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Research Article

Volatility of Indonesia's Foreign Exchange Reserves from the Viewpoint of Transaction Growth Export and Import Before and After the Covid-19 Pandemic

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Abstract

In the growth of trade in the country, one of the indicators that can strengthen or weaken trade, be it in trade transactions or the growth of the economy can be seen from the source of foreign exchange reserves it has, where the more countries have foreign assets, the more ready the country is to enter into foreign exchange. facing an economic crisis. In order to maintain the condition of foreign exchange reserves at a safe level, it is necessary to know the factors that affect foreign exchange reserves including Exports, Imports in which Commodities from the Oil and Gas sector and from the Non-Oil and Gas sector are very important and affect economic growth in Indonesia. The research design used a qualitative descriptive research design. Throughout 2019 the oil and gas sector in Indonesia experienced a deficit then the non-oil and gas sector was also affected by a deficit, the non-oil and gas contribution made Indonesia's balance of payments positive (surplus) in 2019, in 2020 the oil and gas sector experienced a deficit with an average of US$ 498 million for the current year, strengthening 39 ,1% the highest deficit value at the beginning of the year in January of US$ 1,170.9 million, then in the non-oil and gas sector the highest surplus was in October with a nominal value of US$ 4,041.7 million and the lowest (deficit) in April with a nominal value of US$ 81.7 million. countries affected by the spread of the Covid-19 pandemic, where all ongoing activities can be hampered due to limited mobility in carrying out activities.

Keywords

Foreign Exchange Reserves, Export, Import, Covid-19 Pandemic

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Introduction

The context of international trade arises because there are differences between a country and other countries in terms of differences in mastery of technology, science, natural resources, climate, tastes, profits, market expansion, as well as the advantages and disadvantages contained in a country. According to Gowdy (2020) explains that trade can be a driving force of growth and according to Ahn (2020) that to seize opportunities and gain profits, international trade must be continuously developed.

International trade can generate benefits for a country in the form of increased job opportunities, foreign exchange reserves, increased income and capital transfers. In the growth of trade in the country, one of the indicators that can strengthen or weaken trade, be it in trade transactions or the growth of the economy can be seen from the source of foreign exchange reserves it has, where the more countries have foreign assets, the more ready the country is to enter into foreign exchange. facing an economic crisis. The increase in foreign exchange in a country can be through good management in order to increase the foreign exchange. Trade transactions are an important factor in increasing foreign exchange earnings for a country, but the adequacy of foreign exchange for trading activities is determined by the exchange rate system adopted and the size of a country's import activities. Economic activities to increase a country's foreign exchange income through an increase in aggregate exports and trade activities. Not only export activities but import activities through import substitution, namely goods that were previously imported from abroad and then try alternatives so that these goods can be produced domestically with the aim of suppressing the import of too many goods from abroad.

Indonesia is known as a country that has abundant natural resources, ranging from biological and non-biological, the potential is in the form of natural wealth from the sea and land, of course, this wealth can be used to meet and meet the needs of its people. Utilization of these natural resources is included in productive sectors including the industrial, mining and agricultural sectors which are included in Non-Oil and Gas commodities, with a contribution to the country's foreign exchange earnings within the last 3 (three) years amounting to 92.78% obtained from non-oil exports. oil and gas and 7.21% of the oil and gas sector which can be seen in the table below.

Table 1: Growth of Indonesia's Oil and Gas and Non Oil and Gas Exports

Sector	2018	Contribution	2019	Contribution	2020	Contribution	Average	Average Contribution
oil and gas	17.172	9,54%	11.789	7,03%	8.251	5,06%	12.404	7,28%
non-oil and gas	162.841	90,46%	155.894	92,97%	154.941	94,94%	157.892	92,72%
Total	180.013		167.683		163.192		170.296	100%

Source: BPS in Indonesian Foreign Trade Statistics 2020 *processed*

In the management of reserves, the condition of foreign exchange is something that cannot be separated from efforts to maintain exchange rate stability, where the reduction or depletion of foreign exchange reserves can create speculation about the rupiah value from speculators, so that in meeting liquidation needs it is necessary to maintain the stability of the exchange rate. . The exchange rate can affect the growth of non-oil and gas exports and oil and gas. Both exports and imports have an influence on the size of foreign exchange reserves. If export activity is higher, foreign exchange reserves will increase and vice versa. If imports are higher, the foreign exchange reserves owned by the country will be reduced where the amount of foreign exchange reserves can be used to improve and build the Indonesian economy for the better.

