Indonesia: Current Account stress from weak December exports

Any downside growth surprise from exports in December would lead to a less favorable current account deficit expectation

Source: istock

6.9%

December export growth

disappointing export performance

Worse than expected

Downside growth surprise from exports

Any downside growth surprise from exports in December would lead to a less favorable current account deficit expectation. Decmber import growth of 17.8% was roughly in line with the market forecast of 18.1%. Weak exports and relaitvely strong imports resuled to the second monthly deficit in 2017, at -$271m in December, a reversal of the $1.1bn surplus in December 2016. December exports were up 6.9% YoY, only half the market forecast. Non-oil exports were a major disappointment, posting only a 5.6% YoY increase, a third of the 11M average growth of 18% and below our forecast of 15%. Possibly slower demand and negative base effects resulted to the weakness. Import growth on the other hand resulted from 50% YoY growth in oil and gas imports and a 13% YoY increase in non-oil imports. Non-oil import growth was slower than then 11M average growth of 15.6%.

Current account deficit for 4Q forecast likely to be larger than 4Q16

The 4Q17 current account deficit could reach $4bn with a significantly lower trade surplus of just $945m -30% of the trade suplus of $3.1bn in 4Q16. We had earlier expected a current account deficit of only $3bn on a trade surplus of $2.2bn. The rvised current account deficit forecast of $4bn is equivalent to 1.7% of GDP. The full year 2017 current acocunt deficit would likely amount to $15.5bn or 1.5% of GDP. Bank Indoensia, Indonesia's central bank, expects the 2017 current acocunt deficit o be below 2% of GDP. We expect export growth in 2018 to slightly outpace import growth, reuslting to a trade suplus of $14.5bn and a current account deficit of $18bn or 1.6% of GDP.