

Trade:

Global slowdown bites hard

Nicholas Husni
Economist / Analyst

Barra Kuku Mamia
Senior Economist

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Executive Summary

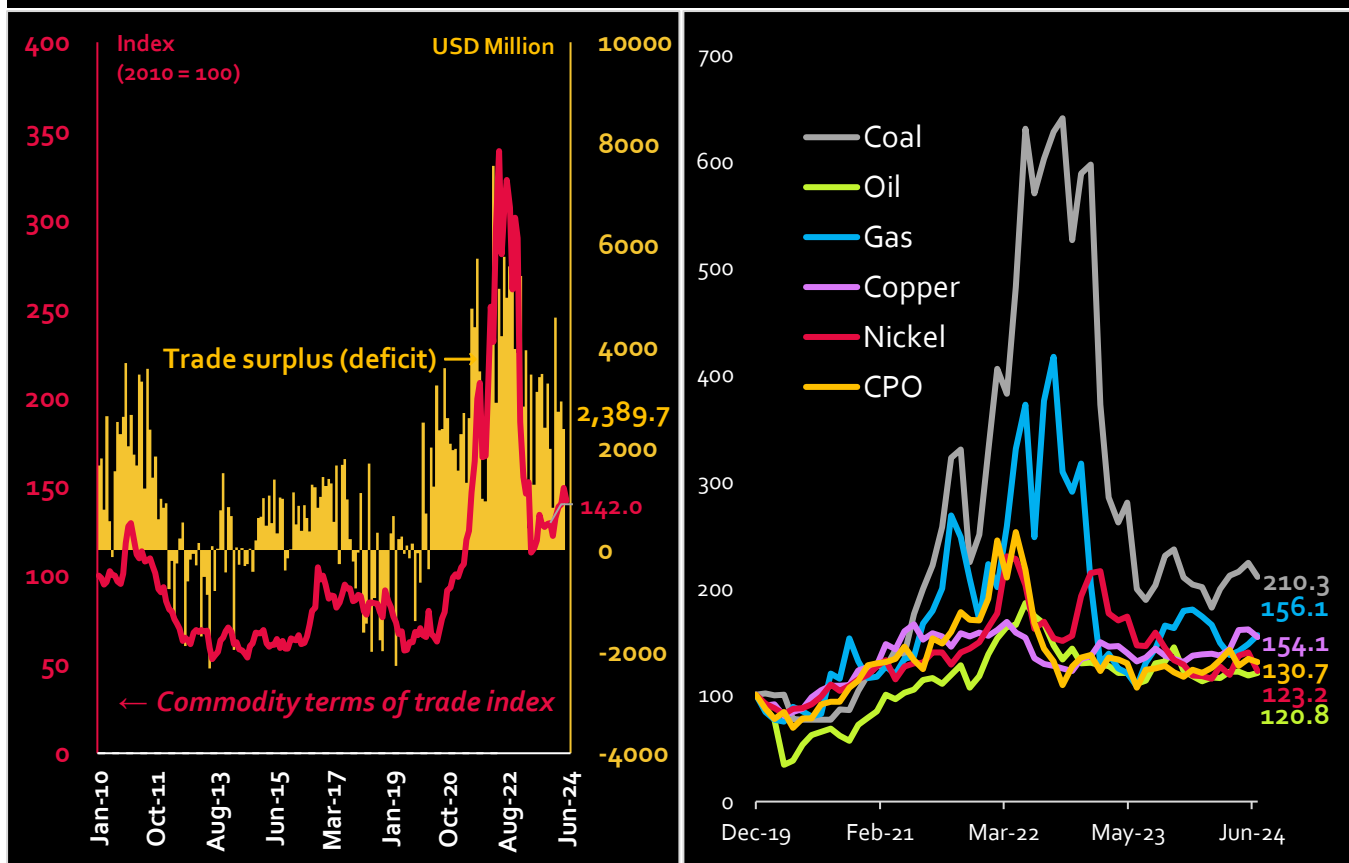
- Trade surplus narrowed to USD 2.39 Bn in June 2024 with exports declined at a faster rate than imports (-6.65% vs -4.89% MoM).
- Exports fell most notably for metals, reflecting weaker global manufacturing, while CPO was the sole saving grace.
- Oil/gas imports rose mostly on Pertamina's restocking cycle, but a decline in capital goods and raw materials imports are consistent with the slump in Indonesia's PMI data and indicates a slowdown in corporate CAPEX.
- Amid global economic slowdown and growing threats to global trade, domestically-oriented activities may pick up some slack – but this likely implies slower GDP growth.

