Trade:

Unexpected surplus to close the year

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Executive Summary

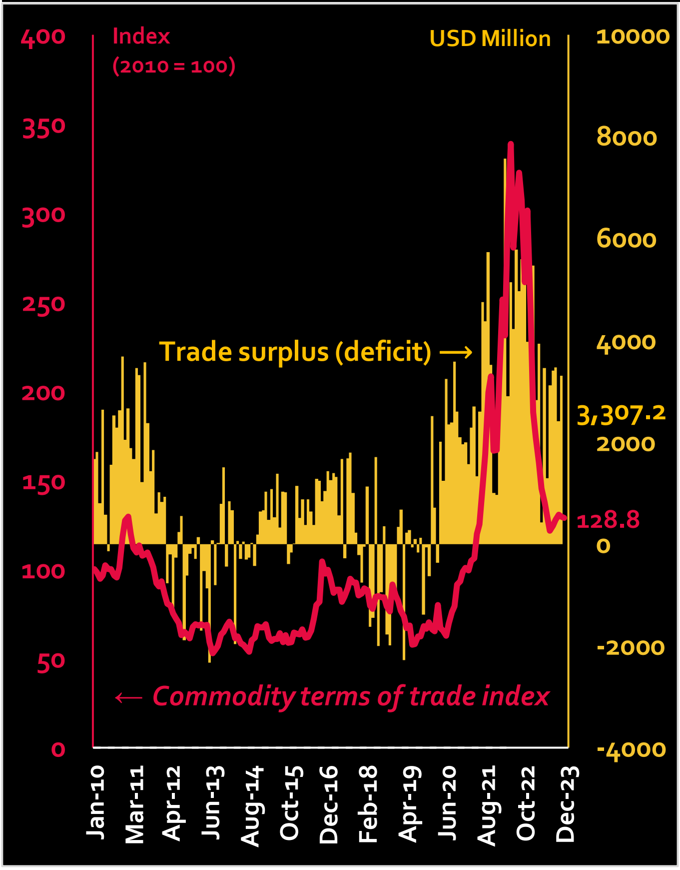
- The trade surplus reached USD 3.31 Bn, with exports decreasing by -5.76% YoY (+1.89% MoM) and imports declined at -3.81% YoY (-3.31% MoM).
- Key drivers for export growth included rising coal exports and export of ores, slags, and ash, both tied to China's sustained demand (volume-wise) due to their energy security policy and a significant increase in production for EV, electronics, and chemicals industries.
- Consumer goods imports remained robust, while capital goods contracted despite substantial government spending in Dec-23, probably attributed to the reimbursement system or delay between the fiscal disbursement and actual spending.
- Overall, improving trade balance suggests a neutral CA or a slight surplus for 2023. However, 2024 outlook remains uncertain due to the slowing global economy and lack of catalysts to revive commodity prices. Higher domestic demand in H1-24 may also lead to higher imports.

