

Trade Surplus Widened Slightly as Export Improved More Than Anticipated

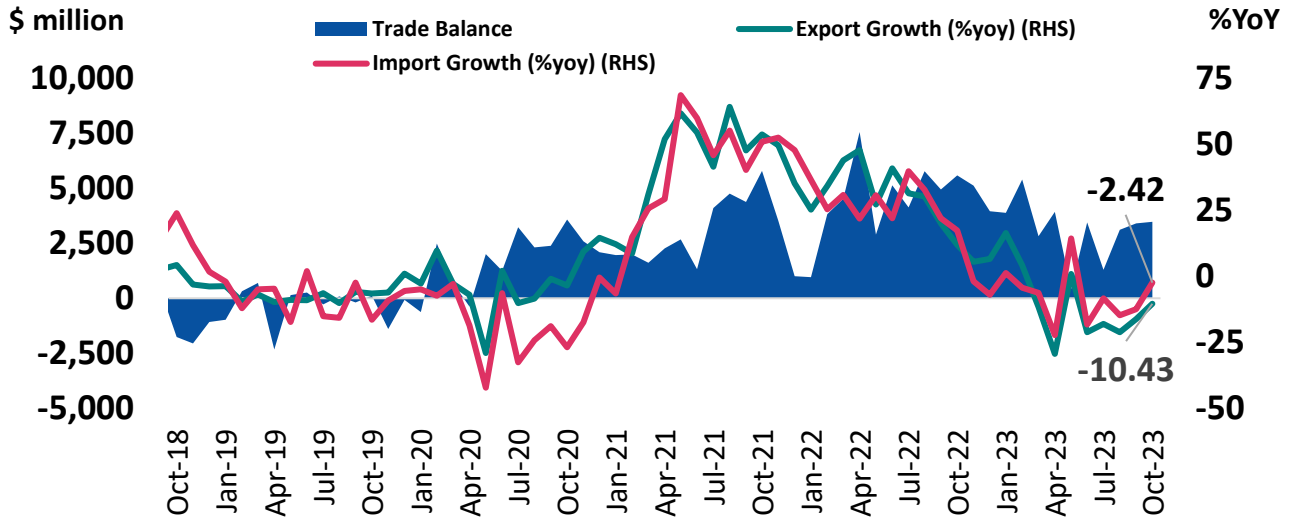
Authors: Josua Pardede – Chief Economist – josua.pardede@permatabank.co.id – 021-5237788 (8029650)
Faisal Rachman – Head of Macro. & Fin. Market Research – faisal.rachman1@permatabank.co.id – 021-5237788 (8044866)
Adjie Harisandi – Head of Industry & Reg. Research – adjie.harisandi@permatabank.co.id – 021-5237788 (8041640)
Qolbie Ardie – Economist – qolbie.ardie@permatabank.co.id – 021 5237788 (8038871)