- The trade surplus narrowed to USD 2.39 Bn in June, from USD 2.92 Bn in the previous month. Apparent increase in annual terms (exports: +1.2% YoY, imports: 7.6% YoY) masked a clear decline in monthly terms (-6.7% and -4.9% MoM, respectively).
- Export decline was seen across most goods categories, most notably for metals which had been a major growth driver in previous months. Notably, nickel exports dropped by 25.2% MoM, while precious metal exports plummeted 45.8% MoM. Rising metal inventories coupled with slowing manufacturing activities in China seemed to have weighed on metal demand, both in volumes and prices.
- CPO emerged as a savior for exports, with its export volumes doubling (+100.7% MoM) despite slight decline in prices. Worryingly, however, our overall exports to India – the main CPO importer – still declined (-5.3% MoM) in spite of this. Since India has been the fastest-growing of all our major export destinations this year (non-oil/gas exports to India YTD: +13.7% YoY, ex-India YTD: -4.4% YoY), this could be a warning sign of more severe downturn ahead.
- Pertamina's restocking cycle has triggered a substantial surge in oil/gas imports (+19.0% MoM, +47.3% YoY). This dramatic upswing, however, was mostly attributable to a lower base in previous month/year, while the increase in oil price (due to Israel/Lebanon tension) had a more limited impact.
- Outside of oil/gas, both raw materials and especially capital goods imports are slowing down – consistent with the slump in Indonesia's PMI data and signs of an incipient slowdown in corporate CAPEX in Q2. Notably, imports of machines and electrical equipment have fallen by

9.63% and 10.82% MoM, respectively. Consumer goods imports recovered slightly, but the short-term outlook is marred by a weaker Rupiah and slimmer household savings.

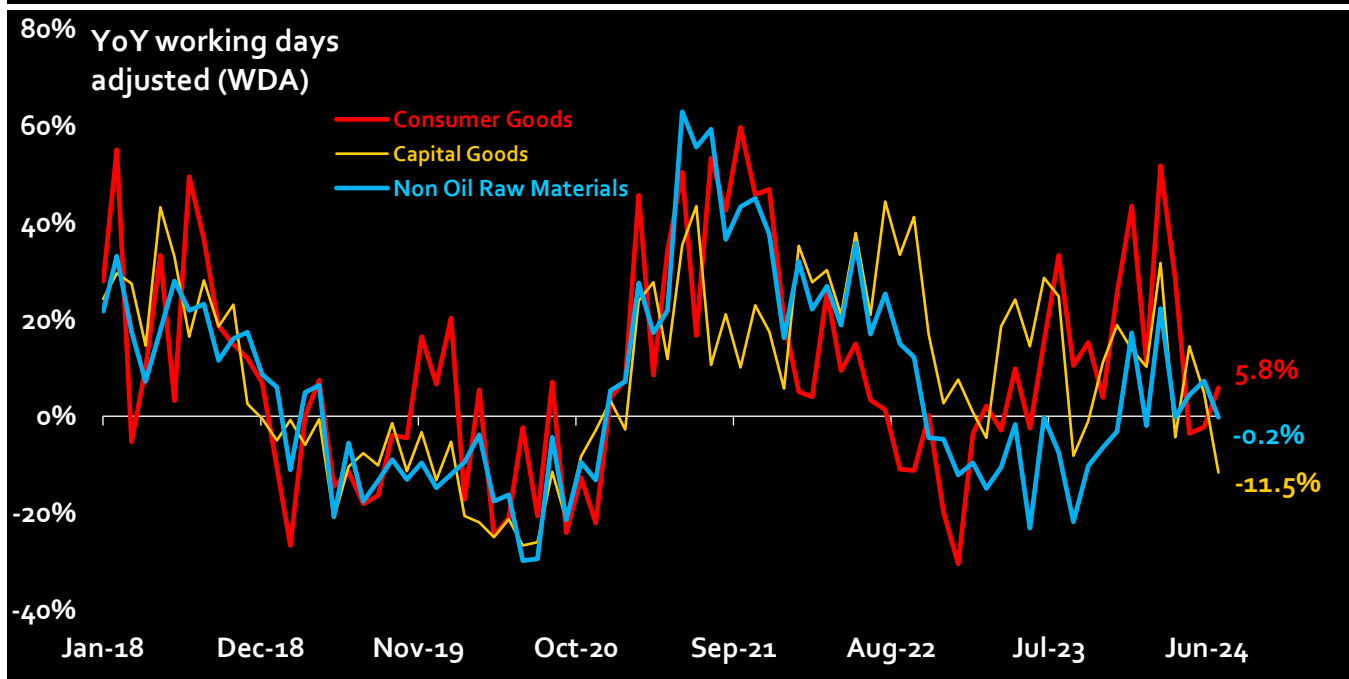
- As evident from the data, trade activities are worsening in both directions (exports and imports), and the trend may persist in the near-term. Manufacturing activities are slowing globally, and the two biggest economies show softer-than-expected GDP in Q2 (China at 4.7%, US currently predicted at 2.0%). Moreover, with China's "manufacturing first" directive about to be met with a possible return of "America first" in the White House, fears over global trade prospects have never been more justified.
- There is, however, a potential saving grace for Indonesia. An analysis of cargo traffic reveals a notable divergence between domestic and international shipments. While domestic cargo volumes remain robust or even increasing, there is a marked decline in international cargo movements. As such, while there are justified worries over slumping commodity exports or a surge in Chinese goods imports, these may be partly offset by an increase in domestically oriented activities.
- Of course, there is also an alternative interpretation. In response to rising Chinese imports, the Trade Ministry had altered its policies, albeit in an inconsistent manner. These changes in policies acted as impediment to imports as well as exports (some exporters rely on imported inputs). Meanwhile, some imports shifted to unofficial channels in order to evade monitoring.
- Whether or not the shift to domestic shipping is driven by the restrictions, the net result is likely to be similar. Externally oriented industries (including commodities) are facing more uncertain prospects, but domestically-oriented ones may pick up some of the slack. Such a shift would, by necessity, mean slower growth – our domestic market is simply much smaller than the global market. Nevertheless, it may also reduce the pressure on IDR and our CA balance going forward.

