

Indonesia: Exports surprise on the upside

Indonesia's trade data has risen sharply, largely due to base effects but also as commodity prices lift exports



Source: Shutterstock

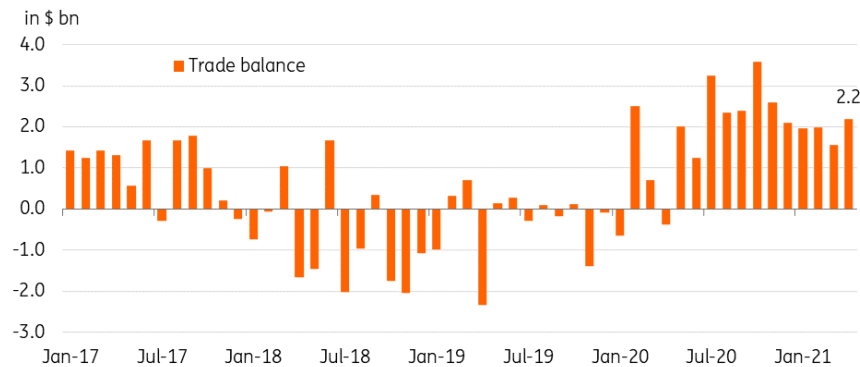
51.9% April export growth

Better than expected

Exports up sharply

Indonesia's trade figures were expected to show substantial growth in April as base effects were predicted to bloat both import and export growth. Exports surprised on the upside however, rising sharply by 51.9% to move past the 40.7% forecast while import growth was in-line with expectations at 29.9%. Exports managed a 6th straight month of growth with rising commodity prices helping the overall sector while imports posted a sizable gains given the steep drop-off in economic activity in the early part of 2Q 2020. Overall, the trade balance netted a surplus worth \$2.2 bn, substantially wider than the \$1.2 bn expected by market participants.

Indonesia trade balance

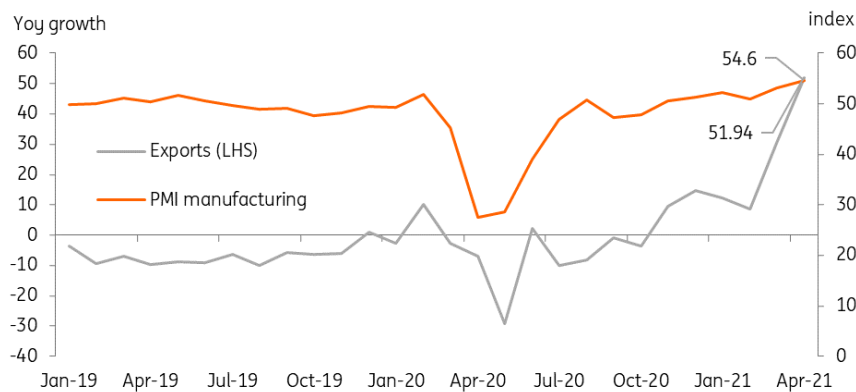


Source: Badan Pusat Statistik

Signs of an economic rebound?

The improving demand for Indonesia's exports has translated into better economic prospects for the domestic market with the growth in exports tracked by a similar rise in PMI manufacturing numbers. Increased manufacturing activity will go a long way to helping jump-start the economic engines, with the authorities hopeful for a strong showing in 2Q. The return of growth for imports, although driven largely by base effects, could also be a sign that domestic demand is picking up - reflected in gradually improving consumer sentiment.

Indonesia's manufacturing sector tracking export performance



Source: Badan Pusat Statistik and Markit

Trade surplus supportive of IDR but not nearly enough

April's trade surplus will help steady the IDR somewhat in the near term although the currency still remains vulnerable to developments on the global front. After enjoying early strength for the month of May, IDR appears to be on the backfoot again as investor anxiety over rising global bond yields has weighed on Indonesia's bond and currency markets. We expect Bank Indonesia (BI) to retain its current monetary stance at next week's policy meeting to provide sustained support for the currency with Governor Warjiyo looking for other ways to bolster bank lending, which remains in contraction for 6 months and counting.