

Indonesia: Trade balance remains in surplus but slips below expectations

Surging imports trim trade surplus to \$1bn



Source: Stenly Lam

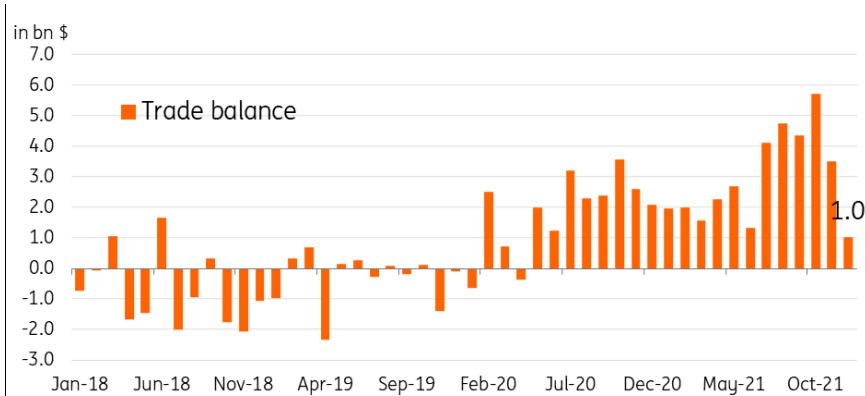
\$1bn December trade balance

Lower than expected

December trade balance stays in surplus

Indonesia's exports and imports extended their streak of double-digit growth to close out 2021. Exports rose 35.4% (vs 40.7% forecast) while imports surged by 47.9% in December 2021. Exports benefited from elevated commodity prices but fell short of expectations. Meanwhile, imports accelerated well past forecast as the Indonesian economy gradually reopens after mobility curbs were partially relaxed. The faster-than-expected pickup in imports coupled with disappointing export growth resulted in the trade surplus being trimmed to \$1bn, compared to estimates that had the surplus rising to \$3.1bn.

Indonesia trade balance



Source: Badan Pusat Statistik

Fading trade balance could mean more pressure on IDR in near term

Indonesia’s economy continues to gradually reopen, suggesting that import growth will likely be sustained into 2022. On the other hand, exports may dip in January, after a temporary export ban on coal was implemented in January to address domestic supply concerns. Should the trend of surging imports and disappointing export growth continue, we can expect the trade balance to dip below the highs noted last year. A fading trade surplus suggests that support for the IDR may wane in 2022, with the currency likely coming under pressure as the Fed readies its projected rate hike cycle.