

Trade Surplus Narrows, Raising Concerns of Rupiah Depreciation

Unexpectedly, Indonesia's trade surplus in Jul '24 dropped to USD0.47 bn (Cons: USD2.47 bn, KBVS: USD3.21 bn, Prev: USD2.39 bn), marking its lowest value since May '23 amid higher-than-expected intermediary goods import. This occurred despite Indonesia's FX Reserves rising by USD5.2 bn during Jul '24 (see Fig.5, P.3) and an 11.0% YoY increase in China's imports from ASEAN.

The development of the trade surplus was driven by exports growing at 6.46% YoY (Cons: 3.84% YoY, KBVS: 3.97% YoY, Prev: 1.17% YoY). The category with the highest increase was Ores, Slag, and Ash (HS26), which surged from only USD17.4 bn in Jun '24 to USD708.6 bn in Jul '24, representing nearly a 40-fold monthly increase. Other significant export growth came from Precious Metals and Jewelry (HS71), which rose by 51.11% MoM in Jul '24. Conversely, exports declined in three major categories with the highest values: Mineral Fuels (HS27) by -2.33% MoM; Iron and Steel (HS72) by -3.28% MoM; and Animal/Vegetable Fats and Oils (HS15) by -28.58% MoM during the same month. We are concerned that this may signal the declining competitiveness of Indonesian export products, especially amid the Rupiah's depreciation in the same period (see Fig.6, P3). This is also reflected in the increasing concentration of Non-Oil & Gas Exports to the top 13 destination countries (+7.00% MoM), while exports to other countries rose only by 3.53% MoM, raising concerns about the lack of diversification in Indonesia's export markets.

On the other hand, imports grew at a higher rate of 11.07% YoY (Cons: -1.13% YoY, KBVS: -5.55% YoY, Prev: 7.58% YoY), with the increase primarily driven by categories of Raw Materials/Semi-Finished Goods (+17.2% MoM) and Capital Goods (+21.2% MoM). Specifically, this is reflected in the rise of imports of Mineral Fuels (HS27) by +71.26% MoM; Articles of Iron and Steel (HS73) by +41.72% MoM; and Vehicles and Parts (HS87) by +32.87% MoM. However, we hope that these increased imports can be processed domestically and eventually be re-exported by Indonesia within the next 1 to 3 months.

Given the narrowing trade surplus, in the short term, we anticipate this will lead to a depreciation of the Rupiah to IDR 15,800-IDR 16,000 per USD by the end of Aug '24, despite the weakening DXY and the rising prospects of a Fed Rate Cut. Concurrently, we also expect that the decline in the SUN10Y yield will likely be smaller compared to other government bonds, even though the SUN10Y-UST10Y yield spread continues to widen to 273.60 bps in Jul '24, its highest level since May '23.

