

PIER Snapshot: 2023 Trade Balance

15 January 2024

2023 Trade Balance Recorded Lower Surplus Amidst Normalization in Commodity Prices

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Trade Review

- **2023 trade surplus decreased amid downtrend of commodity prices.**

Dec-23 trade surplus widened to USD3.3bn from previously USD2.4bn in Nov-23, supported by stronger monthly export performance due to seasonally improving global demand, while monthly import performance contracted due to lower oil imports. Cumulatively, trade surplus in 2023 narrowed as exports contracted deeper than imports. Both exports and imports recorded contraction of -11.3% and -6.6%, respectively, resulting trade surplus to shrink from USD54.4bn in 2022 to USD36.9bn in 2023. Exports contracting more than imports suggested that Indonesia's domestic economy in 2023 tended to be more resilient against the background of global economic slowdown.

- **Annual export performance declined, following weaker commodity prices.**

Export performance in Dec-23 rose by 1.89%mom, while annually, exports contracted by 5.76%yoy. Export performance in Dec-23 was driven by improving performance of coal-related products, which rose by USD354mn, highest among other export products. Higher coal exports were caused by higher demand and coal price, especially because of seasonal demand during the winter. Coal price rose by 11.2%mom. Aside from coal products, main driver of monthly export growth was iron ores (USD305mn), ship (USD152mn), and precious metal (USD113mn). Cumulatively, due to weaker commodity prices, exports in 2023 contracted deeper than imports, especially related to coal and CPO exports. Coal-related products declined by USD11.43bn in 2023, followed by animal/vegetable oils, which declined by USD6.71bn. On the other side, export contraction was trimmed due to precious metal and nickel and articles thereof exports. Higher precious metal export in 2023 was supported by higher global gold prices due to the US Dollar easing. Meanwhile, higher nickel and article thereof exports indicated relatively stabled price and demand of exports for processing products (benefit of downstreaming).

- **Annual imports contracted on weaker oil imports.**

Import in Dec-23 declined by 2.45%mom, while annually, import declined by 3.81%yoy. Declining import in Dec-23 was caused by electrical machinery (USD252mn), mechanical machinery (USD180mn), and transport equipment (USD150mn). Cumulatively, import in 2023 contracted, mainly because of oil/gas imports. Imports of oil/gas declined by 11.4%, while imports of non-oil/gas declined by 5.4%. The ease in oil/gas imports was driven by lower oil prices, which fell by 16.8% on average in 2023. Among non-oil/gas imports, top 10 products actually grew by 0.30% due to solid growth of mechanical machinery, transport equipment and rice. Stronger growth of rice imports was caused by the decline of domestic rice production during El-Nino.

