# Monthly Economic Briefing

Economic, Banking, and Industry Research - BCA Group



# Trade:

# Imports declined, another wide surplus

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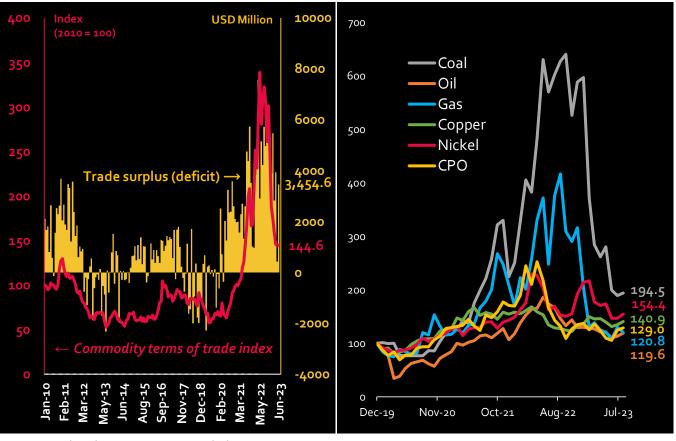
17 Jul 2023

# **Executive Summary**

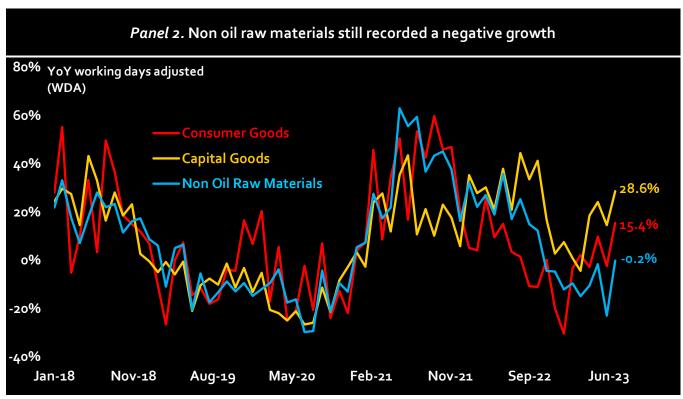
- Indonesia recorded a trade surplus of USD 3.46 Bn in June 2023, as there is a sharper decline in imports (-18.3% YoY, -19.4% MoM) than exports (-21.2% YoY, -5.1% MoM)
- Normalization of commodity prices is still suppressing export performance, especially on coal, although coal prices seems to begin 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 10<sup>th</sup>, 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 tradedriven 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

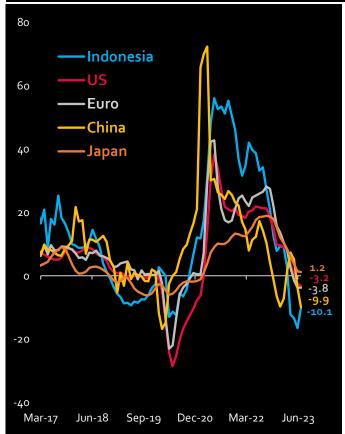


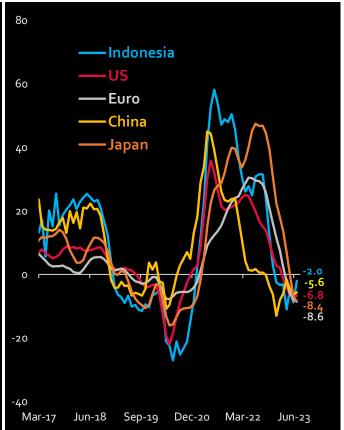
Source: BPS, Bloomberg, BCA Economist calculations



