Macro Brief
Office of Chief Economist
TRADE BALANCE

16 October 2023

Trade balance continuously shows surplus in September 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	14,864
IDR/USD (avg)	14,874	15,031
CA (% of GDP)	0.99	-0.65
BI 7-day RR Rate (%)	5.50	5.75

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

Key Rates (%)	Dec-22	Oct-23*
BI 7-day RR Rate	5.50	5.75
Deposit Facility Rate	4.75	5.00
Lending Facility Rate	6.25	6.50
IDR 10Y Bond Yield	6.92	6.82
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 16-Oct-23*

Source: Bloomberg

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Exports continued to decline, indicating sluggish global demand.

- **Indonesia's exports fell by -16.79% yoy in Sep-23 (vs. -21.24% yoy in Aug-23).** This marks the fourth consecutive month of export contraction amid weak commodity prices, in line with weakening global demand.
- **The decline in exports was mainly caused by a decline in non-oil and gas (NOG) exports by -6.41% mom or -17.7% yoy.** The weakness was based on lower demand for crude palm oil (CPO) from India as the largest importer from Indonesia, due to high stockpiles. In addition, the decline in coal prices compared to last year's high base also contributed to the weak NOG exports in Sep-23.
- On a monthly basis, export fell by -5.63% (compared to 5.44% mom in Aug-23) as exports of key export commodities, namely coal and CPO, registered a contraction.
- The export value of mineral fuels excluding oil and gas products (HS 27) which is mostly coal; animal/vegetable fats and oils (HS 15) which is mostly CPO; and metal seeds, crusts, and ashes (HS 26) each fell by -5.25% mom, -20.54% mom, and -23.80% mom, respectively. In addition, the decline in NOG exports was also due to the implementation of the bauxite export ban since June 2023.
- Based on the main destination countries, NOG exports to China, the US, India, and Japan also showed a decline, at -3.69% mom, -13.80% mom, -18.55% mom, and -11.67% mom, respectively.
- Year to date (9M23) exports has contracted by -12.32% yoy, slowing down significantly from 33.45% yoy, compared to the same period last year (9M22).

Imports still contracted towards the end of the year, indicating weakness on global slowdown impacting the domestic economy.

- Indonesia's imports slumped by -12.45% yoy in Sep-23 (vs. -14.77% yoy in Aug-23). This is the fourth consecutive month of contraction.
- On a monthly basis, imports declined by -8.15% mom (compared to 3.53% mom in Aug-23) due to a decline in the imports of consumer goods which may give early indication of a softening spending in Sep-23. Furthermore, the ban on e-commerce to sell imported goods worth less than USD 100 also contributed to the decline in imports of consumer goods.
- On a monthly basis, all import groups recorded a decline, with raw goods imports contracting the least. Imports of consumer goods, raw materials, and capital goods each fell by -22.10% mom, -4.86% mom, and -12.27% mom, respectively. The decline in consumption goods imports was mainly driven by lower purchase of electrical equipment, machinery and vehicle parts.
- Up to Sep-23, consumer goods have cumulatively rose by 4.74% yoy, while raw materials and capital goods fell by -14.83% yoy and -10.01% yoy respectively. Thus, during the first 9 months of this year (9M23), imports have contracted by -8,3% yoy, contradicting the 9M22 growth of 28.9% yoy.

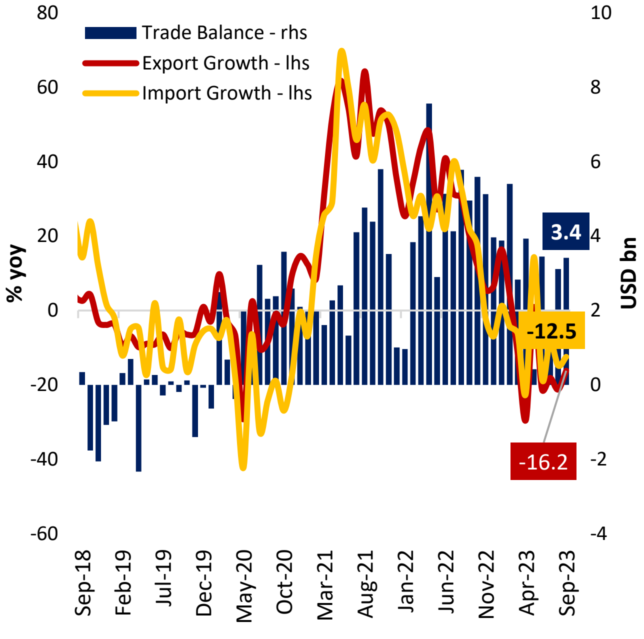
The trade balance in Sep-23 recorded a slightly wider surplus, marking the 41st consecutive month of surplus since May 2020. Yet, the surplus significantly narrowed compared to the same period last year.

- Indonesia's trade surplus increased from USD3.12 billion in Aug-23 to USD3.42 billion in Sep-23.
- When evaluating the aggregate performance for the first eight months, the trade surplus has declined from USD39.80 billion in 9M22 to USD27.75 billion in 9M23.

OUR VIEW: We continue to maintain our prediction that the current account balance (CA) will exhibit a manageable deficit in 2023.

