Snap | 15 October 2020 Indonesia

# 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

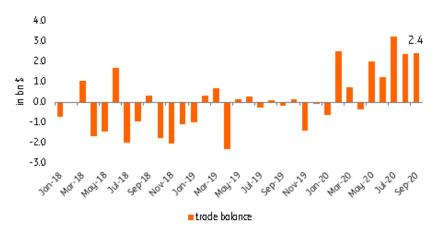
Higher than expected

## 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.

Snap | 15 October 2020 1

### 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.

### **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

Snap | 15 October 2020 2

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.

Snap | 15 October 2020 3