

Trade:

Navigating through crosswind and easing

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Nicholas Husni
Economist/Analyst

Barra Kukuh Mamia
Senior Economist

Executive Summary

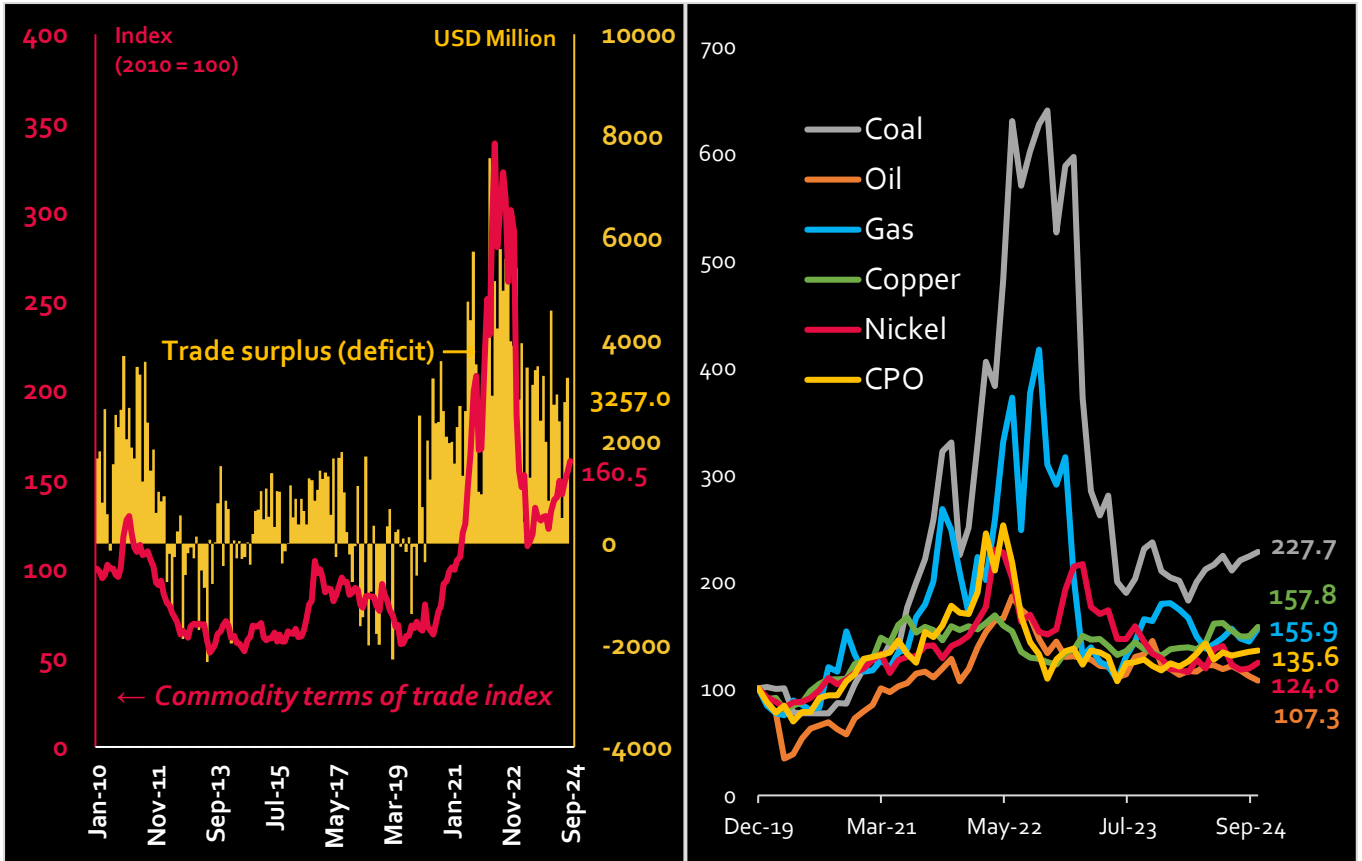
- Trade surplus widened to USD 3.26 billion in September, continuing trend of shrinking surplus with exports grew at a slower pace than imports in annual terms (6.44% vs 8.55%).
- Exports slowed down by declining CPO exports attributed to India's import tax hike, however, was offset by coal and ferronickel exports.
- Imports slows down in capital goods, particularly electrical equipment (HS 85), additionally cereal imports also declined.
- The surplus is likely to be maintained in the short-term, with rising imports from higher oil prices offset by rising coal prices and potential impact from China stimulus.

