Analysis of International Aspects on the Balance of Supply and Demand in the Domestic Market

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Abstract

Research aim: *This study aims to analyze the impact of international factors on the balance of supply and demand in the Indonesian domestic market. The main focus of this study is changes in trade policy, fluctuations in the rupiah exchange rate, and global price dynamics in influencing the domestic market. In addition, the study identifies adaptation strategies that can be implemented by governments and the private sector to address global economic challenges.*

Design/Method/Approach: *This study uses a qualitative approach with a literature study method. Various data sources such as scientific journals, policy reports, and data from official institutions such as Bank Indonesia and the WTO were analyzed using a thematic synthesis approach to identify patterns and relationships between international factors and the balance of supply and demand in Indonesia.*

Research Finding: *The analysis shows that international factors such as fluctuations in global commodity prices, trade partner policies, the rupiah exchange rate, the global economic crisis, and geopolitical stability have a significant impact on the balance of supply and demand in the domestic market. Adaptation strategies such as diversifying export markets, increasing the competitiveness of local products, and responsive monetary and fiscal policies can help Indonesia face global economic challenges.*

Theoretical contribution/Originality: *This research offers a new perspective by integrating international factors in a comprehensive analysis of the balance of supply and demand in Indonesia. By highlighting the linkages between global monetary policy, the structure of international supply chains, and the response of domestic markets to external shocks, this study enriches the economic literature in the context of an open economy.*

Practitionel/Policy implication: *The results of this research can be used by policymakers to design economic regulations that are more adaptive to global dynamics. For the private sector, the insights from this research can be fundamental in business decision-making strategies, especially in the face of global market fluctuations.*

Research limitation: *This study is limited to a literature-based analysis, so it does not include more specific empirical data. Further studies with quantitative approaches or econometric models are needed to measure the direct impact of international factors on the balance of supply and demand in Indonesia.*

Keywords : *balance of supply and demand, global economy, exchange rate, international trade, economic policy*

1. Introduction

The relationship between Indonesia's internal market and global economic dynamics is increasingly complicated in the era of increasingly connected globalization. Indonesia's current supply and demand balance is influenced by global and internal factors, including fiscal policy, national output, and consumer spending trends. International trade, trading partner's economic

policies, and changes in world markets are examples of such external influences.
The functioning of local markets has changed significantly as a result of trade liberalization and increased cross-border investment flows caused by globalization. The domestic market must adapt to changes in global economic dynamics to meet these conditions. (Sartika, 2019; Widianti, 2022) (antaranews.com, 2023; Basuki & Amatullah, 2023)

As a country with an open economy, Indonesia is increasingly directly affected by shifts in the world economy. The increase in global commodity prices caused by geopolitical conflicts or shifts in trade policies by major countries such as the United States and China, for example, has an impact on the supply of commodities and the purchasing power of the Indonesian people. In addition, the rupiah exchange rate is often significantly influenced by the monetary policy of international central banks, such as the Federal Reserve or the European Central Bank. This, in turn, affects the cost of imported commodities and the competitiveness of Indonesia's exports. (Annisa & Najicha, 2021) (Rabbani, 2024)

Analyzing the impact of global factors on the balance of supply and demand is essential in this context. A trade deficit, inflation, or a decline in the competitiveness of a home business could be a consequence of an imbalance caused by external interference. To create a flexible and competitive strategy, governments and companies must have a strong understanding of how domestic market dynamics and global factors interact. (Amien et al., 2024; Luntungan, 2024) (Alawiyah Matondang et al., 2024; Jalil et al., 2024; Nuri Aslami, 2022)

This research offers a new perspective in analyzing the balance of supply and demand by emphasizing the role of international aspects more comprehensively in the Indonesian context. Unlike previous studies that tended to discuss supply-demand in the domestic scope solely or only focused on the impact of international trade in general, this study will integrate various international factors such as global monetary policy, changes in the structure of international supply chains, and the response of Indonesia's domestic market to external shocks. Thus, this research contributes to enriching the economic literature with a more holistic approach to domestic market dynamics in a global context.