Trade Review

- **The trade surplus increased as the value of exports surpassed expectations.**
Trade surplus expanded modestly to USD3.48 billion in Oct'23 from USD3.42 billion in Sep'23, driven by export growth exceeding projection. On an annual basis, both exports and imports declined as commodity prices continued to normalize. The cumulative trade surplus for Jan – Oct'23 stood at USD27.75 billion, notably lower than the USD39.85 billion surplus recorded from Jan – Sep'22.
- **Exports experienced an uptick driven by increased demand for coal.**
The growth in exports surpassed expectations, particularly due to a substantial monthly increase in the export of mining products, notably coal, compared to the preceding month. Mining product exports exhibited a 20.47%mom rise, although they still displayed an annual contraction of -28.57%yoy. Coal emerged as the primary contributor to the upswing in mining product exports, evident in the USD673.1 million increase in the export value of HS27 (mineral fuel excluding oil and gas). Despite a 12%mom decrease in coal prices in Oct'23, the export value for coal surged by 24.11%mom, indicating a robust volume of coal exports during the month. The heightened volume of coal exports was attributed to increased coal production resulting from drier conditions in Indonesia, coupled with heightened demand from the country's trading partners ahead of winter. In addition to coal, precious metals (HS 71), including gold, played a significant role in driving exports in Oct'23, with an increase of USD208.2 million. The surge in gold prices contributed to the stronger export value of precious metal products. China and India were key destinations, with higher exports leading to a growth of USD617.6 million and USD373 million, respectively. In summary, overall exports increased by 6.76%mom but still saw a -10.43%yoy contraction. Cumulatively, exports from Jan – Oct'23 contracted by -12.1%yoy compared to the same period in 2022.
- **Imports saw a resurgence driven by the influx of machinery.**
Following two consecutive months of contraction, imports rebounded in Oct'23, recording a growth of 7.68%mom, despite an annual contraction of -2.42%yoy. The notable increase in imports was chiefly attributed to the higher importation of machinery products, with mechanical machinery (HS 84) and electrical machinery (HS 85) experiencing growths of USD386.8 million and USD292.2 million, respectively. Among import categories, capital goods (accounting for approximately 17.61% of total imports) registered the highest increase, rising by 11.08%yoy or 14.52%mom. The heightened import of capital goods reflects a robust expansion in Indonesia's manufacturing sector and increased fixed investment activities, signaling the potential for continued strong economic growth in 4Q23. Conversely, oil and gas imports contracted by 3.66%mom due to a decline in global oil prices. Cumulatively, imports from Jan – Oct'23 declined by 6.1%yoy compared to the same period in 2022.
- **Economic implication.**
The robust trade surplus observed in Oct'23 was driven by heightened demand for Indonesia's commodities due to the seasonal impact of winter. Given the ongoing subdued energy prices, it is anticipated that the surge in commodity exports is temporary, leading to a subsequent decline in exports. Conversely, with the manufacturing sector in Indonesia maintaining strength in anticipation of the 2024 general election, there is an expectation that imports will likely increase in the future. These dual factors are poised to exert downward pressure on the trade surplus, particularly in Nov and Dec'23.

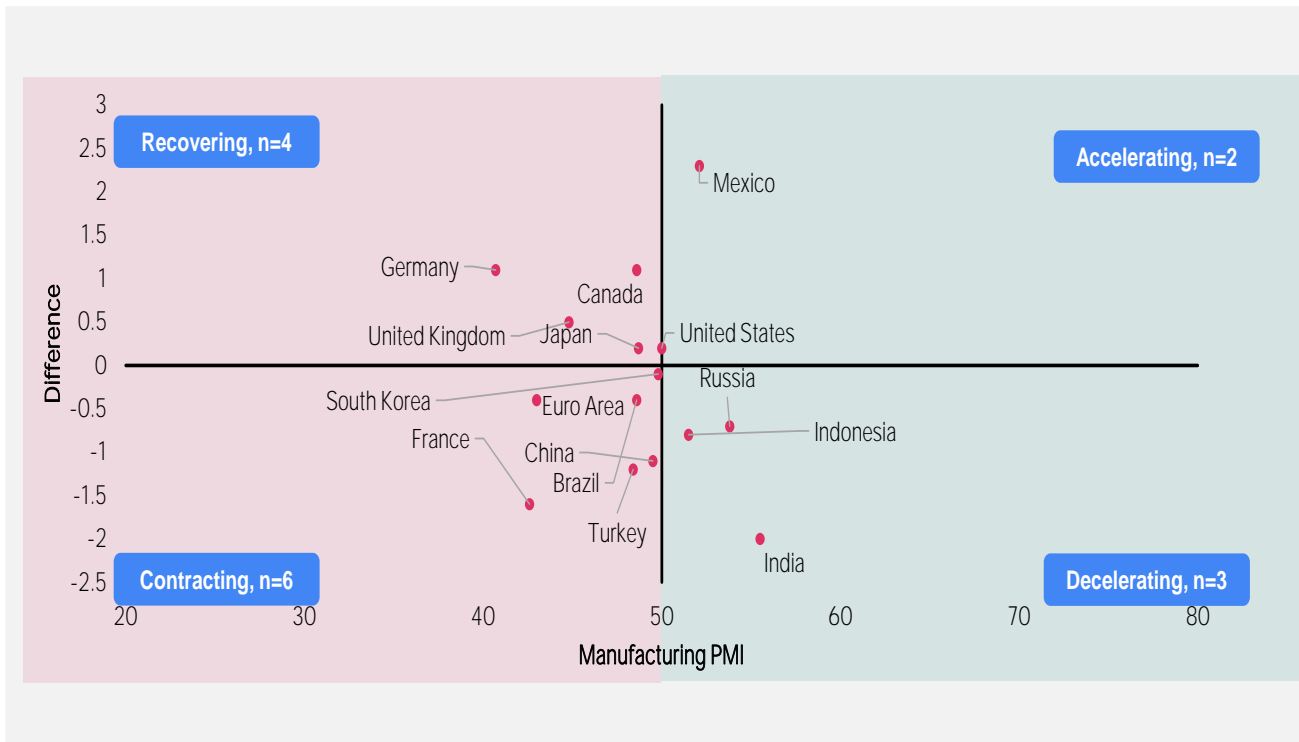
The anticipated reduction in the year-end trade surplus is expected to impact the performance of the Current Account (CA) balance in 4Q23, potentially falling even lower than the levels observed in 2Q23 and 3Q23. Consequently, a modest deficit of -0.28% of GDP is forecasted for CA for full-year 2023, in contrast to the surplus of 0.96% of GDP recorded in 2022.

