

Export-Import, Exchange Rates, and Inflation Overview

Key Takeaways

- Trade Balance shrank to USD0.87bn in Feb-24 from USD2.02bn in Jan-24.
- Export Feb-24 slump -9.45% YoY, while Import grew +0.36% YoY.
- IDR is under pressure, declining by -2.9% YTD.
- Inflation rose +0.52% MoM/+3.05 YoY in Mar-24.
- Additionally, the increase in inflation was also impacted by seasonal factors during the Ramadan festivities.
- We expect inflation to be at 2.90-3.50% YoY in 2024F.

Indonesia’s trade balance surplus reaches USD0.87bn in Feb-24

In Feb-24, Indonesia recorded a trade surplus of USD0.87bn, which was lower than Jan-24's surplus of USD2.02bn. Export contracted in Feb-24 (-5.79% MoM) to USD19.31bn, driven by a decline in non-oil and gas exports. Meanwhile, imports also contracted (-3.13% MoM) to USD18.51bn, with a decrease in mineral fuel imports. Historically, Indonesia's trade surplus averages between USD3bn to USD4bn per month. Export performance in March is anticipated to decline again due to reduced working hours during Ramadan, while imports are expected to resume growth due to increased demand for consumer goods. According to the consensus on the trade balance for March, it is projected to grow by USD1.3bn. If realized, the trade balance will experience a surplus for the 47th consecutive month.

Export Feb-24 were slump -9.45% YoY to USD19.31bn (vs USD21.32bn Feb-23)

Export performance in Feb-24 experienced a decline of -5.79% MoM compared to Jan-24. The decrease in non-oil and gas exports was driven by the slow recovery in demand from major trading partners, particularly from China (-10.75% MoM) and India (-14.48% MoM). However, during the January-February 2024 period, major export destinations were China (23.16%), the United States (11.01%), and India (8.90%). The decrease in Indonesia's non-oil and gas export value to USD18.09 bn (-5.27% MoM) was driven by a decline in iron and steel commodities (-27.08% MoM) to USD1.67 bn. Meanwhile, the oil and gas sector also experienced a slight decrease to USD1.21bn (-12.93% MoM), triggered by a decline in gas exports (-39.08% MoM) to USD505mm.

Import grew +15.84% YoY to USD18.44 bn (vs USD15.92bn)

Import performance in Feb-24 experienced a decrease of -0.29% MoM compared to Jan-24. The monthly decline in total import value was driven by a decrease in non-oil and gas imports by -2.12% MoM, while oil and gas imports saw a significant increase of +10.42% MoM. The rise in the oil and gas sector was due to increased imports of crude oil (+15.45%) and oil products (+8.56%). Non-oil and gas imports that decreased included iron and steel by -10.86%, mechanical machinery and parts by -3.91%, and electrical machinery/equipment by -2.51%. In the January-February 2024 period, countries that significantly contributed to the increase in import value mainly came from China (+37.98%), Japan (+7.17%), and Thailand (+5.98%).

The Rupiah weakening persist

Indonesia's trade surplus until Feb-2024 hasn't significantly uplift the rupiah. Despite monthly foreign exchange term deposit placements from Q1 export earnings, ranging between USD650-USD700 million, the rupiah depreciated by 2.9% since Jan-2024, averaging IDR15,653/USD by end of Q1-24. Global factors, including the Fed's decision to maintain its current restrictive policy stance for an extended period, spurred a hike in the USD. As a result, the DXY surged by +2.83% to 106.21 YTD. Regional factors, such as weakening demand for exports and imports from major Asian countries like China, contribute to the depreciation of the rupiah. Meanwhile, Bank Indonesia is expected to implement stringent monetary policies aimed at stabilizing the rupiah amidst heightened US dollar demand from dividend payouts, maturing foreign debt obligations, and investors risk aversion. Given the recent developments, we see BI has limited room for 1-2 interest rate cuts this year.

