

Trade:

Pedal to the metal

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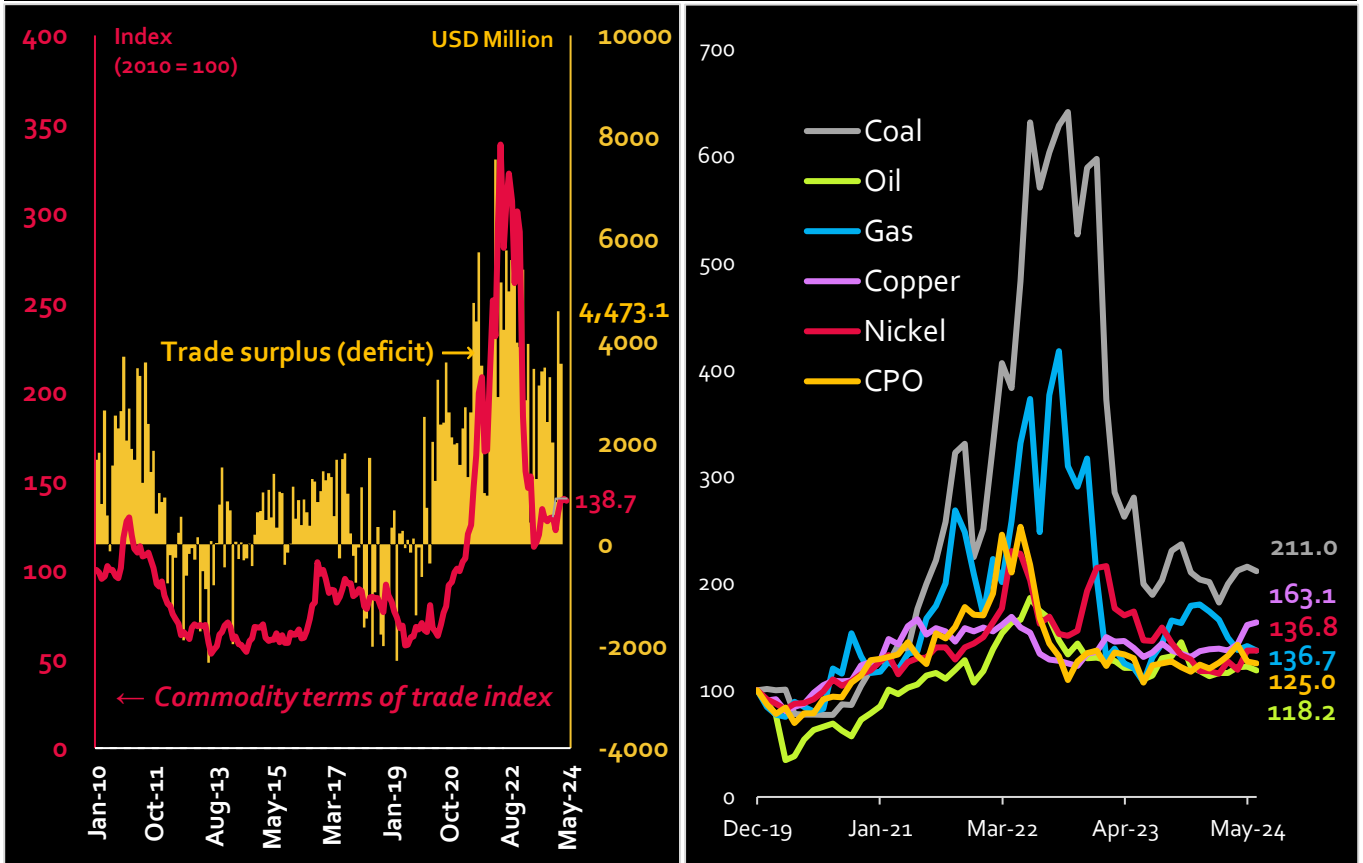
Executive Summary

- The trade surplus narrowed to USD 3.56 Bn in April 2024 with exports declined at a faster rate than imports (-13.0% vs -10.6% MoM), but both are explicable given the fewer working days.
- Gold exports fell off after a sparkling March, but exports of other metals like nickel stayed on a strong trend as China's manufacturing recovery continues apace.
- Imports of consumer goods fell post-Lebaran, but a big slice of this decline can be attributed to rice – the harvest season reducing the need to import.
- The trade surplus in April proved to be of little help for the Rupiah or FX reserves. The main risk still comes from the capital account side, which – while subsiding thus far in May – compels BI to remain vigilant in the coming months.

