INDONESIA
Macro

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Economic Update

Trade Balance August 2024

A Perfect Combination for a Long-Run Bull Market

Economic Indicator	2022	2023	2024F	2025F
GDP Growth (%)	5.31	4.80	5.2	5.5
Inflation (%)	4.20	4.50	2.1	3.0
US$/Rp (Average)	14,908	14,800	15,000	15,000
BI 7-D RRR (%)	3.52	4.0	5.50	4.5
Current Account (% GDP)	1.0	1.0	-0.7	-0.4
Trade Balance (US$ bn)	54.46	54.46	38	34
Indonesia 10 Year Yield (%)	6.99	6.99	5.80	5.8
Gov't Deficit % GDP	1.21	1.21	-2.80	-2.5
Debt to GDP (%)	40.9	40.9	37	34
Sovereign Rating (S&P)	BBB	BBB	BBB	BBB+
Primary Balance	0.2	0.2	0.2	0.1

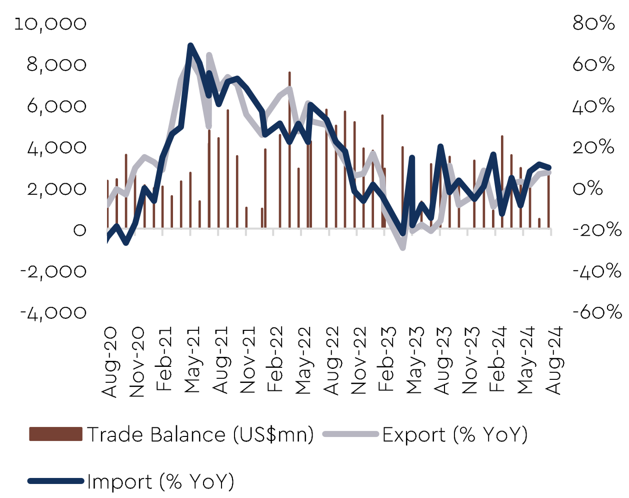
Historical 5-Yr Average Key Performance (2019-2024):

GDP Growth (%)	3.50	Trade Balance (US$)	2.68
Inflation (%)	2.85	Current Account (US$)	-2.18
US$/Rp	14,764	Current Acct (% of GDP)	-0.41
Indonesia 10-year yield (%)	6.80	Gov't Deficit (% of GDP)	-3.50
BI 7-D RRR (%)	4.73	Debt to GDP (%)	37.73

Economic Data

Bloomberg Ticker:	IDBALTOL
Frequency:	Monthly
Source:	Badan Pusat Statistik

Indonesia Trade Balance



12-Month Projection of Trade Balance

Baseline	:	US$2,16bn/month
Best	:	US$2,20bn/month
Worst	:	US$1,69bn/month

Expected rebound

Indonesia's trade surplus rebounded to US$2.89bn in August after a dip at US$0.47bn in July, marking the 52nd non-stop surplus. This surplus is slightly below our projection of US$3.00bn and above consensus of US$1.96bn. Imports growth was recorded at 9.46% yoy from 11.07% in July. Oil and gas imports growth was recorded at 13.59% from 15.99% in June, while non-OG grew to 11.09% from 10.60% in July. Consumer goods imports contraction recorded at -7.40% yoy from -0.81% in July, capital goods rose to 11.92% yoy from 2.04% in July, and raw materials grew to 11.53% yoy from 15.17% in July.

Exports growth was recorded at 9.46% yoy from 11.07% in July. Oil and gas exports contraction was recorded at -8.73% yoy from 15.99% in July, while non-OG exports grew to 8.14% yoy from 5.87% in July. Agriculture, forestry & fisheries grew to 39.61% yoy from 31.98% in July, manufacturing growth was recorded at 2.79% yoy from 4.56% in July, and mining growth was recorded at 8.70% yoy from 8.97% in July. We noted that the higher exports were driven by the manufacturing sector, as we had anticipated in previous months due to the increasing trend of raw material and capital goods imports. We expect this will boost GDP in 3Q24.