Panel 1. Indonesia's trade surplus narrowed, industrial metal prices are lowering down



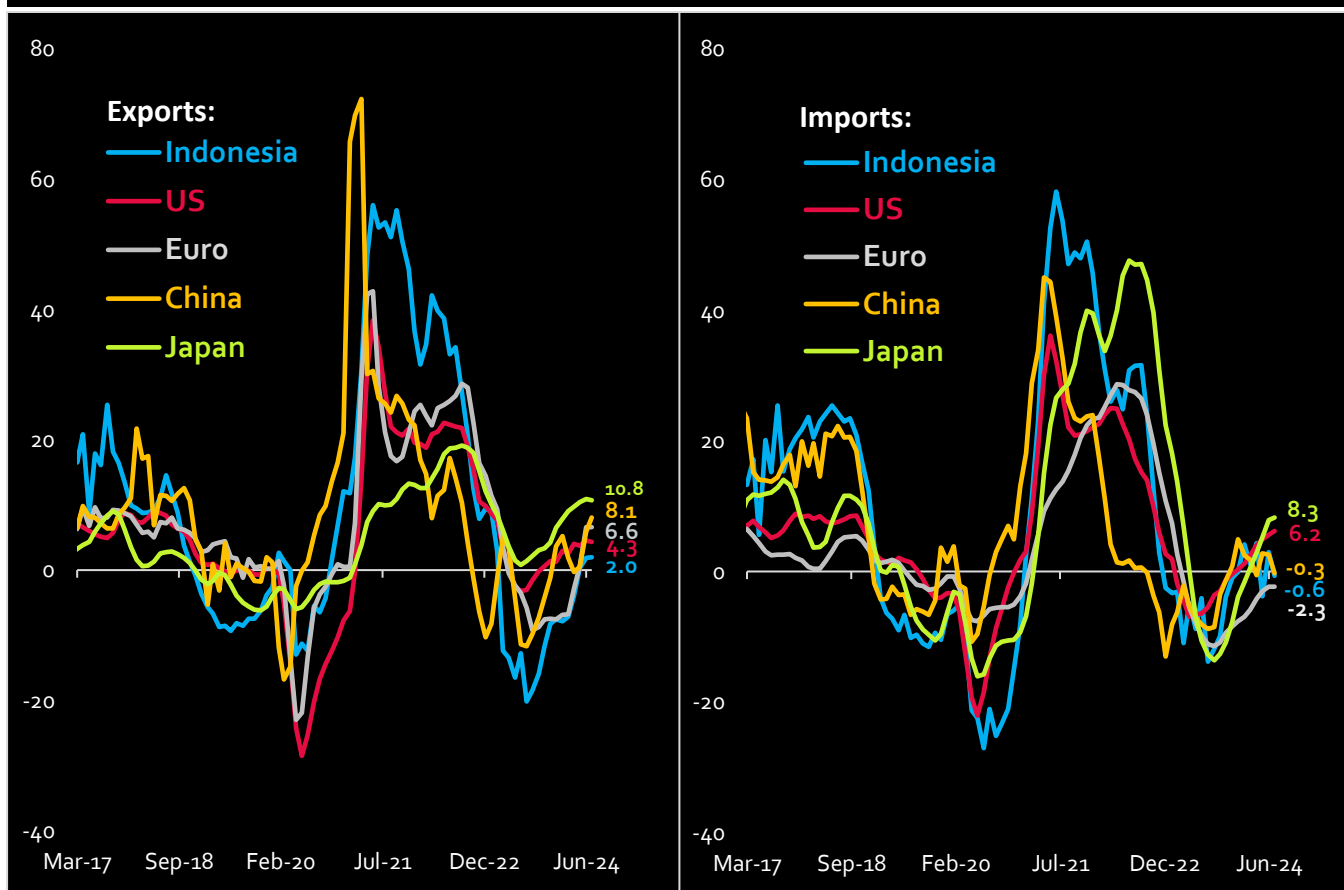
Source: BPS, Bloomberg, BCA Economist calculations

