

Trade:

All is well for now

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Executive Summary

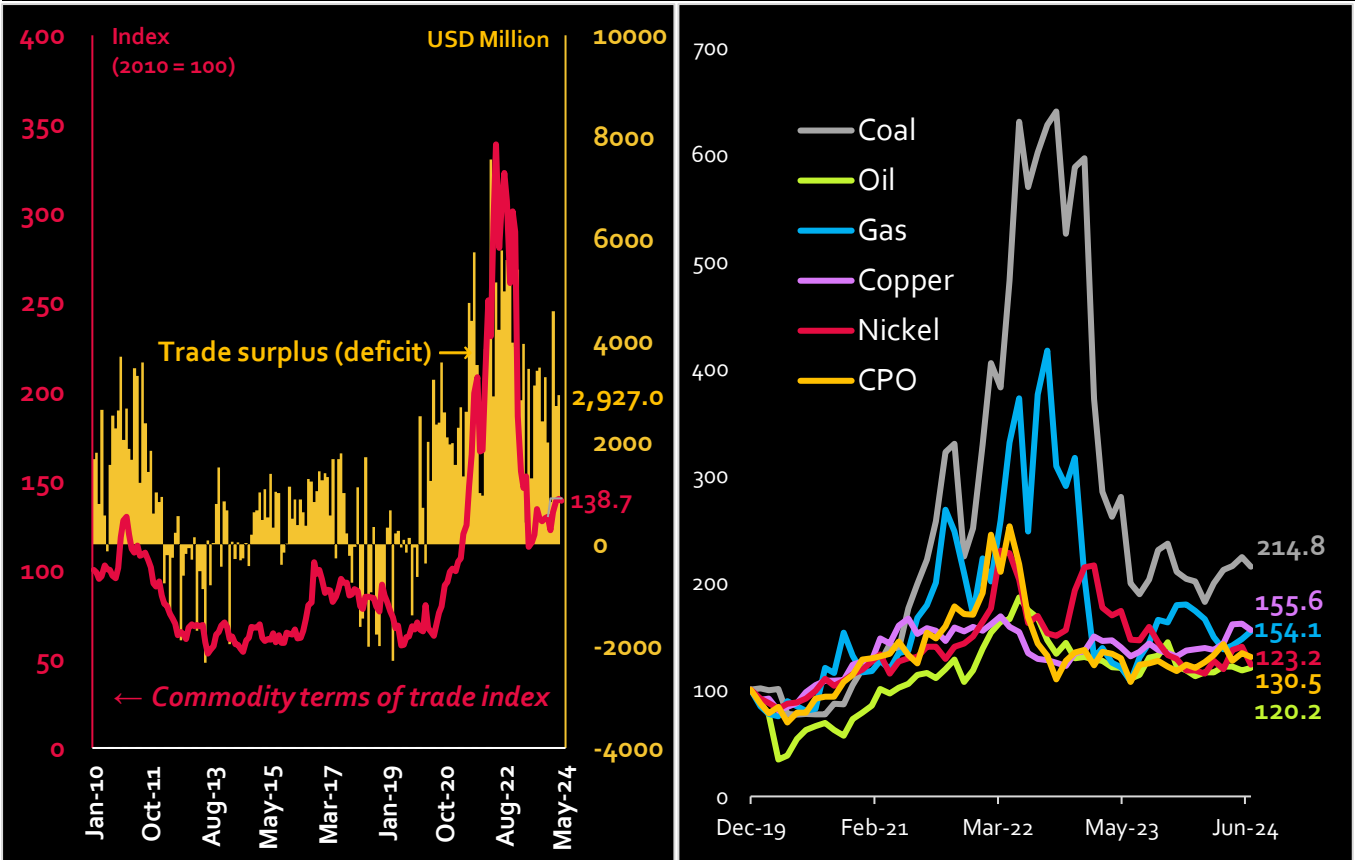
- The trade surplus increased to USD 2.93 Bn in May 2024 with exports surged by 13.82% MoM (2.86% YoY), while imports also grew 14.82% MoM but declined -8.83% YoY.
- Gold exports rebounded, metal exports continued their robust growth, driven by China's ongoing manufacturing recovery. However, CPO exports declined due to weakening prices exacerbated by lower soybean oil prices.
- Imports of raw materials and capital goods rebounded, indicating a recovery in manufacturing fueled by robust domestic demand. Consumer goods imports slowed alongside rice imports, though another round of rice imports is expected in H2-24.
- With the metals rally peaking and potential import increases with the recent Permendag 8/2024, Indonesia may face a narrower trade surplus and continued CA deficit. Coupled with the Fed's hawkish stance, BI will need to remain vigilant and responsive in managing global economic uncertainties in the forthcoming months.