1.1. Statement of Problem

The urgency of this research lies in the need to understand more deeply how the linkages between international and domestic markets affect Indonesia's economic stability. With increasing global uncertainty, both due to changes in the economic policies of major countries and systemic crises, this research can provide the necessary insights for policymakers in designing more responsive regulations. In addition, for business people in Indonesia, understanding these international factors can help in more strategic and data-driven decision-making.

1.2. Research Objectives

This study aims to analyze the impact of international factors on the balance of supply and demand in the Indonesian domestic market. In particular, this study will explore how changes in trade policy, fluctuations in the rupiah exchange rate, and global price dynamics affect the structure of the domestic market. In addition, this research also aims to identify strategies that can be used by governments and the private sector in dealing with challenges arising from international factors.

2. Method

This study uses a qualitative approach with a descriptive type of research. The method used is a literature study, which aims to collect and analyze various reference sources related to the balance of supply and demand in the Indonesian domestic market in the context of international factors. The sources used include scientific journals, books, policy reports, and data from official institutions such as Bank Indonesia, the Central Statistics Agency (BPS), and the World Trade Organization (WTO). The analysis was carried out with a thematic synthesis approach to identify patterns, relationships, and implications of international factors on supply and demand dynamics in Indonesia.

3. Results and Discussion

Based on the analysis of various literature studies, it shows that the balance of supply and demand in the Indonesian domestic market is greatly influenced by international factors. There are ten main international aspects that affect the balance of supply and demand in the Indonesian domestic market:

3.1 Global Commodity Price Fluctuations – Domestic prices are directly affected by changes in commodity prices in international markets, including food, gas, and oil. For example, rising oil prices globally will increase production and transportation costs, which will have an impact on consumer product prices and people's purchasing power. The prices of basic commodities will be affected by the increase in transportation costs, and manufacturing companies will face higher operating costs, which will ultimately be passed on to consumers. (Matondang et al., 2024; Soesanto et al., 2025) (Nugraha, 2016; Pratiwi, 2019)
When global commodity prices decline, domestic prices also tend to be more stable or even fall. Production and distribution costs are lower, which can encourage better economic growth. However, for sectors that depend on commodity exports, such as palm oil and coal, global price declines could negatively impact national incomes and the well-being of workers in those industries.

3.2 Indonesia's trade policies of partner countries are significantly influenced by changes in partner countries' trade policies, such as import taxes, quotas, and protectionism. Indonesian goods become more expensive in their markets when import duties are raised by Indonesia's export destination countries. The consumer arena in those countries will prefer local products or look for alternatives from other countries that have lower tariffs, domestic products becoming less competitive. This can hinder the expansion of export-dependent industries, such as manufacturing, fisheries, and plantations. (Ardianto & Asngadi, 2022; Asrol & Heriyanto, 2017; Budiarti et al., 2024) (Fitri, 2022; Kominfo, 2022) If partner countries implement protectionist policies, such as limiting import quotas or providing subsidies for their local products, Indonesia's exports could also be affected. Indonesian products will face stiffer competition, so it has the potential to reduce export volumes and reduce the income of domestic business actors. This can have an impact on the labor sector, especially for industries that are heavily dependent on foreign markets.
Protectionist policies from partner countries can also affect Indonesian imports. If a country restricts the export of raw materials to Indonesia or raises their export tariffs, then domestic industries that depend on raw material imports will face rising production costs. This condition can cause the price of finished goods to become more expensive in the domestic market.
Indonesia must have an appropriate plan to adapt to changes in international trade regulations. One way to mitigate the negative impact of trading partner protectionist policies is to diversify export markets, make domestic products more competitive, and strengthen trade agreements

with other countries. (Alawiyah Matondang et al., 2024; Fitriyanti et al., 2023; Tanjung, 2024)

