

Indonesia: Exports retreat as Covid-19 hits

Indonesia posted a trade deficit in April but falling exports and plunging imports point to weaker 2Q GDP



Source: t-bet

-7.0% April export growth

Worse than expected

Indonesia records trade deficit

Indonesia reported a trade deficit of \$345m, slightly wider than expected and with both exports and imports contracting more than forecast. Exports fell by 7%, highlighting lower dollar prices for energy exports while also showcasing falling global demand as the Covid-19 virus hits economies, both big and small. Imports also contracted by more than expected, with weaker domestic demand forcing consumer imports to retreat more than 16%, highlighting the early onset of the economic strife of Covid-19 and with partial lockdowns dampening household consumption. We

expect both exports and imports to continue this downbeat trend in the coming months, with depressed global demand leading to weaker exports while imports are set to contract further. Overall economic activity in Indonesia is slowing, with several regions under partial lockdown.

Trade report points to weaker 2Q GDP

Plunging imports, particularly capital goods and raw materials, are another sign of slowing economic momentum and follow contracting PMI manufacturing and weaker consumer sentiment. Falling consumer imports also highlight sagging household consumption, with ING expecting growth to move into negative territory before year end. Slowing growth momentum puts additional pressure on Bank Indonesia (BI) to help bolster the economy with a possible rate cut at next week's meeting. Should IDR maintain stability in the coming days, we believe BI Governor Warjiyo will have ample scope to trim policy rates by 25 bps at the 19 May meeting.