In the era of the Covid-19 pandemic, it can affect the economic growth and development of a country, many countries are affected by the spread of the Covid-19 virus, where all ongoing activities can be hampered due to limited mobility in carrying out activities, both production activities, trade transactions and even export restrictions abroad. country. However, this did not have a major impact on the condition of Indonesia's foreign exchange reserves, in which the condition of the balance of payments experienced a surplus throughout 2020, which in that year was the beginning of the spread of the Covid-19 virus, precisely at the end of December 2019, Indonesia's balance of payments surplus in 2020 was influenced by a decrease in the transaction deficit. This goes hand in hand with a slowdown in the domestic economy, a decrease in the current account deficit that exceeds a decrease in the financial account surplus, where portfolio investment and direct investment are expected to decline amidst the global economic slowdown

and increased global investment risk as a result of the spread of the Covid-19 virus.
To maintain the condition of foreign exchange reserves at a safe level, it is necessary to know the factors that affect foreign exchange reserves including: Exports, Imports where Commodities from the Oil and Gas and Non-Oil and Gas sectors are very important and affect economic growth in Indonesia.

Theoritical Review

Foreign exchange reserves

Foreign Direct Investment or what is known as Foreign Exchange Reserves is one indicator that can show the strength or weakness of the economy in a country, which is a guarantee in achieving monetary and macroeconomic stability in a country. According to Herdjiono and Sari (2017) foreign exchange reserves are foreign currency reserved by the central bank which is used in the interest of financing development and foreign transactions including exports, imports, investments and foreign debt payments.
The role of foreign exchange reserves:

According to the world bank, the role of foreign exchange reserves includes:

1. State protection from external disturbances, whereby policy makers improve their view of the value of foreign exchange reserves as protection in protecting the country from currency crises.
2. Assess credit worthiness and policy credibility through the level of foreign exchange reserves, so that a country with a sufficient foreign exchange rate can seek loans with comfortable conditions.
3. Adequate liquidity can maintain exchange rate stability. In a country it is considered to be in a safe position if it is sufficient for import costs for 3 months, vulnerable if it is in a period of less than 3 months. The lack of supply of foreign exchange in the country can cause difficulties for the country, the impact of which is not being able to finance the import of goods, reducing credibility which makes foreign exchange reserves increasingly depleted which eventually applies a devaluation policy in that country.

According to Hasanah (2020) a country's foreign exchange reserves are influenced by the current account and imports. The development of a country's current account needs to be reviewed carefully because the current account deficit lasts in the long term which can suppress foreign exchange reserves. Therefore, the current account deficit is often seen as a signal of macroeconomic imbalances that require exchange rate adjustments or tight macroeconomic policies. The formula for foreign exchange reserves can be :
$Cdvt = (Cdvt^1 + Tbt + Tmt)$
Description:
$Cdvt$ = Specific Year's Foreign Exchange Reserve
$Cdvt^1$ = Previous Foreign Exchange Reserve
Tbt = Current Account
Tmt = Capital Transaction

Export

Export is a trade transaction of goods and commodities from one country to another. Export is run by companies with small to medium scale businesses as the main strategy to compete globally. Export management is used because the risk is lower and the capital is smaller.
Export systems used in domestic trade are:

1. Direct export is a way of selling goods or services through exporters located in other countries or export destinations. Sales through distributors and company sales representatives. The advantage is that production is centralized in the country of origin and better control over distribution. Weaknesses include higher transportation costs for bulk products, trade barriers and protective policies.
2. Indirect Export is a technique in which goods are sold through an exporter in the country of origin and then sold by the intermediary. Through export management companies and export trading companies. The advantages are concentrated production resources and do not need to handle exports directly and the disadvantages are that the control over distribution is lacking and

knowledge of operations in other countries is minimal.

Exports are important for the Indonesian economy, including as the main source of foreign exchange needed, especially for import funding, then to meet the needs of domestic industry and as a driver of economic growth, which means increasing job opportunities and reducing poverty. According to Ingrao and Sardoni (2019) there are three factors that determine a country's export level, namely : Competitiveness and Economic Condition of Other Countries, Protection of Other Countries and Foreign Exchange.

