

Indonesia: Trade balance returns to surplus in March

The March trade report produced an upside surprise for exports and a downside surprise for imports, resulting in a trade surplus



\$1.1bn

March trade surplus

Upside export growth surprise

Higher than expected

March trade surplus eases concern over a wider current account

Indonesia's trade balance turned for the better in March with a trade surplus of \$1.1bn after three straight months of deficits. Imports surprised on the downside with more modest growth of 9.1%, slower than the consensus of 13.5% and our 23.5% forecast. We had anticipated that the strength of the domestic economy would keep import growth high and near the pace seen in the previous five months. We view the slower March imports as temporary and expect a recovery in April. But negative base effects start to become more significant in July. Exports surprised on the upside with a 6.1% YoY increase, ahead of the consensus forecast of 3%. This is slower than the growth posted

in the past eight months. Favourable commodity prices and higher processed exports account for the upside surprise. However, base effects are also likely to keep export performance modest. The large trade surplus in March offset the January-February deficit of \$808m. The 1Q surplus amounted to \$284m which is only 7% of the trade surplus in 1Q2017. This lower 1Q trade surplus will likely result in a current account deficit of around \$5bn in 1Q and contribute to a current account deficit equivalent to -1.9% of GDP for 2018. The Indonesian rupiah's relative strength on the back of the large March trade surplus could be temporary.