

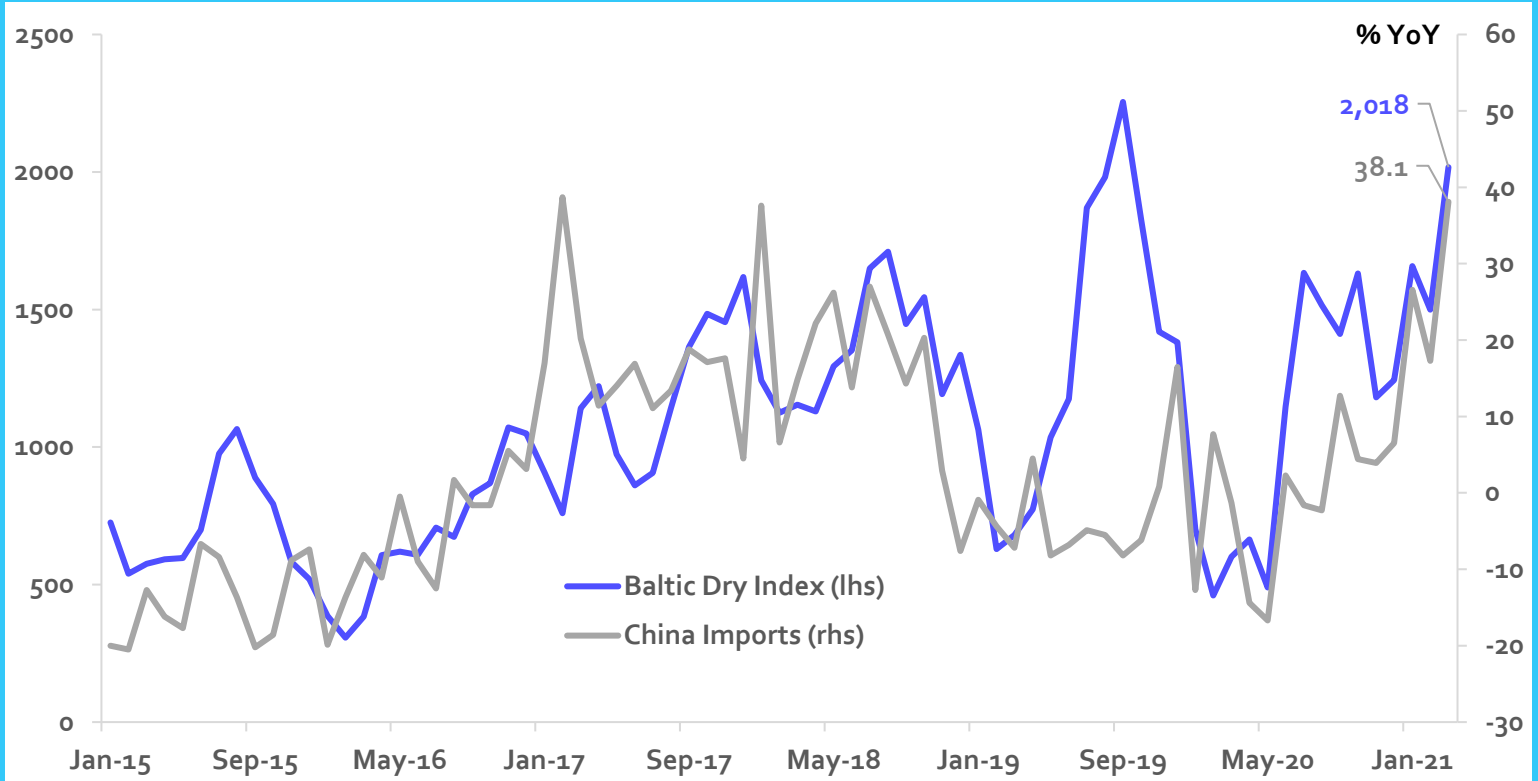
Trade: Global trade bounces back

Executive Summary:

- **Indonesia recorded a trade surplus of USD 1.57 Bn last month, driven by a massive surge in exports (+20.3% MoM / +30.5% YoY) and imports (+26.6% MoM / +25.7% YoY)** that has far outpaced the expectations of most analysts.
- **The recovery in exports is largely driven by a recent surge in global trade. Imports on the other hand, were driven both by a recovery in oil prices, as well as domestic expectations of higher economic activity during Lebaran.**
- With capital markets still precariously perched over the current calm in treasury markets, as well as the risks of a narrowing trade surplus as demand recovers, **BI is likely to remain cautious in the coming months.**