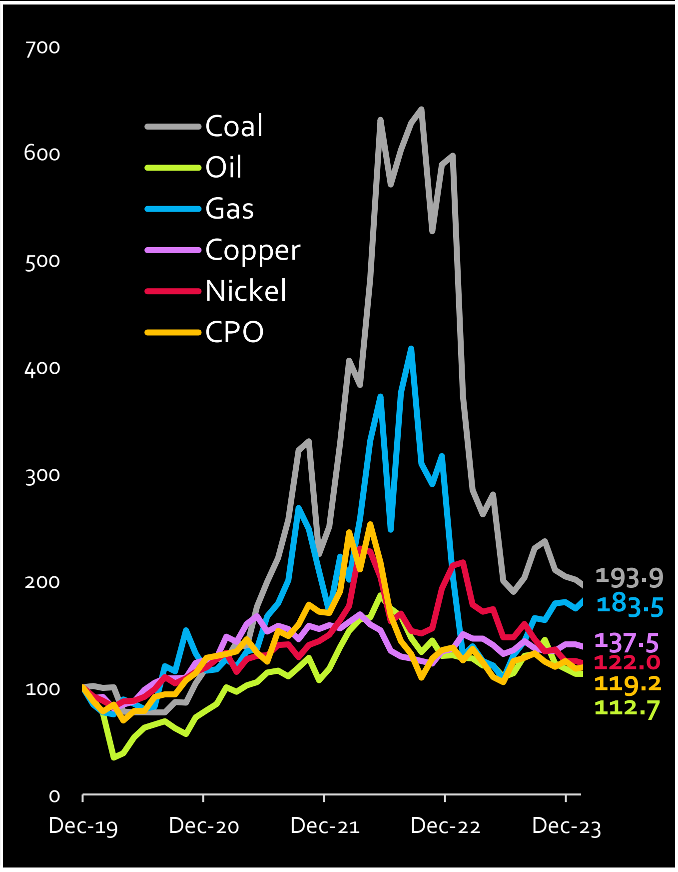
- Indonesia exceeded expectations with a trade surplus of USD 3.31 Bn, surpassing consensus estimates of USD 1.92 Bn. Despite a slowdown in trading partners' economies and declining commodity prices, exports only decreased by 5.76% YoY but still grew by 1.89% MoM. Surprisingly, imports also declined, falling by 3.81% YoY and -3.31% MoM to USD 19.1 Bn.
- The rise in exports was primarily fueled by a 10.1% MoM increase in coal exports and a significant 37.4% MoM growth in ores, slags, and ash exports, both tied to China's sustained demand (volume-wise). The surge in coal exports may align with China's ongoing energy security policy, aimed at avoiding crises similar to that experienced in 2021-22. However, the substantial growth in its coal inventory raises questions as to how sustainable this demand is, especially in the light of China's uneven recovery.
- This discrepancy may be linked to the conflicting China's manufacturing PMI data. The NBS PMI indicated a contraction from 49.4 to 49.0 in Dec-23, suggesting that larger state-owned firms, primarily dependent on domestic demand (as covered by NBS samples), are still struggling. In contrast, Caixin's PMI continued to expand (Dec-23: 50.8), indicating that private and more export-oriented firms are thriving. This aligns with our observations that certain Chinese industries, notably electric vehicles, electronics, and chemicals, are seeing a strong increase in production. As a result, these firms have increased their imports of copper and aluminium, contributing to the growth of Indonesia's exports.
- On the import side, imports of consumer goods retained their robust momentum, witnessing a 13.5% YoY (1.99% MoM) increase. This strength can be attributed to the government's ongoing initiative to ensure the stability of food supply and prices (SPHP), resulting in a

notable upswing in sugar imports (+101% YoY, +15.9% MoM) and rice imports (+71.1% YoY, +30.7% MoM). These efforts are anticipated to persist into Q1-24, especially with the government expressing intentions for additional rice imports in anticipation of upcoming Elections and festive seasons (CNY, Ramadan, Lebaran).

- Even though government spending surged at the year's end (reaching IDR 611.4 trillion in Dec-23 with 19.1% allocated to CAPEX), the capital goods imports actually contracted by 4.43% YoY (-0.97% MoM). The reason for this is still unclear; it might be attributed to the nature of government spending, possibly involving reimbursements for national projects previously undertaken by SOEs or private companies, and the funds are therefore used not so much to increase spending as to make up for arrears. Alternatively, there could be a delay between the fiscal disbursement and the actual spending.
- Overall, the trade balance in Q4-23 has significantly improved compared to Q3-23, moving closer to a neutral CA or a slight surplus for the whole year. Despite this positive trend, the outlook for 2024 remains uncertain, given the slowing global economy and the relative lack of catalyst to revive commodity prices that could drag Indonesia’s trade balance. Furthermore, the higher domestic demand in H1-24 – spurred by Elections and the frontloading of fiscal spending – could also lead to higher imports early in the year.