Trade surplus to sustain until the end of the year

We had anticipated the rebound as the slim surplus in July was a one-off due to the higher import of machinery. Furthermore, we project the trade balance to remain surplus until the end of the year. This surplus is due to the consistently high prices of key commodities that will boost export value ahead. Meanwhile, the decline in Brent oil prices will ease the import burden and help maintain lower fuel prices going forward. The higher imports of raw materials and capital goods will be reflected by stronger manufacturing activities.

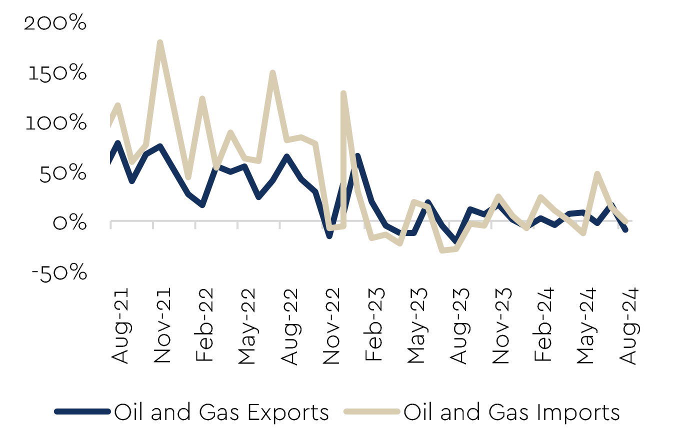
We noted that the export value will continue to go faster despite the recent mixed outlook in China, Indonesia's biggest trading partner. We expect a little slower export demand from China due to its slowing economic activity. However, this can be offset by the moderating imports value as the rupiah is poised to appreciate while Brent oil price should ease further this year. We project the trade balance to record an average surplus of US$2.5bn to US$3.0bn per month going forward.

Substantially lower policy rate ahead

The latest announcement by FOMC indicates that the Fed will cut the Fed Funds Rate (FFR) by another 50 bps to 4.50% in 2024 and 100 bps in 2025. Furthermore, the latest readings indicate that global policy rates will go down faster than we had expected at the beginning of this year. We forecasted that the Fed will only cut the rate by 75bps this year. As a consequence, BI will cut the rate by another 50bps this year to maintain the yield of government bonds attractiveness. The combination of lower FFR and trade surplus is a perfect condition to maintain a long-run bull market in equity and bond markets. We are quite confident that massive capital inflow will appreciate the rupiah further to Rp15,000/US$ in 2024.

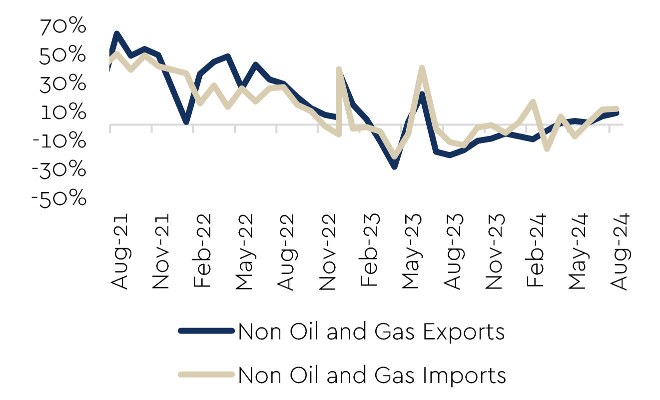
Economic Summary

Fig. 1: Oil and gas exports vs imports (% YoY)