Import

Import is the process of trade transportation in the form of goods and commodities through one country to another. Customs and Excise are involved in this import process, where Import is an important part of international trade with the aim of meeting the needs of the people in the country. According to Sari and Tety (2017) imports are goods or commodities that are not produced in a country, to meet these needs are met from other countries. Then according to Sonia and Setiawina (2016) that import activities even use state foreign exchange, these import activities are important to do in order to meet the needs of the domestic community, the conclusion is that the lack of foreign exchange reserves in a country can hamper import activities which hamper economic activity as well.

Balance of trade

According to Dogru, Isik, and Sirakaya-Turk (2019) the balance of trade is a systematic system through international transactions between people within the country and residents of foreign countries. Then Mankiw Gori, Antoci, Fiaschi, and Sodini (2021) explains that in an open economy, some output is for domestic and some is exported abroad, so that in an open economic system (Y) National Income can be divided into 4 (four) parts consisting of: (C) Consumption, (I) Investment, (G) Government Expenditures and (EX) goods and export commodities. The identities of these components are:

$Y = Cd+Id+Gd+EX$

The sum of Cd+Id+Gd represents domestic expenditure on goods and services, and EX represents foreign expenditure on goods and services. By making an identity in order to clarify and simplify, domestic use or use of goods and services constitutes the total (total) domestic expenditure for domestic and foreign goods and services so that :

$C=Cd+CfI=Id+If .G=Gd=Gf$

Substitution of the equation into the equation can be proven as :

$Y=(C\pm Cf)+(I\pm If)+(G\pm Gf)+EX.Y=C+I+G+EX\pm(Cf+If+Gf)$

Total domestic expenditure in the form of foreign goods and services (Cf+If+Gf), namely expenditure for (IM) Imports, so that the identity in the calculation of domestic income is formulated:

$Y=C+I+G+(EX\pm IM)$

Because expenditure on imports is included in domestic expenditure (C+I+G) goods and services imported from abroad are not part of a country's output, the equation Y=C+I+G+(EX±IM) minus import expenditure. By defining net exports as exports minus Imports (NX=EX±IM) so the equation is written as follows:

$Y=C+I+G+NX$

Among the exports of goods and services there is a difference as well as the recording of a special balance for imports of goods and services called the Current Account Balance or also known as (CA = Current Account). Systematically Current Account is:

$CA=EX\pm IM$

Based on the equation Current Account means NX = CA so that :

$Y=C+I+G+CA$

$CA=Y\pm(C+I+G)$

The above equation shows that in an open economy, domestic spending need not equal the output of goods and services. If the output is greater (>) than the total domestic expenditure, then NX or Current Account = Surplus. If output (<) is less than total domestic spending, then NX or Current Account = deficit.

Research methods

This research is using secondary and primary data. Where secondary data is a group of data that is used and later published by a number of organizations that are not derived from processing, according to Hennink, Hutter, and Bailey (2020) this data is usually displayed in the form of documentation or from available reports, for primary data can be obtained from the results of questionnaires from the object of research. . The research design uses a qualitative descriptive research design, namely by describing the facts obtained during the research and then analyzing it to a further stage based on the theory and facts obtained. The research object of this research comes from the suitability of data on exports, imports and the country's foreign exchange reserves.

Results and Discussion

Most of the countries in the world adhere to an open economic system, there are transactions for exports of goods and services from within and outside the country, and imports, namely transactions from abroad into the country. The importance of this open economic system with the aim of meeting goods or commodities that are not produced or the quantity of production is limited in the country. Trade is central in analyzing economic growth and formulating economic policies in a country. The size of the country's foreign exchange reserves can affect the pattern of foreign payments because a country (donor country) is a debtor in the world market which in the end sees how domestic and foreign policies affect the amount of capital and goods flows. In an open economic system, state expenditures in goods and services do not need to be equal to the output of export values, a country can spend more than its production by borrowing from outside or can spend more than its total domestic production.

Export Development

In Indonesia, the oil and gas and non-oil and gas sectors are one of the main commodities as the largest contributor to foreign exchange reserves. The following is data on the growth of Oil and Gas and Non-Oil and Gas Exports in the last 2 (two) years from January 2019 the time before the Covid-19 virus spread widely until after the spread from early 2020 to the end of 2020 which is shown in the table below:

