

Indonesia: Trade balance in surplus for eighth straight month

Indonesia registered yet another month of surplus, with exports surprising on the upside



Source: Stenly Lam

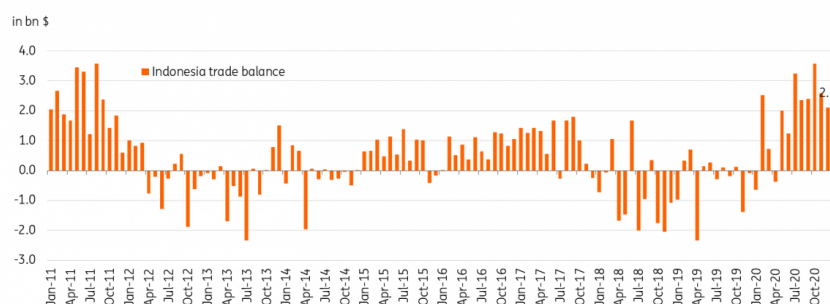
14.6% Export growth

Higher than expected

Exports surprise on the upside

Indonesia registered a strong export performance to close out 2020, driven in large part by sustained demand from its major trade partner China. With China expected to continue its bounce back from the dip last year, prospects for Indonesian exports will be supported in the near term and will help to bolster manufacturing activity in the coming months. Meanwhile, imports contracted again but at a less severe pace with base effects washing out and the economy slowly returning to some normalcy. Indonesia recently kicked off its vaccination programme with hopes to jumpstart its economic recovery, pointing to a likely pickup in domestic activity and demand for imports. With import demand expected to return on robust business activity we expect the trade surplus to narrow in the coming months, with export growth helping the overall balance of trade from falling into deficit.

Indonesia trade balance



Source: Badan Pusat Statistik

Trade surplus to lend support to IDR in the near term

Given expectations for a couple more months of trade surpluses, IDR will be supported in the near term. Stability is threatened however by shifts in portfolio flows, driven by swings in investor sentiment. Despite these fluctuations in portfolio flows, IDR will continue to be buttressed by trade surpluses for at least the first quarter of the year although we will need to see at least some modest appreciation bias for the currency before Bank Indonesia considers easing monetary policy further.

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.