- Indonesia's trade surplus widened to USD 3.26 billion in September, up from USD 2.89 billion in August. On monthly basis, both imports and exports declined, largely due to fewer working days in September. However, on a year-on-year basis, exports grew at a slower pace than imports (6.44% vs 8.55%), continuing the trend of a shrinking surplus compared to the same period last year.
- CPO exports saw a sharp decline of -16.91% MoM, in line with our expectations, despite the recent price rally. This downfall appeared to correlate to India's 20% import tax hike on CPO, which led to a significant 24% reduction in export volumes.
- In response, the government has adjusted the CPO levy tax (PMK No. 62 Tahun 2024), effective since 22nd September, lowering the cost of Indonesian CPO and facilitating exports to other markets. Additionally, starting next year, the biodiesel fuel blend will increase from a 35% to a 40% CPO component (B40), as part of the government's broader strategy to stabilize CPO prices by raising domestic demand.
- China's improving industrial production in September has boosted demand, particularly for coal and ferronickel, which increased by 4.58% and 10.41% MoM. This, we should note, was *before* the recent stimulus, meaning that there could be some tailwind for Indonesian commodities going forward.
- On the import side, there has been a significant slowdown in capital goods, particularly electrical equipment (HS 85), which fell by -14.48% MoM. Cereal imports also dropped, indicating that the earlier increase may have been a one-time surge, likely reflecting preparations for potential bad harvests ahead of the Regional Elections in the coming weeks.

- Oil prices declined in September, driven by a speculative selloff as markets contemplated slower Chinese demand and the end of OPEC+ output cut. In this context, Indonesia seems to have capitalized on the lower prices, with oil and gas imports showing only a modest decrease of -4.53% MoM.
- The stars, then, was aligned for Indonesian trade balance, with improved commodity terms of trade (ToT). However, the situation may have drastically change in October.
- As we previously remarked, gold-oil ratio have been at its highest since the pandemic, which would suggest that either one of these commodities are mispriced. With the Middle East aflame as of late, it seems that oil was the one mispriced, and the ensuing sharp rally led to a loss in confidence that the Fed could still follow through with its aggressive rate cuts.
- The higher oil price should negatively impact Indonesia's terms of trade. However, this has been offset by rising coal prices, especially as demand may strengthen following China's massive stimulus package. Beyond coal, other commodities may also rally, meaning that the surplus is likely to be maintained in the short-term.
- Of course, there is no guarantee that China's stimulus would work as intended – i.e. reversing the declining loan growth and weakening consumer demand. For now, its impact remains mostly confined to the markets, as rumors of more/less aggressive stimulus fuels sharp booms and busts in the Chinese stock market.
- The bigger question now, however, hangs over rate outlook, as the Fed's data-dependent approach has meant heightened volatility in the markets. And oil price, as usual, has been the single most important data point for the Fed. This has left global markets, including Bank Indonesia, in a "wait and see" stance, closely monitoring the Fed's next moves in November, while the chances of an October cut has become much slimmer than before