- Indonesia's trade surplus narrowed to USD 3.56 Bn, a decline from the USD 4.58 Bn surplus in March. Exports declined at a faster rate than imports (-13.0% vs -10.6% MoM), but both are explicable given the fewer working days in April (16 days vs 18 days in March). On yearly basis, imports also displayed robust growth at 4.62% YoY, outpacing the 1.72% YoY growth in exports.
- A substantial portion of the decline in exports can be traced to a drop in gold exports which fell off after a sparkling March. Despite this setback, the export of other metals – especially nickel – stayed on a strong trend (24.67% YoY, 45.85% MoM). Stainless steel exports also showed positive momentum with a 1.91% MoM (0.22% YoY) growth. This strength is attributed to China's ongoing manufacturing recovery, which has bolstered prices.
- Coal and CPO also posted decent numbers given the fewer working days, thanks to robust demand from India. Exports to India has grown 11.2% YoY (cumulative), the fastest of any major trading partners.
- However, the new round of US tariffs against Chinese goods – the recent imposition of 100% tariff on Chinese-made electric vehicles – could present medium-term risks for our exports. These tariffs might hamper China's EV boom, thereby reducing demand for Indonesian metals. Additionally, it may compel China to slap a retaliatory tariff on US agriculture products such as soybean exports, which could drag down CPO prices.

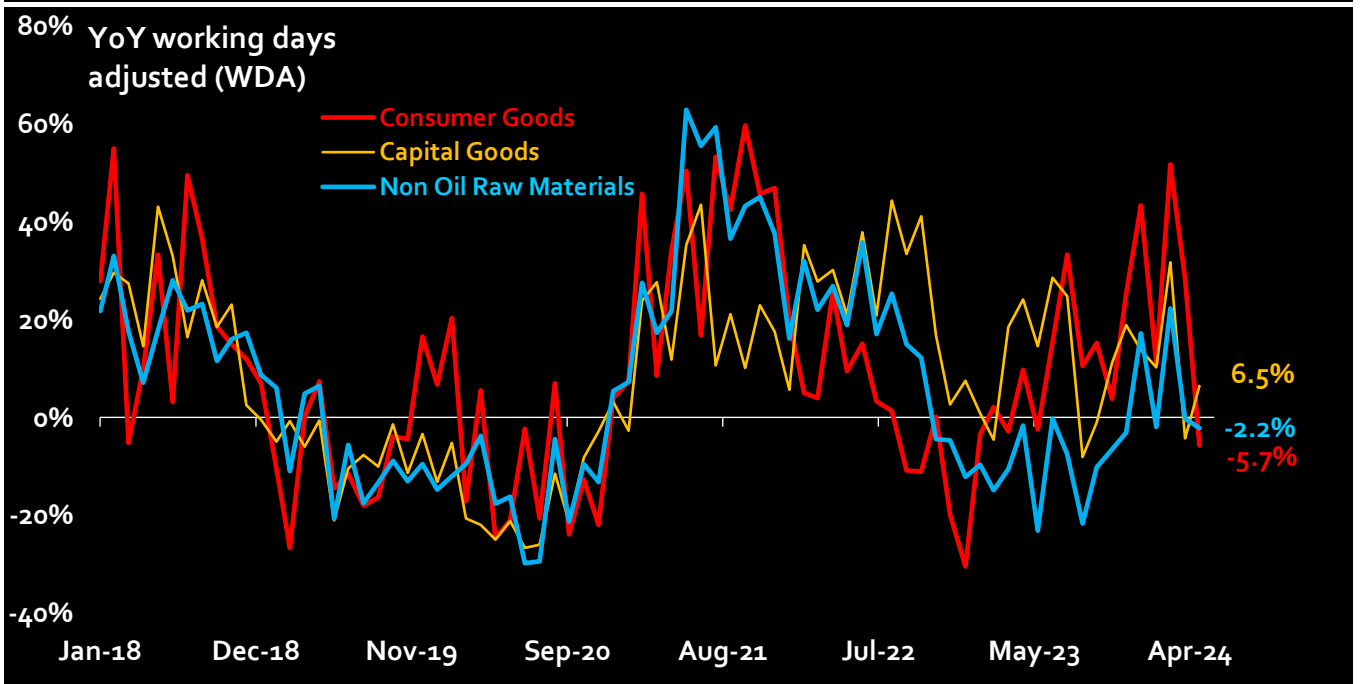
- On the import side, the decline was led by a significant drop in consumer goods imports, which fell by 23.96% MoM. This was largely due to normalized consumption following the Lebaran festivities, majorly attributed to rice as the ongoing harvest season – which delayed because of El Nino – reduced the need to import. However, imports of sugar surged by 48.64% MoM (78.56% YoY), driven by tight supply and declining production amidst rising demand. As such, while consumption slowdown is quite inevitable after Q1, the import data might overstate the case.
- Overall, the continued strength in metal exports has been a significant boon for Indonesia's trade balance. Just like in March, the big trade surplus in April proved to be of little help for the Rupiah or FX reserves, highlighting ongoing pressure in the temporary calm water. If the rally in the industrial metal prices persists, it could provide BI with more flexibility to navigate global uncertainties. Nonetheless, the main risk remains on the capital account side, which – while subsiding thus far in May – compels BI to remain vigilant in the coming months.

