

Indonesia Trade Indicators

	April	May
Exports yoy	-29.4%	1.0%
- Oil & gas yoy	-12.2%	-12.1%
- Non-oil & gas yoy	-30.3%	1.9%
Imports yoy	-22.3%	14.4%
- Oil & gas yoy	-22.5%	-6.5%
- Non-oil & gas yoy	-22.3%	18.9%
Trade balance (USD bln)	3.9	0.4
- Oil & gas balance	-1.7	-1.8
- Non-oil & gas balance	5.6	2.3
Selected Export Partners yoy		
China	-15.9%	4.0%
Japan	-37.7%	8.3%
USA	-35.9%	-0.2%
ASEAN	-42.0%	-2.4%
EU	-28.6%	7.4%
Selected Import Partners yoy		
China	-18.9%	17.3%
Japan	-28.7%	26.1%
USA	-20.5%	24.8%
ASEAN	-29.6%	58.6%
EU	10.3%	50.9%
Types of Goods Imported yoy		
Consumption goods	-17.7%	36.5%
Intermediary goods	-25.3%	4.4%
Capital goods	-6.9%	60.3%

Source: BPS, SSI Research

Post-Eid manufacturing rally put pressure on trade balance surplus

Indonesia's trade balance surplus fell sharply in May to USD 440mn, much lower than expected (Cons: USD 3.1bn; SSI: USD 3.3bn). In our opinion, the freefall was mainly caused by post-Eid manufacturing and investment rally, which boosted imports and the export value of manufacturing products. Thus, the contribution of commodity exports (which experienced considerable pressure from the global commodity slump) fell to 35.8% of total exports from 41.1% in the previous month. However, we believe the manufacturing rally is only temporary, since the manufacturing PMI survey conducted in May showed a drop in the number of new orders due to the global economic slowdown.

Indonesia's trade balance surplus fell sharply to USD 440mn in May (Apr: USD 3.9bn; Cons May: USD 3.1bn; SSI : USD 3.3bn), mainly due to the turnaround in imports, which grew by +14.4% yoy (Apr: -22.3% yoy; Cons May: -9% yoy; SSI: -18% yoy), driven by increased production and investment activities. The production rally was reflected in the growth in imports of raw materials by USD 3.7bn to USD 15.3bn (32% mom or 4.4% yoy), while the increase in investment activities was reflected in imports of capital goods, which rose by USD 1.6bn to USD 3.9bn (66% mom or 60% yoy). The contribution from imports of consumer goods was lower than imports of raw materials and capital goods, which went up by USD 670mn to USD 2.1bn (48% mom or 36.5% yoy). The increase in production and consumption activities in May was consistent with the increase in workload mentioned in S&P's manufacturing PMI report (see [rilis PMI Mei](#)), though its impact is way more extreme than our estimate.

Increased production activity in May had a positive impact on exports of manufacturing products, leading to a drop in the proportion of commodity exports from 41.1% of total exports in April to 35.8% in May. The export value of manufacturing products increased considerably, including electrical machinery and equipment (HS 85) by 19.1% mom to USD 1.2bn, footwear (HS 64) by 35.7% mom to USD 600.8mn, vehicles and their components (HS 87) by 60.2% mom to USD 993.2mn, and mechanical machinery and equipment (HS 84) by 53.8% mom to USD 576.4mn. Meanwhile, commodity exports experienced considerable pressure from the global commodity slump (see Chart 1).

We believe that the increase in imports and exports of manufacturing products in May is only temporary, prompting us to keep our FY23 current account-to-GDP ratio projection at -0.1%. According to the results of the S&P survey in May, the recent manufacturing rally won't last long, since the number of domestic and foreign new orders has declined (mainly due to global economic slowdown). This is reflected in the May PMI data released earlier this month (see Chart 2). According to our estimates, the trade balance surplus will rebound to USD 2.6bn in June, as manufacturing production activities start to normalize.

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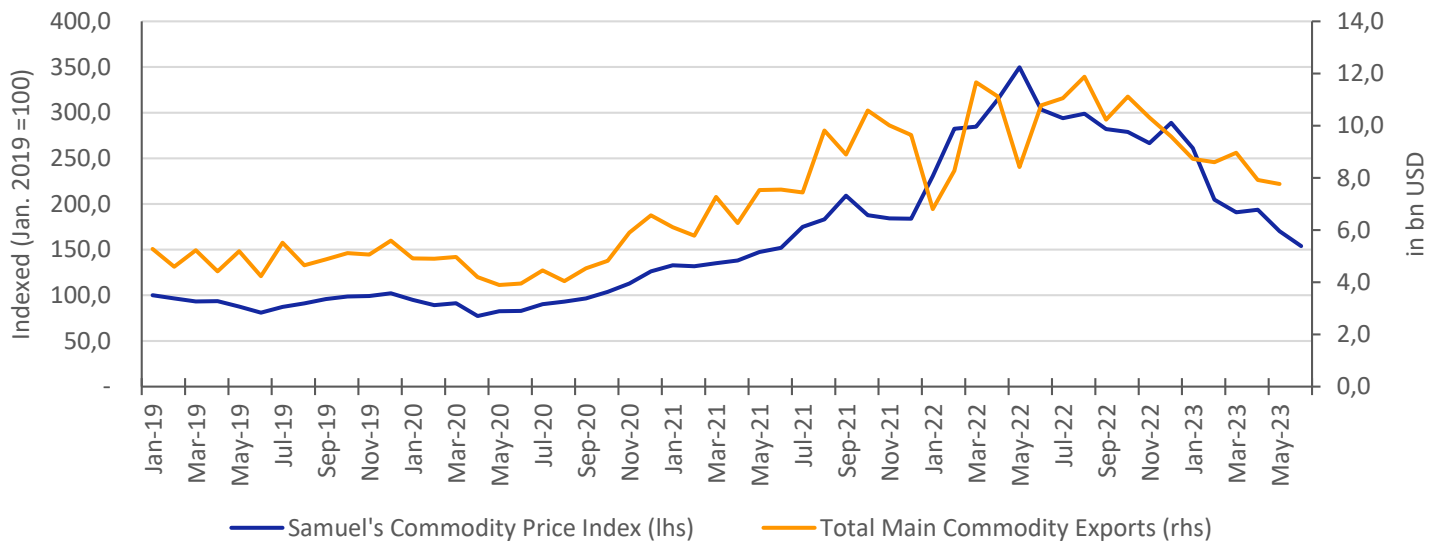
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Table 1. SSI Macroeconomic Forecast Table