Fig 1. Trade Balance

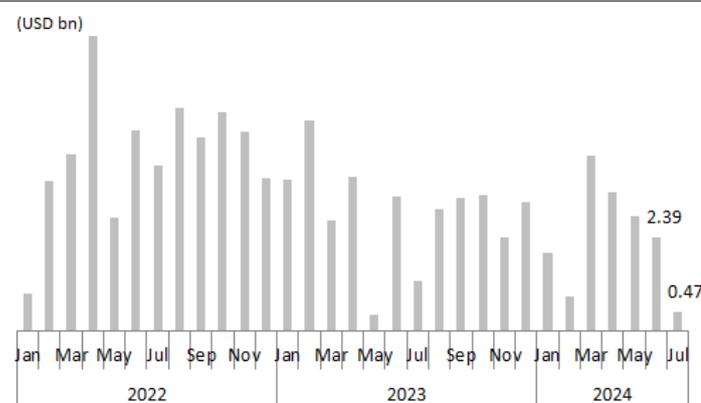


Fig 2. Export and Import Growth

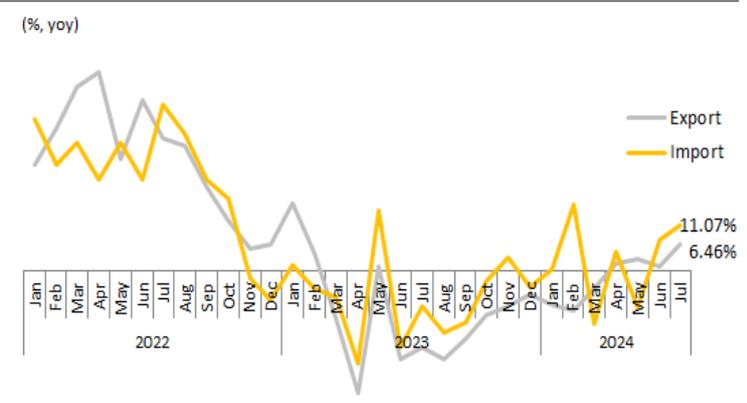
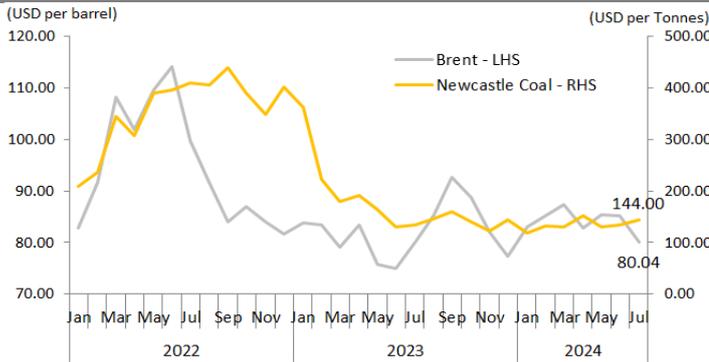
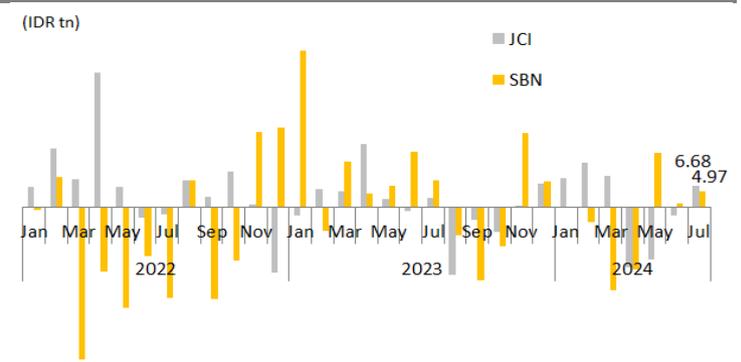


Fig 3. Oil and Coal Price



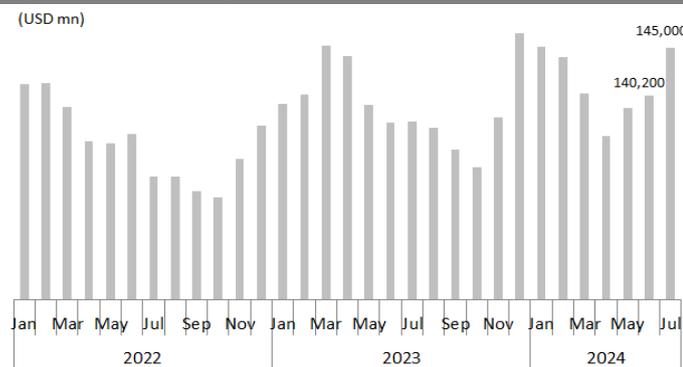
Sources: Bloomberg, KBVS Research - treated (2024)

Fig 4. Monthly Non Resident Capital Flows



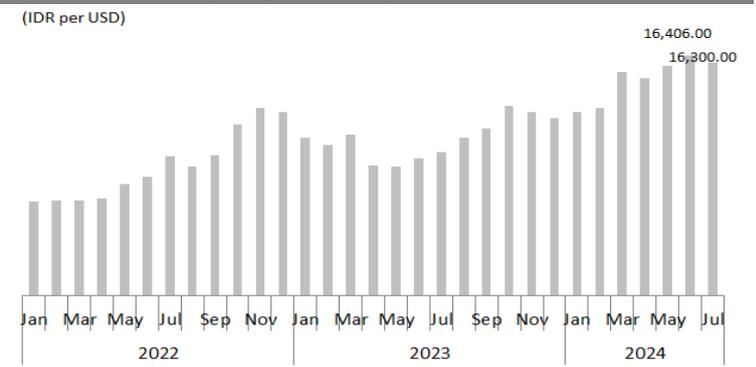
Sources: Bloomberg, KBVS Research - treated (2024)

Fig 5. Indonesia's Foreign Reserves



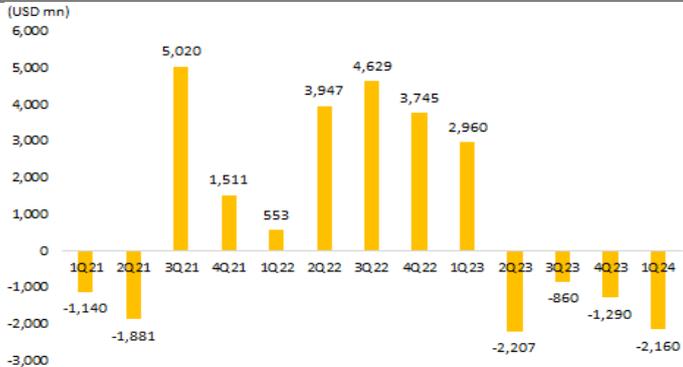
Sources: Bank Indonesia, KBVS Research - treated (2024)

Fig 6. Monthly Average Rupiah Exchange Rate



Sources: Bank Indonesia, KBVS Research - treated (2024)

