

Indonesia: October trade deficit is second worse since April 2014

A weak trade performance in October could still see a current account deficit at -3.3% of GDP in 4Q and a full year current account deficit of -3% of GDP



-\$1.82 bn October trade balance

Worse than expected

Imports continue to outpace exports, likely keeping the 4Q current account deficit at \$8bn

Indonesia's strong domestic demand remains the driver of robust imports. October imports accelerated to 23.7% year-on-year from September's 14.3% growth. Oil and gas imports posted 32% YoY growth, rebounding from a moderate 18.4% increase in September. High energy prices also contributed to the high oil and gas import bill. The average benchmark Indonesia oil price was more than 50% higher YoY. The strength of the domestic sector also continues to power

imports of other goods, which accelerated 22.3% increase YoY in October from September's 13.6% pace. Meanwhile, the weak export performance persisted with October growth at just 3.6%. Non-oil and gas exports managed only a 4% YoY increase while oil and gas exports remained sluggish. This combination of strong imports and weak exports is likely to persist for the rest of the year despite some relief from the recent drop in oil prices. The large October trade deficit portends another large current account deficit in 4Q. We expect the current account deficit in 4Q to be almost as wide as the deficit in 3Q. We now expect this year's current account deficit to worsen to -3% of GDP. Such a weak external balance would keep the Indonesian rupiah on the defensive.