- Indonesia's trade surplus increased to USD 2.93 Bn in May 2024, up from a revised number of USD 2.72 Bn in April 2024. Exports surged by 13.82% MoM (2.86% YoY), while imports also grew 14.82% MoM, but declined -8.83% YoY.
- Indonesia's gold exports rebounded with a 7.67% MoM (62.27% YoY) after a temporary stall last month. Export of metals, especially nickel continued their strong upward trajectory (26.77% MoM, 22.83% YoY). Stainless steel also maintained positive momentum with a 1.22% MoM (8.3% YoY) growth. These strengths can be largely attributed to bolstered prices due to China's ongoing manufacturing recovery.
- While most commodities showed recovery, CPO exports declined -14.32% MoM and -16.11% YoY. This downturn is likely due to weaker CPO prices, compounded by declining soybean oil prices, which have exerted downward pressure on CPO prices on a monthly basis. But on annual basis, it might be due to inclining volume, although it's still supported by robust demand from India. Exports to India still grow 14.4% YoY (cumulative), the fastest of any major trading partners.
- On the import side, there was a notable increase driven by the rebound in raw materials and capital goods imports, which grew by 7.3% YoY and 4.8% YoY respectively. This uptick suggests a recovery in manufacturing activities, likely propelled by strong domestic demand rather than global factors. But the increase in imports value may also be attributed to the

weaker Rupiah. The completion of government infrastructure projects before the end of President Jokowi's term may also contributed to the increase in raw materials imports such as stainless steel, which saw a 29.2% MoM increase.

