

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

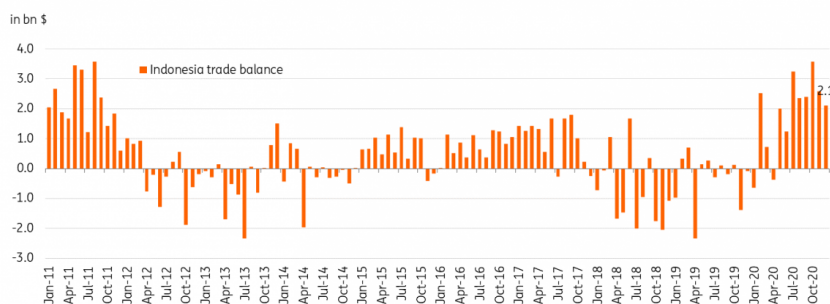
14.6% Export growth

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.