

ABSTRACT

This study investigates the impact of exchange rate, industrial production index (IPI), inflation, and economic distance on the bilateral trade balance between Indonesia and Singapore over the period 2009–2023. Despite rising export quality and geographical proximity, Indonesia has experienced a consistent trade deficit with Singapore. Using monthly time-series data and the Generalized Least Squares (GLS) estimation method, the results show that the exchange rate has a positive and significant effect on the trade balance, in line with the Marshall-Lerner condition. In contrast, IPI has a negative and significant impact, indicating an inverse relationship between industrial activity and export performance to Singapore. Meanwhile, inflation and economic distance are found to have no significant effect. These findings suggest that beyond macroeconomic indicators, structural trade dynamics may play a key role in shaping trade outcomes, warranting deeper policy and sectoral strategies.

Keywords: *Trade Balance, Exchange Rate, IPI, Inflation, Economic Distance, GLS*