

Indonesia Trade Indicators

	July	August
Exports yoy	-18.1%	-21.2%
- Oil & gas yoy	-4.7%	-20.7%
- Non-oil & gas yoy	-18.8%	-21.2%
Imports yoy	-8.3%	-14.8%
- Oil & gas yoy	-29.7%	-28.1%
- Non-oil & gas yoy	-2.7%	-12.1%
Trade balance (USD bln)	1.3	3.1
- Oil & gas balance	-1.9	-1.3
- Non-oil & gas balance	3.2	4.5
Selected Export Partners yoy		
China	-2.2%	-13.1%
Japan	-33.0%	-29.0%
USA	-18.9%	-17.7%
ASEAN	-23.0%	-19.7%
EU	-32.6%	-45.1%
Selected Import Partners yoy		
China	-6.6%	-21.1%
Japan	-5.4%	-0.5%
USA	2.4%	-7.7%
ASEAN	-9.0%	-6.1%
EU	85.0%	17.8%
Types of Goods Imported yoy		
Consumption goods	26.9%	15.5%
Intermediary goods	-16.7%	-20.4%
Capital goods	18.9%	-4.0%

Source: BPS, SSI Research

Trade balance surplus hike reduces the risk of 12M rolling sum current account deficit in 3Q23

The spike in Indonesia's trade balance surplus to USD 3.1bn in August (Jul: USD 1.3bn), which was mainly driven by the decline in imports of raw materials and capital goods and the increase in exports of manufactured products, reduces the risk of a 12-month rolling sum current account deficit in 3Q23. We project Indonesia's current account to record a USD 430mn surplus in 3Q23 (0.03% of GDP), under the condition that Indonesia recorded another trade balance surplus of at least USD 2.8bn in September. A current account surplus in 3Q23 will certainly help keep Rupiah exchange rate at its equilibrium of IDR 15,000-15,200 per USD. We are confident that Rupiah will be able to leave its current level (IDR 15,353 per USD) and reach its equilibrium zone in the near future.

Indonesia's trade balance surplus spiked to USD 3.1bn in August, beating ours and cons (Jul: USD 1.3bn; Cons: USD 1.5bn; SSI: USD -1.1bn). The spike was mainly caused by a sharper-than-expected drop in imports of -14.8% yoy (Jul: -8.3% yoy; Cons: -9% yoy; SSI: -9.9% yoy) following the decline in import activity in the manufacturing sector despite the increase in manufacturing PMI index to 53.9 (Jul: 53.3). Imports of raw materials and capital goods fell by -4.1% mom to USD 13.3bn and -4.5% mom to USD 3.4bn, respectively. **This shows that expansion and procurement of raw material inventory in July was enough to meet some of the demand in August, even though manufacturing activity continued to increase.**

The increase in manufacturing activity had a positive impact on export performance in August. Although exports of main commodities, such as coal, palm oil (CPO), iron and steel, fell to (Est.) USD 7.93bn (Jul Est.: USD 8.06bn), non-oil and gas exports rose 5.3% mom to USD 20.7bn (Jul: USD 19.6bn; see Chart 1 and 2).

We estimated that the trade balance surplus hike in August should help reduce the risk of a trade balance deficit in 3Q23. If the trade balance surplus in September can reach at least USD 2.8bn, then the 12-month rolling sum current account could record a surplus of USD 460mn or 0.03% of GDP. **For now, we decided to maintain our projection of a current account deficit of -0.01% of GDP in 3Q23 (see Table 1 and Chart 3). However, we do not rule out the possibility of a current account surplus.**

The potential for another current account surplus in 3Q23 should help maintain Rupiah stability. Rupiah is experiencing considerable pressure, coming in at IDR 15,353 per USD due to CNY depreciation (CNY/USD: CNY 7.34 per USD on September 8), above the People's Bank of China's (PBOC) intervention threshold of CNY 7.3 per USD. The prospect of a current account surplus in 3Q23 will help Rupiah return to its equilibrium of IDR 15,000-15,200 per USD, especially with the relatively controllable CNY movement, as marked by the return of the CNY/USD exchange rate to CNY 7.28 per USD on September 15 (see Chart 4). **Considering this situation, we decided to maintain our Rupiah exchange rate projections for 3Q23 (15,200) and 4Q23 (15,000).**