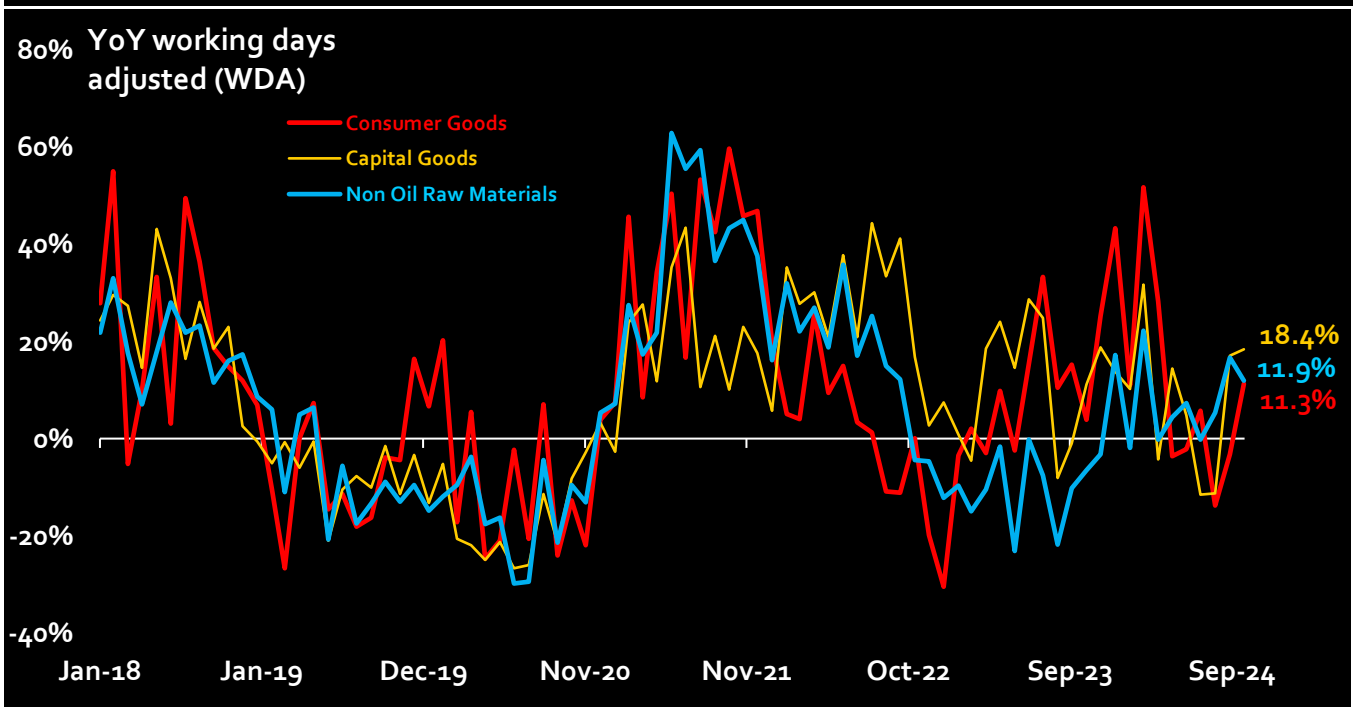
"There is no guarantee that China's stimulus would work as intended."

Panel 1. Indonesia's trade surplus narrowed in annual terms; industrial metal prices start to show an uptick



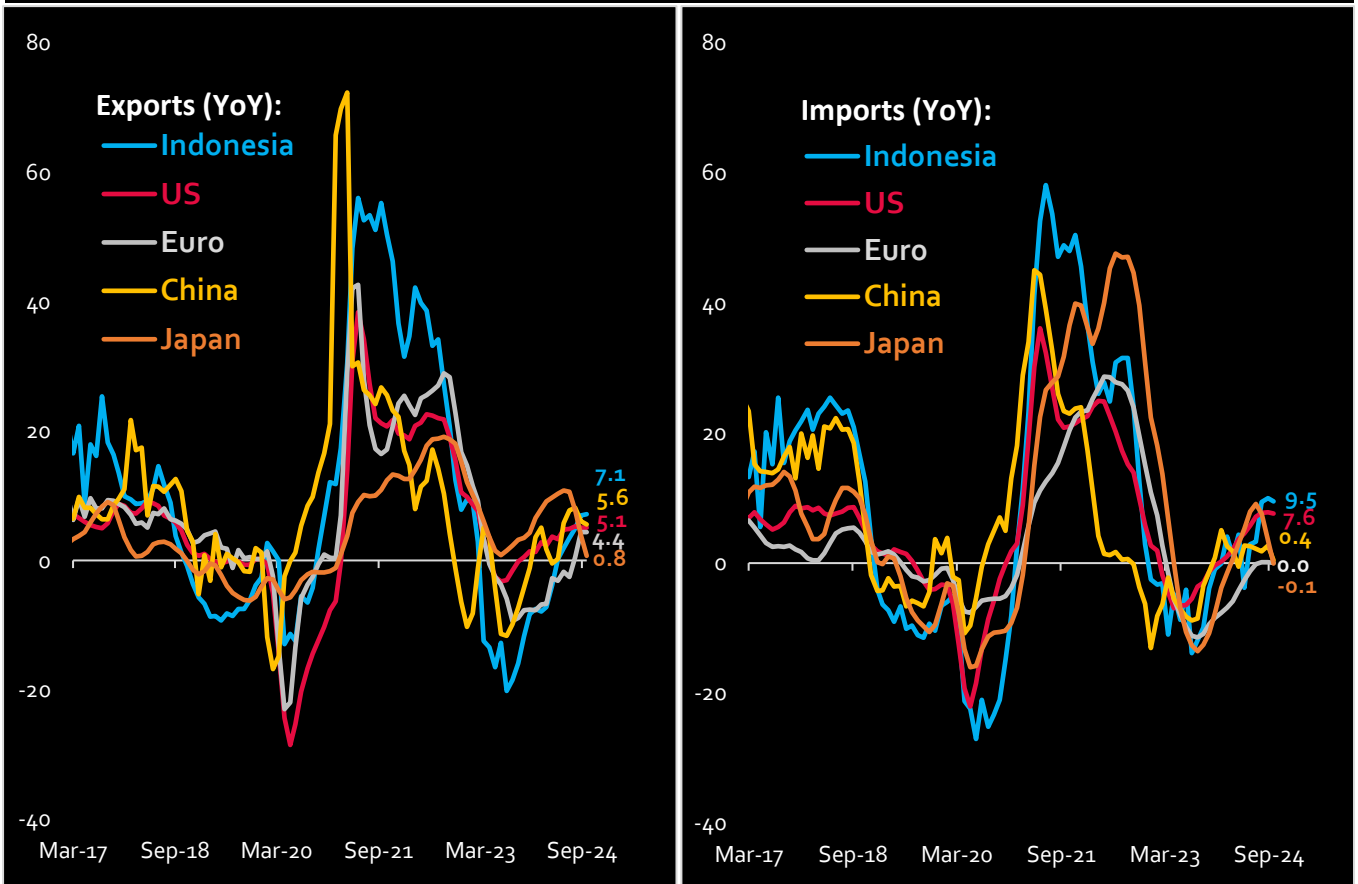
Source: BPS, Bloomberg, BCA Economist calculations