3.3 Rupiah Exchange Rate – Indonesia's trade is greatly influenced by changes in the value of the rupiah against other currencies, especially in terms of the cost of imported goods and export competitiveness. The price of imported goods becomes higher when the rupiah depreciates in value against other currencies. This happens because foreign currencies used in import transactions require additional fees in the form of rupiah. As a result, goods that rely on imported components—such as industrial raw materials, technological products, and some foods—have a tendency to become more expensive. Inflation and a decrease in purchasing power can occur due to this price increase. (Arifin & Mayasya, 2018; Marcello & Karmini, 2022; Rabbani, 2024) The weakening of the rupiah can also provide benefits for the export sector. Indonesian products become cheaper in the international market when converted into foreign currencies, making them more competitive than products from other countries. This can encourage increased exports and help industries that depend on global markets, such as manufacturing, plantation, and fisheries.
However, if the rupiah appreciates or strengthens against foreign currencies, the price of imported goods becomes cheaper. This benefits consumers and industries that rely on imported raw materials, as production costs can be reduced. However, the appreciation of the rupiah can also reduce the competitiveness of Indonesia's exports. Domestic products become more expensive for overseas buyers, so the demand for export goods can decrease.
The business world and the government must have the right plan to handle exchange rate changes. Indonesia's economic balance in the face of global exchange rate fluctuations can be maintained by diversifying export markets, increasing the use of domestic raw materials to reduce dependence on imports, and maintaining stable monetary policies. (Arifin & Mayasya, 2018; Halawa, 2023; Khamidah & Sugiharti, 2022; Purwanti & Setyowati, 2018)

3.4 Global Economic Crisis – The decline in demand for Indonesia's exports, which is mainly seen in the manufacturing, plantation, and mining sectors, is a result of the economic downturn in developed countries. The most affected industries are those that rely heavily on exports, such as manufacturing, plantations, and mining. (HiveFive, 2025; Jalil et al., 2024)
For example, the manufacturing sector that produces electronics, textiles, or auto parts may experience a decline in demand from the world market. The same is true of the natural resources industry, which typically exports commodities such as coal, rubber, and palm oil to industrialized countries for their industrial needs. Reduced exports can lead to reduced jobs and a slowdown in local economic growth. If demand declines, companies in this sector will reduce production, which could ultimately lead to layoffs or wage cuts for workers. (Prabowo & Sihaloho, 2023; Pratiwi, 2019; Widianti, 2022) The slowdown in domestic economic growth is another impact of the decline in exports. Reduced export earnings can hinder investment in productive industries, hinder industrial growth, and erode people's overall purchasing power. (Jalil et al., 2024; Soemantri, 2024)
To face these challenges, Indonesia needs to take strategic steps, such as expanding export markets to developing countries with more stable economies, increasing the added value of export products to be more competitive, and strengthening the domestic sector so that it is not too dependent on foreign demand. With these measures, Indonesia can be better prepared to face the impact of the global recession and maintain the welfare of the workforce.

3.5 Geopolitical Stability – The global economy, especially Indonesia, is significantly affected by trade wars, international conflicts, and economic sanctions. Global supply chains can be affected by trade conflicts or economic sanctions imposed by major countries, which can have an impact on raw material costs, product availability, and product market access.

