

Trade balance showed larger surplus in October 2023

Economic Indicators	2022	2023F
Real GDP (% yoy)	5.31	5.04
Inflation (% yoy, eoy)	5.51	3.00
Inflation (% yoy, avg)	4.21	3.79
IDR/USD (eoy)	15,568	15,523
CA (% of GDP)	0.99	-0.65
BI 7-day RR Rate (%)	5.50	6.00

F = OCE BMRI forecast
yoy = year-on-year
eoy = end of year
avg = average

Key Rates (%)	Dec-22	Nov-23*
BI 7-day RR Rate	5.50	6.00
Deposit Facility Rate	4.75	5.25
Lending Facility Rate	6.25	6.75
IDR 10Y Bond Yield	6.92	6.94
Fed Funds Rate	4.50	5.50
ECB Rate	2.50	4.50
BoE Rate	3.50	5.25
BoJ Rate	-0.10	-0.10

*) as of 15-Nov-23

Source: Bloomberg

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Exports recorded a smaller contraction in October, supported by stronger demand for non-oil and gas (NOG) exports.

- **Indonesia's exports fell by -10.43% yoy in Oct-23 (vs. -16.22% yoy in Sep-23).** The contraction is narrowing, signaling an improvement in exports the non-oil and gas.
- **The narrowing of export's contraction was mainly due to an increase in non-oil and gas exports by 7.42% mom or -11.36% yoy.** This strengthening was due to increasing demand for mineral fuels, especially coal from China and India, align with their target to improve their energy inventories. In addition, the commemoration of Diwali in India which will be peaked in Nov-23 also drove the demand for mineral fuels.
- On a monthly basis, exports rose by 6.76% mom (compared to -5.69% mom contraction in Sep-23) as exports of major export commodities, namely coal, CPO, Iron and steel and precious metals experienced a considerable increase.
- The export value of coal, CPO, iron and steel and precious metals increased by 24.61% mom, 4.71% mom, 5.76% mom and 43.1% respectively. The rise in precious metal exports is driven by price factor, which is rising by 7.32% mom.
- Based on the main destination countries, NOG exports to China, India, and Japan also showed an increase, at 11.96% mom, 24.91% mom, and 11.23% mom, respectively.
- On a year-to-date basis (10M23), exports contracted by -12.13% yoy, significantly slowing down from 30.90% yoy in the same period last year (10M22).

Imports also contracted in Oct-23, but the contraction was getting narrower as imports of consumer goods implies a strong domestic economy.

- Indonesia's imports slumped by -2.43% yoy in Oct-23 (compared to -12.45% in Sep-23). The contraction has been narrowing since the last three months as domestic demand for raw materials strengthened.
- On a monthly basis, imports rose by 7.66% mom (compared to -8.15% mom in Sept-23). All categories of imports increased which could give an indication of stronger spending in the economy during Oct-23. Raw materials and capital goods also increased, in line with production demand which is still in the expansion zone.
- During Jan–Oct-23, consumer goods cumulatively rose 6.96% yoy, capital goods rose 9.32% yoy while raw materials decline by -12.65% yoy. Thus, during the first 10 months of this year (10M23), imports still contracted by -7.77% yoy, contrary to 10M22 growth of 27.72% yoy.

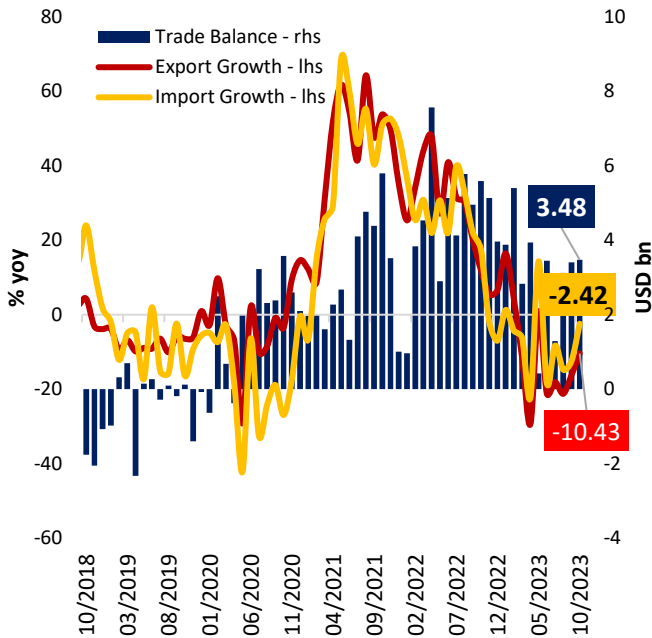
The trade balance recorded a slightly wider surplus, marking the 42nd consecutive month of surplus since May-20. However, the surplus significantly narrowed compared to the same period last year.

- Indonesia's trade surplus increased slightly from USD3.40 bn in Sep-23 to USD3.48 bn in Oct-23.
- When evaluating the aggregate performance for the first ten months, the trade surplus has decreased from USD45.40 bn in 10M22 to USD31.22 bn in 10M23.

OUR VIEW: We see that export will still be negatively impacted by global economic slowdown in 2023, yet, import could be supported by strong domestic activities ahead of election year.

