

PIER Snapshot: 2023 Trade Balance

15 February 2024

Jan-24 Trade Surplus Notably Shrunk due to Oversupply of Energy in China

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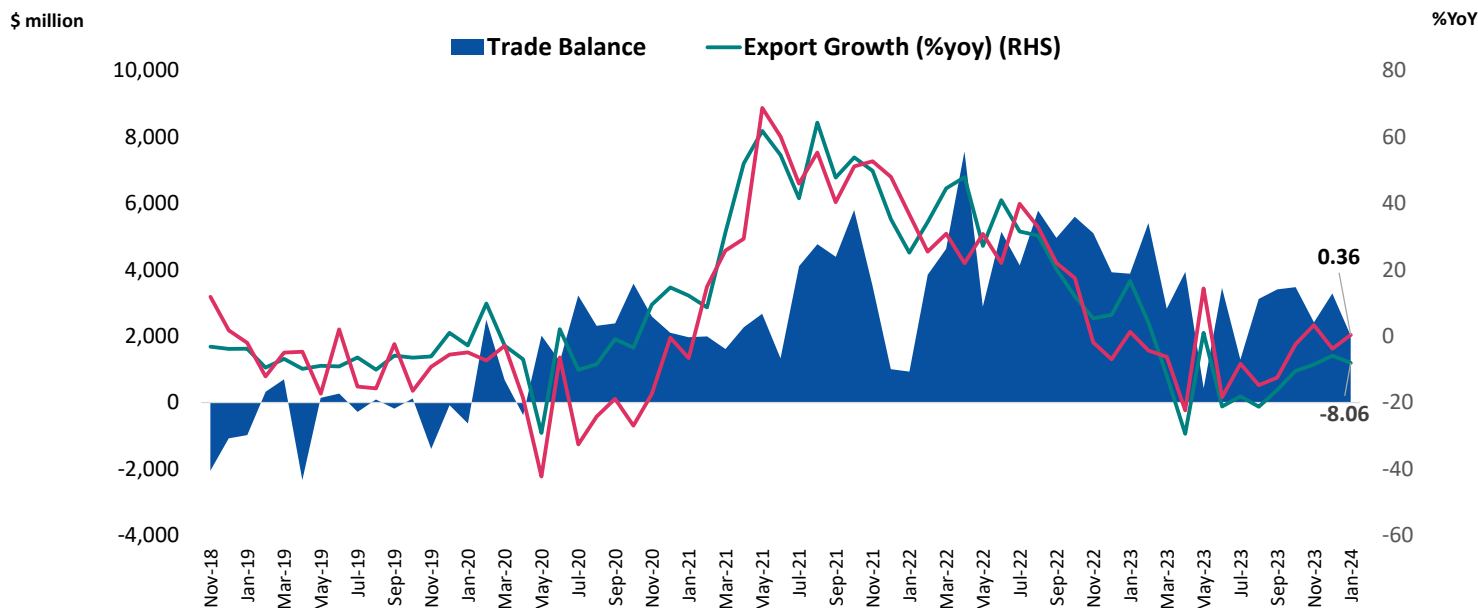
Trade Review