(Annisa & Najicha, 2021; Luntungan, 2024; Yaspa et al., 2024) For example, international trade is now unpredictable as a result of the trade war between the United States and China. The increase in import taxes of the two countries has an impact not only on their trade relations, but also on Indonesia and other countries that have links to global supply chains. Rising prices of electronic components and raw materials imported by Indonesia from China could result in higher domestic production costs if import levies on Chinese goods increase. (Hidayat et al., 2024) Indonesia can also be affected by economic sanctions imposed on certain countries, such as trade restrictions on Iran or Russia. The supply of energy and other goods can be disrupted by these restrictions, which can result in an increase in food, gas, and oil prices. This price increase has the potential to reduce purchasing power and cause internal inflation. (Hidayat et al., 2024; Prasetyo, 2020; Rabbani, 2024) Geopolitical conflicts can create opportunities for Indonesia if global companies look for alternative sources of supply or new markets. Indonesia can take advantage of this situation by strengthening domestic industries, increasing product competitiveness, and expanding trade cooperation with countries affected by trade wars or economic sanctions.

Adaptive strategies are needed to address global instability caused by trade wars and geopolitical conflicts. Indonesia can reduce the negative impact of global uncertainty by diversifying raw material import sources, increasing export added value, and encouraging more trade cooperation. (AntaraNews.com, 2018; Avisena, 2025; Parbo, 2021)

3.6 Global Monetary Policy – The rupiah exchange rate and the stability of the local economy are affected by interest rate decisions made by the Federal Reserve and other central banks, which encourage capital flight from Indonesia. Investors usually move their money to developed countries with higher interest rates, such as the United States or the European Union, to get better returns with lower risk. As a result, there is an outflow of capital from Indonesia, which can weaken the rupiah exchange rate. (Juoro, 2014; Pardamean, 2019; Solikahan et al., 2024) (Chaidir & Arini, 2019; Jalil et al., 2024; Yudi Setiawan & Karsinah, 2018)

The weakening of the rupiah has far-reaching economic consequences. First, import costs will increase because Indonesia has to spend more rupiah to buy goods or raw materials from abroad. This can lead to an increase in the price of goods in the country and potentially drive inflation. Second, sectors that have debt in foreign currencies will face a greater burden, as they will have to repay loans at higher exchange rates. In addition, rising interest rates in developed countries can also slow down foreign direct investment (FDI) into Indonesia, as investors prefer to invest in countries with higher interest rates. This could have an impact on economic growth, especially in sectors that depend on foreign investment, such as infrastructure, manufacturing, and technology. To deal with this condition, Indonesia needs to implement economic policies that can maintain rupiah stability and attract investment. Some of the steps that can be taken are strengthening foreign exchange reserves, keeping inflation under control, and increasing the competitiveness of the domestic industry to be more independent of global fluctuations. With these measures, Indonesia can be more resilient in dealing with the impact of changes in global interest rate policy.

3.7 Climate Change and Natural Disasters – Natural Disasters and Climate Change El Niño and other extreme weather events have had a major impact on Indonesia's agricultural industry. In many areas, El Niño exacerbates drought, reduces rainfall, and prolongs dry weather. The direct impact is a decline in yields of key agricultural commodities, such as rice, corn, and soybeans. When domestic production is disrupted, Indonesia must increase food imports to meet the needs of the community. As a result, dependence on the global market is increasing, which can trigger an increase in food prices if supplies from exporting countries are also limited. (Irawan, 2016; Ismail & Chan, 2020) Natural disasters that hit exporting countries can also have an impact on the supply of Indonesian goods. For example, wheat production and exports to Indonesia may be reduced due to storms or floods in wheat-producing countries such as Australia or the United States. Likewise, disasters in oil-exporting countries, such as the Middle East, can cause a surge in crude oil prices and affect the cost of production and distribution in the country. (Hsing, 2019) The uncertainty of these natural events highlights the need for a stronger approach to food and energy security. To mitigate the impact of global supply disruptions, governments and companies must invest more in climate-resilient agricultural technologies, diversify import sources, and increase domestic food supplies. By taking these steps, Indonesia will be better prepared to face the difficulties posed by climate change and natural disasters around the world. (Indah P. & Setyaningsih, 2020; Suryana, 2014; Tono et al., 2023)

