

Indonesia: Trade balance remains in surplus as exports surprise

Exports managed to grow 2.3% in June amid government moves to jump start economic activity



Source: Stenly Lam

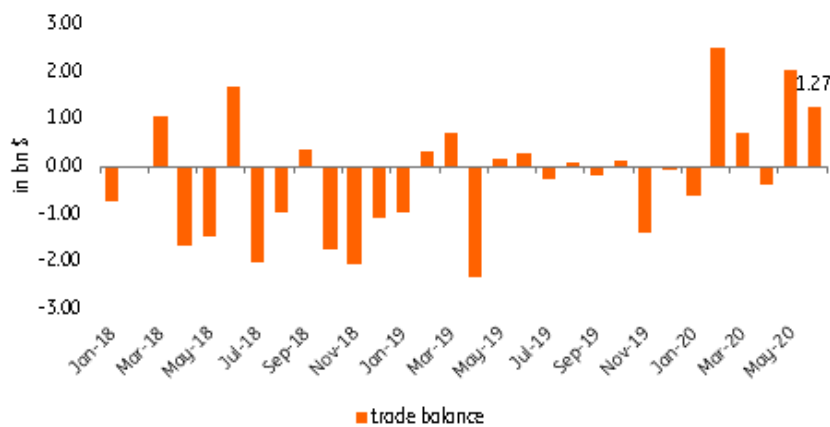
2.3% June export growth

Higher than expected

Trade balance stays in surplus as exports rise

Exports grew unexpectedly in June by 2.3% (vs -12.6% expectation) as Indonesia relaxed some of its partial lockdown measures to jumpstart the economy. Non-oil and gas exports helped support the rise in outbound shipments which rose 3.7% to offset the 22% drop in oil and gas exports. Meanwhile, imports contracted but not as much as market players had anticipated, falling by 6.4% (vs -22.0% expectation) as non-oil and gas imports managed to gain 3.1%. The trade surplus expanded to \$1.27 billion, the fourth month of surplus recorded for the year.

Indonesia trade balance



Source: CEIC

Trade numbers point to resumption of economic activity

The better-than-expected trade numbers reflect the Indonesian economy reopening after partial lockdowns were imposed in April. June marked the fourth month where a trade surplus was recorded and yet another month of import compression, which points to lower potential output in the medium term. And although export growth hints at a resumption of manufacturing activity, we still expect GDP growth to remain subdued in the coming quarters as the virus continues to spread, hampering the recovery for the all-important household consumption component of GDP. For now, the Indonesian rupiah will remain in a holding pattern ahead of the Bank Indonesia policy meeting on 17 July where Governor Perry Warjiyo is expected to pause and await more stability from the IDR before cutting rates again.