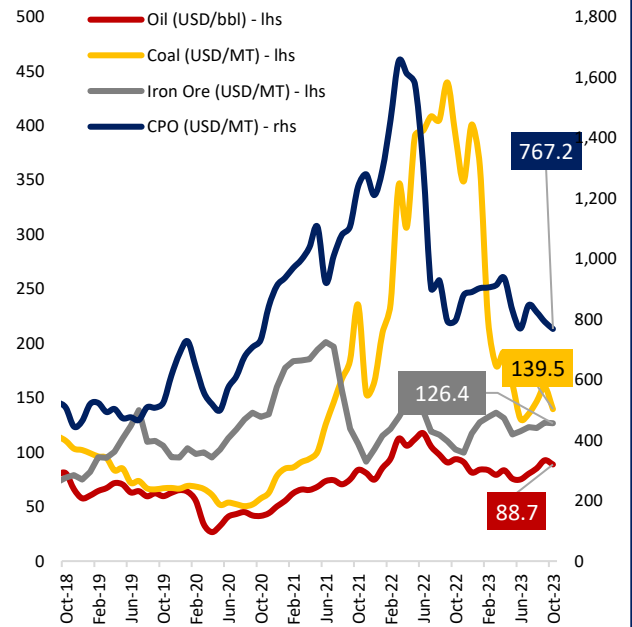
- We see that the export performance in the remaining two months of 2023 will experience a slight slowdown, in line with lower commodity prices, in line sluggish global demand amidst high global inflation and ongoing high benchmark interest rates.
- Consequently, we will see Indonesia's trade surplus narrowing, due to the weak economic performance of export destinations countries.
- For the remainder of 2023, we realize that Indonesia's export performance will be negatively impacted by external factors in the global market. The prolonged high interest rate environment implemented by central banks may reduce export and import activities between countries. Recent projections from the International Monetary Fund (IMF) also show that world trade volume will decline from 5.1% in 2022 to only 0.9% in 2023. We also see that China, one of our major export destinations, has shown some softness in the economic indicators as they struggle with weak domestic demand along with a slump in the property sector and purchasing power.
- On the other hand, in the remaining 2023, imports of consumer goods and raw materials will tend to increase amid the celebration of New Year and Christmas and the preparation of national election next year.

Trade Performance



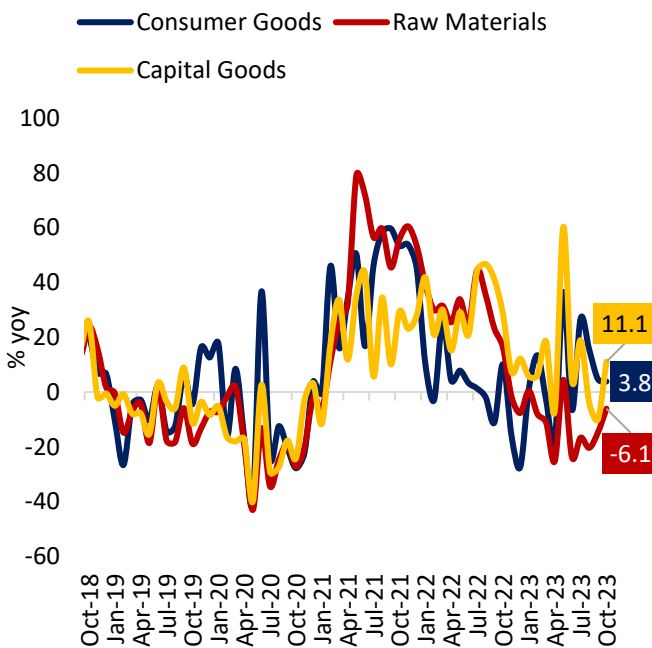
Source: BPS

Commodity Prices



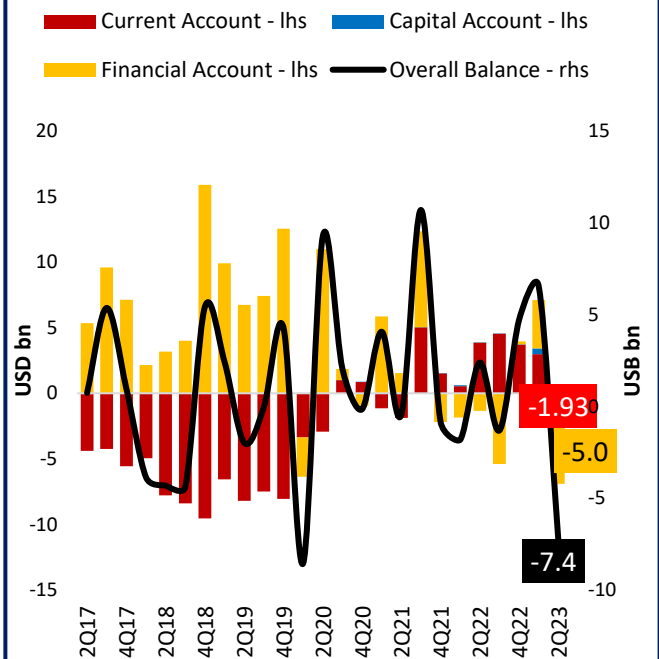
Source: Bloomberg

Import Group



Source: BPS

Current Account Balance



Source: Bank Indonesia

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