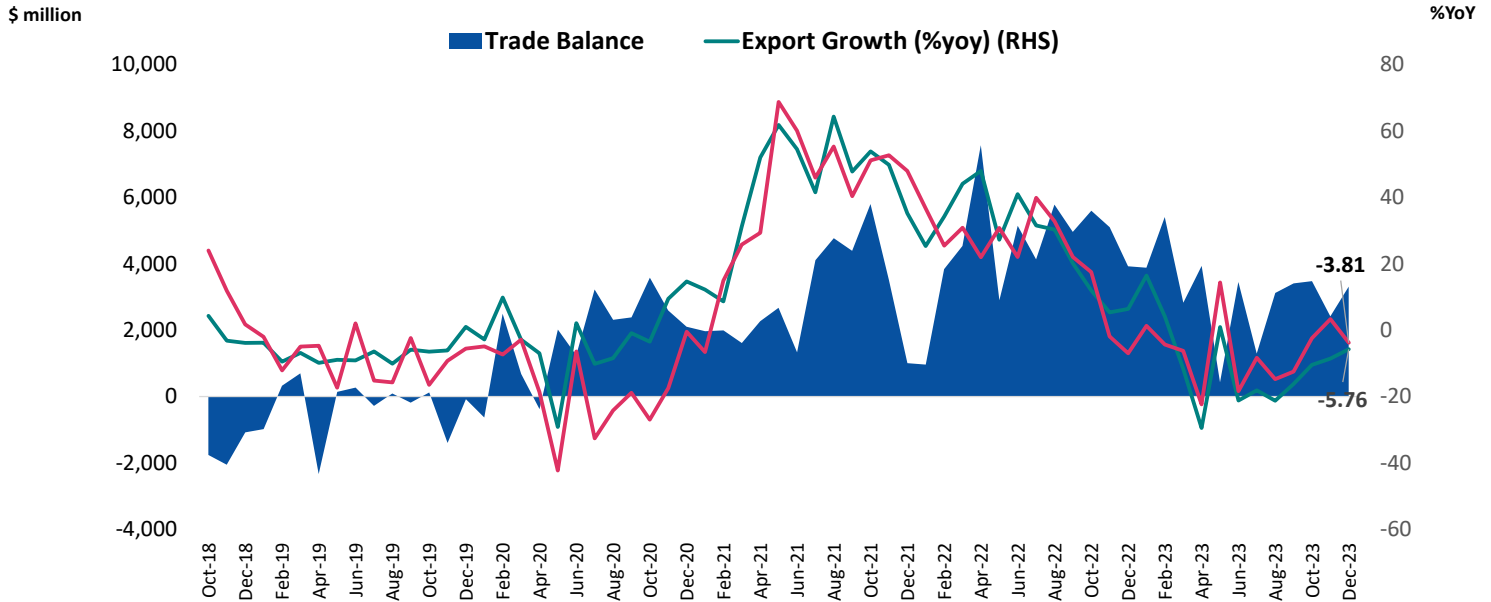
- **Economic implication.**

Cumulatively, trade surplus in 2023, narrowed from USD54.4bn to USD36.9bn, resulting in weaker current account balance for 2023. We project a minor deficit of -0.14% of GDP in 2023 (vs. 0.98% GDP surplus in 2022). Despite of that, Rupiah still managed to post an appreciation in 2023, mainly because of capital inflows in the financial market. Going forward, current account deficit in 2024 is expected to manageably widen on the back of normalization of commodity prices, global economic slowdown, and resilient domestic demand for capital goods and raw material imports. However, as we expect for more solid demand for Indonesia's portfolio assets, potentially coming from both portfolio and direct investments amid positive outlook of Indonesia's economy, the opening of room for global policy rate cuts, and the end to 2024 election-related uncertainty, we thus still expect that Rupiah could appreciate around 15,100-15,300 per USD by the end of 2024.

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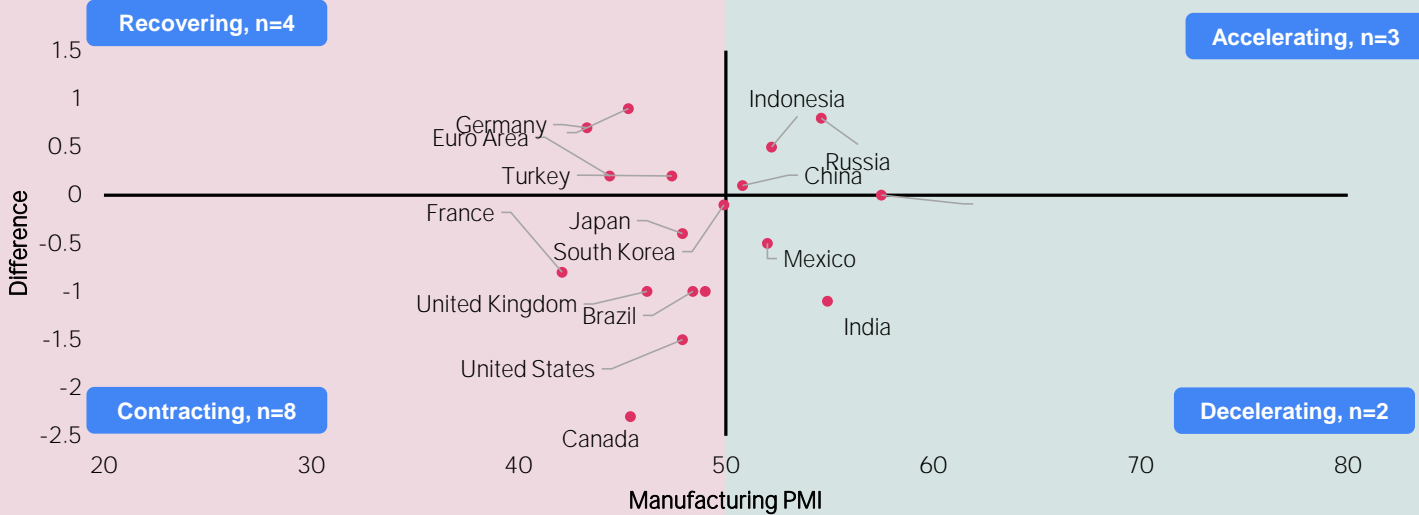
Indonesia's Trade Performance



