

## Indonesia: Trade balance swings back to black in June

Slower import growth in June brought the trade balance back to a surplus of \$1.7 billion. This, together with a vigilant central bank, will stabilise the Indonesian rupiah



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**\$1.7bn** June trade balance

Higher than expected

### Return to trade surplus in June achieves some stability

Import growth slowed to 12.7% in June, moderating from the robust 28.3% and 35.2% growth rates in May and April, respectively. Non-oil and gas imports slowed significantly to less than 9% in June from the average April-May growth rate of 29%. Export growth in June is in line with the April-May average export growth of 11.2%. We are pleasantly surprised with the June trade surplus of \$1.7 billion, better than our forecast of \$1.4 billion and the consensus forecast of slightly

below \$1 billion. The turnaround of the trade position in June will likely keep the second quarter current account at -2.2% to -2.5% of GDP. We expect the full year current account to be in a deficit equivalent to -2.4% of GDP, which is in line with Bank Indonesia's (BI's) view of better than -2.5% of GDP. The return to a trade surplus together with BI's aggressive policy rate hikes since May helps not only to stabilise the current account outlook but also the Indonesian rupiah. IDR has traded between IDR 14240 and IDR 14480 since the surprise 50 basis point rate hike in late June. This stability argues for a pause in the central bank's tightening cycle at this Thursday's policy rate meeting.