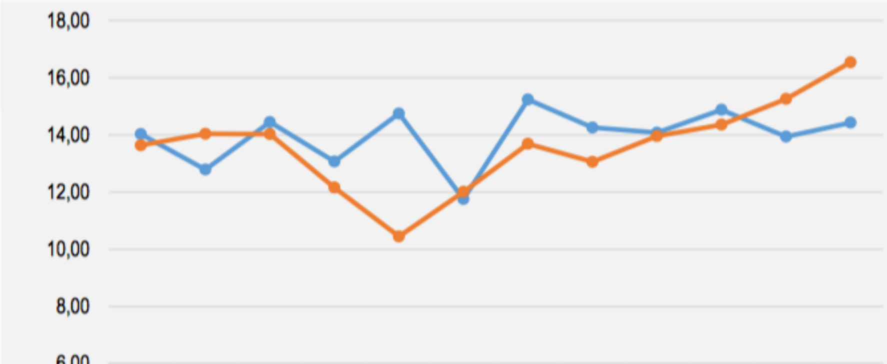
Table 2: Development of Indonesian Oil and Gas and Oil and Gas Exports

	2019				2020			
	Migas	%	Non Migas	%	Migas	%	Non Migas	%
Jan	1.234,7		12.896,8		816,2		12.815,9	
Feb	1.110,2	-10,08%	11.737,8	-8,99%	805,0	-1,37%	13.255,8	3,43%
Mar	1.140,5	2,73%	13.370,4	13,91%	653,3	-18,84%	13.414,6	1,20%
Apr	741,9	-34,95%	12.380,0	-7,41%	564,0	-13,67%	11.599,2	-13,53%
Mei	1.054,2	42,09%	13.697,7	10,64%	560,6	-0,60%	9.893,7	-14,70%
Jun	714,1	-32,26%	11.049,4	-19,33%	569,3	1,55%	11.440,0	15,63%
Jul	1.400,5	96,12%	13.837,9	25,24%	679,1	19,29%	13.023,6	13,84%
Agu	842,9	-39,81%	13.419,1	-3,03%	598,7	-11,84%	12.497,1	-4,04%
Sep	803,0	-4,73%	13.277,1	-1,06%	668,4	11,64%	13.292,1	6,36%
Okt	860,9	7,21%	14.021,5	5,61%	613,4	-8,23%	13.748,9	3,44%
Nov	1.033,7	20,07%	12.919,8	-7,86%	762,2	24,26%	14.497,2	5,44%
Des	1.133,3	9,64%	13.295,5	2,91%	1.018,8	33,67%	15.519,5	7,05%

Source: BPS through Foreign Trade Statistics *processed*

The table above explains that cumulatively in 2019 to 2020 Indonesia's oil and gas exports decreased by 31.16% affected by the Covid-19 pandemic which affected Indonesia's oil and gas and non-oil and gas exports, the lowest value of Indonesian oil and gas exports in May 2020 with an export transaction value of US$ $ 569.3 million (down 0.60%) from the previous month, namely April 2020 which also decreased by 13.65% with a nominal value of US $ 151.7 million, a very high decline in oil and gas exports also led to a decline in non-oil and gas exports in the last month. the same as April 2020 with transactions of US$ 9,893.7 million, previously in March 2020, which was US$ 11599.2 million, down (14.70%) Government policies through large-scale social restrictions (PSBB) and lockdown policies in other countries have resulted in a decline in activity international trade has become hampered and slowed down, making export performance in April 2020 and during 2020 decline. The positive increase in report cards began to increase at the end of the year in November 2020 and December 2020 as a result of the easing of PSBB restrictions and the lockdown of foreign countries with an average increase of 28.96% for oil and gas and 6.25% for non-oil and gas increases.

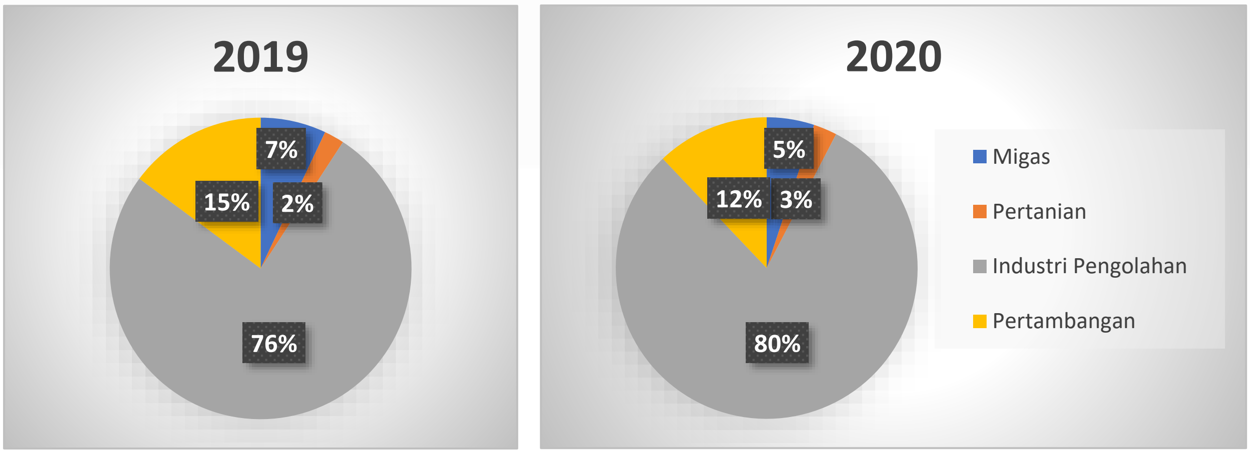
Graph 1: Growth in the Value of Indonesia's Oil and Gas and Non-Oil and Gas Exports



