

PIER Snapshot: Jun-24 Trade Balance

15 July 2024

Trade Balance Recorded a Modestly Reduced Surplus, Reflecting Robust Domestic Demand

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Trade Review

- **In June 2024, Indonesia reported its smallest trade surplus in four months.**

Indonesia's trade surplus decreased to USD2.39 billion in June 2024, down from USD2.92 billion in May 2024. This represents the smallest surplus since February 2024, as annual export growth lagged behind import growth. On a monthly basis, exports experienced a sharper contraction than imports. These monthly declines were driven by weaker manufacturing activities both globally and domestically. Cumulatively, the trade surplus for the first half of 2024 fell to USD15.45 billion from USD19.91 billion in the same period in 2023.

- **Exports recorded a contraction, primarily due to commodity price normalization and weakening global demand.**

In June 2024, exports grew by 1.17%yoy, down from 2.85%yoy, marking the third consecutive month of growth but at the slowest rate during this period. On a monthly basis, exports contracted by 6.65%mom due to weakening global demand and commodity price normalization. Commodity prices significantly contributed to the contraction in export performance in June 2024. Global prices for key Indonesian export commodities, such as coal, nickel, and copper, fell by 4.9%mom, 10.7%mom, and 4.8%mom, respectively. In addition to commodity prices, weaker global demand also played a role in the decline. Many of Indonesia's major trading partners reported lower PMI manufacturing figures, suggesting for flagging global demand. The export products that saw the most significant decreases in June 2024 were precious metals and jewelry (down by USD441 million), nickel and article thereof (down by USD214 million), and footwear (down by USD117 million). The only export showing a significant increase was CPO, which rose by USD1.09 billion.

- **Import fell slightly in Jun-24, trimmed by consumer goods import.**

Imports surged by 7.58%yoy in June 2024, rebounding from a decline of 8.84%yoy. On a monthly basis, imports contracted by 4.89%mom, a smaller decrease compared to exports. The performance in June 2024 was bolstered by an increase in consumer goods imports, while imports of raw materials and capital goods saw monthly contractions. Specifically, consumer goods imports rose by 2.48%mom, whereas raw materials and capital goods imports fell by 3.41%mom and 14.51%mom, respectively. The growth in consumer goods imports was largely driven by the demand for processed oils, particularly aviation fuel (avtur), amid increased needs during the Hajj pilgrimage.