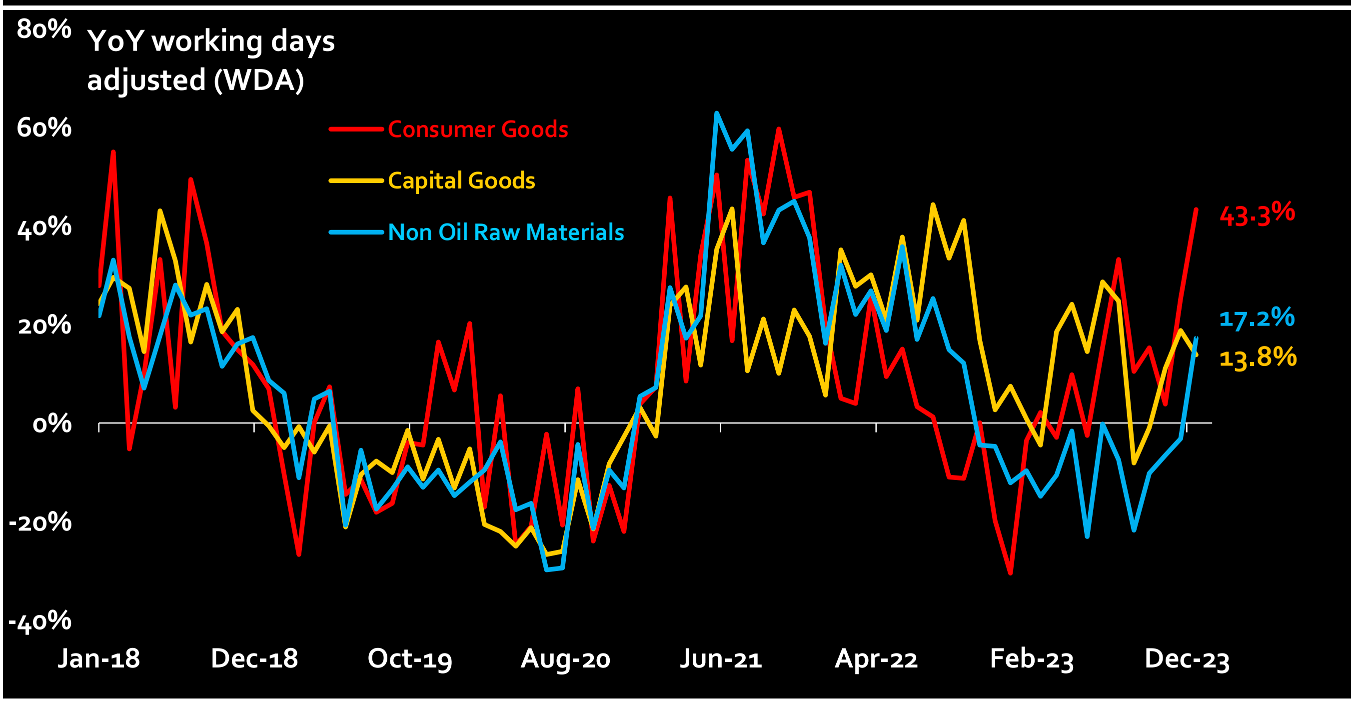
Panel 1. **Indonesia's trade balance is still in surplus, despite still-subpar commodity prices**





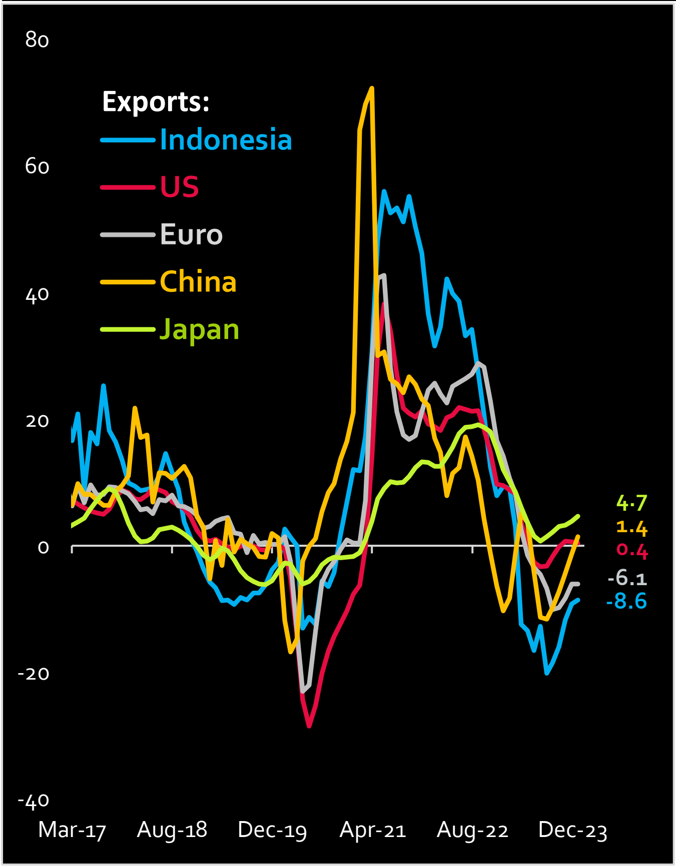
Source: BPS, Bloomberg, BCA Economist calculations