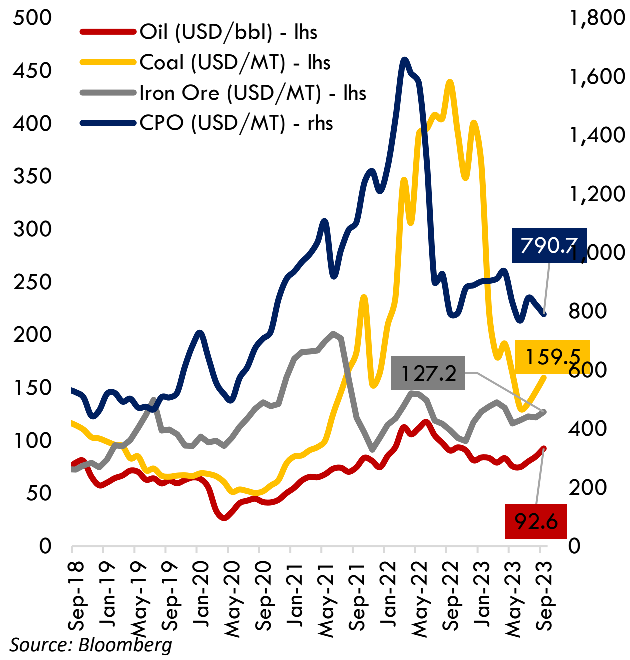
- Export performance until the end of the year is expected to continue to decline due to low commodity prices, driven by sluggish global demand, amidst high inflation and ongoing policy rate hikes.
- Consequently, we will see Indonesia's trade surplus narrowing, due to the weak economic performance of export destinations countries. We expect CA to record a small deficit of -0.65% of GDP in 2023 (vs. 0.99% of GDP surplus in 2022).
- In the remainder of 2023, we recognize that Indonesia's export performance would be mostly affected by external factors in the global market. The *higher for longer* policy rates implemented by central banks could dampen export and import activities between countries, as a trend of strong USD could make trading relatively more expensive. The latest projection by International Monetary Fund (IMF) also showed that world trade volume will notably decrease from 5.1% in 2022 to only 0.9% in 2023. In the meantime, China, one of our main export destinations, has shown alarming indicators as they struggled with its muted domestic demand along with a slump in the property sector. Yet, Chinese government has consistently rolled out some policy stimulus which is expected to be able to boost the economy.
- As for imports, the government has banned the import of goods below USD 100 through e-commerce through Minister of Trade Regulation No. 31 of 2023 which took effect on September 26. This regulation aims to protect and improve the competitiveness of local products, so as to support domestic producers and inhibit imports of consumer goods, which in turn can also support the performance of the trade balance.
- Until the end of 2023, and before the election year, imports will still be weak as entrepreneurs tends to wait and see the direction of the new government's policies, especially imports of capital goods and raw materials will still be low.

Trade Performance



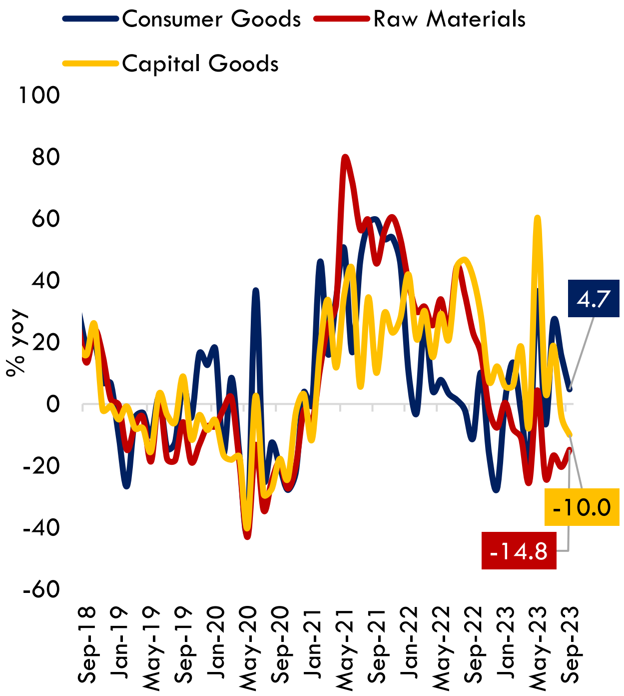
Source: BPS

Commodity Prices



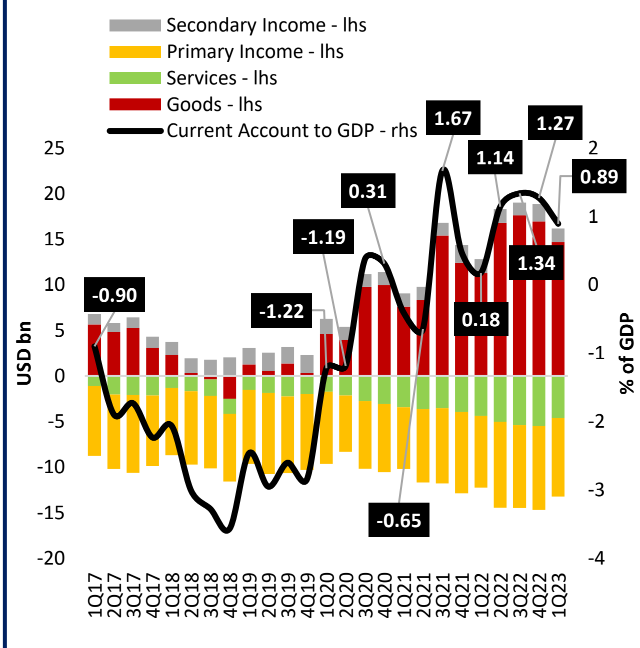
Source: Bloomberg

Import Group



Source: BPS

Current Account Balance



Source: Bank Indonesia

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