Panel 1. Indonesia's trade surplus narrowed, but rally of industrial metal prices continued



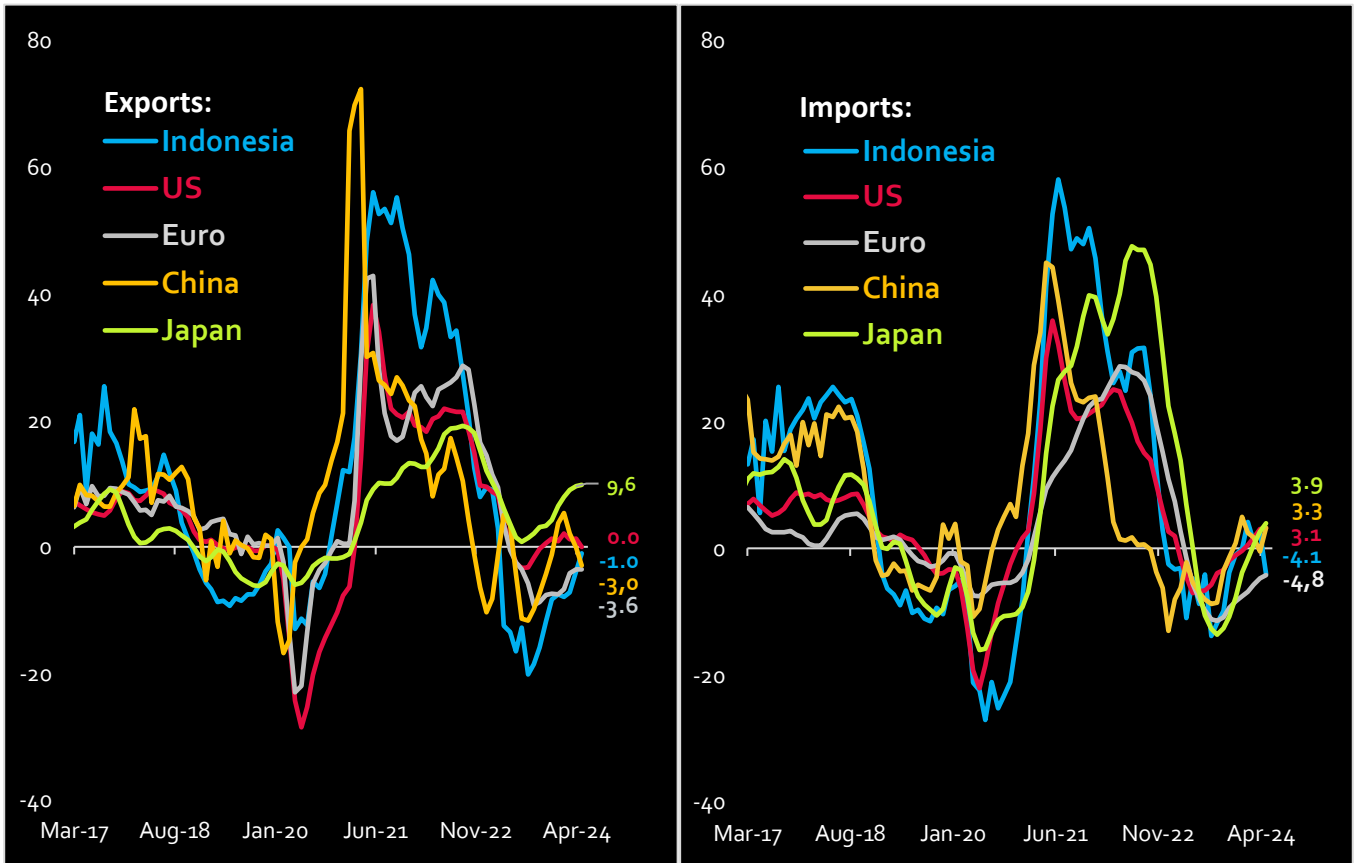
Source: BPS, Bloomberg, BCA Economist calculations

Panel 2. Consumer goods imports fell due to the normalized consumption post-Lebaran



Source: BPS, BCA Economist

Panel 3. The China import momentum remains strong



Source: Bloomberg

Panel 4. Indonesia's manufacturing activities remained resilient despite the contraction in neighboring countries

PMI Manufaktur PMI	2023									2024			
	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Indonesia	52.7	50.3	52.5	53.3	53.9	52.3	51.5	51.7	52.2	52.9	52.7	54.2	52.9
Malaysia	48.8	47.8	47.7	47.8	47.8	46.8	46.8	47.9	47.9	49.0	49.5	48.4	49.0