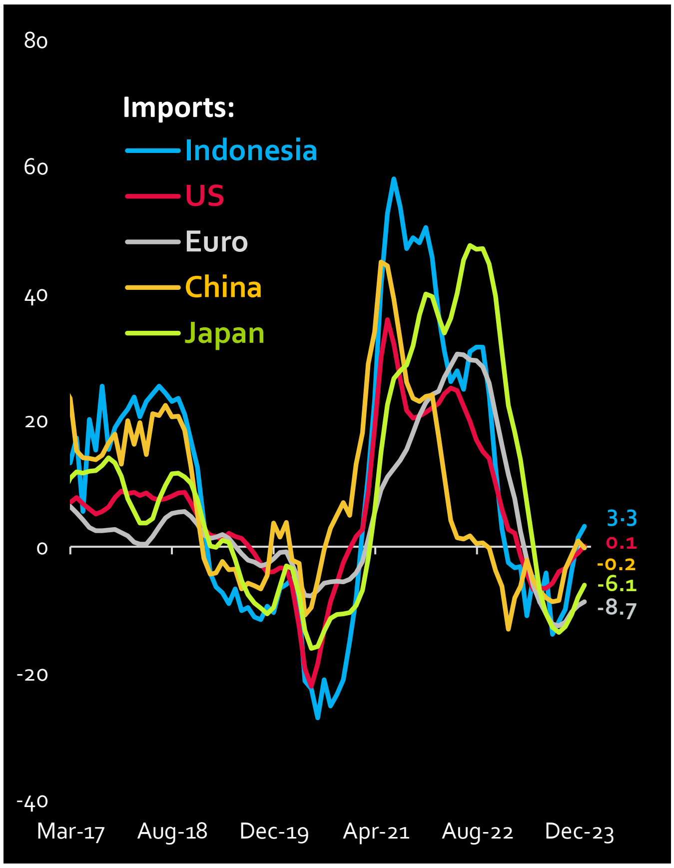
Panel 2. **Import of consumer goods remains robust**



Source: BPS, BCA Economist

Panel 3. After prolonged decline since mid-2022, global export/imports seem to be rising again





Source: Bloomberg

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

PMI Manufaktur						2023							
PMI	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Indonesia	50.9	51.3	51.2	51.9	52.7	50.3	52.5	53.3	53.9	52.3	51.5	51.7	52.2
Malaysia	47.8	46.5	48.4	48.8	48.8	47.8	47.7	47.8	47.8	46.8	46.8	47.9	47.4
Thailand	52.5	54.5	54.8	53.1	60.4	58.2	53.2	50.7	48.9	47.8	47.5	47.6	44.4
Philippines	53.1	53.5	52.7	52.5	51.4	52.2	50.9	51.9	49.7	50.6	52.4	52.7	49.0
Vietnam	46.4	47.4	51.2	47.7	46.7	45.3	46.2	48.7	50.5	49.7	49.6	47.3	47.9
India	57.8	55.4	55.3	56.4	57.2	58.7	58.7	57.7	58.6	57.5	55.5	56.0	49.9
Australia	50.2	50.0	50.5	49.1	48.0	48.4	48.2	49.6	49.6	48.7	48.2	47.7	45.1
China	47.0	50.1	52.6	51.9	49.2	48.8	49.0	49.3	49.7	50.2	49.5	49.4	48.9
South Korea	48.2	48.5	48.5	47.6	48.1	48.4	47.8	49.4	48.9	49.9	49.8	50.0	47.9
Japan	48.9	48.9	47.7	49.2	49.5	50.6	49.8	49.6	49.6	48.5	48.7	48.3	54.9
Euro Area	47.8	48.8	48.5	47.3	45.8	44.8	43.6	42.7	43.5	43.4	43.1	44.2	51.5
US	48.4	47.4	47.7	46.3	47.1	46.9	46.0	46.4	47.6	49.0	46.7	46.7	47.6
Mexico	51.3	48.9	51.0	51.0	51.1	50.5	50.9	53.2	51.2	49.8	52.1	52.5	52.0

