

Indonesia: Trade balance remains in surplus for fourth straight month

Indonesia's August trade balance remained in surplus as imports fell faster than exports



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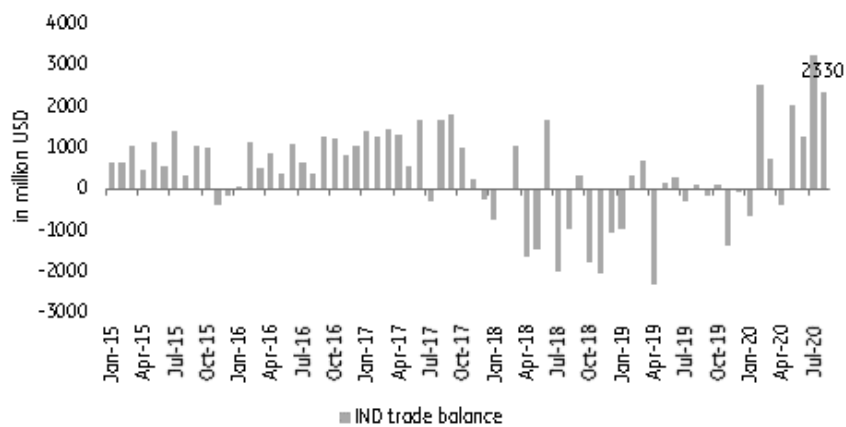
\$2.3 bn Indonesia trade balance

Higher than expected

Covid-19 continues to weigh on Indonesia's trade sector

The ill effects of the ongoing pandemic continue to weigh on Indonesia's trade sector with both outbound and inbound shipments remaining in the red. Exports contracted by 8.4% on depressed global demand while imports fell sharply again (-32.6%) as slowing domestic economic activity resulted in lower imports for both capital goods and consumer imports. Given the outlook for global growth, we can expect Indonesia's export sector to remain challenged for the balance of the year while contracting GDP domestically should force imports to remain in freefall going into 2021.

Indonesia trade balance



Source: Badan Pusat Statistik

Trade surplus to offset IDR weakness but BI still likely to keep rates unchanged

We expect Indonesia's trade balance to remain in surplus over the next few months as imports will likely decline faster than outbound shipments with onshore demand for capital goods to remain soft as Indonesia attempts to stave off a full blown economic recession. Trade surpluses should help offset recent weakness in the Indonesian rupiah but we do not expect a quick rebound in IDR given lingering concerns over central bank independence and anxiety due to the recent spike in Covid-19 infections. With IDR stability a major consideration for Bank Indonesia's next policy move, we expect the central bank to remain on hold at Thursday's policy meeting.

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