- **The trade surplus for Jan-24 shrank beyond anticipated levels due to a more significant contraction in exports.**
In Jan-24, the trade surplus declined to USD2.02 billion from USD3.29 billion in Dec-23, attributed to an unexpectedly weaker export performance. Both exports and imports experienced a monthly contraction when compared to the previous month.
- **Exports declined due to a decrease in energy demand from China.**
In Jan-24, monthly exports experienced a substantial contraction of 8.34%mom compared to the previous month, where they had grown by 1.76%mom in Dec-23. On an annual basis, exports also saw a deeper contraction of 8.06%yoy, surpassing the 5.85%yoy contraction recorded in the preceding month. Based on the sector, mining product exports witnessed the most significant decline, contracting by 23.54%yoy. This contraction was primarily driven by a notable decrease in coal exports, which contracted by 19.68%mom or 29.76%yoy. The decline in coal exports was influenced by both price and volume factors, with a sharp 11.93%mom decrease in coal prices due to an oversupply of energy in China, impacting demand for coal in the country. Given China's status as the largest global consumer of coal, reduced demand subsequently led to a global decrease in coal prices. The oversupply also affected the volume of coal demanded from Indonesia, contributing to a further decline in export performance. The energy oversupply in China was a consequence of increased commodity demand preceding the winter season at the end of 2023, followed by an unexpectedly warmer winter at the beginning of 2024. As a result, exports to China experienced the highest decline, amounting to USD1.2 billion, compared to Indonesia's other trading partners.
- **Imports experienced a contraction due to a reduced volume of oil imports.**
In Jan-24, monthly imports experienced a decline of 3.13%mom compared to the previous month but still showed a modest growth of 0.36%yoy. The decrease in imports during this period was driven by a contraction of 19.99%mom or 7.15%yoy in oil and gas imports. Conversely, non-oil and gas imports continued to expand, growing by 0.48%mom or 1.76%yoy. The decline in oil and gas imports was influenced by a lower volume demanded in Indonesia, coinciding with an increase in prices, with the average oil price rising by 2.58%mom in Jan-24. On a positive note, the top 10 non-oil and gas imported goods still exhibited growth, increasing by 4.69%mom or 3.25%yoy. The primary contributors to non-oil and gas imports were electrical machinery (USD350 million), plastic (USD156 million), and mechanical machinery (USD124 million). Annually, imports of consumer and capital goods grew by 11.03%yoy and 10.16%yoy, respectively, indicating a robust domestic demand. As a result, it is anticipated that the manufacturing industry in Indonesia will maintain its resilience in Jan-24.
- **Economic implication.**
The reduced trade surplus in Jan-24 raises the possibility of a widening current account deficit throughout the year. We anticipate the current account balance to show a deficit of 0.38% of GDP in 1Q24 and 0.70% of GDP for the entire year. This deficit may exert downward pressure on the Rupiah as the demand for the US Dollar increases. However, with the likelihood of a single round in the 2024 presidential election, positive factors such as foreign direct investment could enter Indonesia sooner than anticipated. The reduction of uncertainty linked to the election may also serve as a positive catalyst for Indonesia's portfolio market. Moreover, the potential for global policy rate cuts in 2H24 presents an opening for a higher risk-on sentiment in emerging markets, including Indonesia, which could result in increased capital inflows. Consequently, we forecast a trend of Rupiah appreciation, expecting it to strengthen from Rp15,397 per USD at the end of 2023 to a range of Rp15,000 – 15,300 per USD by the end of 2024.