Panel 2. Consumer goods started to show a rebound



Source: BPS, BCA Economist

Panel 3. Imports from China are slowing down compared to other countries



Source: Bloomberg

Panel 4. Indonesia's manufacturing activities are contracting, but peers like India and Philippines are expanding

PMI Manufaktur PMI	2023				2024								
	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Indonesia	52.3	51.5	51.7	52.2	52.9	52.7	54.2	52.9	52.1	50.7	49.3	48.9	49.2
Malaysia	46.8	46.8	47.9	47.9	49.0	49.5	48.4	49.0	50.2	49.9	49.7	49.7	49.5
Thailand	47.8	47.5	47.6	45.1	46.7	45.3	49.1	48.6	50.3	51.7	52.8	52.0	50.4
Philippines	50.6	52.4	52.7	51.5	50.9	51.0	50.9	52.2	51.9	51.3	51.2	51.2	53.7
Vietnam	49.7	49.6	47.3	48.9	50.3	50.4	49.9	50.3	50.3	54.7	54.7	52.4	47.3
India	57.5	55.5	56.0	54.9	56.5	56.9	59.1	58.8	57.5	58.3	58.1	57.5	56.5
Australia	48.7	48.2	47.7	47.6	50.1	47.8	47.3	49.6	49.7	47.2	47.5	48.5	46.7
China	50.2	49.5	49.4	49.0	49.2	49.1	50.8	50.4	49.5	49.5	49.4	49.1	49.8
South Korea	49.9	49.8	50.0	49.9	51.2	50.7	49.8	49.4	51.6	52.0	51.4	51.9	48.3
Japan	48.5	48.7	48.3	47.9	48.0	47.2	48.2	49.6	50.4	50.0	49.1	49.8	49.7
Euro Area	43.4	43.1	44.2	44.4	46.6	46.5	46.1	45.7	47.3	45.8	45.8	45.8	45.0
US	48.6	46.9	46.6	47.1	49.1	47.8	50.3	49.2	48.7	48.5	46.8	47.2	47.2
Mexico	49.8	52.1	52.5	52.0	50.2	52.3	52.2	51.0	51.2	51.1	49.6	48.5	47.3