3.8 Foreign Direct Investment (FDI) – Indonesia's economic growth is significantly driven by foreign investment inflows. The industrial and infrastructure sectors in Indonesia can accelerate their expansion with the help of foreign capital inflows. These investments increase domestic production capacity, create jobs, and encourage technology transfer, all of which can make local goods more competitive in international markets. In addition, foreign investment also contributes to economic stability by strengthening the financial sector and increasing state revenues through taxes and dividends. (Jones, 2019; Perdagangan et al., 2023) (Aritonang et al., 2023; Puspitaningtyas & Jember, 2014; Rasyid, 2015). However, Indonesia's economy can also face risks from over-reliance on foreign investment, especially in times of global crisis. Foreign investors can make significant capital withdrawals if domestic political and policy uncertainty or global economic conditions deteriorate. The rupiah exchange rate could depreciate, financial market volatility could increase, and real sector investment could decline as a result of this capital flight. As a result, economic growth could slow, while sectors that depend on foreign investment, such as manufacturing and property, could come under pressure. (Gunawan, 2019)

By encouraging long-term investment, enhancing the capabilities of regional industries, and creating domestic funding sources such as investment from state-owned enterprises and the national private sector, Indonesia can reduce the risk of this dependency. In the event of a worldwide crisis, foreign investment can be used as a growth accelerator with the right rules without incurring undue economic risks. (Kartasasmita, 2009; Perdagangan et al., 2023; Widiyanto et al., 2025)

3.9 Global Technological Development – Indonesia's industrial structure is significantly influenced by technological advances in industrialized countries. Automation, AI, and digitalization innovations can improve the competitiveness and production efficiency of local industries. Businesses can now make goods faster, with better quality, and at a lower cost thanks to new technologies. In addition, new industries such as fintech, e- commerce, and the digital economy—all of which are growing in Indonesia—are benefiting from the adoption of cutting-edge technologies. (Ministry of Industry, 2023; Nurlatifah, 2011; Perkasa, 2017) (Alam & Azmi, 2024; Auliandari et al., 2022)

However, there are also drawbacks to technological advancements, especially for conventional businesses that still rely on physical labor. The need for low-skilled workers may decrease as more and more production processes are automated. If workers cannot adapt to changing industrial needs, this can result in increased unemployment. Competition from goods from countries that have adopted more advanced technologies can put pressure on industries such as labor-based agriculture, textiles, and traditional manufacturing. (Ahadiani et al., 2024; Ubaidillah, 2022) Indonesia must have a proper plan to deal with these developments. In order for the workforce to adapt to changes in the sector, it is essential to improve the quality of human resources through technology-based education and training. In addition, policies that support industrial transformation, such as incentives for small businesses to adopt technology and reskilling programs for workers, also need to be implemented. With the right approach, Indonesia can leverage technological advances to drive economic growth without sacrificing the traditional labor and industrial sectors.(Qadir et al., 2022)

3.10 International Subsidies and Incentives Policy – International Subsidies and Incentives Policy: The market balance in Indonesia can be significantly affected by subsidies provided by producing countries. Subsidies increase the competitiveness of imported goods and can change the balance of supply and demand by making some imported commodities more affordable compared to domestic commodities. This is especially the case in industries that directly compete with subsidized imports, such as manufacturing, agriculture, and essential industries. (Ikaningtyas et al., 2024; Nurhakim, 2008)

For example, producing countries such as the United States and the European Union often provide large subsidies for agricultural products, such as wheat, soybeans, and sugar. As a result, the price of these products in the global market has become lower, making it more attractive to importers in Indonesia. If imported products are cheaper and more accessible, then the demand for domestic products can decrease. This can lead to a decline in domestic production, reduce the income of local farmers or producers, as well as increase dependence on imports in the long run.

