

Balance of Trade: 15 August 2024

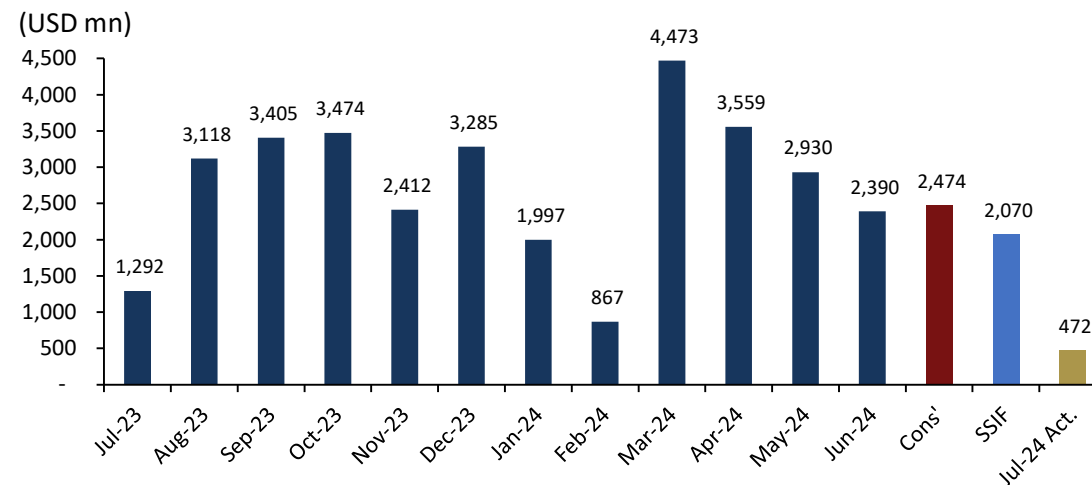
- Indonesia's trade surplus in July 2024 dropped significantly to USD 0.47 bn, a sharp contraction from USD 2.39 bn a month earlier. This marked the smallest trade surplus since May 2023 and fell well short of our forecast of USD 2.2 bn as well as market consensus of USD 2.45 bn. The shrinking surplus underscores growing imbalance between export and import growth.
- Despite the narrowing trade surplus, exports in July 2024, helped by USD:IDR depreciation which averaged IDR 16,243 during the month, grew 6.46% YoY, marking the fourth consecutive month of increase and the strongest growth in 18 months. This surge far exceeded market forecasts, which anticipated 3.85% rise, and represented significant acceleration from the revised 1.19% growth in June 2024. Key drivers of this growth included increased shipments to major trading partners, with exports to the United States rising 5.68%, Japan a substantial 24.32%, and ASEAN countries by 2.92%. These figures highlight strong demand in these markets and suggest robust trade relations, particularly with Japan.
- On the other hand, imports spiked 11.07% YoY in July 2024, sharply outpacing market expectations of a mere 0.04% rise. This significant uptick in imports could be attributed to several factors, including increased domestic demand and the possible replenishment of supply chains as businesses imported more raw materials or intermediate goods to meet production needs. Although the growing imports create downward pressure on the trade surplus, this can also indicate a potential recovery in domestic consumption and production activities through the importing of input materials needed for industrial expansion.
- Looking ahead, this below-expected trade surplus is likely to disrupt the ongoing appreciation of the IDR, particularly through the potential widening of Indonesia's current account deficit. Additionally, the sharp rise in imports could signal inflationary pressures if import prices increase, further complicating the economic outlook and, in turn, applying pressure on economic growth. That said, we forecast Indonesia's GDP growth to fall to 4.9% this year from 5.05% in 2023.

Export, Import Value (USD mn)

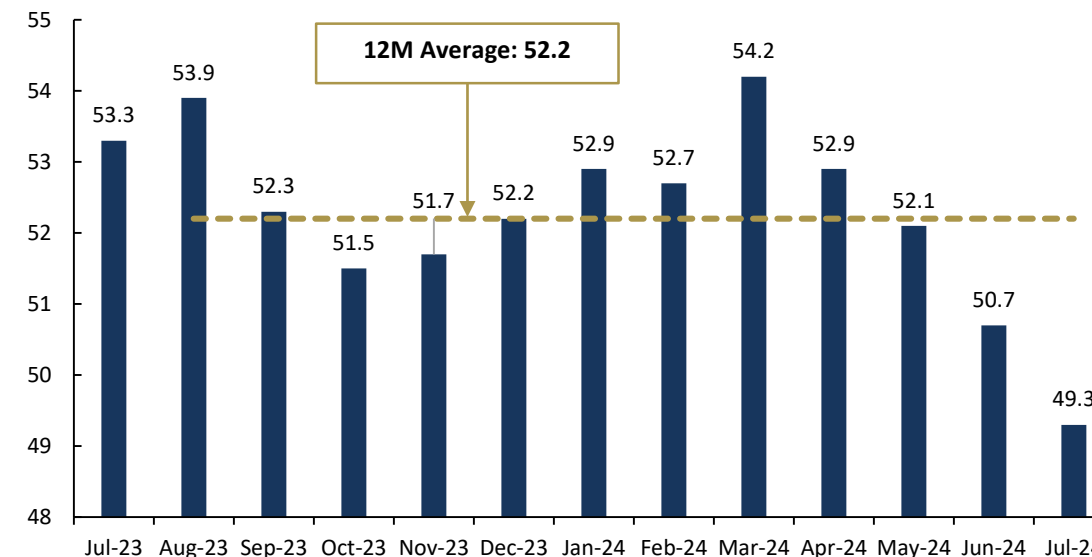
Description	Jun-24	Jul-24	Jul-23	% (MoM)	% (YoY)
Export	20,845	22,210	20,861	6.5	6.5
Agriculture, Forestry, and Fisheries	394	498	377	26.2	32.0
Oil and Gas	1,231	1,423	1,227	15.6	16.0
Mining and Others	3,158	3,774	3,464	19.5	9.0
Manufacturing	16,061	16,515	15,794	2.8	4.6
Import	18,450	21,738	19,570	17.8	11.1
Consumption Goods	1,777	2,075	2,092	16.8	-0.8
Capital Goods	2,999	3,636	3,563	21.2	2.0
Intermediate Goods	13,674	16,027	13,916	17.2	15.2

Sources: Bloomberg, BPS, SSI Research

Indonesia Trade Balance



Indonesia Manufacturing PMI



Analyst: Fithra Faisal