

Indicators	Unit	Value
GDP	%YoY	+5.03
CPI	%YoY	+4.33
BI Rate	%	5.75
10yr Yield	%	6.41
USD/IDR	Points	14,805
CCI	Points	126.1
FX Res	USD bn	144.2
PMI	Points	52.7

Sources \*: Bloomberg MNCS Research  
 GDP Data as of 1Q23  
 CPI Data as of Apr-23  
 BI Rate as of May-23  
 10yr yield as of May 15, 2023  
 USD/IDR as of May 15, 2023  
 CCI as of Apr-23  
 FX Res as of Apr-23  
 PMI as of Apr-23

## 36 consecutive months of trade surplus and the fate of IDR

### April-23 trade balance marking 36-straight months of surplus

A surplus of USD3.94bn in Apr-23 pointing to 3-years of trade balance surplus. The actual figure reported was higher than consensus estimate of USD3.33bn. A deeper than expected imports (-25.5% MoM/-22.3% YoY) and exports (-17.6% MoM/-29.4% YoY) resulting to larger surplus than Mar-23 surplus of USD2.91bn. This was attributable to long-holiday of Eid Fitr momentum. Widening O&G balance deficit could still be offset by non-O&G surplus post pandemic era.

### Volume and prices pressing the exports value : a sign of weaker demand (?)

Exports volume has been consistently declining after peaking in 3Q22 with the total of 179mn ton (vs 169mn ton in 1Q23). Further pressing exports value came from lowering export prices along with the ongoing commodity prices softening. The reversal pattern of pricing in the global commodity markets also cast a show of the tight monetary policy environment. Yet, interestingly, a pivot narrative has benefitted precious metals which turned out to outperform others particularly energy in the midst of weakening USD. Some weakening demand signs have been seen that Indonesia's major trade partners are experiencing a contraction in their manufacturing activities such as Japan, South Korea and Euro Area.

### Import volume was more resilient

Unlike exports, Indonesia's imports value was more resilient despite the ongoing prices decline. This is in-line with recent economic development. Indonesia's manufacturing activities remain expansive. Note worthy that domestic manufacturing PMI recorded 20 months of expansion. Imports of capital goods increased +6.5% YoY during Jan-Apr 2023 and again this firming the still domestic solid manufacturing and fixed investment.

### DHE : the game changer for IDR fate

Bank Indonesia (BI) has enacted a monetary operation to bring back liquidity to the home country by introducing exports receipts TD since the beginning of Mar-23. From the last 16 auctions, BI have absorbed in total of USD582.25mn of exports receipts repatriated to Indonesia. This amount was considerably low given the huge trade surplus in the last 3 years. Most of the inflow came into the short-term tenure of 1M maturity despite BI continuous effort to raise the interest rate to attract more inflows. This trend could also reflect exporters stance waiting for a clearer regulation related to DHE. Previously government pledge to stipulate DHE mandatory threshold and sectors extension. Our view on this policy still positive. Indonesia recorded the highest exports value (nominal) in 2022 totaling USD292bn. Should 30% of DHE (mining, plantation, forestry & fishery) is obliged to be brought back home, potential inflow ~USD45.2bn under optimistic scenario. Such scenario would be a game changer for IDR fate going forward.

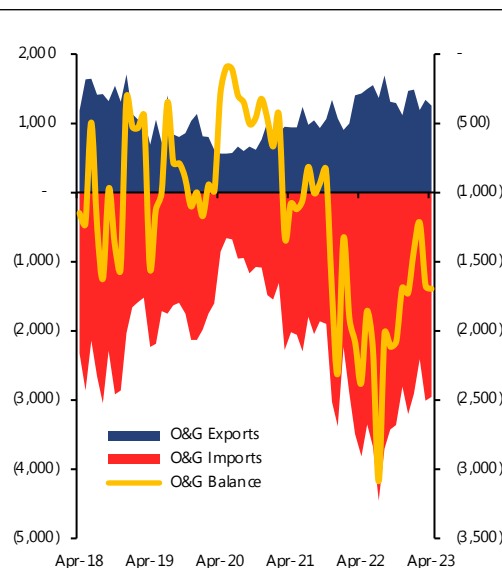
### The weak USD propelling IDR to the bullish side

Interestingly, the IDR turned out to be the best performing currency compared to peers. A massive inflows to the government bond particularly during the flattening yield curve has fueled the IDR to the bullish side to our scenario (IDR14,750/USD). Since the beginning of the year through last week, BI reported that net foreign buying in the government bond market has amounted at IDR64.6tn. We maintain our view on the IDR to be traded at IDR14,700-15,100/USD in the near time with a correction after breaking its upper limit bullish case recently.