Source: BPS & PermataBank Economic Research

Global Manufacturing Activities

Purchasing Manager Index (PMI) in G20 Countries (Dec-23)



Source: Bloomberg & PermataBank Economic Research

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Commodity Prices in 2023



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	219,349	12,252	196,190	170,661	25,529	35,420	48,688	-13,277
FY2021	231,609	219,349	12,252	196,190	170,661	25,529	35,420	48,688	-13,277
FY2022	291,852	276,014	15,838	237,447	197,031	40,416	54,405	78,984	-24,579
Jan-23	22,324	20,836	1,488	18,443	15,537	2,906	3,881	5,299	-1,418
Feb-23	21,321	20,195	1,187	15,919	13,513	2,407	5,402	6,682	-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	19,342	1,405	17,342	14,013	3,329	3,405	5,329	-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	22,414	20,935	1,479	19,107	15,734	3,372	3,307	5,201	-1,893
FY2023	258,819	242,957	15,923	221,886	186,055	35,830	36,933	56,901	-19,908
Growth	-11.3	-12.0	0.5	-6.6	-5.6	-11.3			

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Macro Economic Indicator

Indicators	2018	2019	2020	2021	2022	2023F	2024F
Inflation (%YoY)	3.1	2.7	1.7	1.9	5.51	2.61	3.08
Exchange Rate Eop (Rp/US\$)	14,390	13,866	14,050	14,253	15,568	15,397	15,124
Current Account (% GDP)	-3.0	-2.7	-0.4	0.28	1.00	-0.14	0.70
Fiscal Balance (% GDP)	-1.8	-2.2	-6.1	-4.7	-2.4	-1.65	-2.1
BI Rate	6.00	5.00	3.75	3.50	5.50	6.00	5.50
Credit Growth (%)	11.8	6.1	-2.1	5.2	11.4	8.6	9.8
Deposit Growth (%)	6.4	6.5	11.1	12.2	9.0	2.5	8.5
Car Sales (1000 Units)	1,150	1,030	532	887	1,048	1,005	1,048
Car Sales Growth (%)	6.50	-10.61	-48.35	66.73	18.16	-4.11	4.28
Motorcycle Sales (1000 Units)	6,383	6,487	3,663	5,057	5,221	6,237	6,279
Motorcycle Sales Growth (%)	8.45	1.63	-43.54	38.06	3.25	19.45	0.67
Unemployment Rate (%)	5.40	5.16	7.07	6.49	5.86	5.32	5.40
International Reserve (US\$ bn)	120.7	129.2	135.9	144.9	137.2	146.4	152.0
Fed Rate	2.50	1.75	0.25	0.25	4.50	5.50	4.75
GDP Growth (%)	5.17	5.02	-2.07	3.69	5.31	5.04	5.07

Note : the red numbers are forecast

Source : Permata Institute for Economic Research

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