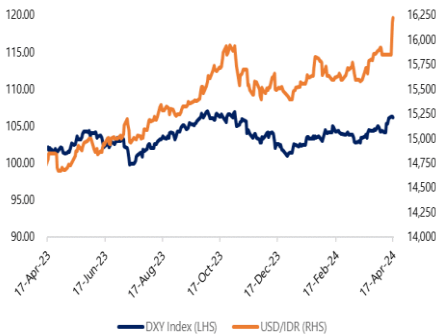
Foreign Fund Flows in the Domestic Financial Market

The depreciation of the rupiah is evident in the outflow of foreign funds in the domestic financial market, as noted by Bank Indonesia, which recorded foreign net sales of IDR34.75tn in the SBN market from the beginning of the year until April 4, 2024. However, the rupiah is supported by the influx of foreign funds into the stock market and the optimization of BI's open market operations, including SRBI, SVBI, and SUVBI. The substantial sales in SBN are influenced by the surging USD, compounded by the sharp rise in US inflation in Mar-2024 by 3.50% YoY, and the expanding job market dampened expectations of the Fed's rate cut in the near term. This trend is further exacerbated by escalating geopolitical tensions in the Middle East between Iran and Israel, which could potentially lead to the next war.

Domestically, weakening exports and a contraction in foreign reserves, from USD145bn in Jan-24 to USD144bn in Feb-24, may prompt further rupiah depreciation. Furthermore, the government's debt position, reaching IDR8.319tn as of Feb-24, increases the debt-to-GDP ratio to 39.06% at the end of February, potentially widening the fiscal deficit. Should the Fed initiates its first rate cut by mid-year or extend it to Q4 due to recent events, prospects for foreign capital inflows into the domestic financial market are expected would improve. We forecast the rupiah to range between IDR15,550 and IDR16,050 in the 2024F.

March Inflation overshoots at +3.05% YoY

In March, inflation recorded an increase, as is customary during the Ramadan season, with Indonesia's CPI rising by +0.52% MoM/+3.05% YoY. This inflationary uptick was driven by price increases in most expenditure groups, notably in: 1) food, beverages, and tobacco, contributing to a 0.41% inflation, and 2) personal care and other services, contributing 0.04% inflation. Additionally, seasonal factors played a role in boosting the Mar-24 inflation figures. Historically, domestic CPI has reached its highest MoM increase during the last five years during the Ramadan season. Core CPI rose by +0.23% MoM/+1.77% YoY, while volatile and government-regulated prices each rose by +2.16% MoM/+10.33% YoY and +0.08% MoM/+1.39% YoY, respectively. Factors affecting future Indonesian inflation include: 1) adjustments in electricity and fuel tariffs, and 2) medium-term impacts of the rupiah's depreciation against the dollar. We estimate inflation to range between 2.90%-3.50% in 2024F.



Sources : Bloomberg, MNCS Research

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Exhibit 1. Oil & Gas balanced deficits (in USD mn)

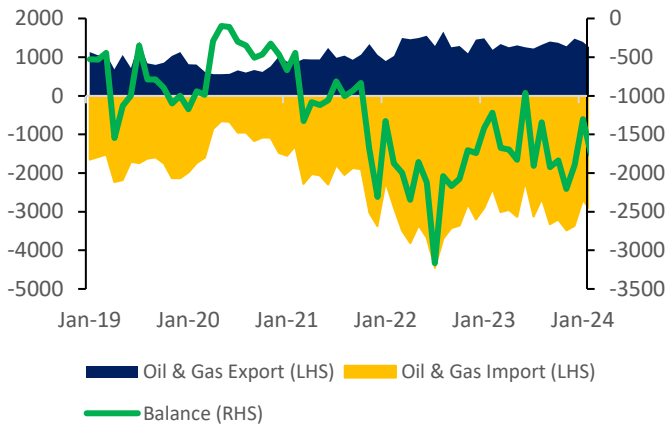
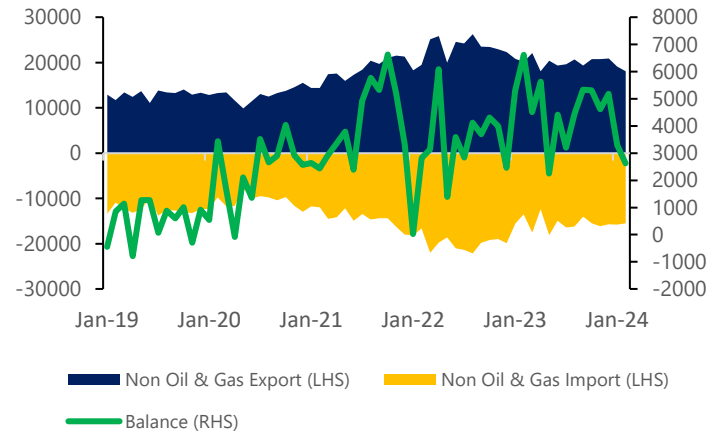