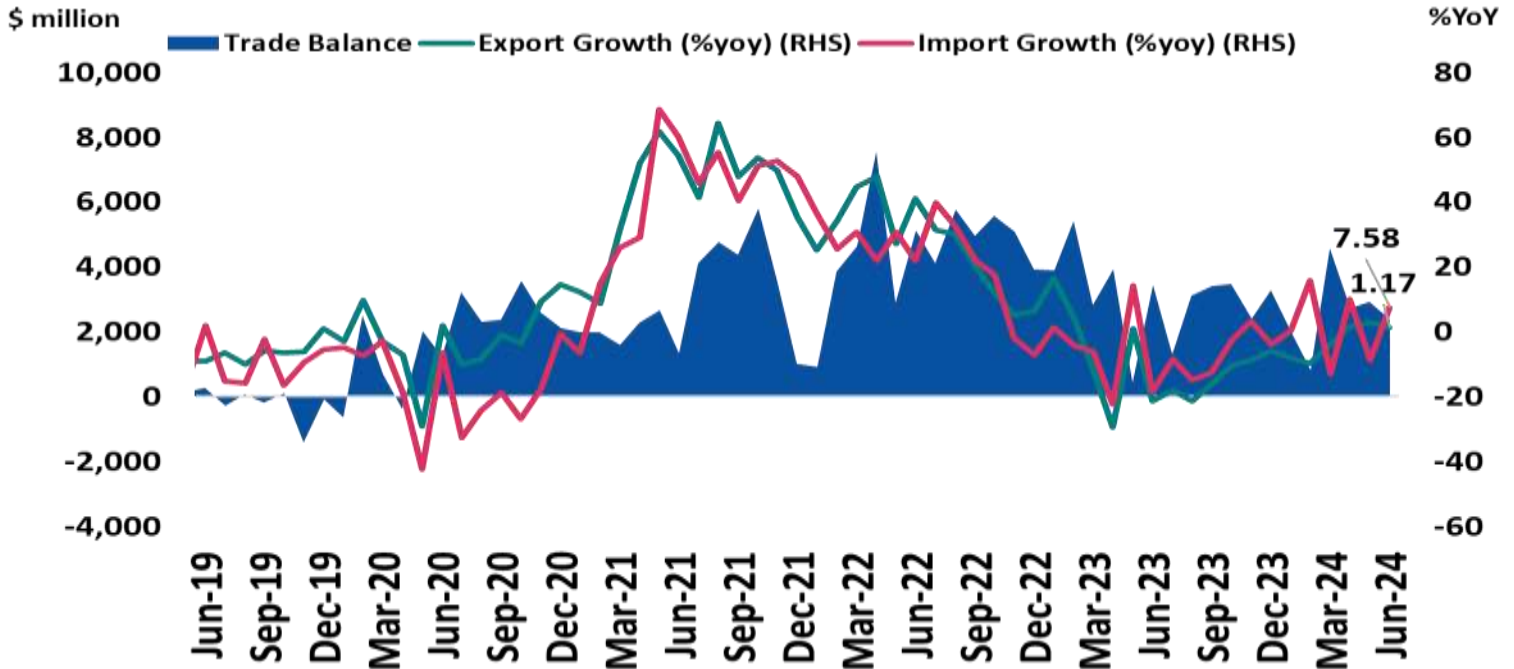
Our PIERspective

- As the trade surplus continues to shrink, we maintain our expectation of a widening current account deficit (CAD) for 2024, projected to widen from -0.14% of GDP in 2023 to -0.94% of GDP. This projection is based on several factors, including the moderate pace of commodity price normalization and the potential effects of increasing global uncertainty on demand from Indonesia's major trading partners. On the other hand, the downstreaming policy is expected to reduce Indonesia's current account dependency on commodity prices to some extent, thereby limiting the deficit.
- A wider CAD will exert pressure on the Rupiah and foreign reserves, especially amid ongoing global market uncertainty driven by both economic and political factors, which will constrain the performance of the financial account balance. In the short term, this could pose a downside risk to the Rupiah. However, we anticipate that this risk will moderate by the end of the third quarter of 2024 due to a projected policy rate cut from the Fed. By the end of 2024, we expect the Rupiah exchange rate against the USD to range between 15,900 – 16,200. This move is anticipated to boost risk-on sentiment, attract capital inflows, and consequently support the Rupiah exchange rate.