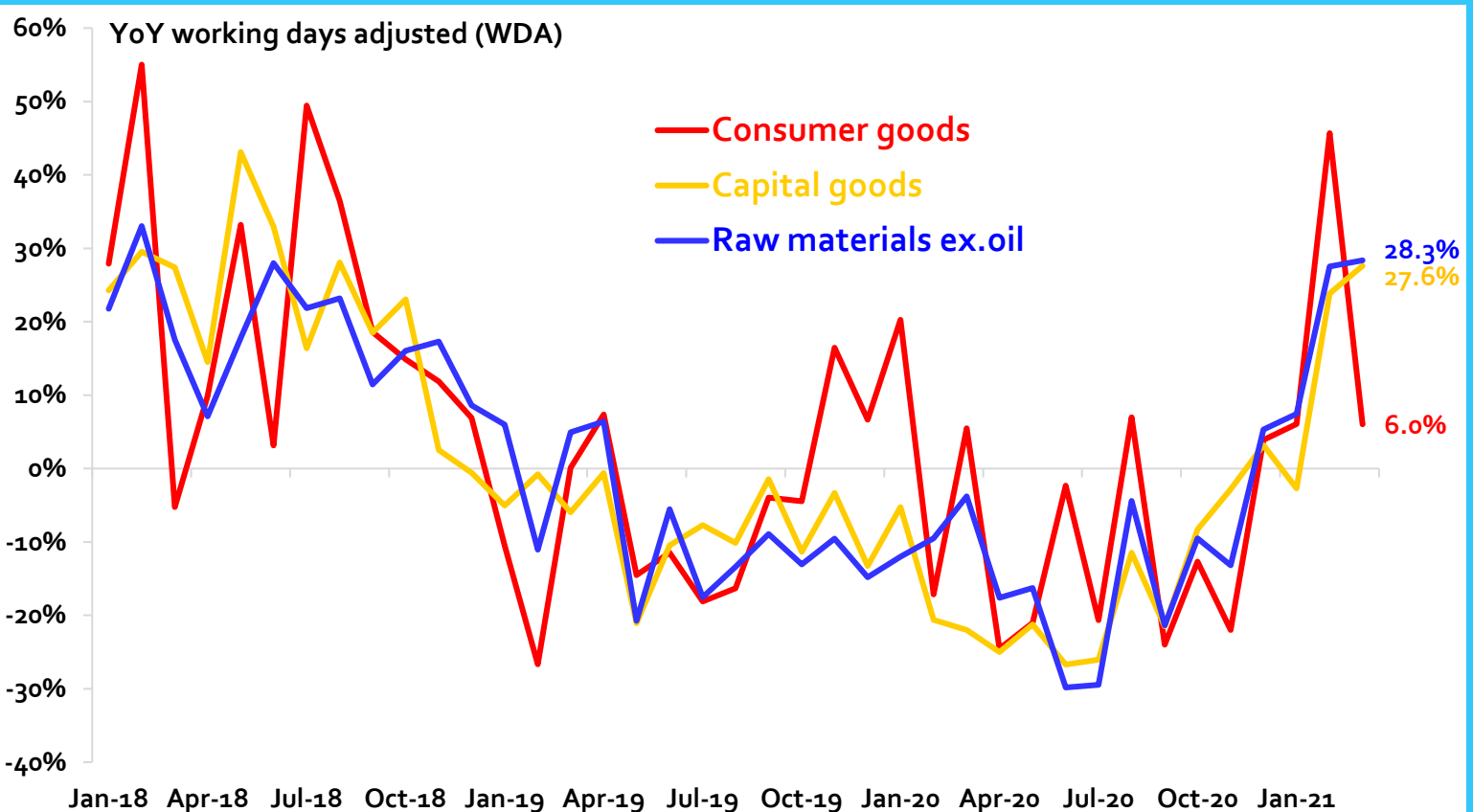
- **Indonesia recorded a trade surplus of USD 1.57 Bn last month**, smaller than the two billion dollar surpluses that have come to dominate the previous months, but still largely in line with analysts' expectations.
- **It was the massive upsurge in exports (+20.3% MoM / +30.5% YoY) and imports (+26.6% MoM / +25.7% YoY) however, that far outpaced the expectations of most analysts.** Granted, considering that March last year was when the global Covid shock truly began in earnest, some of this large upsurge may be a statistical reflection of the low-base figures against which growth figures this year are calculated.
- Aside from this however, export gains appear to be driven by fundamentals as well. Monthly export growth last month – absent the low-base comparison to last year's figures – was the highest recorded over the past ten years. **The remarkable momentum of exports, steadily growing since the end of 2020, appears to have gained even greater vigor since last month as rapid economic recovery in the US and China inject fresh energy into global trade.** The Baltic Dry Index, already at an uptrend, jumped sharply in March. China's imports, already growing by double digits since the beginning of the year, recorded its highest upsurge last month since the beginning of the pandemic (**Chart 1**).
- This story of global recovery is partly at work with regards to imports as well, this time in the form of a recovery in oil prices. **Indeed, with oil prices nearly double of what they were last year, the 41.9% YoY surge in oil and gas imports last month is not all too surprising.** With the continuing trend of global recovery, as well as OPEC's continuing price control measures, oil prices are likely to remain a significant driver of import growth this year, especially since oil prices were trapped in a Covid-induced slump for much of last year.