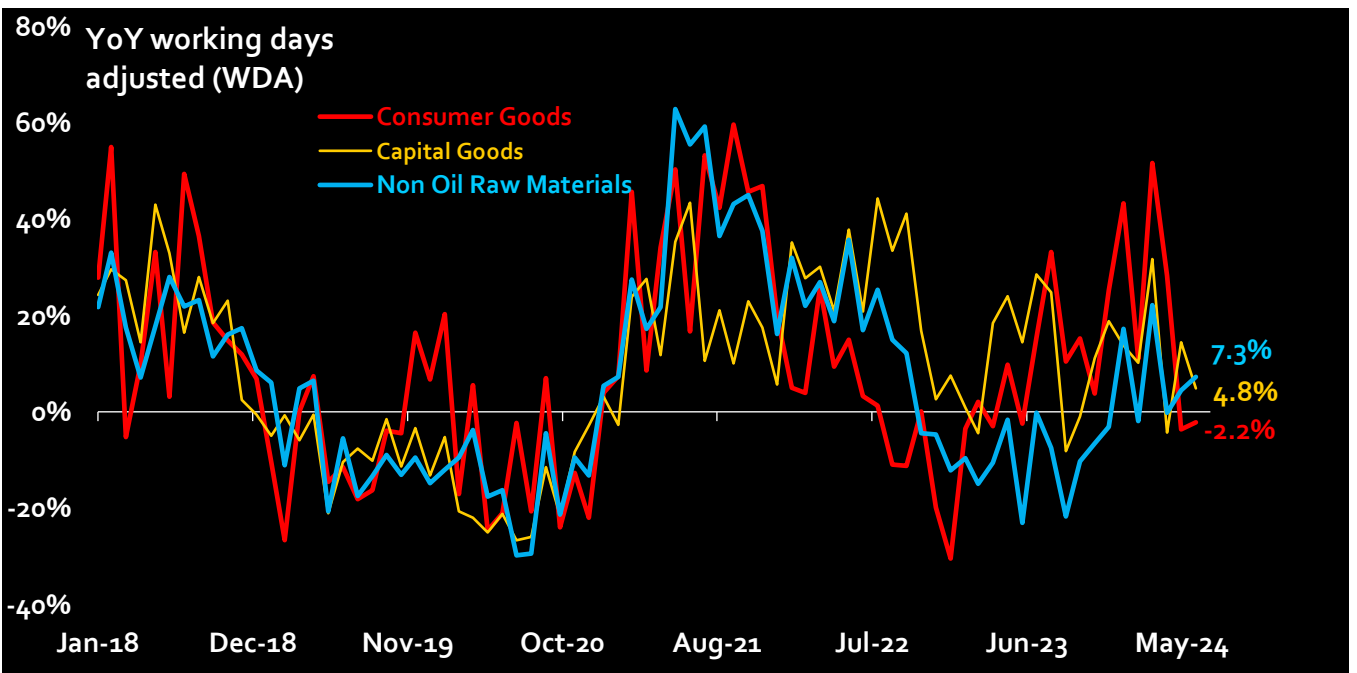
- Consumer goods imports slowed down, partly due to decrease in rice imports. However, another round of rice imports is expected in the second half of this year as rice prices continue to rise due to this year's harvest has been below expectation, declined 10-15% compared to last year.
- May 2024 might represent the peak of the metals rally, as prices have already begun to normalize by the end of the month. Indonesia cannot rely on the metals rally indefinitely, especially with indications that China is stockpiling well above its usage needs. The recent revision of the Trade Ministry regulation (Permendag 8/2024) may also contribute to an increase in imports along with continued imports of cheap goods from Chinese excess production, potentially narrowing the trade surplus. Furthermore, we anticipate a continued CA deficit this quarter. Coupled with the Federal Reserve's hawkish stance, Bank Indonesia (BI) will need to remain vigilant and responsive in managing global economic uncertainties in the forthcoming months.