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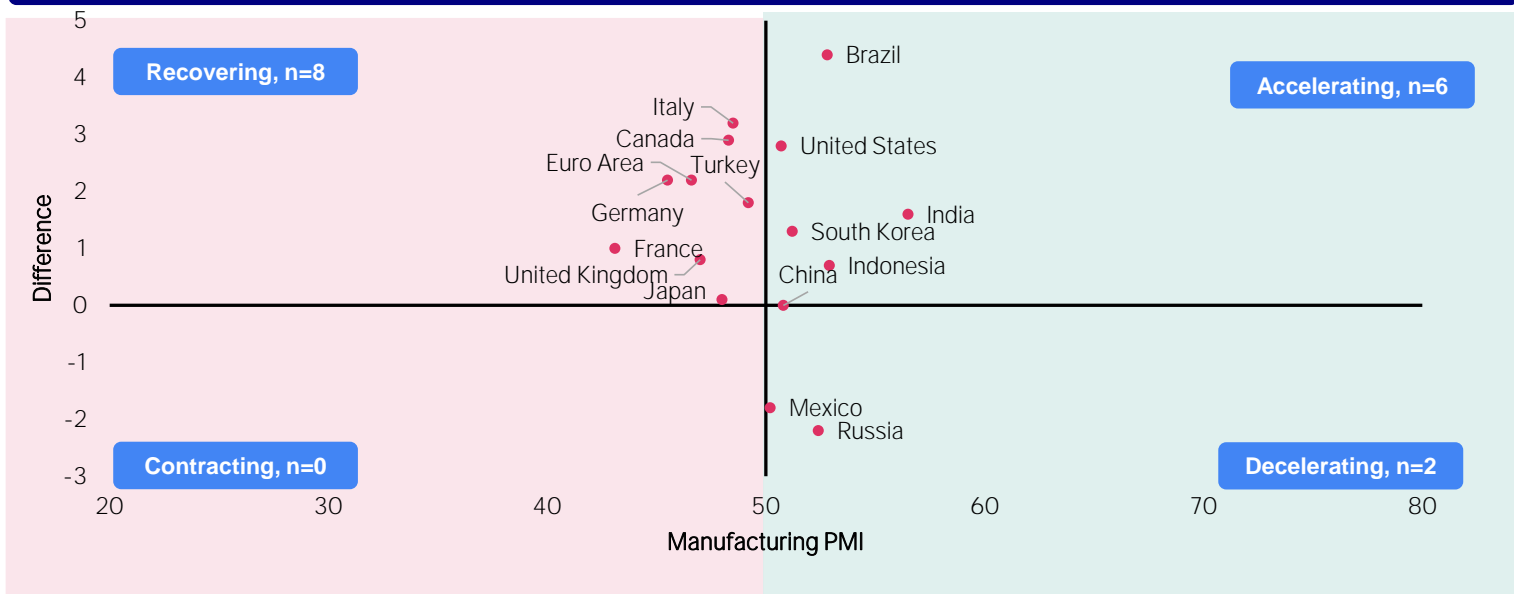
Indonesia's Trade Performance



Source: BPS & PermataBank Economic Research

Global Manufacturing Activities

Purchasing Manager Index (PMI) in G20 Countries (Jan-24)



Source: Bloomberg & PermataBank Economic Research

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Commodity Prices Trend in Jan-24



Historical Exports-Imports in 2018-2023

(in \$mn)	Exports			Imports			Trade Balance		
	TOTAL	Non Oil&Gas Export	Oil&Gas Export	TOTAL	Non Oil&Gas Import	Oil&Gas Import	TOTAL	Non Oil&Gas Balance	Oil&Gas Balance
FY2018	180,013	162,841	17,172	188,711	158,842	29,869	-8,699	3,999	-12,697
FY2019	167,683	155,894	11,789	171,276	149,390	21,885	-3,593	6,503	-10,096
FY2020	163,192	154,941	8,251	141,569	127,312	14,257	21,623	27,629	-6,006
FY2021	231,609	219,362	12,248	196,190	170,661	25,529	35,420	48,701	-13,282
FY2021	231,609	219,362	12,248	196,190	170,661	25,529	35,420	48,701	-13,282
FY2022	291,904	275,906	15,998	237,447	197,031	40,416	54,457	78,875	-24,418
Jan-23	22,324	20,836	1,488	18,443	15,537	2,906	3,881	5,299	-1,418
Feb-23	21,321	20,135	1,187	15,919	13,513	2,407	5,402	6,622	-1,220
Mar-23	23,416	22,078	1,338	20,588	17,573	3,015	2,828	4,505	-1,677
Apr-23	19,284	18,025	1,259	15,348	12,393	2,955	3,936	5,633	-1,696
May-23	21,707	20,398	1,309	21,280	18,145	3,135	427	2,254	-1,827
Jun-23	20,601	19,342	1,260	17,150	14,928	2,222	3,451	4,413	-963
Jul-23	20,862	19,635	1,227	19,570	16,438	3,132	1,292	3,197	-1,905
Aug-23	21,998	20,679	1,319	18,880	16,218	2,662	3,118	4,461	-1,343
Sep-23	20,747	19,341	1,405	17,342	14,013	3,329	3,405	5,328	-1,924
Oct-23	22,147	20,776	1,370	18,673	15,466	3,207	3,474	5,310	-1,836
Nov-23	21,998	20,715	1,283	19,587	16,098	3,489	2,412	4,618	-2,206
Dec-23	22,392	20,913	1,479	19,107	15,735	3,372	3,285	5,179	-1,894
FY2023	258,797	242,875	15,923	221,886	186,056	35,830	36,911	56,819	-19,908
Jan-24	20,524	19,127	1,398	18,509	15,811	2,698	2,015	3,316	-1,301
Growth	-8.1	-8.2	-6.1	0.4	1.8	-7.2			