	Jan	Feb	Mar	Apr	Mei	Jun	Jul	Agt	Sep	Okt	Nov	Des
2019	14,03	12,79	14,45	13,07	14,75	11,76	15,24	14,26	14,08	14,88	13,94	14,43
2020	13,64	14,04	14,03	12,16	10,45	12,01	13,69	13,06	13,96	14,36	15,26	16,54

Source: BPS through Foreign Trade Statistics *processed*

Graph 2: Composition of Indonesia's Export Values for 2019 and 2020



Source: BPS through PEB and Non PEB documents *processed*

The table above explains that the contribution of the Indonesian oil and gas sector is not too large at 7% in 2019 and decreased by 2% in 2020 to 5%, the largest contribution of the oil and gas sector to gas commodities is followed by crude oil and the least role is the result of oil processing, the impact of the decline foreign market demand throughout the year in 2020 where the worst seen for the oil and gas sector in March 2020 decreased by 18.84% (42.72% compared to the same month in 2019) from the previous month and the worst impact was felt by the non-oil and gas sector in May 2020 with a decrease of 14.70% and 27.77% compared to the same month in 2019, processing industry commodities in the non-oil and gas sector still play a major role in the country's foreign exchange earnings consisting of palm oil (CPO), coal and iron/steel

Import Development

Table 3: Growth in the Value of Indonesian Oil and Gas and Non-Oil and Gas Imports

	2019				2020			
	Migas	%	Non Migas	%	Migas		Non Migas	%
Jan	1.656,6		13.334,8		1.987,1		12.281,6	
Feb	1.584,0	-4,38%	10.642,0	-20,19%	1.774,6	-10,69%	9.800,5	-20,20%
Mar	1.520,8	-3,99%	11.930,3	12,11%	1.606,5	-9,47%	11.745,7	19,85%
Apr	2.235,5	47,00%	13.163,7	10,34%	854,3	-46,82%	11.680,9	-0,55%
Mei	2.182,2	-2,38%	12.424,5	-5,62%	657,5	-23,04%	7.781,1	-33,39%
Jun	1.713,0	-21,50%	9.782,4	-21,27%	677,1	2,98%	10.083,2	29,59%
Jul	1.748,1	2,05%	13.770,4	40,77%	958,8	41,60%	9.506,1	-5,72%
Agu	1.630,5	-6,73%	12.538,9	-8,94%	949,8	-0,94%	9.792,6	3,01%
Sep	1.591,9	-2,37%	12.671,5	1,06%	1.173,0	23,50%	10.397,1	6,17%
Okt	1.755,3	10,26%	13.003,8	2,62%	1.078,9	-8,02%	9.707,2	-6,64%
Nov	2.134,4	21,60%	13.206,1	1,56%	1.085,0	0,57%	11.579,4	19,29%
Des	2.133,2	-0,06%	12.373,6	-6,30%	1.481,8	36,57%	12.956,4	11,89%