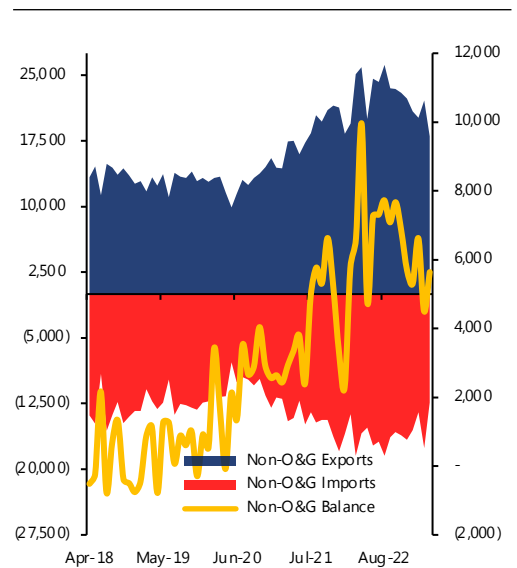
**Economist**  
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Exhibit 1. Indonesia's O&G balance deficits



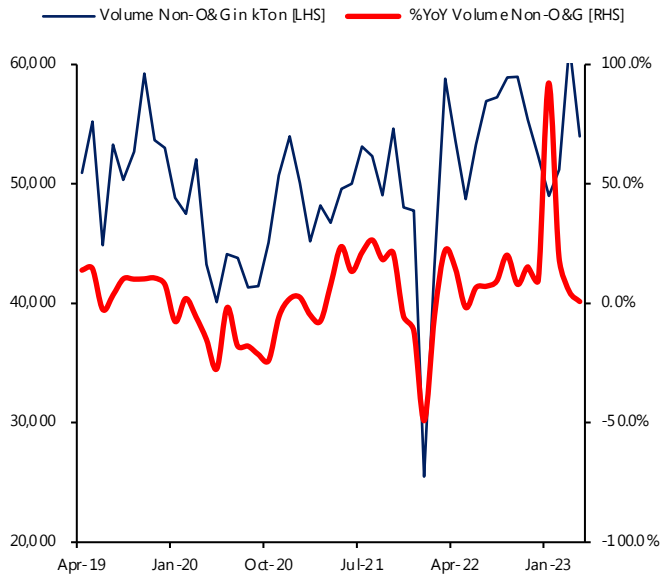
Sources : Statistics Indonesia, MNCS Research

Exhibit 2. O&G deficit offset by non-O&G



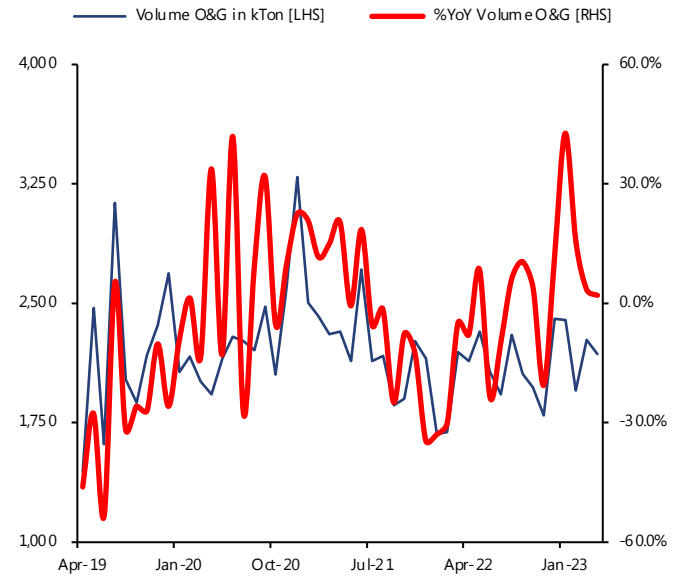
Sources : Statistics Indonesia, MNCS Research