Exhibit 2. Non Oil & Gas balance deficits (in USD mn)



Sources : Statistics Indonesia, MNCS Research

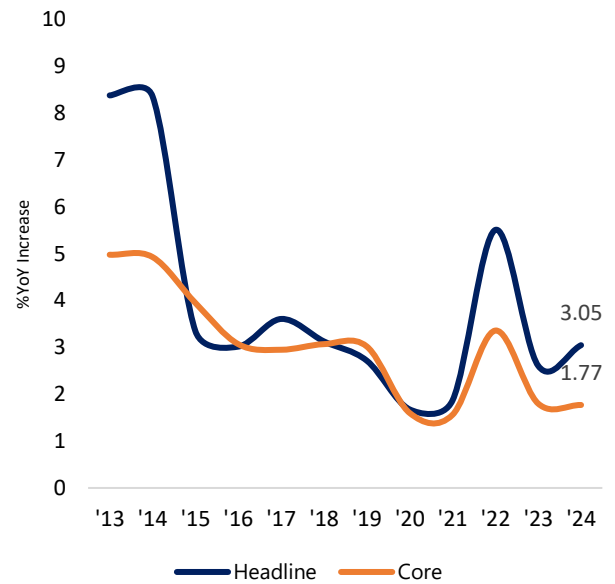
Sources : Statistics Indonesia, MNCS Research

Exhibit 3. Time Deposit DHE Transactions YTD

Period	Value (USD thousand)	1M Avg Rates	3M Avg Rates	6M Avg Rates
28-Mar-24	154,250	5.31%	5.33%	5.25%
25-Mar-24	79,000	5.28%	5.31%	5.23%
21-Mar-24	109,000	5.23%	5.28%	5.22%
18-Mar-24	37,000	5.28%	5.26%	5.22%
14-Mar-24	112,750	5.28%	5.28%	5.20%
13-Mar-24	17,250	5.28%	5.25%	5.18%
07-Mar-24	121,500	5.24%	5.25%	5.17%
04-Mar-24	60,750	5.24%	5.25%	5.19%
29-Feb-24	140,250	5.20%	5.26%	5.21%
26-Feb-24	77,750	5.19%	5.25%	5.19%
22-Feb-24	114,000	5.17%	5.22%	5.14%
19-Feb-24	64,000	5.22%	5.21%	5.13%
15-Feb-24	67,250	5.22%	5.27%	5.16%
12-Feb-24	59,750	5.22%	5.21%	5.09%
07-Feb-24	8,750	5.22%	5.22%	5.11%
05-Feb-24	103,250	5.22%	5.19%	4.99%
01-Feb-24	50,250	5.22%	5.21%	5.06%
29-Jan-24	98,500	5.24%	5.22%	5.06%
25-Jan-24	84,750	5.24%	5.22%	5.09%
22-Jan-24	15,500	5.24%	5.22%	5.06%
18-Jan-24	80,750	5.24%	5.21%	5.02%
15-Jan-24	76,500	5.24%	5.22%	5.05%
11-Jan-24	142,000	5.28%	5.28%	5.14%
08-Jan-24	20,250	5.29%	5.28%	5.14%
04-Jan-24	64,750	5.29%	5.28%	5.28%
02-Jan-24	66,000	5.30%	5.40%	5.40%

Sources : Bank Indonesia, MNCS Research

Exhibit 4. Inflation Trajectory YoY



Sources : BPS, MNCS Research

MNC Research Industry Ratings Guidance

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
 - **SELL** : Share price may fall by more than 10% over the next 12 months
 - **Not Rated** : Stock is not within regular research coverage

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