Source: BI, Bloomberg

Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)
US	5.50	Dec-23	2.10
UK	5.25	Dec-23	1.35
EU	4.50	Dec-23	1.60
Japan	-0.10	Jan-16	-2.90
China (lending)	2.50	Dec-23	4.65
Korea	3.50	Nov-23	0.30
India	6.50	Dec-23	0.81
Indonesia	6.00	Nov-23	3.39
Money Mkt Rates	**12-Jan**	**-1 mth**	**Chg (bps)**
SPN (1M)	5.88	5.80	7.6
SUN (10Y)	6.65	6.67	-2.0
INDONIA (O/N, Rp)	5.75	5.90	-14.6
JIBOR 1M (Rp)	6.64	6.65	-0.8
Bank Rates (Rp)	**Oct**	**Sep**	**Chg (bps)**
Lending (WC)	9.05	9.02	2.79
Deposit 1M	4.43	4.33	10.10
Savings	0.67	0.66	0.19
Currency/USD	**12-Jan**	**-1 mth**	**Chg (%)**
UK Pound	0.784	0.796	1.51
Euro	0.913	0.926	1.45
Japanese Yen	144.9	145.5	0.39
Chinese RMB	7.168	7.177	0.14
Indonesia Rupiah	15,550	15,620	0.45
Capital Mkt	**12-Jan**	**-1 mth**	**Chg (%)**
JCI	7,241.1	7,125.3	1.63
DJIA	37,593.0	36,577.9	2.78
FTSE	7,624.9	7,542.8	1.09
Nikkei 225	35,577.1	32,843.7	8.32
Hang Seng	16,244.6	16,374.5	-0.79
Foreign portfolio ownership (Rp Tn)	**Dec**	**Nov**	**Chg (Rp Tn)**
Stock	3,226.3	3,136.1	90.27
Govt. Bond	841.0	833.9	7.17
Corp. Bond	10.6	11.2	-0.59

Trade & Commodities	12-Jan	-1 mth	Chg (%)
Baltic Dry Index	1,460.0	2,551.0	-42.8
S&P GSCI Index	538.3	520.3	3.5
Oil (Brent, $/brl)	78.3	73.2	6.9
Coal ($/MT)	127.3	140.0	-9.1
Gas ($/MMBtu)	13.20	2.38	454.6
Gold ($/oz.)	2,049.1	1,979.5	3.5
Copper ($/MT)	8,241.2	8,259.8	-0.2
Nickel ($/MT)	16,092.5	16,297.0	-1.3
CPO ($/MT)	820.1	780.1	5.1
Rubber ($/kg)	1.51	1.43	5.6
External Sector	**Dec**	**Nov**	**Chg (%)**
Export ($ bn)	22.41	22.00	1.89
Import ($ bn)	19.11	19.59	-2.45
Trade bal. ($ bn)	3.31	2.41	37.10
Central bank reserves ($ bn)*	146.4	138.1	6.01
Prompt Indicators	**Nov**	**Oct**	**Sep**
Consumer confidence index (CCI)	123.6	124.3	121.7
Car sales (%YoY)	-7.5	-13.8	-20.1
Motorcycle sales (%YoY)	-2.8	-4.0	-0.9
Manufacturing PMI	**Nov**	**Oct**	**Chg (bps)**
USA	46.7	46.7	0
Eurozone	44.2	43.1	110
Japan	48.3	48.7	-40
China	50.7	49.5	120
Korea	50.0	49.8	20
Indonesia	51.7	51.5	20

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

	2019	2020	2021	2022	2023E	2024E
Gross Domestic Product (% YoY)	5.0	-2.1	3.7	5.3	5.1	5.0
GDP per Capita (US$)	4175	3912	4350	4784	4982	5149
Consumer Price Index Inflation (% YoY)	2.7	1.7	1.9	5.5	2.6*	3.2
BI 7 day Repo Rate (%)	5.00	3.75	3.50	5.50	6.00*	5.50
USD/IDR Exchange Rate (end of year)**	13,866	14,050	14,262	15,568	15,397*	16.037
Trade Balance (US$ 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

*Actual Number

** Estimation of Rupiah's fundamental exchange rate

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