**Exhibit 3. Non O&G exports volume stabilizing on YoY basis**



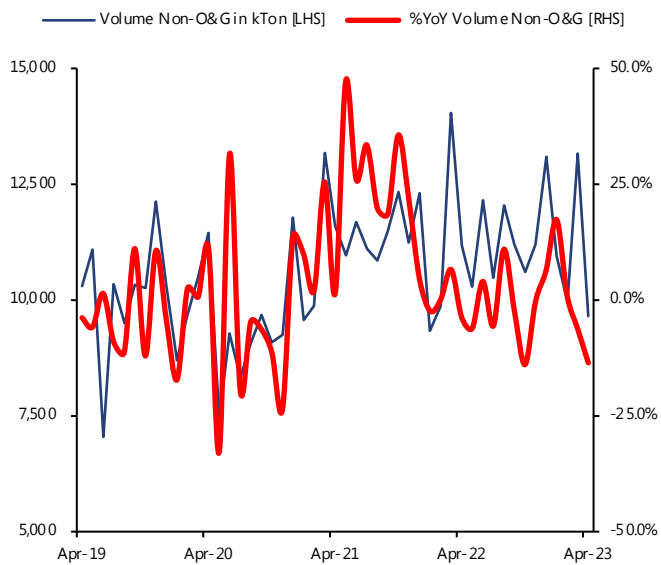
Sources : Statistics Indonesia, MNCS Research

**Exhibit 4. Growth of O&G exports volume also stabilized**



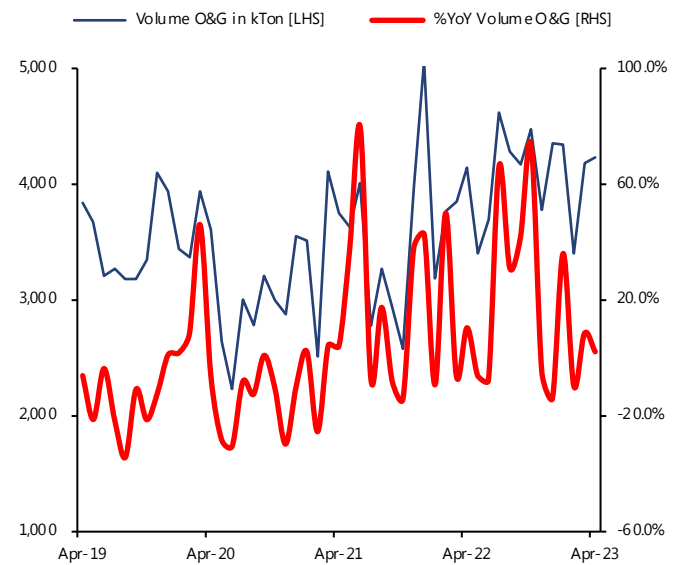
Sources : Statistics Indonesia, MNCS Research

**Exhibit 5. Non O&G imports volume growth**



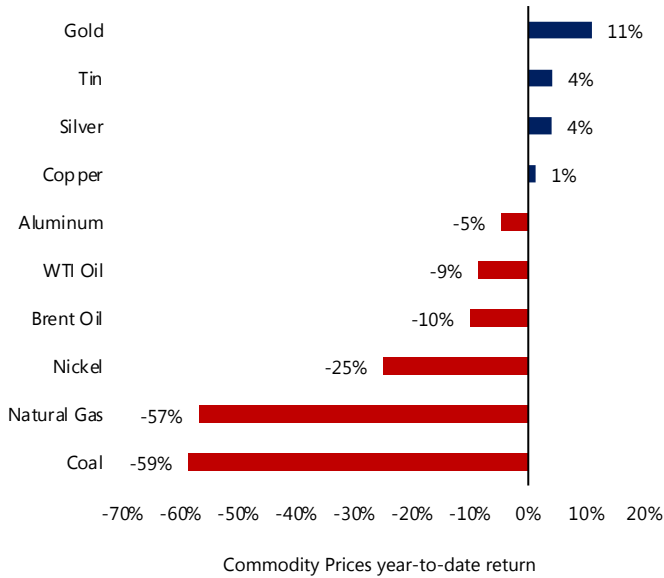
Sources : Statistics Indonesia, MNCS Research