Fig 7. Indonesia's Current Account



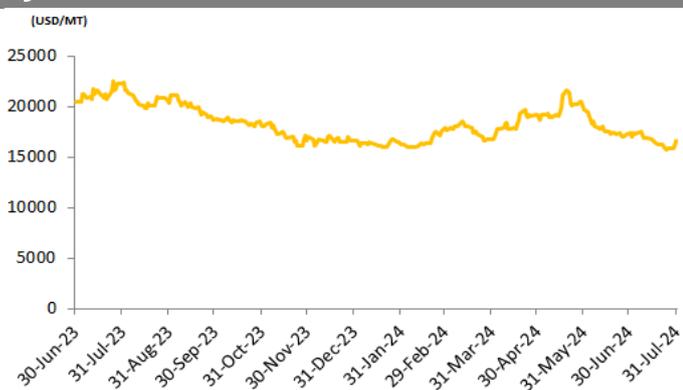
Sources: Bank Indonesia, KBVS Research - treated (2024)

Fig 8. Steel Rebar Price



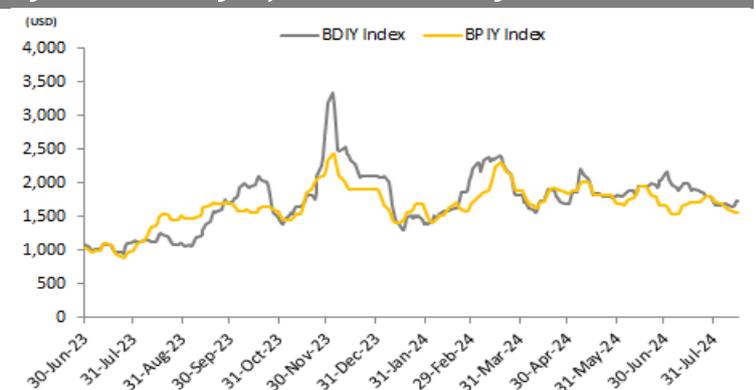
Sources: Bloomberg, KBVS Research - treated (2024)

Fig 9. Nickel Price



Sources: Bank Indonesia, KBVS Research - treated (2024)

Fig 10. Baltic Exchange Dry Index & Baltic Exchange Panamax Index



Sources: Bloomberg, KBVS Research - treated (2024)

Table 1. Indonesia's Trade Balance				
Indicators	Value (USD bn)		Growth (%)	
	Latest	M-1	Mom	YoY
Total Export	22.21	20.85	6.55	6.46
Oil and Gas	1.43	1.23	15.99	15.99
- Crude Oil	0.21	0.22	-5.40	88.09
- Processed Oil	0.34	0.17	102.44	-6.96
- Gas	0.88	0.84	3.81	16.48
Non-Oil and Gas	20.79	19.61	5.98	5.87
- Agriculture, Forestry, and Fisheries	0.50	0.39	26.24	31.98
- Manufacturing	16.51	16.06	2.82	4.56
- Mining & Others	3.77	3.16	19.51	8.79
Total Import	21.74	18.45	17.82	11.07
Oil and Gas	3.56	3.27	8.78	13.59
- Crude Oil	1.09	1.13	-3.32	-11.69
- Processing Oil	2.47	2.14	15.14	30.00
- Gas	0.00	0.00	0.00	0.00
Non-Oil and Gas	18.18	15.18	19.76	10.60
Import Based on the Goods Usage Classification				
Consumption Goods	2.07	1.78	16.79	-0.81
Raw/Auxiliary Materials	16.03	13.67	17.21	15.17
Capital Goods	3.64	3.00	21.21	2.04
Trade Balance	0.47	2.39	-80.29%	-63.97%
Oil and Gas Trade Balance	-2.13	-2.04	-4.06%	11.88%
Non-Oil and Gas Trade Balance	2.61	4.43	70.10%	-18.79%

Sources: BPS, KBVS Research - treated (2024).

Table 2. Indonesia's Non-Oil and Gas Main Trading Partner in Jul'24

Countries	Share Export From Indonesia	Share Import To Indonesia	Trade Balance With Indonesia	Latest PMI Manufacturing
China	23.09	35.49	-1,707.00	49.8
Japan	7.85	7.18	374.20	49.1
US	10.39	4.92	1,273.80	49.6
India	8.94	2.43	1,234.00	58.1
Thailand	1.96	5.09	-602.80	47.5
South Korea	3.78	4.49	23.70	51.4
Singapore	2.62	1.90	117.00	52.9
Malaysia	2.96	5.04	431.30	50.7
Australia	4.07	3.08	25.90	49.7
Taiwan	2.30	5.21	-391.30	52.8
Germany	0.96	1.85	-123.20	43.2
Netherlands	1.84	0.43	294.00	49.2
Italy	0.98	0.85	50.80	47.4
Total 13 Countries	71.74	77.96	1,000.40	
Others	28.26	22.04	1,606.30	
Total	100.00	100.00	2,606.70	

Sources: BPS, KBVS Research - treated (2024).

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