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



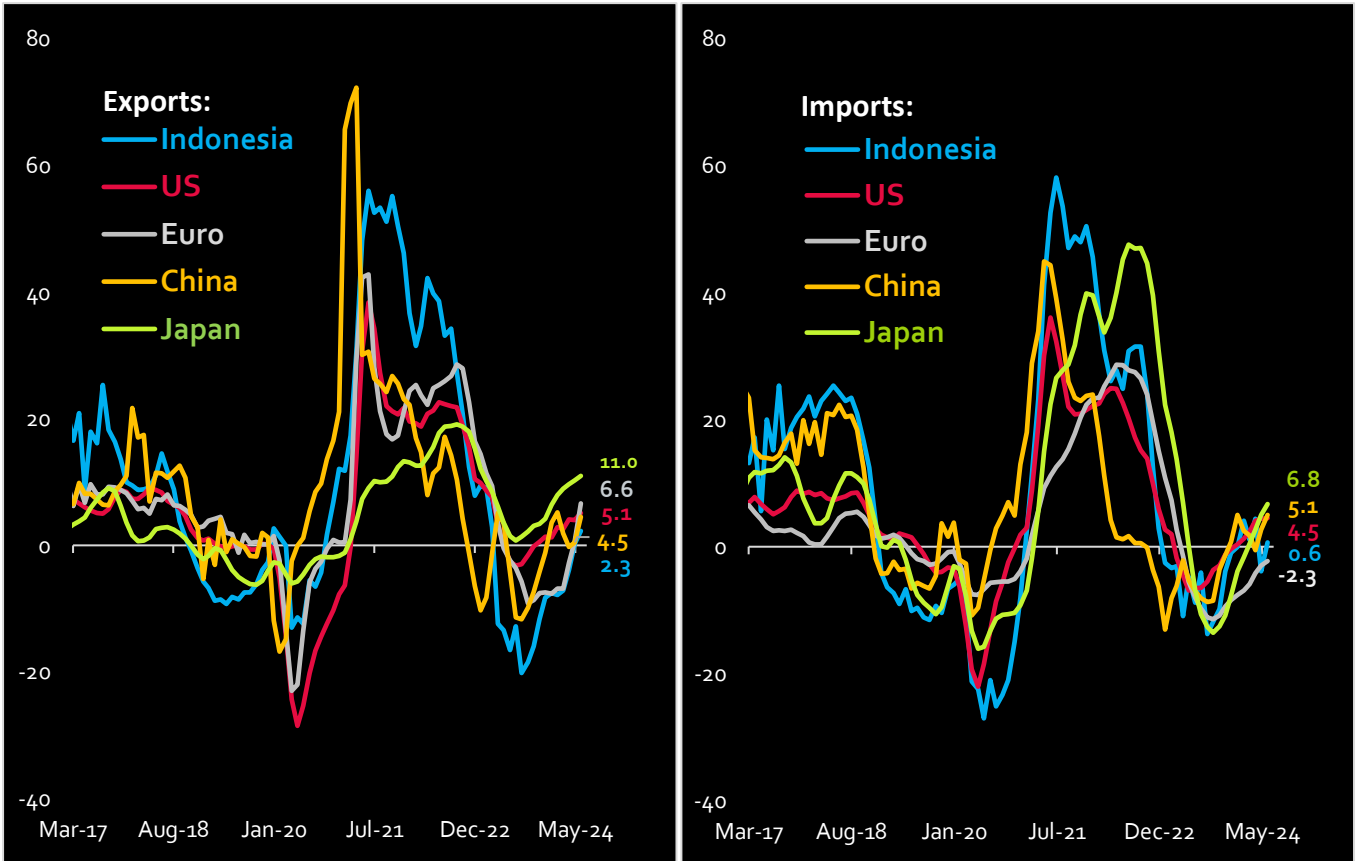
Source: BPS, Bloomberg, BCA Economist calculations

Panel 2. Raw materials and capital goods rebounded, indicating a recovery in manufacturing



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							
	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Indonesia	50.3	52.5	53.3	53.9	52.3	51.5	51.7	52.2	52.9	52.7	54.2	52.9	52.1
Malaysia	47.8	47.7	47.8	47.8	46.8	46.8	47.9	47.9	49.0	49.5	48.4	49.0	50.2
Thailand	58.2	53.2	50.7	48.9	47.8	47.5	47.6	45.1	46.7	45.3	49.1	48.6	50.3
Philippines	52.2	50.9	51.9	49.7	50.6	52.4	52.7	51.5	50.9	51.0	50.9	52.2	51.9
Vietnam	45.3	46.2	48.7	50.5	49.7	49.6	47.3	48.9	50.3	50.4	49.9	50.3	50.3
India	58.7	58.7	57.7	58.6	57.5	55.5	56.0	54.9	56.5	56.9	59.1	58.8	57.5
Australia	48.4	48.2	49.6	49.6	48.7	48.2	47.7	47.6	50.1	47.8	47.3	49.6	49.7
China	48.8	49.0	49.3	49.7	50.2	49.5	49.4	49.0	49.2	49.1	50.8	50.4	49.5
South Korea	48.4	47.8	49.4	48.9	49.9	49.8	50.0	49.9	51.2	50.7	49.8	49.4	51.6
Japan	50.6	49.8	49.6	49.6	48.5	48.7	48.3	47.9	48.0	47.2	48.2	49.6	50.4
Euro Area	44.8	43.6	42.7	43.5	43.4	43.1	44.2	44.4	46.6	46.5	46.1	45.7	47.3
US	46.9	46.0	46.4	47.6	49.0	46.7	46.7	47.4	49.1	47.8	50.3	49.2	48.7
Mexico	50.5	50.9	53.2	51.2	49.8	52.1	52.5	52.0	50.2	52.3	52.2	51.0	51.2