Source: BPS through Foreign Trade Statistics *processed*

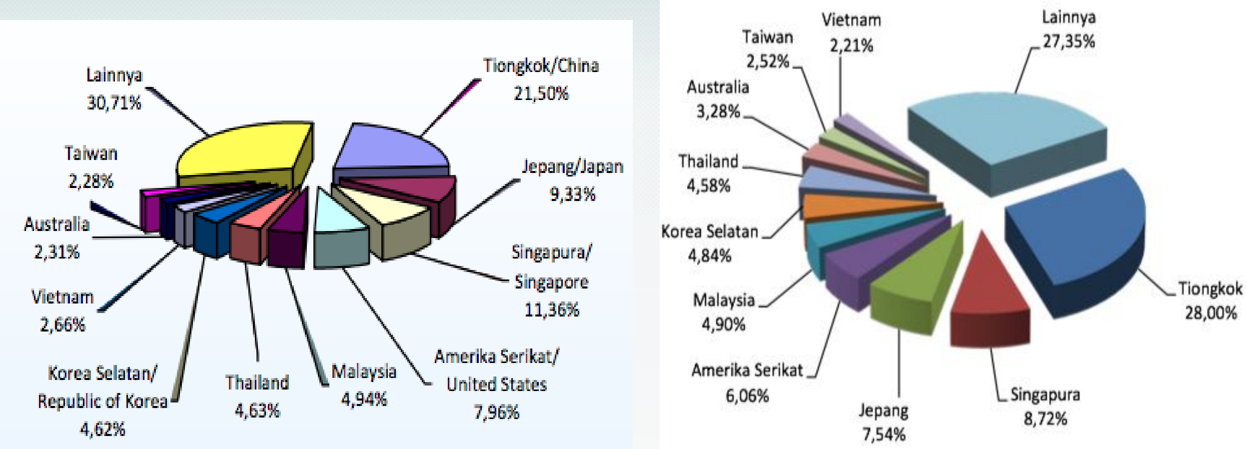
The data in the table above explains that Indonesia's import data has also decreased, such as export activity as a result of the decline in domestic demand for Raw/Auxiliary Material commodities from 73.77% in 2019 down 0.86% to 72.91%. Based on data from the 1-digit Standard International Trade Classification, the main groups of imported goods in the period of 2020 are machinery and transportation equipment with a value of US$ 46,743.1 million and account for 33.02% of Indonesia's total imports where the import value of this group of goods decreased by 16.35% compared to 2019. The data in table 3 explains that for the oil and gas sector the lowest import value was in May 2020 with a total of US$ 657.5 million (-23.04%) from the previous month and decreased by 69.87% compared to the previous month. the same in 2020 (US$ 2,182.2 million), the non-oil and gas sector was also affected the same in May 2020 with a 33.39% decrease (US$ 7,781.1 million) and 37.37% compared to the same period in May 2019 (US$ 12,424.5 million).

Graph 3: Import Value by Province of Destination

Source: BPS through Foreign Trade Statistics *processed*

The graph above explains that the comparison of imports from 3 (three) provinces in Indonesia represented by DKI Jakarta with a total import of US$ 88.393.4 million (role 51.61%) decreased by 18.50% in 2019 with a total import of US$ 72.037 million (role 50, 89%) the largest decline in oil and gas sector demand for oil and commodity commodities by 32.79% and in the non-oil and gas sector in factory-made goods by 24.10% the impact of declining demand during the spread of Covid-19, below DKI Jakarta, namely the province East Java, with a total import of US$ 23,335.8 million in 2019, the demand for imports in 2020 fell 14.36% to US$ 19,985.7 million and the third place was the Riau Islands province of US$ 10,760.6 million in 2019, an increase of 4.67% to US$ 11,263.6 million in 2020 was due to an increase in demand in the non-oil and gas sector, namely the type of electrical machinery/equipment and a decrease in demand in the oil and gas sector.

Graph 4: Contribution of Importing Countries in Indonesia in 2019 and 2020



Source: BPS through Foreign Trade Statistics *processed*

The biggest contribution of importing countries in 2019 and 2020 was China (China) with a contribution of 21.50% and increased to 28.00% in 2020, followed by Singapore's 11.36% contribution in 2019 which fell to 8.72% due to its economic growth. experienced a decline of up to 4% (Indonesian media) Singapore suppressed outgoing exports to meet its domestic needs during the Covid-19 pandemic and was also followed by Japan with the 3rd (third) largest import percentage decreasing by 1.79% in 2020.