Source: BI, Bloomberg

Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	14-Oct	-1 mth	Chg (%)
US	5.00	Sep-24	2.60	Baltic Dry Index	1,814.0	1,890.0	-4.0
UK	5.00	Aug-24	2.80	S&P GSCI Index	550.4	519.1	6.0
EU	3.65	Sep-24	1.85	Oil (Brent, \$/brl)	77.5	71.6	8.2
Japan	0.25	Oct-24	-3.10	Coal (\$/MT)	150.9	136.3	10.8
China (lending)	2.00	Sep-24	3.95	Gas (\$/MMBtu)	2.31	2.26	2.4
Korea	3.25	Oct-24	1.65	Gold (\$/oz.)	2,648.5	2,577.7	2.7
India	6.50	Feb-23	1.01	Copper (\$/MT)	9,526.5	9,189.2	3.7
Indonesia	6.00	Sep-24	4.16	Nickel (\$/MT)	17,409.1	15,709.7	10.8
				CPO (\$/MT)	1,024.8	928.8	10.3
				Rubber (\$/kg)	2.01	1.89	6.3
Money Mkt Rates	14-Oct	-1 mth	Chg (bps)	External Sector	Sep	Aug	Chg (%)
SPN (3M)	4.73	5.91	-117.9	Export (\$ bn)	22.08	23.44	-5.80
SUN (10Y)	6.66	6.56	10.0	Import (\$ bn)	18.82	20.67	-8.91
INDONIA (O/N, Rp)	6.25	6.34	-9.0	Trade bal. (\$ bn)	3.26	2.78	17.37
JIBOR 1M (Rp)	6.64	6.90	-26.6	Central bank reserves (\$ bn)*	149.9	150.2	-0.21
Bank Rates (Rp)	Jul	Jun	Chg (bps)	Prompt Indicators	Sep	Aug	Jul
Lending (WC)	8.81	8.82	-1.72	Consumer confidence index (CCI)	123.5	124.4	123.4
Deposit 1M	4.78	4.70	7.49	Car sales (%YoY)	-9.1	-14.2	-7.8
Savings	0.65	0.67	-1.66	Motorcycle sales (%YoY)	3.7	7.4	24.1
Currency/USD	14-Oct	-1 mth	Chg (%)	Manufacturing PMI	Sep	Aug	Chg (bps)
UK Pound	0.766	0.762	-0.50	USA	47.3	47.9	-60
Euro	0.917	0.903	-1.50	Eurozone	45.0	45.8	-80
Japanese Yen	149.8	140.9	-5.95	Japan	49.7	49.8	-10
Chinese RMB	7.090	7.097	0.11	China	49.3	50.4	-110
Indonesia Rupiah	15,560	15,400	-1.03	Korea	48.3	51.9	-360
				Indonesia	49.2	48.9	30
Capital Mkt	14-Oct	-1 mth	Chg (%)				
JCI	7,559.7	7,812.1	-3.23				
DJIA	43,065.2	41,393.8	4.04				
FTSE	8,292.7	8,273.1	0.24				
Nikkei 225	39,605.8	36,581.8	8.27				
Hang Seng	21,092.9	17,369.1	21.44				
Foreign portfolio ownership (Rp Tn)	Sep	Aug	Chg (Rp Tn)				
Stock	3,558.2	3,684.6	-126.37				
Govt. Bond	870.6	852.3	18.28				
Corp. Bond	6.9	7.0	-0.02				

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	1.9
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	15,650
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

*Estimated number

** Estimation of Rupiah's fundamental exchange rate

Economic, Banking & Industry Research Team

David E.Sumual

Chief Economist

david_sumual@bca.co.id

+6221 2358 8000 Ext:1051352

Victor George Petrus Matindas

Senior Economist

victor_matindas@bca.co.id

+6221 2358 8000 Ext: 1058408

Keely Julia Hasim

Economist / Analyst

keely_hasim@bca.co.id

+6221 2358 8000 Ext: 1071535

Nicholas Husni

Economist / Analyst

nicholas_husni@bca.co.id

+6221 2358 8000 Ext: 1079839

Agus Salim Hardjodinoto

Head of Industry and Regional Research

agus_lim@bca.co.id

+6221 2358 8000 Ext: 1005314

Gabriella Yolivia

Industry Analyst

gabriella_yolivia@bca.co.id

+6221 2358 8000 Ext: 1063933

Elbert Timothy Lasiman

Economist / Analyst

elbert_lasiman@bca.co.id

+6221 2358 8000 Ext: 1074310

Samuel Theophilus Artha

Economist / Analyst

samuel_artha@bca.co.id

+6221 2358 8000 Ext: 1080373

Barra Kukuh Mamia

Senior Economist

barra_mamia@bca.co.id

+6221 2358 8000 Ext: 1053819

Lazuardin Thariq Hamzah

Economist / Analyst

lazuardin_hamzah@bca.co.id

+6221 2358 8000 Ext: 1071724

Thierris Nora Kusuma

Economist / Analyst

thierris_kusuma@bca.co.id

+6221 2358 8000 Ext: 1071930

PT Bank Central Asia Tbk

Economic, Banking & Industry Research of BCA Group

20th Grand Indonesia, Menara BCA

Jl. M.H Thamrin No. 1, Jakarta 10310, Indonesia

Ph : (62-21) 2358-8000 Fax : (62-21) 2358-8343

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