Panel 2. Capital goods dropped significantly, indicating a weakening in manufacturing



Source: BPS, BCA Economist

Panel 3. Imports from China are slowing down compared to other countries



Source: Bloomberg

Panel 4. Indonesia's manufacturing activities are slowing down, but peers like India and Vietnam are accelerating

PMI Manufaktur	2023							2024						
	PMI	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Indonesia		52.5	53.3	53.9	52.3	51.5	51.7	52.2	52.9	52.7	54.2	52.9	52.1	50.7
Malaysia		47.7	47.8	47.8	46.8	46.8	47.9	47.9	49.0	49.5	48.4	49.0	50.2	49.9
Thailand		53.2	50.7	48.9	47.8	47.5	47.6	45.1	46.7	45.3	49.1	48.6	50.3	51.7
Philippines		50.9	51.9	49.7	50.6	52.4	52.7	51.5	50.9	51.0	50.9	52.2	51.9	51.3
Vietnam		46.2	48.7	50.5	49.7	49.6	47.3	48.9	50.3	50.4	49.9	50.3	50.3	54.7
India		58.7	57.7	58.6	57.5	55.5	56.0	54.9	56.5	56.9	59.1	58.8	57.5	58.3
Australia		48.2	49.6	49.6	48.7	48.2	47.7	47.6	50.1	47.8	47.3	49.6	49.7	47.2
China		49.0	49.3	49.7	50.2	49.5	49.4	49.0	49.2	49.1	50.8	50.4	49.5	49.5
South Korea		47.8	49.4	48.9	49.9	49.8	50.0	49.9	51.2	50.7	49.8	49.4	51.6	52.0
Japan		49.8	49.6	49.6	48.5	48.7	48.3	47.9	48.0	47.2	48.2	49.6	50.4	50.0
Euro Area		43.6	42.7	43.5	43.4	43.1	44.2	44.4	46.6	46.5	46.1	45.7	47.3	45.8
US		46.0	46.4	47.6	49.0	46.7	46.7	47.4	49.1	47.8	50.3	49.2	48.7	48.5
Mexico		50.9	53.2	51.2	49.8	52.1	52.5	52.0	50.2	52.3	52.2	51.0	51.2	51.1