Indonesia's Trade Performance



Source: BPS & PermataBank Economic Research

Global Manufacturing Activities



Source: Bloomberg & PermataBank Economic Research

Prices of Commodities 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
FY2022	291,932	276,067	15,865	237,447	197,031	40,416	54,485	79,037	-24,551
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	22,148	20,777	1,372	18,673	15,466	3,207	3,476	5,311	-1,835
Jan-Oct'22	244,010	230,732	13,278	198,622	164,211	34,411	45,388	66,522	-21,133
Jan-Oct'23	214,408	201,307	13,162	183,192	154,223	28,969	31,216	47,084	-15,807
Growth	-12.1	-12.8	-0.9	-7.8	-6.1	-15.8			

Macro Economic Indicator

Indicators	2018	2019	2020	2021	2022	2023F	2024F
Inflation (%YoY)	3.1	2.7	1.7	1.9	5.51	2.89	3.17
Exchange Rate Eop (Rp/US\$)	14,390	13,866	14,050	14,253	15,568	15,300	15,124
Current Account (% GDP)	-3.0	-2.7	-0.4	0.28	1.00	-0.28	-1.75
Fiscal Balance (% GDP)	-1.8	-2.2	-6.1	-4.7	-2.4	-2.3	-2.3
BI 7RR	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	8.7
Deposit Growth (%)	6.4	6.5	11.1	12.2	9.0	5.7	5.9
Car Sales (1000 Units)	1,150	1,030	532	887	1,048	1,062	1,084
Car Sales Growth (%)	6.50	-10.61	-48.35	66.73	18.16	1.32	2.10
Motorcycle Sales (1000 Units)	6,383	6,487	3,663	5,057	5,221	5,997	6,169
Motorcycle Sales Growth (%)	8.45	1.63	-43.54	38.06	3.25	14.84	2.87
Unemployment Rate (%)	5.40	5.16	7.07	6.49	5.86	5.60	5.40
International Reserve (US\$ bn)	120.7	129.2	135.9	144.9	137.2	137.0	148.6
Fed Rate	2.50	1.75	0.25	0.25	4.50	5.75	5.25
GDP Growth (%)	5.17	5.02	-2.07	3.69	5.31	5.07	5.09

Note : the red numbers are forecast

Source : PermataBank Economic Research

PermataBank Economic Research

Josua Pardede josua.pardede@permatbank.co.id	Chief Economist	+62215237788 ext. 8029650
Faisal Rachman faisal.rachman1@permatbank.co.id	Head, Macro. & Fin.Market Research	+62215237788 ext. 8044866
Adjie Harisandi adjie.harisandi@permatbank.co.id	Head of Industry & Reg.Research	+62215237788 ext. 8041640
Qolbie Ardie qolbie.ardie@permatbank.co.id	Economist	+62215237788 ext. 8038871
Ani Utami ani.utami@permatbank.co.id	Industry Analyst	+62215237788 ext. 8044741

PT. Bank Permata,Tbk.

WTC II, 28th Floor
 Jl. Jend Sudirman Kav.29-31
 Jakarta 12920, Indonesia
 Telephone: +62 21 523 7788
 Fax: + 62 21 523 7253

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