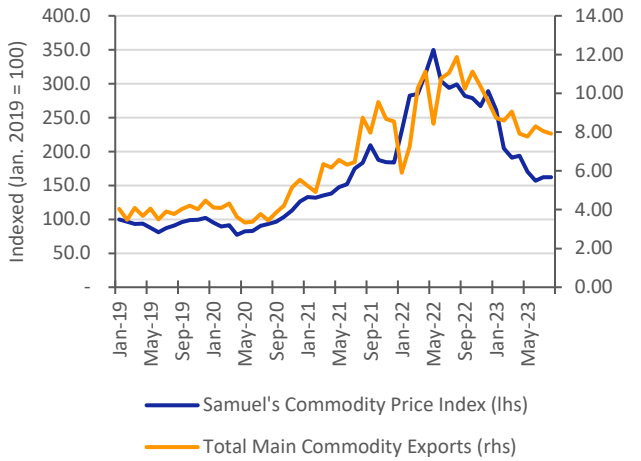
Lionel Priyadi

Macro Strategist

lionel.priyadi@samuel.co.id

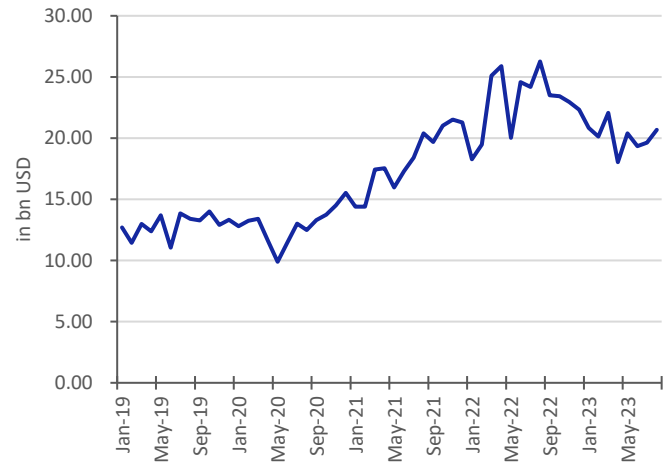
+6221 2854 8854

Chart 1. SSI's Commodity Export Indicator



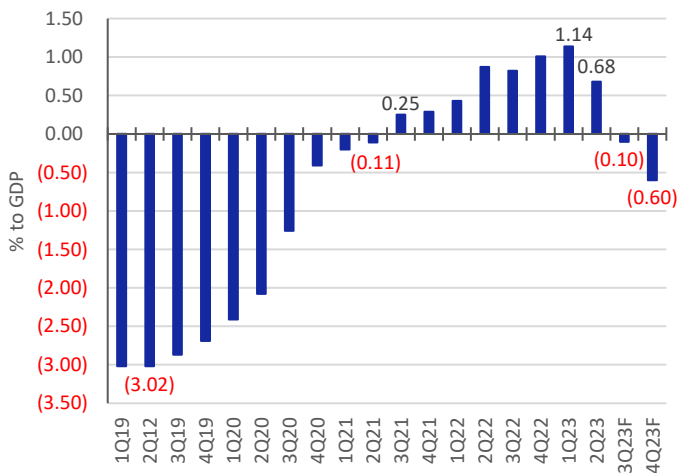
Source: BPS, Bloomberg, SSI Research

Chart 2. Indonesia's Non-Oil & Gas Export Value



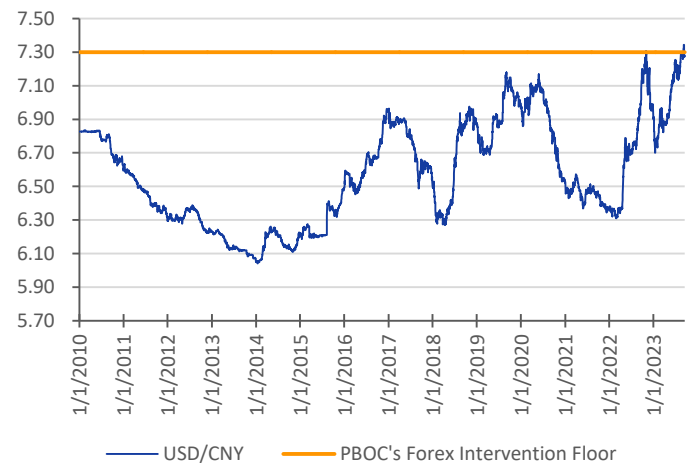
Source: BPS, SSI Research

Chart 3. SSI's Current Account Balance Forecast



Source: Bank Indonesia, SSI Research

Chart 4. CNY Tracker in Accordance with PBOC Exchange Rate Target



Source: Bloomberg, PBOC, SSI Research

Table 1. SSI's Forecast Table

Indicators (% yoy)	3Q22	4Q22	1Q23	2Q23	3Q23F	4Q23F	1Q24F	2Q24F	3Q24F	4Q24F	FY22	FY23F	FY24F
Real GDP (NSA % qoq)	1.8	0.4	(0.9)	3.9	1.8	0.3	(0.9)	3.6	1.7	0.6			
Real GDP	5.7	5.0	5.0	5.2	5.1	5.1	5.1	4.8	4.8	5.0	5.3	5.1	4.9
Unemployment rate (% nsa)	5.9	5.9	5.5	5.5	5.4	5.3	5.2	5.1	5.1	5.0	5.9	5.3	5.0
Consumer price	6.0	5.5	5.0	3.5	2.4	2.6	2.7	3.1	3.3	3.3	5.5	2.6	3.3
Current account balance (% to GDP)	1.3	1.3	0.9	(0.6)	(1.5)	(1.2)	(1.2)	(1.3)	(1.5)	(1.7)	1.0	(0.6)	(1.4)
12M rolling sum	0.8	1.0	1.1	0.7	(0.1)	(0.6)	(1.1)	(1.3)	(1.3)	(1.4)			
Fiscal balance (% to GDP)	0.3	(2.4)	0.6	0.7	(1.3)	(2.3)	(0.4)	(1.0)	(1.5)	(2.3)	(2.4)	(2.3)	(2.3)
Policy rate, 7DRRR (%)	4.25	5.50	5.75	5.75	5.75	5.75	5.50	5.25	4.75	4.50	5.50	5.75	4.50
10-year gov't bond yield (%)	7.37	6.94	6.79	6.26	6.50	6.20	6.00	5.80	5.70	5.60	6.94	6.20	5.60
Exchange rate (USD/IDR)	15,228	15,568	14,995	14,993	15,200	15,000	15,100	15,000	15,000	15,100	15,568	15,000	15,100

Source: 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
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
Haikal Putra	Research Associate	haikal.putra@samuel.co.id	+6221 2854 8353

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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