

# PIER Snapshot: May-24 Trade Balance

## 19 June 2024

## Trade Activities Improved Following Normalization of Economic Activities

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### Trade Review

- **Indonesia has maintained a trade surplus for 49 consecutive months.** In May-24, the country's trading activities normalized, as evidenced by the improvement in export and import values compared to Apr-24. This seasonal increase in trade activities typically occurs after the Eid al-Fitr holidays, reflecting the resumption of economic activities. The trade surplus in May-24 slightly rose to USD2.93 billion from a revised USD2.72 billion in Apr-24. Cumulatively, the trade surplus for the period from January to May-24 amounted to USD13.06 billion, which is lower than the USD 16.47 billion surplus recorded in the same period in 2023.
- **Exports experienced a resurgence, driven by robust growth in manufactured goods.** In May-24, exports rebounded by 13.82%mom or 2.84%yoy following the normalization of manufacturing activities post-Eid al-Fitr holiday in Apr-24. Significant monthly increases in exports were seen in electrical machinery (USD264 million), ores, slag, and ash (USD214 million), and vehicles and parts (USD196 million). Conversely, Indonesia's primary export commodity, namely crude palm oil (CPO), saw a decline of USD268 million in May-24, despite a 6.6%mom increase in CPO prices. This decline in CPO exports may be attributed to weaker demand from Indonesia's trading partners. Meanwhile, the agriculture sector recorded the highest export growth among all sectors at 32.45%mom, followed by manufacturing at 16.40%mom, and mining at 6.26%mom. In terms of export destinations, all of Indonesia's main trading partners saw a rebound compared to Apr-24, with significant increases from China (USD453 million), the United States (USD429 million), and Japan (USD406 million).
- **Annual import performance contracted due to the high base effect from the previous year.** Monthly imports grew significantly in May-24 as Indonesia's manufacturing activities continued to expand. Capital goods imports grew 22.28%mom, stronger than the growth seen in consumption goods and raw material imports. However, annual import growth contracted due to the high base effect from last year. Monthly imports increased by 14.82%mom, outpacing the monthly growth of exports, indicating resilient domestic demand. Nonetheless, annual imports contracted by 8.83%yoy. Significant increases in May-24 imports were observed in mechanical machinery (USD 670 million), plastics and related products (USD 242 million), and iron and steel (USD 215 million). Conversely, imports of cereals, reflecting rice imports, continued to decrease amidst the harvest season in Indonesia.

### Our PIERSpective

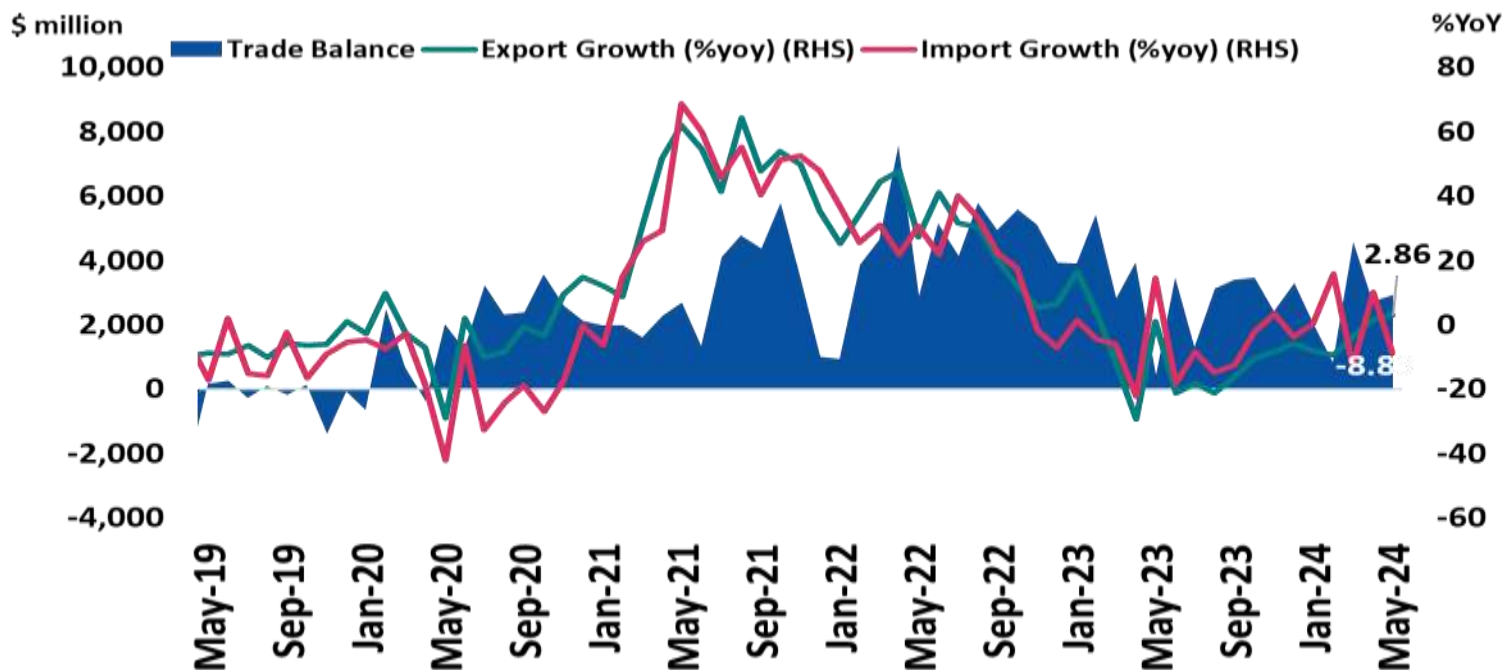
We maintain our projection of a current account deficit (CAD) for 2024, with a moderate widening from -0.14% of GDP in 2023 to -0.94% of GDP. This deficit remains lower than the average of -2.50% of GDP recorded between 2012 and 2019. This outlook is influenced by several factors, including the gradual normalization of commodity prices, relatively resilient domestic demand, and the potential effects of increasing global uncertainty on global demand. These factors are expected to narrow the trade surplus, thereby adversely impacting the goods surplus in the current account balance.