Development of Indonesia's Foreign Exchange Reserves

Table 4: Development of Indonesia's Foreign Exchange Reserves

2019				Total	2020				Total
Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
2.419,4	- 1.976,7	- 45,9	4.279,1	4.675,9	8.544,9	- 9.245,5	- 2.052,6	156,4	- 2.596,7

Source: BPS through Indonesian Economic Indicators (Balance of Payments) *processed*

The table above explains that the Indonesian economy, which was supported by foreign exchange reserves in 2019, had a surplus of US$ 4,675 million and was affected by the Covid-19 pandemic, the deficit was US$ 2,596,7 million in 2020 which originated in the second quarter, which touched US$ 9,245.5 million. The second quarter of 2020 became the initial spread of the Covid-19 pandemic virus which made the Indonesian economy uncertain and then strengthened 77.79% even though it was still a deficit in the third quarter to US$ 2,052.6 million. The problem of foreign exchange reserves is a serious matter, foreign exchange reserves can maintain domestic economic stability, international (global) trade growth can keep foreign exchange reserves safe. The balance of payments derived from international trade transactions whether experiencing a surplus or a deficit is a way to see the development of the position of domestic foreign exchange reserves. The surplus or deficit in the balance of payments can be seen from the amount of export which is higher than the amount of the value of imports which is referred to as a surplus and vice versa for a deficit.

Analysis

Surplus / Deficit

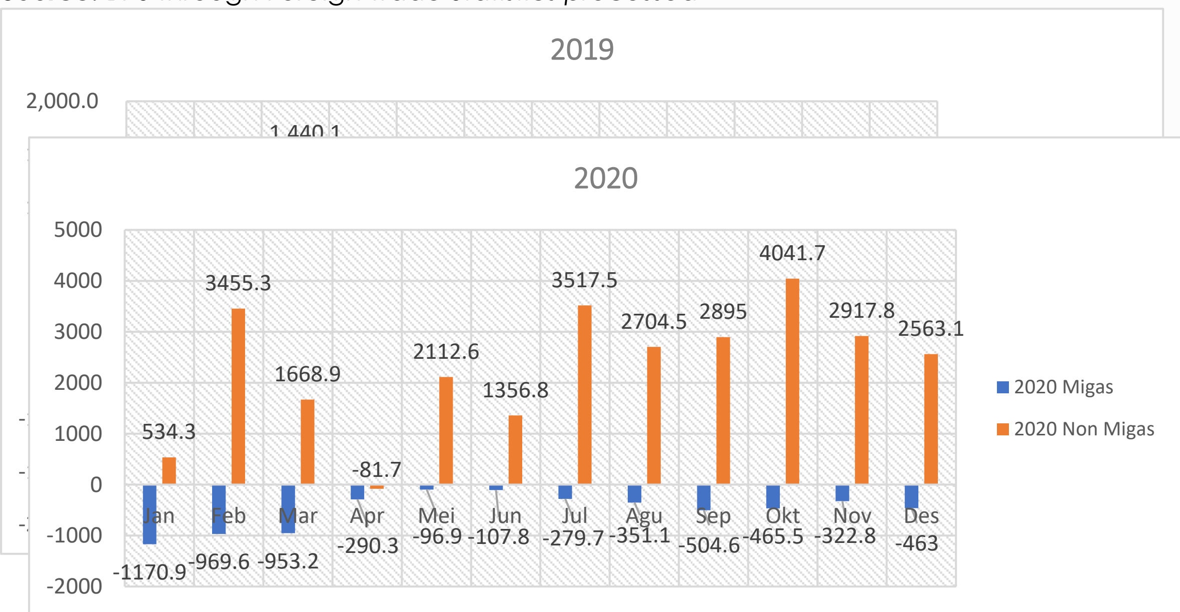
Table 5: Recapitulation of Indonesia's Balance of Payments Surplus/Deficit