- This is not too say however, that the recovery in imports is being entirely driven by oil prices. **Non-oil and gas imports, adjusted to working days, still grew by a significant 17.9% YoY on March.** A large part of this increase appears to be driven by expectations of increased domestic economic activity during Ramadan. This is reflected in the fact that imports of textiles and animal feeds – both regular staples of the Ramadan spending spree – more than doubled on a YoY basis last month.
- There are signs however, that business expectations may already be looking beyond the relatively short-term time frame of the coming Ramadan season. Imports of ships more than quadrupled on a YoY basis (+253% MoM) last month. This of course, is in line with the broader theme of a rebound in global trade. Aside from that however, this also reflects expectations of an economic recovery that is more long term in nature. This is further corroborated by the fact that the growth in imports last month was spearheaded by capital and non-oil raw material goods rather than consumer goods, **yet another sign that businesses are expecting greater recovery in the medium to long term (Chart 2).**
- Ultimately, the fact that exports are not being left out of the global recovery is a welcome sign that exports will continue to provide a fine cushion for the inevitable rise in imports as recovery continues. As March's figures show however, increasing oil prices and faster recovery are still likely to take their toll on a narrowing trade surplus. While treasury yields have remained tame in the past few weeks, it remains uncertain how long the peace will last. **With this, as well as the aforementioned risks of a narrowing surplus in mind, BI is likely to maintain caution in the coming months.**