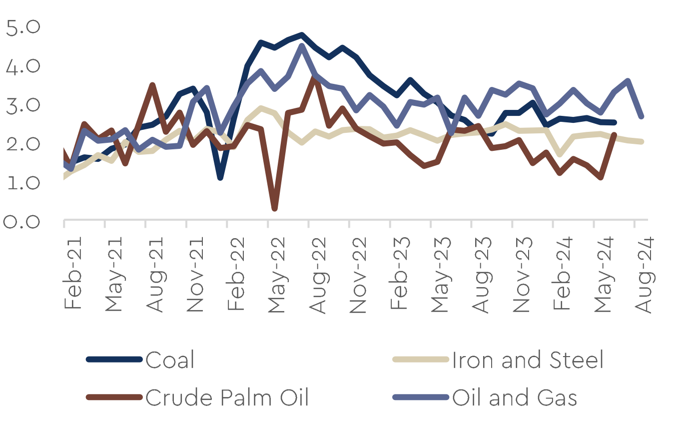
Source: BPS, Sucor Sekuritas

Fig. 2: Non-OG exports vs Non-OG imports (% YoY)



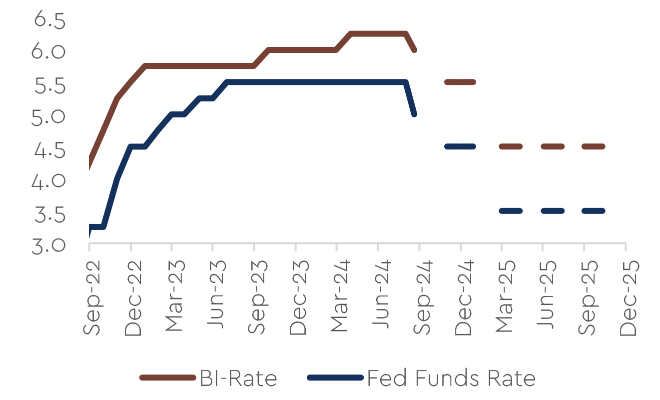
Source: BPS, Sucor Sekuritas

Fig. 3: Top three commodities' exports vs oil & gas import (US$ bn)



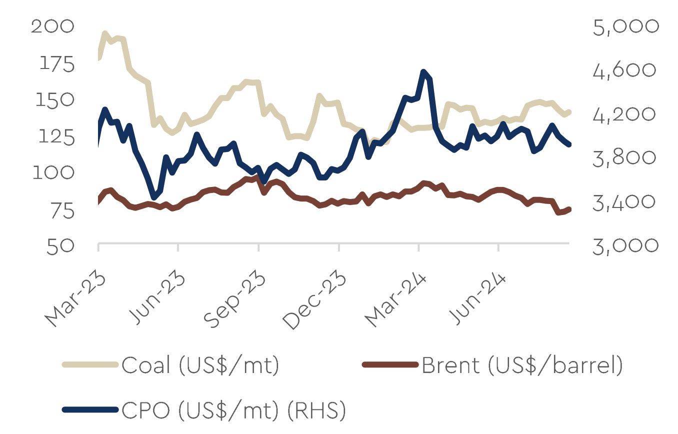
*Source: **CEIC**, Sucor Sekuritas*

Fig. 4: BI-Rate vs Fed Funds Rate forecast (%)



Source: Sucor Sekuritas

Fig. 5: Brent oil, crude palm oil and coal prices



Source: Bloomberg, Sucor Sekuritas

Fig. 6: Trade balance and current account projection in 2024

Scenario	Trade Balance (Mn US$)	Current Account (% of GDP)
Best	2,200	-0.87
Base	2,159	-0.85
Worst	1,695	-1.24

Source: Sucor Sekuritas

Sucor Sekuritas rating definition, analyst certification, and important disclosure

Ratings for Sectors

Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.

Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.

Underweight : We expect the industry to underperform the primary market index (JCI) over the next 12 months.

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Buy : We expect this stock to give return (excluding dividend) of above 10% over the next 12 months.

Hold : We expect this stock to give return of between -10% and 10% over the next 12 months.

Sell : We expect this stock to give return of -10% or lower over the next 12 months.

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