

Indonesia Trade Indicators

	May	June
Exports yoy	0.9%	-21.2%
- Oil & gas yoy	-12.5%	-18.7%
- Non-oil & gas yoy	1.9%	-21.3%
Imports yoy	14.3%	-18.3%
- Oil & gas yoy	-6.5%	-39.5%
- Non-oil & gas yoy	18.9%	-13.9%
Trade balance (USD bln)	0.4	3.5
- Oil & gas balance	-1.8	-1.0
- Non-oil & gas balance	2.3	4.4
Selected Export Partners yoy		
China	4.0%	-10.0%
Japan	8.2%	-23.2%
USA	-0.2%	-20.6%
ASEAN	-2.4%	-25.5%
EU	7.4%	-21.1%
Selected Import Partners yoy		
China	17.3%	-20.6%
Japan	26.1%	-4.0%
USA	24.8%	-1.3%
ASEAN	58.6%	-24.3%
EU	50.9%	24.6%
Types of Goods Imported yoy		
Consumption goods	36.5%	-6.6%
Intermediary goods	4.4%	-23.8%
Capital goods	60.3%	4.1%

Source: BPS, SSI Research

June trade numbers signal economic slowdown and current account deficit in 2Q23

Indonesia's trade balance surplus went up to USD 3.5bn in June, much higher than expected (Cons: USD 1.2bn; SSI: USD -0.6bn). The increase was mainly caused by a slowdown in domestic consumption, as well as disruptions in the supply chain of the manufacturing sector which caused imports of raw materials to drop by -19.2% mom or -23.8% yoy. Meanwhile, exports of main commodities fell -32.6% yoy, mainly due to the decline in average commodity prices of -49.3% yoy. We believe these numbers indicate an economic growth slowdown in 2Q23 to 4.6% yoy (1Q23: 5% yoy). In addition, we expect a drop in the 12-month rolling sum of Indonesia's current account surplus to 0.5% of GDP (Prev: 0.7%). Taking this into account, we revised our FY23 current account deficit projection to -0.6% of GDP (Prev: -0.1%).

Indonesia's trade balance surplus went up to USD 3.5bn in June (May: USD 0.4bn; Cons Jun: USD 1.2bn; SSI : USD -0.6bn), largely due to a much larger-than-consensus import contraction of -18.4% yoy (May: 14.4% yoy; Cons Jun: -4.2% yoy; SSI: -1.2% yoy), which itself was caused by the deteriorating supply of raw materials for manufacturing sector (see [rilis PMI Juni](#)) which led to a drop in raw material imports of USD -2.9bn to USD 12.4bn (-19.2% mom or -23.8% yoy). Meanwhile, imports of capital goods fell by USD -702mn to USD 3.2bn (-18% mom or 4.1% yoy). The slowdown in domestic consumption also contributed to the slowdown in imports, as reflected in the decline in imports of consumer goods by USD -483mn to USD 1.6bn (-23.3% mom or -6.6% yoy).

The combination of weakening manufacturing activity, consumption, and commodity exports indicates an economic slowdown in 2Q23. The total value of main commodity exports (coal, CPO, iron, and steel) fell by -32.6% yoy to USD 8.3bn (Jun 2022: USD 12.3bn) due to a -49.3% yoy drop in average global commodity prices (see Chart 1). According to our estimates, the June international trade data implies growth in exports and imports of goods and services in 2Q23 of 8% and 4% yoy, respectively (1Q23: 11.7% and 2.8% yoy). The slowdown in consumer goods imports in June also confirmed a slowdown in domestic consumption, as indicated by the consumer confidence index and Bank Indonesia's real sales index data. We project domestic consumption to grow 4.3% yoy in 2Q23 (1Q23: 4.5% yoy). Overall, we believe that the recently released data indicate a slowdown in GDP growth in 2Q23 to 4.6% yoy, in line with our projection (1Q23: 5% yoy).

In addition to a GDP growth slowdown, the June international trade data might imply the potential of a current account deficit in 2Q23. On a quarterly basis, Indonesia's trade balance recorded a surplus of USD 7.8bn in 2Q23, lower than both 1Q23 (USD 12.2bn) and 2Q22 (USD 15.6bn). Our estimate of the 2Q23 trade balance data suggests a larger-than-expected current account deficit of USD -4.6bn or -1.3% of GDP (Prev: -0.6% of GDP). Our estimate also indicates a drop in the 12-month rolling sum of Indonesia's current account surplus to 0.5% of GDP (Prev: 0.7%). Taking this into account, We decided to revise our FY23 current account deficit projection to -0.6% of GDP (see Table 1 and Chart 2), higher than BI's projected range (0.4% to -0.4%).