Chart 1. There has been a remarkable upsurge both in Chinese imports as well as global shipping indicators last month, signaling a rebound in global trade



Source: Bloomberg (last update: Mar 2021)

Chart 2. Capital and non-oil raw material goods, more so than consumer goods, spearheaded the growth in imports last month



Source: BPS

Selected Recent Economic Indicators

| Key Policy Rates | Rate (%) | Last Change | Real Rate (%) | Trade & Commodities | 14-Apr | -1 mth | Chg (%) |
|-------------------------------------|----------|-------------|---------------|---------------------------------|----------|----------|-----------|
| US | 0.25 | Mar-20 | -1.45 | Baltic Dry Index | 2,092.0 | 1,960.0 | 6.7 |
| UK | 0.10 | Mar-20 | -0.30 | S&P GSCI Index | 468.6 | 492.2 | -4.8 |
| EU | 0.00 | Mar-16 | -1.30 | Oil (Brent, \$/brl) | 63.1 | 69.2 | -8.9 |
| Japan | -0.10 | Jan-16 | 0.30 | Coal (\$/MT) | 90.1 | 85.6 | 5.3 |
| China (lending) | 4.35 | Oct-15 | 4.55 | Gas (\$/MMBtu) | 2.39 | 2.58 | -7.2 |
| Korea | 0.50 | May-20 | -1.00 | Gold (\$/oz.) | 1,740.5 | 1,727.1 | 0.8 |
| India | 4.00 | May-20 | -1.03 | Copper (\$/MT) | 9,053.8 | 9,103.5 | -0.5 |
| Indonesia | 3.50 | Mar-21 | 2.13 | Nickel (\$/MT) | 16,691.0 | 15,965.0 | 4.5 |
| Money Mkt Rates | 14-Apr | -1 mth | Chg (bps) | CPO (\$/MT) | 1,008.6 | 1,020.6 | -1.2 |
| SPN (1M) | 2.57 | 2.53 | 4.3 | Rubber (\$/kg) | 1.66 | 1.75 | -5.1 |
| SUN (10Y) | 6.50 | 6.71 | -20.2 | External Sector | Feb | Jan | Chg (%) |
| INDONIA (O/N, Rp) | 2.79 | 2.80 | -0.5 | Export (\$ bn) | 15.27 | 15.29 | -0.2 |
| JIBOR 1M (Rp) | 3.56 | 3.56 | 0.3 | Import (\$ bn) | 13.26 | 13.33 | -0.5 |
| Bank Rates (Rp) | Jan | Dec | Chg (bps) | Trade bal. (\$ bn) | 2.00 | 1.96 | 1.9 |
| Lending (WC) | 9.27 | 9.21 | 6.15 | Central bank reserves (\$ bn) | 138.8 | 138.0 | 0.58 |
| Deposit 1M | 4.05 | 4.22 | -17.18 | Prompt Indicators | Feb | Jan | Dec |
| Savings | 0.84 | 0.86 | -2.39 | Consumer confidence index (CCI) | 85.8 | 84.9 | 96.5 |
| Currency/USD | 14-Apr | -1 mth | Chg (%) | Car sales (%YoY) | -38.2 | -34.2 | -34.4 |
| UK Pound | 0.725 | 0.718 | -0.95 | Motorcycle sales (%YoY) | -30.8 | -14.7 | -45.1 |
| Euro | 0.842 | 0.837 | -0.68 | Cement sales (%YoY) | 0.7 | -5.9 | -12.6 |
| Japanese Yen | 109.9 | 109.0 | -0.76 | Manufacturing PMI | Mar | Feb | Chg (bps) |
| Chinese RMB | 6.543 | 6.508 | -0.53 | USA | 64.7 | 60.8 | 390 |
| Indonesia Rupiah | 14,513 | 14,385 | -0.88 | Eurozone | 62.5 | 57.9 | 460 |
| Capital Mkt | 14-Apr | -1 mth | Chg (%) | Japan | 52.7 | 51.4 | 130 |
| JCI | 6,012.1 | 6,358.2 | -5.44 | China | 50.6 | 50.9 | -30 |
| DJIA | 33,430.2 | 32,778.6 | 1.99 | Korea | 55.3 | 55.3 | 0 |
| FTSE | 6,823.6 | 6,761.5 | 0.92 | Indonesia | 53.2 | 50.9 | 230 |
| Nikkei 225 | 29,730.8 | 29,717.8 | 0.04 | | | | |
| Hang Seng | 28,657.9 | 28,739.7 | -0.28 | | | | |
| Foreign portfolio ownership (Rp Tn) | Mar | Feb | Chg (Rp Tn) | | | | |
| Stock | 1,930.8 | 1,811.4 | 119.42 | | | | |
| Govt. Bond | 971.4 | 971.4 | 0.00 | | | | |
| Corp. Bond | 28.9 | 28.4 | 0.52 | | | | |

Source: Bloomberg, BI, BPS

Notes:

*Previous data

For change in currency: **Black indicates appreciation against USD, **Red** indicates depreciation

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

Indonesia – Economic Indicators Projection

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021E |
|--|--------|--------|--------|--------|--------|--------|
| Gross Domestic Product (% YoY) | 5.0 | 5.1 | 5.2 | 5.0 | -2.1 | 4.8 |
| GDP per Capita (US\$) | 3605 | 3877 | 3927 | 4175 | 3912 | 4055 |
| Consumer Price Index Inflation (% YoY) | 3.0 | 3.6 | 3.1 | 2.7 | 1.7 | 3.1 |
| BI 7 day Repo Rate (%) | 4.75 | 4.25 | 6.00 | 5.00 | 3.75 | 3.50 |
| USD/IDR Exchange Rate (end of year)** | 13,473 | 13,433 | 14,390 | 13,866 | 14,050 | 14,460 |
| Trade Balance (US\$ billion) | 8.8 | 11.8 | -8.5 | -3.2 | 21.7 | 10.1 |
| Current Account Balance (% GDP) | -1.8 | -1.6 | -3.0 | -2.7 | -0.4 | -1.8 |

** Estimation of Rupiah's fundamental exchange rate

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