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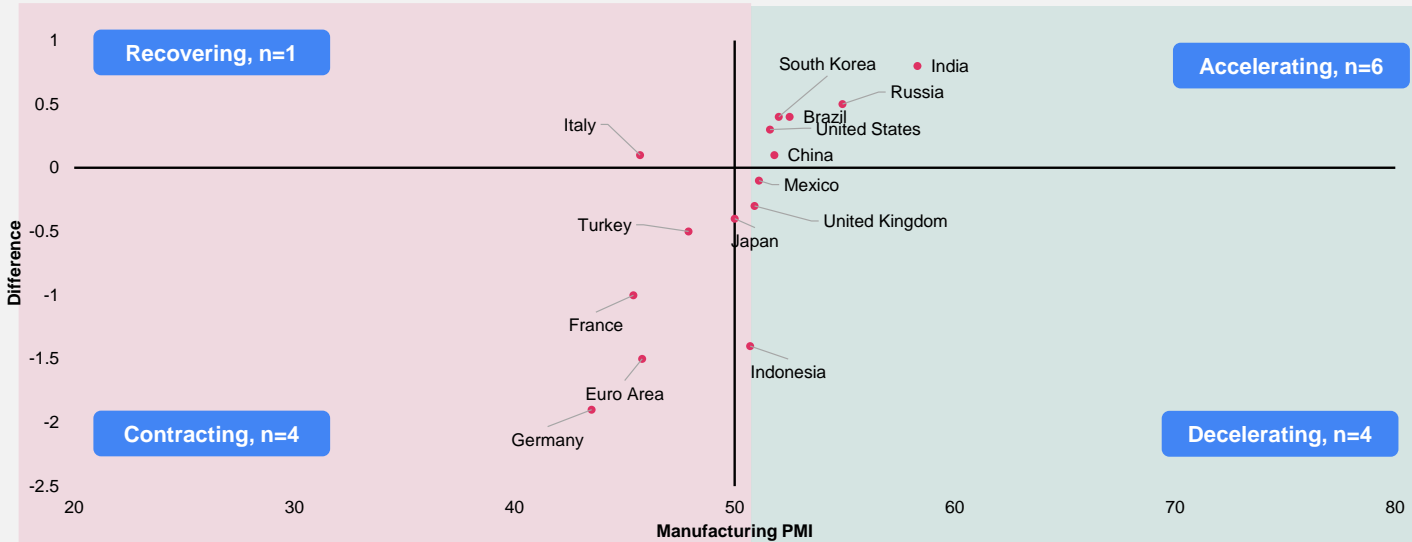
Indonesia's Trade Performance