Source: BI, Bloomberg

Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	14-Jun	-1 mth	Chg (%)
US	5.50	Jul-23	2.20	Baltic Dry Index	1,948.0	1,993.0	-2.3
UK	5.25	Aug-23	3.25	S&P GSCI Index	575.1	575.5	-0.1
EU	4.25	Jul-23	1.65	Oil (Brent, \$/brl)	82.6	82.4	0.3
Japan	-0.10	Jan-16	-2.60	Coal (\$/MT)	140.7	142.1	-1.0
China (lending)	2.50	Aug-23	4.05	Gas (\$/MMBtu)	2.74	2.14	28.0
Korea	3.50	Jan-23	0.80	Gold (\$/oz.)	2,333.0	2,358.1	-1.1
India	6.50	Feb-23	1.75	Copper (\$/MT)	9,615.5	10,008.5	-3.9
Indonesia	6.25	Apr-24	3.41	Nickel (\$/MT)	17,328.2	18,859.0	-8.1
Money Mkt Rates	14-Jun	-1 mth	Chg (bps)	CPO (\$/MT)	837.4	828.5	1.1
SPN (1M)	5.88	5.80	7.6	Rubber (\$/kg)	1.74	1.64	6.1
SUN (10Y)	7.17	7.00	16.7	External Sector	May	Apr	Chg (%)
INDONIA (O/N, Rp)	6.15	6.28	-12.2	Export (\$ bn)	22.33	19.62	13.82
JIBOR 1M (Rp)	6.90	6.90	0.0	Import (\$ bn)	19.40	16.90	14.82
Bank Rates (Rp)	Mar	Feb	Chg (bps)	Trade bal. (\$ bn)	2.93	2.72	7.61
Lending (WC)	8.83	8.84	-1.69	Central bank reserves (\$ bn)*	139.0	136.2	2.04
Deposit 1M	4.62	4.62	-0.76	Prompt Indicators	May	Apr	Mar
Savings	0.68	0.67	0.26	Consumer confidence index (CCI)	125.2	127.7	123.8
Currency/USD	14-Jun	-1 mth	Chg (%)	Car sales (%YoY)	-13.3	-17.5	-26.2
UK Pound	0.788	0.794	0.75	Motorcycle sales (%YoY)	-4.5	18.3	-7.8
Euro	0.934	0.924	-1.07	Manufacturing PMI	May	Apr	Chg (bps)
Japanese Yen	157.4	156.4	-0.62	USA	51.3	50.0	130
Chinese RMB	7.256	7.234	-0.30	Eurozone	47.3	45.7	160
Indonesia Rupiah	16,400	16,104	-1.80	Japan	50.4	49.6	80
Capital Mkt	14-Jun	-1 mth	Chg (%)	China	51.7	51.4	30
JCI	6,734.8	7,083.8	-4.93	Korea	51.6	49.4	220
DJIA	38,589.2	39,558.1	-2.45	Indonesia	52.1	52.9	-80
FTSE	8,146.9	8,428.1	-3.34				
Nikkei 225	38,814.6	38,356.1	1.20				
Hang Seng	17,941.8	19,073.7	-5.93				
Foreign portfolio ownership (Rp Tn)	May	Apr	Chg (Rp Tn)				
Stock	3,115.0	3,294.9	-179.85				
Govt. Bond	807.0	789.9	17.11				
Corp. Bond	8.2	8.4	-0.20				

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	16,304
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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