

Indonesia: April trade data and 1Q current account disappoint

A downside surprise in April's trade balance and the 1Q current account deficit pressure the rupiah (IDR)



Source: Shutterstock

-\$5.5bn

Lower than expected

1Q current account balance

Equivalent to -2.14% of GDP

IDR has fallen by 4.3% since end January partly due to weak external payments position

The recent weakness of IDR is likely a reflection of a worsening external payments position. Indonesia's trade balance was a measly \$315m surplus in contrast to \$4.1bn trade surplus in 1Q 2017. A larger deficit in service trade and limited incomes from abroad has brought this year's 1Q current account deficit to -\$5.5bn, or to -2.14% of GDP from Q1 2017's current account deficit

of only -\$2.3bn or -1% of GDP. The April trade deficit surprised on the downside and may indicate another weak current account balance in the second quarter and a full-year current account deficit that is above -2% of GDP in 2018.

-\$1.6bn April trade balance
Reversal of April 2017 surplus of \$1.3bn
Worse than expected

April trade deficit was a downside surprise as imports surged

Indonesia posted a trade deficit of \$1.6bn, which was a reversal of the \$1.3bn surplus in April 2017 and worse than consensus. The April trade deficit is a downside surprise and would likely see the 2Q current account deficit at more than -2% of GDP. In March, Bank Indonesia (BI) expected a 2018 current account deficit of -2% to -2.5% of GDP. BI Governor Agus Martowardojo in April expected a 2018 deficit equivalent to -2.2% of GDP, above the consensus forecast of 2%.

In the coming months, the trade balance is likely to remain weaker than last year. Import growth surprised on the upside, with a 35% year-on-year increase, almost double the consensus forecast and four times the pace seen in March. Oil and non-oil imports accelerated in April and resumed the strong growth of non-oil imports seen in January and February. The weaker IDR may have also contributed to the surge in imports especially without indication of monetary tightening during most of last month. A strong domestic demand growth outlook is also contributing to strong imports. Consumer confidence in 1Q was higher than 1Q 2017 while April consumer confidence was steady at April 2017's level. Export growth, on the other hand, moderately improved to 9% YoY in April from 6.2% in March but slowed from the 14% pace a year ago. Moderate export growth seems to be broad-based with non-oil exports growth of 8.5% in April from the 14% pace of the 12-moving average up to March this year.