The growth of domestic industry can be hampered by the massive influx of subsidized imported goods. Especially if the cost of domestic production is greater due to labor wages, raw material prices, or strict regulations, industries that do not have strong competitiveness will struggle to survive. (Pratiwi, 2019; Chaputri, 2024) (Nurlatifah, 2011; Saduddin, 2015)

To overcome these challenges, the Indonesian government needs to take strategic steps, such as implementing balanced protection policies, providing incentives for domestic industries, and improving the efficiency of local production to be more competitive. In addition, market diversification and improving the quality of local products are also key so that the domestic industry remains able to compete in the midst of the dominance of subsidized imported products.

Discussion

Indonesia's production costs, people's purchasing power, and export competitiveness are all directly affected by global economic changes, including changes in commodity prices globally, trading partner trade policies, and the value of the rupiah. According to studies Faizal, (2021) dan Soesanto et al., (2025) , when commodity prices rise globally, the price of local goods will also rise, so it can affect inflation and people's purchasing power. Indonesia's exports can be hampered by protectionist policies, import taxes, and quotas from trading partners, which will reduce the competitiveness of domestic goods in the international market. The volatile rupiah exchange rate also plays an important role, where the weakening of the rupiah increases the price of imported goods and production costs, while the appreciation of the rupiah can reduce the competitiveness of Indonesia's exports in the international market. (Alawiyah Matondang et al., 2024; Radhica & Wibisana, 2023; Tanjung, 2024)

In addition to economic factors, according to Aprilianti, (2019), Parbo, (2021), and Wilantari & Bawono, (2021) the statement, Indonesia's economy is not only influenced by economic factors, but also global instability caused by trade disputes, foreign conflicts, and recessions in rich countries. A decline in demand from developed countries can result in a decline in Indonesia's exports, especially in the industrial and natural resources sectors, which has an impact on the output and welfare of workers, this is in accordance with the results of research conducted by Putra Rompis et al., (2024), dan Sonny, (2020) . Meanwhile, supply chain disruptions caused by international conflicts and economic sanctions can impact the availability of raw materials and raise the price of domestic products. The agricultural sector also faces challenges from natural events such as El Niño, which can reduce crop production and increase dependence on food imports. (Irawan, 2016)

Indonesia's economy is influenced by foreign investment and technological advances. On the one hand, technical innovations from industrialized countries can improve production efficiency and create new industrial prospects, but they can also shift the need for labor and suppress established industries as written in an article compiled by . International subsidy programs and dependence on foreign investment must also be taken into account. Global crises can be at risk from an over-reliance on foreign capital, despite the fact that FDI can accelerate economic progress. In addition, subsidies provided by producing countries for certain products can reduce the price of imported goods cheaper than domestic products, thus potentially hindering the growth of local industries. Therefore, the right strategy, such as economic diversification, increasing the competitiveness of domestic industries, and balanced protection policies, is needed so that Indonesia remains resilient in the face of global economic dynamics. Ardianto & Asngadi, (2022) and Sonny, (2020) (Saifulloh, 2020)

4. Conclusion

The findings of this study show that foreign variables, such as changes in global commodity prices, trading partner trade policies, and the rupiah exchange rate, have a significant impact on Indonesia's supply and demand balance. Purchasing power instability, supply chain disruptions, and inflation can occur because these components are out of balance.

Therefore, both in terms of national economic policies and the readiness of the industrial sector in facing external developments, a strong adaptation strategy is needed.

By incorporating the analysis of international factors in the framework of the balance of supply and demand in Indonesia, this study mainly contributes to the enrichment of the economic literature. In addition, the results of this study also provide useful information to help industry players and policymakers to make policies that are more in line with global economic dynamics. The strength of this study is its comprehensive methodology, which takes into account a number of global factors that impact the stability of the domestic market.

The use of qualitative methodologies based on a literature review without empirical data analysis is a major weakness of this study. To better understand how foreign influences affect domestic markets, quantitative approaches and econometric modeling are suggested for future research. In addition, future research objectives may include an in-depth study of specific adaptation tactics in different sectors of the economy.

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