Lionel Priyadi

Macro Strategist

lionel.priyadi@samuel.co.id

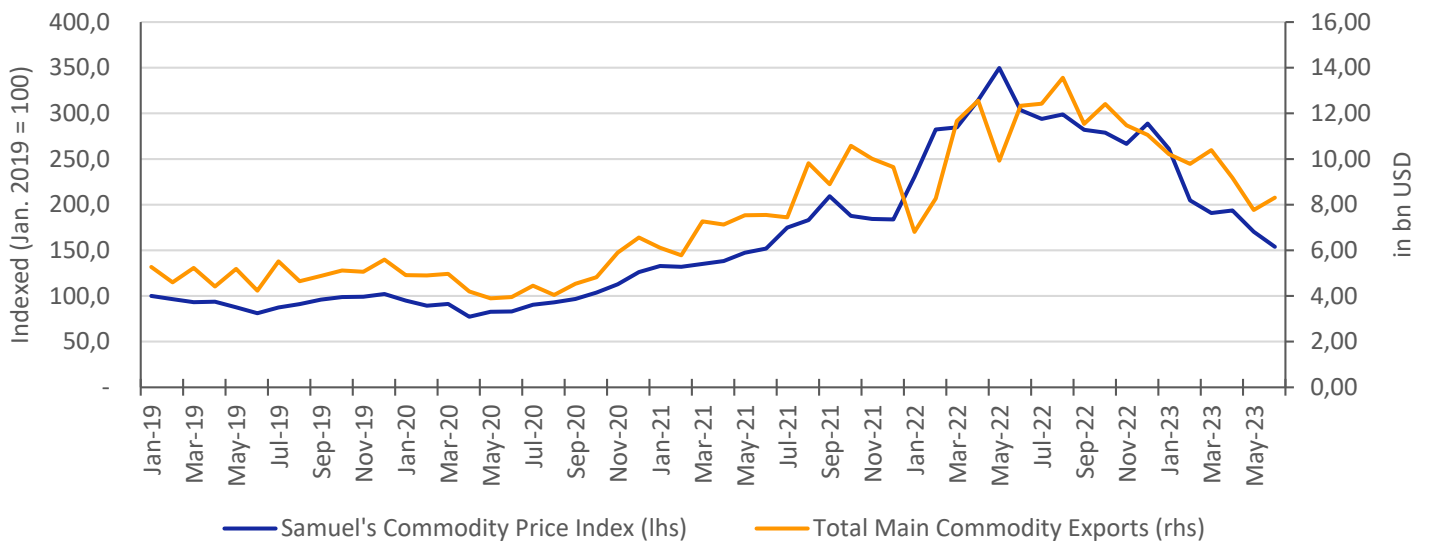
+6221 2854 8854

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	3.5	2.4	2.6	1.9	5.5	2.6
Current account balance (% to GDP)	(0.4)	(0.7)	1.7	0.5	0.2	1.1	1.3	1.3	0.9	(1.3)	(0.9)	(1.3)	0.3	1.0	(0.6)
12M rolling sum	(0.2)	(0.1)	0.3	0.3	0.4	0.9	0.8	1.0	1.2	0.5	(0.1)	(0.6)			
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	6.26	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	14,993	14,700	14,900	14,253	15,568	14,900

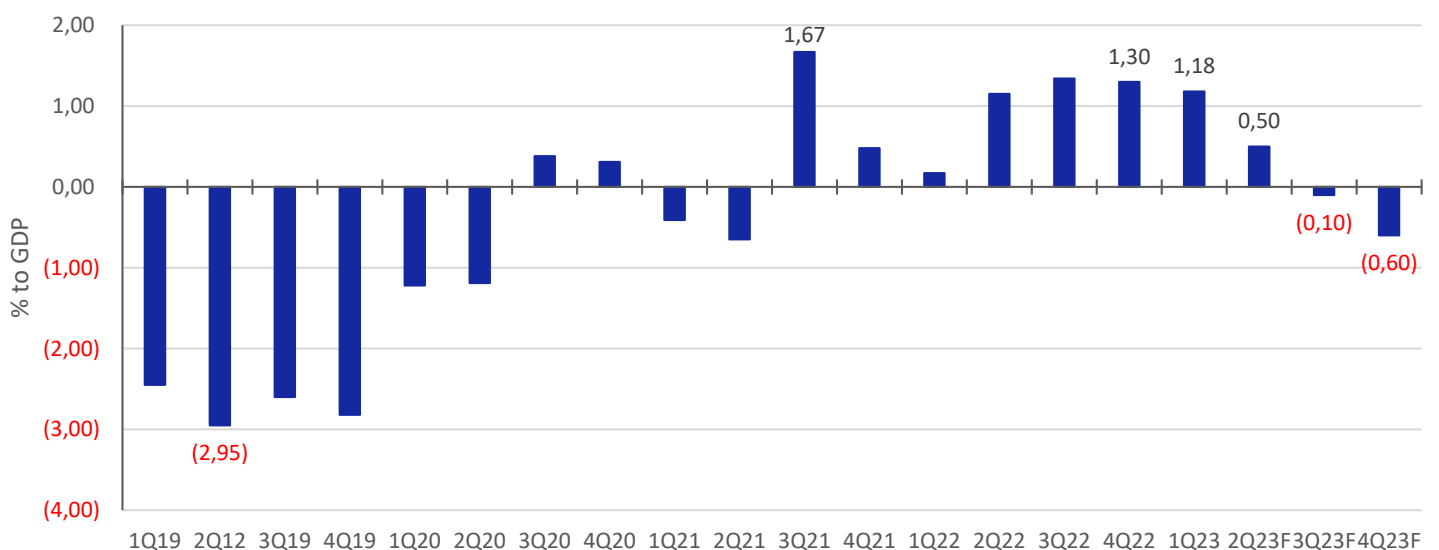
Source: SSI Research.