Thailand	60.4	58.2	53.2	50.7	48.9	47.8	47.5	47.6	45.1	46.7	45.3	49.1	48.6
Philippines	51.4	52.2	50.9	51.9	49.7	50.6	52.4	52.7	51.5	50.9	51.0	50.9	52.2
Vietnam	46.7	45.3	46.2	48.7	50.5	49.7	49.6	47.3	48.9	50.3	50.4	49.9	50.3
India	57.2	58.7	57.8	57.7	58.6	57.5	55.5	56.0	54.9	56.5	56.9	59.1	58.8
Australia	48.0	48.4	48.2	49.6	49.6	48.7	48.2	47.7	47.6	50.1	47.8	47.3	49.6
China	49.2	48.8	49.0	49.3	49.7	50.2	49.5	49.4	49.0	49.2	49.1	50.8	50.4
South Korea	48.1	48.4	47.8	49.4	48.9	49.9	49.8	50.0	49.9	51.2	50.7	49.8	49.4
Japan	49.5	50.6	49.8	49.6	49.6	48.5	48.7	48.3	47.9	48.0	47.2	48.2	49.6
Euro Area	45.8	44.8	43.4	42.7	43.5	43.4	43.1	44.2	44.4	46.6	46.5	46.1	45.7
US	47.0	46.6	46.4	46.5	47.6	48.6	46.9	46.6	47.1	49.1	47.8	50.3	49.2
Mexico	51.1	50.5	50.9	53.2	51.2	49.8	52.1	52.5	52.0	50.2	52.3	52.2	51.0