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PIER's Economic & Market Forecast

	2019	2020	2021	2022	2023F	1Q24F	2Q24F	3Q24F	4Q24F	2024F	2025F	2026F
National Account												
Real GDP (% yoy)	5.02	-2.07	3.70	5.31	5.04	5.10	5.11	5.05	5.00	5.07	5.15	5.26
Real Consumption: Private (% yoy)	5.04	-2.63	2.02	4.93	4.98	5.18	5.20	5.15	5.05	5.14	5.10	5.12
Real Consumption: Government (% yoy)	3.27	2.12	4.24	-4.51	4.00	5.05	4.79	4.81	5.05	4.93	5.52	6.09
Real Gross Fixed Capital Formation (% yoy)	4.45	-4.96	3.80	3.87	4.79	4.58	4.23	5.13	5.11	4.78	5.83	6.62
Real Export (% yoy)	-0.48	-8.42	17.95	16.28	-0.04	-5.23	-2.39	1.27	4.95	-0.29	9.62	10.41
Real Import (% yoy)	-7.13	-17.60	24.87	14.75	-1.23	-4.63	-2.95	2.88	6.36	0.57	11.82	12.65
Nominal GDP (IDR tn) - nominal	15,832.66	15,443.35	16,976.69	19,588.45	21,100.00	5,486.09	5,659.82	5,728.46	5,950.44	22,824.82	24,722.78	26,812.22
Nominal GDP (USD bn) - nominal	1,119.10	1,059.04	1,186.36	1,319.10	1,385.38	355.07	366.33	374.31	393.07	1,488.79	1,657.50	1,825.26
External Sector												
Trade Balance (USD bn)	-3.59	21.62	35.42	54.40	36.93	7.56	6.11	5.44	6.52	25.63	23.41	17.22
Goods Balance (USD bn)	3.51	28.30	43.81	62.67	45.08	9.57	8.13	7.44	8.54	33.68	31.44	25.24
Current Account (USD bn)	-30.28	-4.43	3.51	12.87	-2.01	-1.35	-3.37	-3.31	-2.36	-10.38	-18.67	-26.63
Current Account (% of GDP)	-2.71	-0.42	0.30	0.98	-0.14	-0.38	-0.92	-0.88	-0.60	-0.70	-1.13	-1.46
Foreign Reserves (USD bn)	129.18	135.90	144.91	137.23	146.38	151.84	143.24	143.87	152.18	152.18	156.04	157.88
USD/IDR (avg)	14,141	14,529	14,297	14,874	15,248	15,451	15,450	15,304	15,138	15,336	14,918	14,691
USD/IDR (eop)	13,866	14,050	14,253	15,568	15,397	15,468	15,444	15,241	15,093	15,093	14,783	14,565
Commodity Price												
Coal Price (USD/MT)	66.2	83.0	169.7	379.2	141.8	133.1	124.4	121.0	117.5	117.5	103.8	90.3
CPO Price (USD/MT)	763.7	1,016.4	1,270.3	940.4	797.8	805.8	813.7	821.7	829.6	829.6	818.0	808.3
Oil Price (USD/BBL)	65.85	49.87	74.31	80.90	77.9	77.8	77.7	79.0	80.3	80.3	84.1	85.4

Source: Permata Institute for Economic Research (PIER)

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