	2019				2020				Surplus / Devisit			
	Export		Import		Export		Import		2019		2020	
	Migas	Non Migas	Migas	Non Migas	Migas	Non Migas	Migas	Non Migas	Migas	Non Migas	Migas	Non Migas
Jan	1.234,7	12.896,8	1.656,6	13.334,8	816,2	12.815,9	1.987,1	12.281,6	-421,9	- 438,0	- 1.170,9	534,3
Feb	1.110,2	11.737,8	1.584,0	10.642,0	805,0	13.255,8	1.774,6	9.800,5	-473,8	1.095,8	- 969,6	3.455,3
Mar	1.140,5	13.370,4	1.520,8	11.930,3	653,3	13.414,6	1.606,5	11.745,7	-380,3	1.440,1	- 953,2	1.668,9
Apr	741,9	12.380,0	2.235,5	13.163,7	564,0	11.599,2	854,3	11.680,9	-1.493,6	- 783,7	- 290,3	- 81,7
Mei	1.054,2	13.697,7	2.182,2	12.424,5	560,6	9.893,7	657,5	7.781,1	-1.128,0	1.273,2	- 96,9	2.112,6
Jun	714,1	11.049,4	1.713,0	9.782,4	569,3	11.440,0	677,1	10.083,2	-998,9	1.267,0	- 107,8	1.356,8
Jul	1.400,5	13.837,9	1.748,1	13.770,4	679,1	13.023,6	958,8	9.506,1	-347,6	67,5	- 279,7	3.517,5
Agu	842,9	13.419,1	1.630,5	12.538,9	598,7	12.497,1	949,8	9.792,6	-787,6	880,2	- 351,1	2.704,5
Sep	803,0	13.277,1	1.591,9	12.671,5	668,4	13.292,1	1.173,0	10.397,1	-788,9	605,6	- 504,6	2.895,0
Okt	860,9	14.021,5	1.755,3	13.003,8	613,4	13.748,9	1.078,9	9.707,2	-894,4	1.017,7	- 465,5	4.041,7
Nov	1.033,7	12.919,8	2.134,4	13.206,1	762,2	14.497,2	1.085,0	11.579,4	-1.100,7	- 286,3	- 322,8	2.917,8
Des	1.133,3	13.295,5	2.133,2	12.373,6	1.018,8	15.519,5	1.481,8	12.956,4	-999,9	921,9	- 463,0	2.563,1

Source: BPS through Foreign Trade Statistics *processed*

The data in the table above explains that throughout 2019 the oil and gas sector in Indonesia experienced a deficit with an average of US$ 818 million, the highest in April and May 2019 with details of a deficit of US $ 1,493.6 million and in May 2019 US $ 1,128 million, then from the non-oil and gas sector. also affected by the highest deficit in April 2019 of US$ 783.7 million with an average in 2019 for the non-oil and gas sector plus US$ 588.4 million, non-oil and gas contributions made Indonesia's balance of payments positive (surplus) in 2019.
Compounded by the impact of the 2020 Covid-19 pandemic, the oil and gas sector had a deficit with an average of US$ 498 million for the year, a 39.1% increase in the highest deficit value at the beginning of the year in January of US$ 1,170.9 million, then in the non-oil and gas sector a surplus of an average the current year amounted to US$ 2,307.2 million, with the highest surplus in October with a nominal value of US$ 4,041.7 million and the lowest (deficit) in April with a nominal value of US$ 81.7 million.

Graph 5: Indonesia's 2019 Balance of Payments Surplus/Deficit
Source: BPS through Foreign Trade Statistics *processed*



Graph 6 : Indonesia's Balance of Payments Surplus/Deficit 2020
Source: BPS through Foreign Trade Statistics *processed*

From the growth chart, the oil and gas sector was the worst affected by the deficit in 2019 because most of the domestic oil and gas needs were supported by external supply and exacerbated by the deteriorating performance of oil and gas in 2019 in the form of crude oil, oil and gas products. The oil and gas trade balance deficit in 2019 was caused by the crude oil balance deficit in the third and fourth quarters of 2019, and the stable balance of gas commodities compared to the previous year in 2018. The non-oil and gas sector surplus was quite significant due to a decrease in domestic import demand, a surplus of US$ 7,061 million, this significant growth was due to a decrease in non-oil and gas imports (crude oil) where the decline in imports occurred in raw material commodities and capital goods, which was deeper than the decline in non-oil and gas exports.

Indonesia's oil and gas sector deficit in 2020 stems from an increase in oil trade imports in line with increasing domestic consumption needs, on the contrary in the gas demand balance surplus which is driven by increased demand for gas exports to foreign countries despite the occurrence of gas lifting which illustrates the low absorption of domestic gas needs. Indonesia's trade balance surplus in 2020 came from an increase in non-oil and gas exports in line with the international economic recovery after the Covid-19 pandemic amid limited import growth, a trade balance surplus that grew significantly compared to the 2019 achievement of US$ 3,500 million. Cumulatively in 2020, the non-oil and gas sector recorded a development surplus due to the contraction of non-oil and gas imports into the country by 15% for the current year (yoy) due to the weakening demand for domestic non-oil and gas commodities.

Conclusion

Indonesia's foreign exchange reserves are strongly influenced by international trade transactions, both in the form of exports and imports. The surplus of international trade transactions between countries is obtained from the difference in the number of Export transactions compared to the number of Import transactions, the strengthening of foreign exchange reserves cannot be separated from the role of non-oil and gas exports which dominate more than 90% which helps stabilize the domestic economy and supports export expansion so that it can achieve prosperity.

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