**Exhibit 6. O&G imports volume growth**



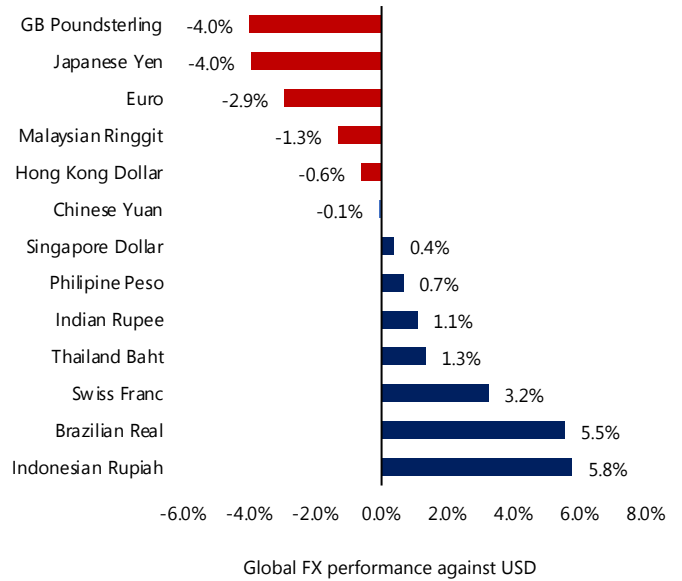
Sources : Statistics Indonesia, MNCS Research

Exhibit 7. Precious metals commodities benefit from weak USD



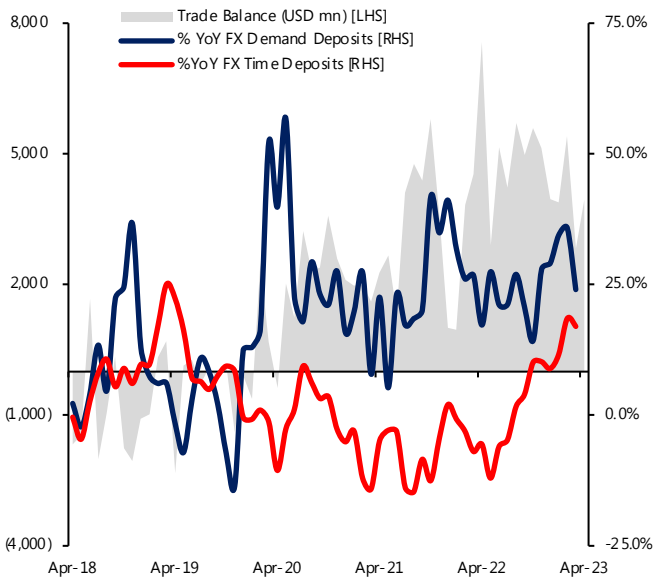
Sources : Bloomberg, MNCS Research

Exhibit 8. Weak USD also propelled IDR to the bullish side



Sources : Bloomberg, MNCS Research

Exhibit 9. Indonesia's trade balance and liquidity



Sources : Bank Indonesia, MNCS Research

Exhibit 10. DHE transactions

Period	Value (USD thousands)	1M avg Rates	3M avg Rates	6M avg Rates
2-Mar-23	15,000	4.59%	4.87%	5.15%
7-Mar-23	21,750	4.63%	4.91%	5.17%
9-Mar-23	56,750	4.71%	5.00%	5.30%
14-Mar-23	22,750	4.73%	4.96%	5.09%
16-Mar-23	56,750	4.67%	4.88%	4.89%
21-Mar-23	77,750	4.71%	4.87%	4.77%
24-Mar-23	5,250	4.86%	5.00%	4.90%
28-Mar-23	38,750	4.81%	4.97%	4.92%
30-Mar-23	-	4.83%	5.01%	4.99%
4-Apr-23	56,500	4.82%	5.04%	5.04%
6-Apr-23	12,750	4.82%	5.02%	4.98%
27-Apr-23	156,500	4.98%	5.15%	5.19%
2-May-23	20,000	5.01%	5.18%	5.22%
4-May-23	-	5.04%	5.15%	5.13%
9-May-23	16,500	5.06%	5.19%	5.18%
11-May-23	25,250	5.07%	5.21%	5.21%

Sources : Bank Indonesia, 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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