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<br>Change | Real Rate<br>(%) | Trade &<br>Commodities          | 14-Jul   | -1 mth   | Chg<br>(%)   |  |
|--|----------|----------------|------------------|---------------------------------|----------|----------|--------------|--|
| US                                     | 5.25     | Jul-23         | 2.25             | Baltic Dry Index                | 1,090.0  | 1,074.0  | 1.5          |  |
| UK                                     | 5.00     | Jul-23         | -3.70            | S&P GSCI Index                  | 562.5    | 536.6    | 4.8          |  |
| EU                                     | 4.00     | Jul-23         | -1.50            | Oil (Brent, \$/brl)             | 79.9     | 74.3     | 7.5          |  |
| Japan                                  | -0.10    | Jan-16         | -3.30            | Coal (\$/MT)                    | 133.7    | 142.5    | -6.2         |  |
| China (lending)                        | 4.35     | Jul-23         | 4.35             | Gas (\$/MMBtu)                  | 2.50     | 2.00     | 25.0         |  |
| Korea                                  | 3.50     | Jul-23         | 0.80             | Gold (\$/oz.)                   | 1,955.2  | 1,943.7  | 0.6          |  |
| India                                  | 6.50     | Jun-23         | 1.69             | Copper (\$/MT)                  | 8,661.8  | 8,450.0  | 2.5          |  |
| Indonesia                              | 5.75     | Jun-23         | 2.23             | Nickel (\$/MT)                  | 21,400.5 | 21,880.0 | -2.2         |  |
| Manau Mit Batas                        | 14-Jul   | -1 mth         | Chg              | CPO (\$/MT)                     | 828.6    | 739.1    | 12.1         |  |
| Money Mkt Rates                        |          |                | (bps)            | Rubber (\$/kg)                  | 1.32     | 1.31     | 0.8          |  |
| SPN (1M)                               | 4.72     | 4.03           | 68.8             | External Sector                 | Jun      | May      | Chg          |  |
| SUN (10Y)                              | 6.16     | 6.26           | -10.3            | External Sector                 | Juli     | May      | (%)          |  |
| INDONIA (O/N, Rp)                      | 5.63     | 5.58           | 5.3              | Export (\$ bn)                  | 20.61    | 21.72    | -5.12        |  |
| JIBOR 1M (Rp)                          | 6.40     | 6.39           | 0.2              | Import (\$ bn)                  | 17.15    | 21.28    | -19.40       |  |
| Dank Dates (Da)                        | Apr      | Mar            | Chg              | Trade bal. (\$ bn)              | 3.45     | 0.44     | 691.43       |  |
| Bank Rates (Rp)                        |          |                | (bps)            | Central bank reserves           | 137.5    | 139.3    | -1.28        |  |
| Lending (WC)                           | 8.92     | 8.95           | -2.71            | (\$ bn)*                        | 137.3    | 139.3    | -1.28        |  |
| Deposit 1M                             | 4.18     | 4.20           | -2.70            | Prompt Indicators               | Jun      | May      | Apr          |  |
| Savings                                | 0.67     | 0.69           | -1.70            | Prompt indicators               |          | May      | Apr          |  |
| Currency/USD                           | 14-Jul   | -1 mth         | Chg (%)          | Consumer confidence index (CCI) | 127.1    | 128.3    | 126.1        |  |
| UK Pound                               | 0.764    | 0.793          | 3.81             | Caraalaa (0/ VaV)               | 4.7      | 65.2     | -28.8        |  |
| Euro                                   | 0.891    | 0.927          | 4.03             | Car sales (%YoY)                | 4.7      | 05.2     | -20.0        |  |
| Japanese Yen                           | 138.8    | 140.2          | 1.02             | Motorcycle sales                | 66.6     | 112.4    | -19.4        |  |
| Chinese RMB                            | 7.142    | 7.166          | 0.34             | (%YoY)                          | 66.6     | 113.4    | -19.4        |  |
| Indonesia Rupiah                       | 14,958   | 14,860         | -0.66            | Manufacturing DMT               | Jun      | Mass     | Chg<br>(bps) |  |
| Capital Mkt                            | 14-Jul   | -1 mth         | Chg (%)          | Manufacturing PMI               | Jun      | May      |              |  |
| JCI                                    | 6,869.6  | 6,719.0        | 2.24             | USA                             | 46.0     | 46.9     | -90          |  |
| DJIA                                   | 34,509.0 | 34,212.1       | 0.87             | Eurozone                        | 43.4     | 44.8     | -140         |  |
| FTSE                                   | 7,434.6  | 7,594.8        | -2.11            | Japan                           | 49.8     | 50.6     | -80          |  |
| Nikkei 225                             | 32,391.3 | 33,018.7       | -1.90            | China                           | 50.5     | 50.9     | -40          |  |
| Hang Seng                              | 19,413.8 | 19,521.4       | -0.55            | Korea                           | 47.8     | 48.4     | -60          |  |
| Foreign portfolio<br>ownership (Rp Tn) | Jun      | May            | Chg<br>(Rp Tn)   | Indonesia                       | 52.5     | 50.3     | 220          |  |
| Stock                                  | 2,755.0  | 2,738.1        | 16.95            |                                 |          |          |              |  |
| Govt. Bond                             | 846.9    | 829.4          | 17.53            |                                 |          |          |              |  |
|  |          |                |                  |                                 |          |          |              |  |

Source: Bloomberg, BI, BPS

Notes:

<sup>\*\*\*</sup>For PMI, >50 indicates economic expansion, <50 otherwise



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<sup>^</sup>Data for January 2022

<sup>\*</sup>Data from earlier period

<sup>\*\*</sup>For changes in currency: **Black** indicates appreciation against USD, **Red** otherwise

# **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   |

<sup>\*</sup>Estimated number

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<sup>\*\*</sup> Estimation of Rupiah's fundamental exchange rate