A wider CAD will exert short-term pressure on the Rupiah, particularly because support from the financial account will remain limited due to external sentiment. Investor concerns are primarily driven by the Fed's 'higher-for-longer' stance. However, in the second half of 2024, we expect foreign investors to start entering Indonesia's financial market as the potential for global policy rate cuts increases, thereby increasing risk-on sentiment and supporting Rupiah appreciation. We maintain our projection that the Rupiah will move within the range of 15,900-16,200 by the end of 2024.

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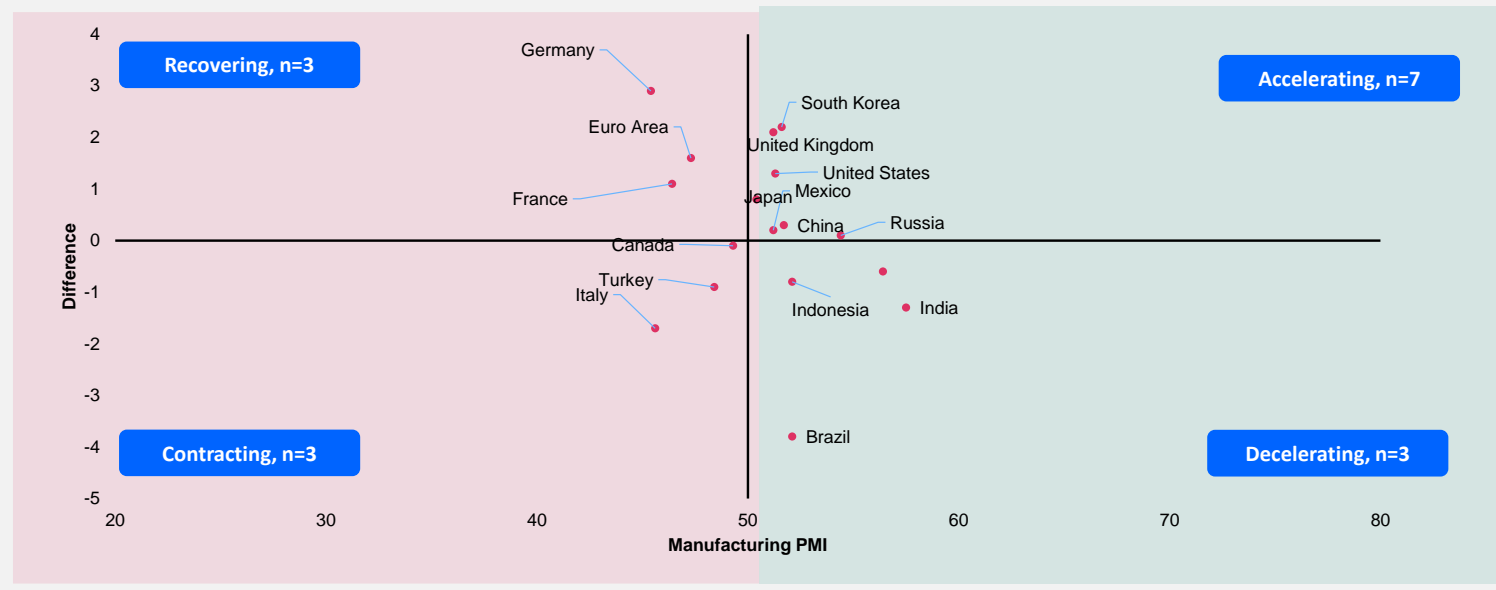
## Indonesia's Trade Performance