Source: Statistics Indonesia & PermataBank Economic Research

Global Manufacturing Activities

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

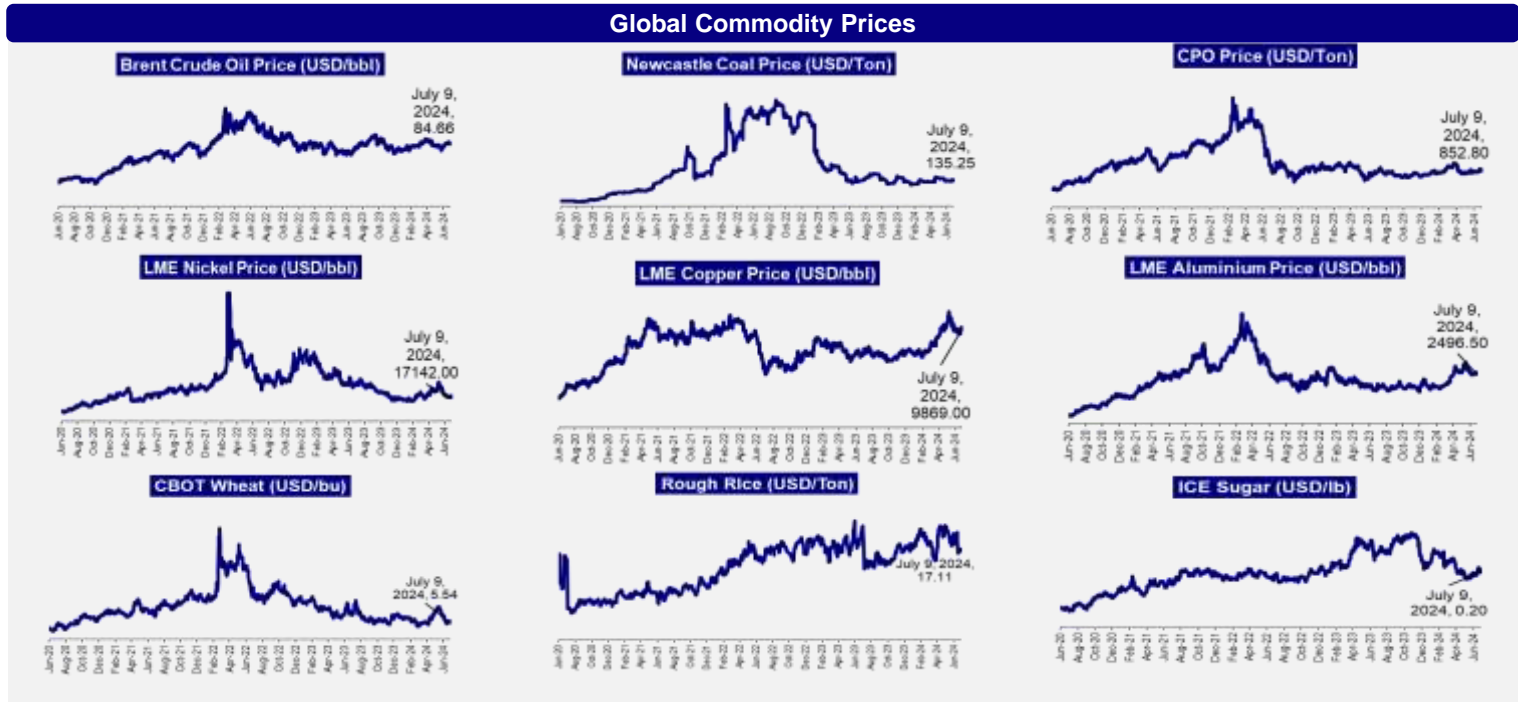


Source: Bloomberg & PermataBank Economic Research

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The Trend of Commodity Prices in 2024



Source: Bloomberg & PermataBank Economic Research

Historical Exports and Imports in 2018 – 2024

(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
FY2023	258,795	242,872	15,923	221,886	186,056	35,830	36,909	56,817	-19,908
Jan-24	20,494	19,097	1,398	18,495	15,796	2,698	2,000	3,300	-1,301
Feb-24	19,274	18,057	1,217	18,440	15,461	2,980	833	2,596	-1,763
Mar-24	22,539	21,254	1,285	17,961	14,635	3,327	4,578	6,619	-2,041
Apr-24	19,616	18,266	1,350	16,896	13,911	2,984	2,720	4,354	-1,634
May-24	22,324	20,908	1,419	19,400	16,651	2,748	2,925	4,256	-1,329
Jun-24	20,841	19,609	1,231	18,451	15,180	3,271	2,390	4,429	-2,039
1H23	128,640	120,801	7,840	108,728	92,088	16,640	19,912	28,713	-8,800
1H24	125,087	117,187	7,900	109,642	91,634	18,007	15,445	25,553	-10,107
Growth	-2.8	-3.0	0.8	0.8	-0.5	8.2			

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PIER's Economic & Market Forecast