Indicators (% yoy)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23F	3Q23F	4Q23F	FY21	FY22	FY23F
Real GDP (NSA % qoq)	(0.9)	3.3	1.5	1.1	(1.0)	3.7	1.8	4.0	(0.9)	3.4	1.7	0.6			
Real GDP	(0.7)	7.1	3.5	5.0	5.0	5.4	5.7	5.0	5.0	4.6	4.5	4.7	3.7	5.3	4.7
Unemployment rate (% nsa)	6.3	6.3	6.5	6.5	5.8	5.8	5.9	5.9	5.5	5.5	5.4	5.3	6.5	5.9	5.3
Consumer price	1.4	1.3	1.6	1.9	2.6	4.4	6.0	5.5	5.0	3.8	2.6	2.8	1.9	5.5	2.8
Current account balance (% to GDP)	(0.4)	(0.7)	1.7	0.5	0.2	1.1	1.3	1.3	0.9	(0.6)	(0.3)	(0.4)	0.3	1.0	(0.1)
12M rolling sum	(0.2)	(0.1)	0.3	0.3	0.4	0.9	0.8	1.0	1.2	0.7	0.3	(0.1)			
Fiscal balance (% to GDP)	(0.8)	(1.7)	(2.7)	(4.6)	0.1	0.4	0.3	(2.4)	0.6	(1.1)	(1.8)	(2.8)	(4.6)	(2.4)	(2.8)
Policy rate, 7 day reverse repo rate (%)	3.50	3.50	3.50	3.50	3.50	3.50	4.25	5.50	5.75	5.75	5.50	5.25	3.75	5.50	5.25
10-year government bond yield (%)	6.78	6.59	6.26	6.38	6.74	7.22	7.37	6.94	6.79	6.40	6.20	6.00	6.38	6.94	6.00
Exchange rate (USD/IDR)	14,525	14,500	14,313	14,253	14,369	14,898	15,228	15,568	14,995	14,600	14,700	14,900	14,253	15,568	14,900

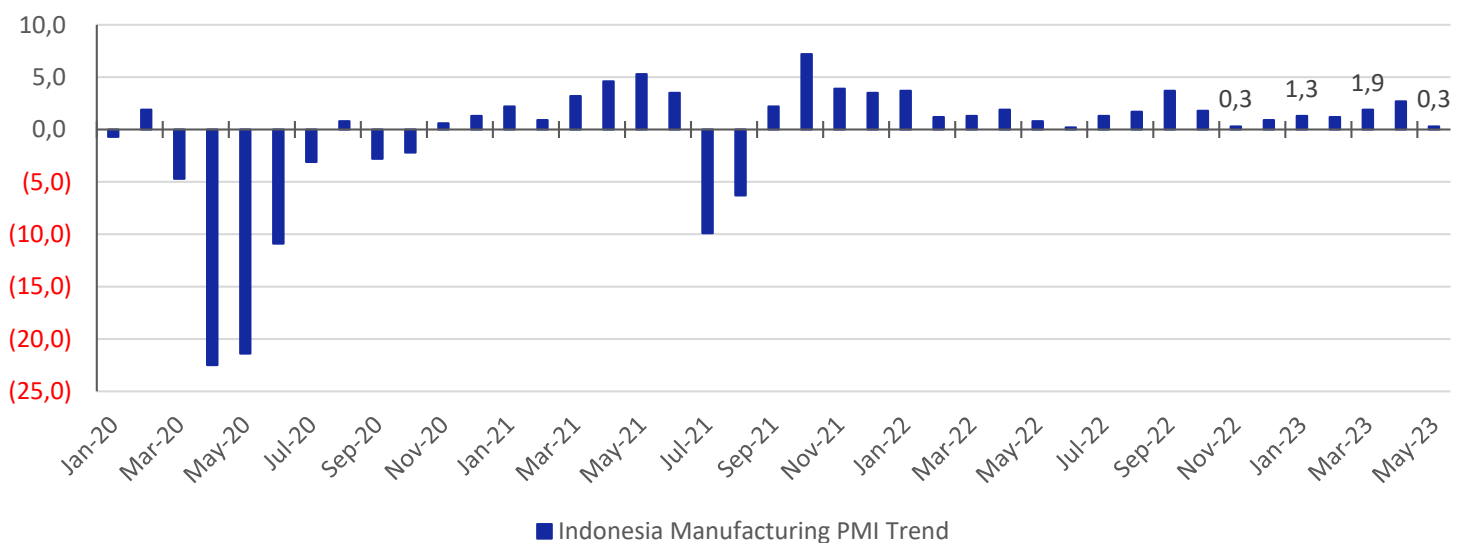
Source: SSI Research.

Chart 1. SSI's Commodity Export Tracker



Source: Bank Indonesia, SSI Research

Chart 2. SSI's Indonesia Economic Activity Indicator based on Manufacturing PMI



Source: Bank Indonesia, SSI Research

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