Source: Statistics Indonesia & PermataBank Economic Research

## Global Manufacturing Activities

### Purchasing Manager Index (PMI) in G20 Countries (May-24)

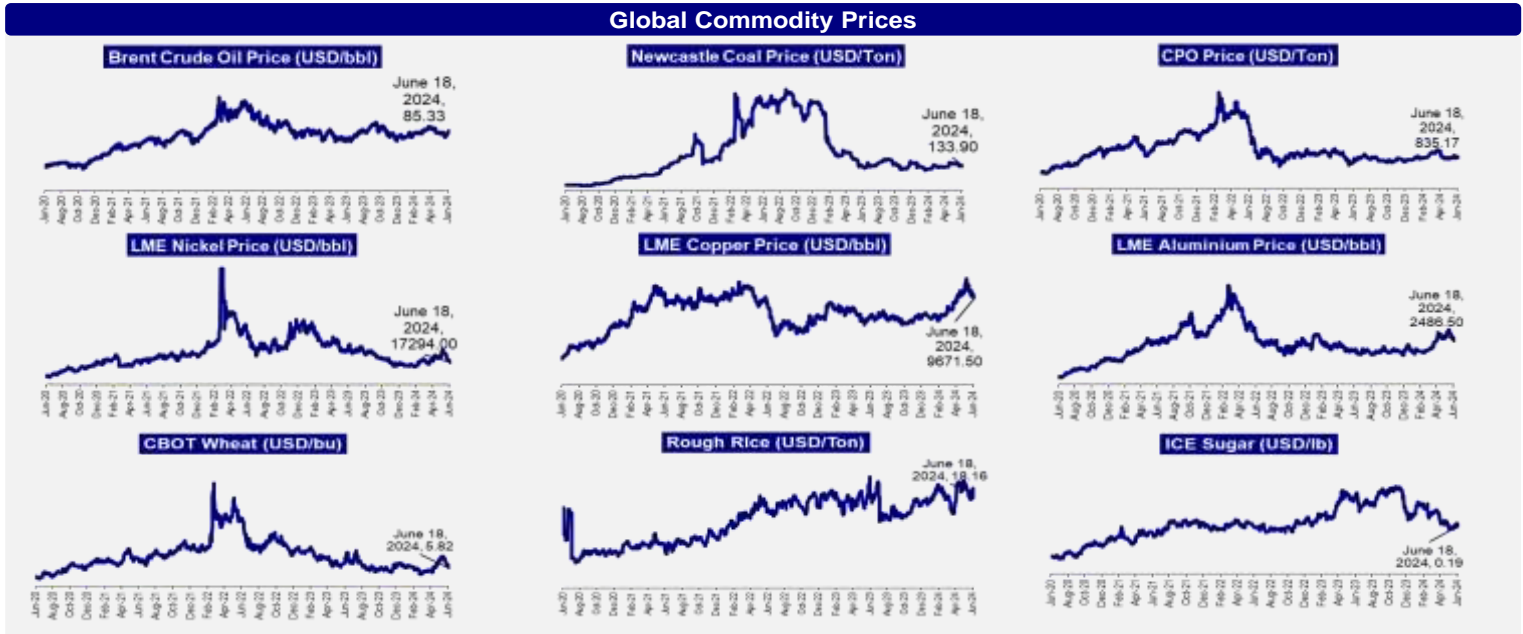


Source: Bloomberg & PermataBank Economic Research

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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
FY2022	291,904	275,906	15,998	237,447	197,031	40,416	54,457	78,875	-24,418
FY2023	258,797	242,875	15,923	221,886	186,056	35,830	36,911	56,819	-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	18,265	1,350	16,896	13,911	2,984	2,720	4,354	-1,634
May-24	22,327	20,910	1,419	19,400	16,652	2,748	2,927	4,258	-1,329
Jan-May-23	108,052	101,472	6,580	91,577	77,160	14,418	16,475	24,312	-7,838
Jan-May-24	104,249	97,582	6,669	91,191	76,454	14,737	13,058	21,128	-8,068
Growth	-3.5	-3.8	1.4	-0.4	-0.9	2.2			

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### PIER's Economic & Market Forecast

	2019	2020	2021	2022	2023	1Q24	2Q24F	3Q24F	4Q24F	2024F	2025F	2026F
<b>National Account</b>												
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
<b>Inflation &amp; Unemployment</b>												
Headline Inflation Rate (2022=100, % yoy, avg)	2.82	2.04	1.56	4.14	3.73	2.79	3.10	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	3.18	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
<b>Fiscal Condition</b>												
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
<b>External Sector</b>												
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	16,325	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	16,235	16,245	16,121	16,121	15,595	14,897
<b>Commodity Price</b>												
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
<b>Interest Rate</b>												
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
<b>Banking Sector</b>												
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
<b>Real Sector</b>												
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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