	2019	2020	2021	2022	2023	1Q24	2Q24F	3Q24F	4Q24F	2024F	2025F	2026F
National Account												
Real GDP (% yoy)	5.02	-2.07	3.70	5.31	5.05	5.11	5.10	5.05	5.00	5.07	5.15	5.26
Real Consumption: Private (% yoy)	5.04	-2.63	2.02	4.93	4.82	4.91	4.88	4.95	5.00	4.93	5.10	5.12
Real Consumption: Government (% yoy)	3.27	2.12	4.24	-4.51	2.95	19.90	6.89	4.81	5.05	8.07	5.49	6.08
Real Gross Fixed Capital Formation (% yoy)	4.45	-4.96	3.80	3.87	4.40	3.79	3.63	3.79	4.89	4.04	5.83	6.62
Real Export (% yoy)	-0.48	-8.42	17.95	16.28	1.32	0.50	-1.09	1.27	4.95	1.50	9.61	10.41
Real Import (% yoy)	-7.13	-17.60	24.87	14.75	-1.65	1.77	-0.95	2.88	6.36	2.60	11.80	12.63
Nominal GDP (IDR tn) - nominal	15,832.66	15,443.35	16,976.75	19,588.09	20,892.38	5,288.29	5,655.74	5,727.73	5,731.44	22,403.21	24,266.91	26,317.21
Nominal GDP (USD bn) - nominal	1,119.10	1,059.93	1,186.29	1,318.68	1,371.47	337.70	346.45	353.39	354.71	1,392.25	1,534.97	1,732.43
Inflation & Unemployment												
Headline Inflation Rate (2022=100, % yoy, avg)	2.82	2.04	1.56	4.14	3.73	2.79	2.79	3.15	3.07	3.03	3.15	3.18
Headline Inflation Rate (2022=100, % yoy, eop)	2.59	1.68	1.87	5.41	2.81	3.05	2.51	3.12	3.08	3.08	3.25	3.15
Unemployment Rate (%)	5.18	7.07	6.49	5.86	5.32	4.82	4.82	4.94	4.94	4.94	5.03	4.93
Fiscal Condition												
Fiscal Balance (% of GDP)	-2.20	-6.14	-4.57	-2.35	-1.65	0.04	-0.30	-0.75	-2.18	-2.18	-2.56	-2.84
IDR 10-year Bond Yield (%)	7.06	5.89	6.38	6.94	6.48	6.73	7.25	7.16	7.10	7.10	6.39	5.87
External Sector												
Trade Balance (USD bn)	-3.59	21.62	35.42	54.46	36.91	7.31	6.11	5.44	6.52	25.38	23.41	17.22
Goods Balance (USD bn)	3.51	28.30	43.81	62.67	46.45	9.82	8.13	7.44	7.84	33.23	31.44	25.24
Current Account (USD bn)	-30.28	-4.43	3.51	13.22	-1.88	-2.16	-3.97	-3.91	-3.06	-13.10	-18.67	-26.63
Current Account (% of GDP)	-2.71	-0.42	0.30	1.00	-0.14	-0.64	-1.15	-1.11	-0.86	-0.94	-1.22	-1.54
Foreign Reserves (USD bn)	129.18	135.90	144.91	137.23	146.38	140.39	131.99	132.52	140.42	140.42	140.77	144.21
USD/IDR (avg)	14,141	14,529	14,297	14,874	15,248	15,783	16,295	16,208	16,158	16,119	15,817	15,201
USD/IDR (eop)	13,866	14,050	14,253	15,568	15,397	15,855	16,375	16,245	16,121	16,121	15,595	14,897
Commodity Price												
Coal Price (USD/MT)	66.2	83.0	169.7	379.2	141.8	131.5	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	942.9	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	85.5	81.0	80.7	80.3	80.3	78.9	82.0
Interest Rate												
Fed Funds Rate (%)	1.75	0.25	0.25	4.50	5.50	5.50	5.50	5.50	5.25	5.25	4.50	3.75
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.25	6.25	6.25	6.25	5.50	4.75
Average Lending Rate (%)	10.52	9.67	9.16	9.16	9.27	9.28	9.34	9.40	9.41	9.41	8.97	8.30
Banking Sector												
Loan (% yoy)	6.08	-2.40	5.24	11.35	10.38	12.40	10.58	10.69	10.79	10.79	11.34	11.78
TPF (% yoy)	6.54	11.11	12.21	9.01	3.73	7.44	6.28	8.15	10.57	10.57	9.39	9.22
LDR (%)	94.8	83.2	77.8	79.7	83.8	84.2	86.1	85.9	84.0	84.0	85.5	87.5
Real Sector												
Car Sales (Unit)	1,030,126	532,027	887,202	1,048,040	1,005,802	215,069	202,128	252,240	279,733	949,170	1,071,763	1,144,675
Car Sales (% yoy)	-10.5	-48.4	66.8	18.1	-4.0	-1.0	-9.7	1.2	25.4	4.2	2.3	6.8
Motorcycles Sales (Unit)	6,487,460	3,660,616	5,057,516	5,221,470	6,236,992	1,735,090	1,026,925	1,604,918	1,502,065	5,868,997	6,300,894	6,436,790
Motorcycles Sales (% yoy)	1.6	-43.6	38.2	3.2	19.4	17.6	-25.5	5.6	-0.9	0.7	0.4	2.2

Source: Permata Institute for Economic Research (PIER)

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