

Indonesia: Trade balance remains in surplus in September

Indonesia's trade balance in surplus again, with import compression more severe than the drop-off in exports



Source: Stenly Lam

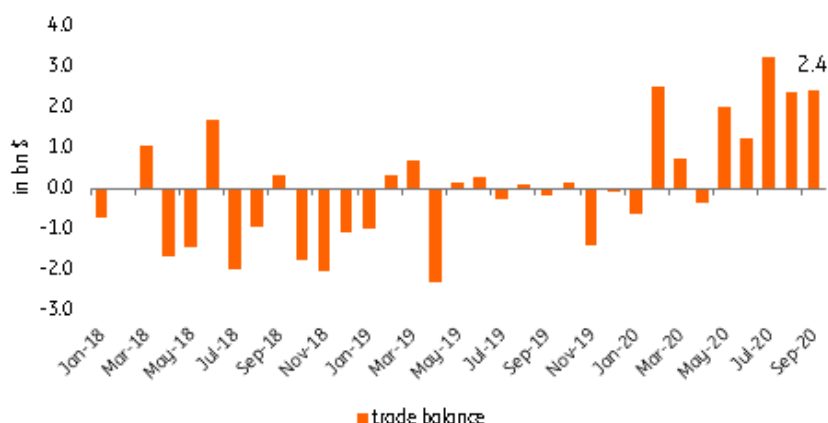
\$2.4 bn September trade balance

Higher than expected

Exports and imports contract again in September

Both exports and imports pulled back for another month with tepid global demand weighing on the export sector with outbound shipments of non-oil and gas products managing to eke out a 0.27% gain. Meanwhile, imports contracted for a 15th straight period with slowing domestic economic activity weighing on demand for imported goods. Export and import trends have resulted in a trade surplus for 5 months now, which moves in-line with Bank Indonesia's (BI) expectation for the current account balance dynamics to remain favorable in 3Q. With economic growth both globally and domestically expected to remain subdued, we expect the string of trade surpluses to continue to close out the year.

Indonesia trade balance



Source: Badan Pusat Statistik

IDR to gain some support on trade dynamics but currency remains vulnerable

The recent string of trade surpluses should help support the ailing currency which is in need of a boost after coming under pressure for most of September. Currency stability was the main reason for BI's recent pause and unless IDR rebounds sharply, we believe monetary authorities will be constrained to cut further. Despite support from the trade surplus and an overall improvement in the external balance in 3Q, IDR may remain weighed down by investors' concerns about the overall economic trajectory (given elevated Covid-19 infections) and the threat over additional "burden sharing" agreements in 2021. Market participants will be keenly awaiting the implementing rules and regulations for the recently passed omnibus law, which could tip the IDR scales in favor of appreciation should the new law help attract fresh foreign investments.

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