Source: BI, Bloomberg

Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	15-Jul	- 1 mth	Chg (%)
US	5.50	Jul-23	2.50	Baltic Dry Index	1,993.0	1,948.0	2.3
UK	5.25	Aug-23	3.25	S&P GSCI Index	568.8	575.1	-1.1
EU	4.25	Jul-23	1.75	Oil (Brent, \$/bbl)	84.9	82.6	2.7
Japan	-0.10	Jan-16	-2.90	Coal (\$/MT)	139.9	142.3	-1.7
China (lending)	2.50	Aug-23	4.15	Gas (\$/MMBtu)	2.12	2.74	-22.6
Korea	3.50	Jan-23	1.10	Gold (\$/oz.)	2,422.3	2,333.0	3.8
India	6.50	Feb-23	1.42	Copper (\$/MT)	9,652.6	9,615.5	0.4
Indonesia	6.25	Apr-24	3.74	Nickel (\$/MT)	16,417.3	17,328.2	-5.3
Money Mkt Rates	15-Jul	- 1 mth	Chg (bps)	CPO (\$/MT)	846.8	837.4	1.1
				Rubber (\$/kg)	1.64	1.74	-5.7
SPN (1M)	5.88	5.80	7.6	External Sector	May	Apr	Chg (%)
SUN (10Y)	6.95	7.17	-22.0	Export (\$ bn)	22.33	19.62	13.82
INDONIA (O/N, Rp)	6.21	6.15	5.7	Import (\$ bn)	19.40	16.90	14.82
JIBOR 1M (Rp)	6.90	6.90	0.0	Trade bal. (\$ bn)	2.93	2.72	7.61
Bank Rates (Rp)	Apr	Mar	Chg (bps)	Central bank reserves (\$ bn)*	139.0	136.2	2.02
Lending (WC)	8.85	8.83	2.01	Prompt Indicators	Jun	May	Apr
Deposit 1M	4.65	4.62	3.47	Consumer confidence index (CCI)	123.3	125.2	127.7
Savings	0.68	0.68	0.22	Car sales (%YoY)	-11.8	-13.2	-17.4
Currency/USD	15-Jul	- 1 mth	Chg (%)	Motorcycle sales (%YoY)	3.5	-4.5	18.3
UK Pound	0.771	0.788	2.21	Manufacturing PMI	Jun	May	Chg (bps)
Euro	0.918	0.934	1.78	USA	51.6	51.3	30
Japanese Yen	158.1	157.4	-0.42	Eurozone	45.8	47.3	-150
Chinese RMB	7.258	7.256	-0.04	Japan	50.0	50.4	-40
Indonesia Rupiah	16,170	16,400	1.42	China	51.8	51.7	10
Capital Mkt	15-Jul	- 1 mth	Chg (%)	Korea	52.0	51.6	40
JCI	7,278.9	6,734.8	8.08	Indonesia	50.7	52.1	-140
DJIA	40,211.7	38,589.2	4.20				
FTSE	8,183.0	8,146.9	0.44				
Nikkei 225	41,190.7	38,814.6	6.12				
Hang Seng	18,015.9	17,941.8	0.41				
Foreign portfolio ownership (Rp Tn)	Jun	May	Chg (Rp Tn)				
Stock	3,273.1	3,115.0	158.05				
Govt. Bond	805.6	807.0	-1.38				
Corp. Bond	8.2	8.2	-0.06				

Source: Bloomberg, BI, BPS

Notes:

*Data from earlier period

For changes in currency: **Black indicates appreciation against USD, **Red** otherwise

***For PMI, >50 indicates economic expansion, <50 otherwise



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Indonesia – Economic Indicators Projection

	2019	2020	2021	2022	2023	2024E
Gross Domestic Product (% YoY)	5.0	-2.1	3.7	5.3	5.0	5.0
GDP per Capita (US\$)	4175	3912	4350	4784	4920	5149
Consumer Price Index Inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	3.2
BI 7-day Repo Rate (%)	5.00	3.75	3.50	5.50	6.00	6.25
USD/IDR Exchange Rate (end of the year)*	13,866	14,050	14,262	15,568	15,397	16,218
Trade Balance (US\$ billion)	-3.2	21.7	35.3	54.5	37.0	32.6
Current Account Balance (% GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.5

* Estimation of Rupiah's fundamental exchange rate

Economic, Banking & Industry Research Team

David E.Sumual

Chief Economist

david_sumual@bca.co.id

+6221 2358 8000 Ext:1051352

Agus Salim Hardjodinoto

Head of Industry and Regional

Research agus_lim@bca.co.id

+6221 2358 8000 Ext: 1005314

Barra Kukuh Mamia

Senior Economist

barra_mamia@bca.co.id

+6221 2358 8000 Ext: 1053819

Victor George Petrus Matindas

Senior Economist

victor_matindas@bca.co.id

+6221 2358 8000 Ext: 1058408

Gabriella Yolivia

Industry Analyst

gabriella_yolivia@bca.co.id

+6221 2358 8000 Ext: 1063933

Lazuardin Thariq Hamzah

Economist / Analyst

lazuardin_hamzah@bca.co.id

+6221 2358 8000 Ext: 1071724

Keely Julia Hasim

Economist / Analyst

keely_hasim@bca.co.id

+6221 2358 8000 Ext: 1071535

Elbert Timothy Lasiman

Economist / Analyst

Elbert_lasiman@bca.co.id

+6221 2358 8000 Ext: 1007431

Thierris Nora Kusuma

Economist / Analyst

thierris_kusuma@bca.co.id

+6221 2358 8000 Ext: 1071930

Nicholas Husni

Economist / Analyst

nicholas_husni@bca.co.id

+6221 2358 8000 Ext: 1079839

PT Bank Central Asia Tbk

Economic, Banking & Industry Research of BCA Group

20th Grand Indonesia, Menara BCA

Jl. M.H Thamrin No. 1, Jakarta 10310, Indonesia

Ph : (62-21) 2358-8000 Fax : (62-21) 2358-8343

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