Chart 1. SSI's Commodity Export Tracker



Source: BPS, Bloomberg, SSI Research

Chart 2. SSI's Current Account Balance Projection



Source: Bank Indonesia, SSI Research

Research Team			
Prasetya Gunadi	Head of Equity Research, Strategy, Banking, Digital Banks	prasetya.gunadi@samuel.co.id	+6221 2854 8320
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
Muhamad Alfatih, CSA, CTA, CFTe	Senior Technical Analyst	m.alfatih@samuel.co.id	+6221 2854 8129
William Mamudi, CFTe, CMT, CCT	Senior Technical Analyst	william.mamudi@samuel.co.id	+6221 2854 8382
Yosua Zisokhi	Cement, Cigarette, Paper, Plantation, Telco Infra, Chemicals	yosua.zisokhi@samuel.co.id	+6221 2854 8387
M. Farras Farhan	Media, Poultry, Oil & Gas, Technology	farras.farhan@samuel.co.id	+6221 2854 8346
Pebe Peresia	Automotive, Consumer Staples, Retail	pebe.peresia@samuel.co.id	+6221 2854 8339
Juan Oktavianus Harahap	Coal, Metal Mining	juan.oktavianus@samuel.co.id	+6221 2854 8846
Jonathan Guyadi	Banking, Healthcare, Telco	jonathan.guyadi@samuel.co.id	+6221 2854 8321
Adolf Richardo	Editor	adolf.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri Yuliana	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389
Daniel Aditya Widjaja	Research Associate	daniel.aditya@samuel.co.id	+6221 2854 8322
Laurencia Hiemas	Research Associate	laurencia.hiemas@samuel.co.id	+6221 2854 8392
Brandon Boedhiman	Research Associate	brandon.boedhiman@samuel.co.id	+6221 2854 8392

Equity Institutional Team			
Benny Bambang Soebagjo	Head of Institutional Equity Sales	benny.soebagjo@samuel.co.id	+6221 2854 8312
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
Anthony Yunus	Institutional Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
Widya Meidrianto	Institutional Equity Sales	widya.meidrianto@samuel.co.id	+6221 2854 8317
Fachruly Fiater	Institutional Sales Trader	fachruly.fiater@samuel.co.id	+6221 2854 8325
Lucia Irawati	Institutional Sales Trader	lucia.irawati@samuel.co.id	+6221 2854 8173
Alexander Tayus	Institutional Equity Dealer	alexander.tayus@samuel.co.id	+6221 2854 8319
Leonardo Christian	Institutional Equity Dealer	leonardo.christian@samuel.co.id	+6221 2854 8147

Equity Retail Team			
Joseph Soegandhi	Head of Equity	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Clarice Wijana	Head of Equity Sales Support	clarice.wijana@samuel.co.id	+6221 2854 8395
Gitta Wahyu Retnani	Equity Sales & Trainer	gitta.wahyu@samuel.co.id	+6221 2854 8365
Vincentius Darren	Equity Sales	darren@samuel.co.id	+6221 2854 8348
Michael Alexander	Equity Sales	michael.alexander@samuel.co.id	+6221 2854 8369
Sylviawati	Equity Sales	sylviawati@samuel.co.id	+6221 2854 8112
Wandha Ahmad	Equity Sales	wandha.ahmad@samuel.co.id	+6221 2854 8316
Handa Sandiawan	Equity Sales	handa.sandiawan@samuel.co.id	+6221 2854 8302
Denzel Obaja	Equity Sales	denzel.obaja@samuel.co.id	+6221 2854 8342
Wahyudi Budiyo	Dealer	wahyudi.budiyo@samuel.co.id	+6221 2854 8152

Fixed Income Sales Team			
R. Virine Tresna Sundari	Head of Fixed Income	virine.sundari@samuel.co.id	+6221 2854 8170
Rudianto Nugroho	Fixed Income Sales	rudianto.nugroho@samuel.co.id	+6221 2854 8306
Sany Rizal Keliobas	Fixed Income Sales	sany.rizal@samuel.co.id	+6221 2854 8337
Safitri	Fixed Income Sales	safitri@samuel.co.id	+6221 2854 8376
Khairanni	Fixed Income Sales	khairanni@samuel.co.id	+6221 28548104
Saldy Achmad Yanuar	Fixed Income Sales	saldy.achmad@samuel.co.id	+6221 28548384
Nadya Attahira	Fixed Income Sales	nadya.attahira@samuel.co.id	+6221 2854 8305

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