Source: BI, Bloomberg

Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	14-May	-1 mth	Chg (%)
US	5.50	Jul-23	2.00	Baltic Dry Index	1,993.0	1,729.0	15.3
UK	5.25	Aug-23	2.05	S&P GSCI Index	575.5	598.3	-3.8
EU	4.50	Jul-23	2.10	Oil (Brent, \$/brl)	82.4	90.5	-8.9
Japan	-0.10	Jan-16	-2.80	Coal (\$/MT)	140.7	139.3	1.0
China (lending)	2.50	Aug-23	4.05	Gas (\$/MMBtu)	2.14	1.32	62.1
Korea	3.50	Jan-23	0.60	Gold (\$/oz.)	2,358.1	2,344.4	0.6
India	6.50	Feb-23	1.67	Copper (\$/MT)	10,008.5	9,333.2	7.2
Indonesia	6.25	Apr-24	3.25	Nickel (\$/MT)	18,859.0	17,627.6	7.0
Money Mkt Rates	14-May	-1 mth	Chg (bps)	CPO (\$/MT)	828.5	931.4	-11.0
SPN (1M)	5.88	5.80	7.6	Rubber (\$/kg)	1.64	1.61	1.9
SUN (10Y)	7.00	6.65	34.7	External Sector	Apr	Mar	Chg (%)
INDONIA (O/N, Rp)	6.28	6.19	8.7	Export (\$ bn)	19.62	22.43	-12.57
JIBOR 1M (Rp)	6.90	6.65	24.7	Import (\$ bn)	16.07	17.96	-10.55
Bank Rates (Rp)	Feb	Jan	Chg (bps)	Trade bal. (\$ bn)	3.55	4.47	-20.65
Lending (WC)	8.84	8.87	-3.03	Central bank reserves (\$ bn)*	136.2	140.4	-2.98
Deposit 1M	4.62	4.68	-5.80	Prompt Indicators	Apr	Mar	Jan
Savings	0.67	0.68	-0.11	Consumer confidence index (CCI)	127.7	123.8	125.0
Currency/USD	14-May	-1 mth	Chg (%)	Car sales (%YoY)	0.0	-26.2	-26.1
UK Pound	0.794	0.803	1.12	Motorcycle sales (%YoY)	0.0	-7.8	-3.7
Euro	0.924	0.940	1.65	Manufacturing PMI	Apr	Mar	Chg (bps)
Japanese Yen	156.4	153.2	-2.04	USA	50.0	51.9	-190
Chinese RMB	7.234	7.237	0.05	Eurozone	45.7	46.1	-40
Indonesia Rupiah	16,104	15,845	-1.61	Japan	49.6	48.2	140
Capital Mkt	14-May	-1 mth	Chg (%)	China	51.4	51.1	30
JCI	7,083.8	7,286.9	-2.79	Korea	49.4	49.8	-40
DJIA	39,558.1	37,983.2	4.15	Indonesia	52.9	54.2	-130
FTSE	8,428.1	7,995.6	5.41				
Nikkei 225	38,356.1	39,523.6	-2.95				
Hang Seng	19,073.7	16,721.7	14.07				
Foreign portfolio ownership (Rp Tn)	Apr	Mar	Chg (Rp Tn)				
Stock	3,294.9	3,226.6	68.31				
Govt. Bond	791.0	810.7	-19.68				
Corp. Bond	8.4	9.4	-0.97				

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	2024E
Gross Domestic Product (% YoY)	5.0	-2.1	3.7	5.3	5.0	5.0
GDP per Capita (US\$)	4175	3912	4350	4784	4920	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	6.50
USD/IDR Exchange Rate (end of the year)*	13,866	14,050	14,262	15,568	15,397	16,119
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

* Estimation of Rupiah's fundamental exchange rate

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