul	-1 mth	Chg (bps)
SPN (1M)	4.72	4.03	68.8
SUN (10Y)	6.16	6.26	-10.3
INDONIA (O/N, Rp)	5.63	5.58	5.3
JIBOR 1M (Rp)	6.40	6.39	0.2

Bank Rates (Rp)	Apr	Mar	Chg (bps)
Lending (WC)	8.92	8.95	-2.71
Deposit 1M	4.18	4.20	-2.70
Savings	0.67	0.69	-1.70

Currency/USD	14-Jul	-1 mth	Chg (%)
UK Pound	0.764	0.793	3.81
Euro	0.891	0.927	4.03
Japanese Yen	138.8	140.2	1.02
Chinese RMB	7.142	7.166	0.34
Indonesia Rupiah	14,958	14,860	-0.66

Capital Mkt	14-Jul	-1 mth	Chg (%)
JCI	6,869.6	6,719.0	2.24
DJIA	34,509.0	34,212.1	0.87
FTSE	7,434.6	7,594.8	-2.11
Nikkei 225	32,391.3	33,018.7	-1.90
Hang Seng	19,413.8	19,521.4	-0.55

Foreign portfolio ownership (Rp Tn)	Jun	May	Chg (Rp Tn)
Stock	2,755.0	2,738.1	16.95
Govt. Bond	846.9	829.4	17.53
Corp. Bond	11.3	11.8	-0.47

Trade & Commodities	14-Jul	-1 mth	Chg (%)
Baltic Dry Index	1,090.0	1,074.0	1.5
S&P GSCI Index	562.5	536.6	4.8
Oil (Brent, $/brl)	79.9	74.3	7.5
Coal ($/MT)	133.7	142.5	-6.2
Gas ($/MMBtu)	2.50	2.00	25.0
Gold ($/oz.)	1,955.2	1,943.7	0.6
Copper ($/MT)	8,661.8	8,450.0	2.5
Nickel ($/MT)	21,400.5	21,880.0	-2.2
CPO ($/MT)	828.6	739.1	12.1
Rubber ($/kg)	1.32	1.31	0.8

External Sector	Jun	May	Chg (%)
Export ($ bn)	20.61	21.72	-5.12
Import ($ bn)	17.15	21.28	-19.40
Trade bal. ($ bn)	3.45	0.44	691.43
Central bank reserves ($ bn)*	137.5	139.3	-1.28

Prompt Indicators	Jun	May	Apr
Consumer confidence index (CCI)	127.1	128.3	126.1
Car sales (%YoY)	4.7	65.2	-28.8
Motorcycle sales (%YoY)	66.6	113.4	-19.4

Manufacturing PMI	Jun	May	Chg (bps)
USA	46.0	46.9	-90
Eurozone	43.4	44.8	-140
Japan	49.8	50.6	-80
China	50.5	50.9	-40
Korea	47.8	48.4	-60
Indonesia	52.5	50.3	220

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

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Indonesia – Economic Indicators Projection

	2018	2019	2020	2021	2022	2023E
Gross Domestic Product (% YoY)	5.2	5.0	-2.1	3.7	5.3	5.0
GDP per Capita (US$)	3927	4175	3912	4350	4784	5285
Consumer Price Index Inflation (% YoY)	3.1	2.7	1.7	1.9	5.5	2.3
BI 7 day Repo Rate (%)	6.00	5.00	3.75	3.50	5.50	5.75
USD/IDR Exchange Rate (end of year)**	14,390	13,866	14,050	14,262	15,568	15,173
Trade Balance (US$ billion)	-8.5	-3.2	21.7	35.3	54.5	35.3
Current Account Balance (% GDP)	-3.0	-2.7	-0.4	0.3	1.0	-0.7

*Estimated number

** Estimation of Rupiah's fundamental exchange rate

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