

Indonesia: Trade gap narrows on surprise export growth

Surprise growth in exports helps Indonesia post a narrower trade deficit, but the trend is likely to reverse in 2020



Source: Shutterstock

-\$28 million December trade balance

Better than expected

Trade gap at -\$28mn versus -\$422mn forecast

Indonesia posted a better-than-expected trade deficit (-\$28mn) with exports registering a surprise expansion while imports fell, as expected. A slight improvement in Indonesia's external position, coupled with renewed portfolio flows, have helped bolster the Indonesian rupiah to a strong performance in the early days of 2020.

IDR top performer so far in 2020, opens door for BI cut

The IDR has appreciated by 1.4% in the first two weeks of the new year, as foreign portfolio flows have outpaced outflows linked to Indonesia's chronic current account deficit. The recent strengthening bias for IDR affords Bank Indonesia (BI) some leeway in resuming its easing cycle to help bolster the investment directive by President Jokowi. Thus, we continue to pencil in a rate cut by the central bank for as long as portfolio inflows can outweigh a projected widening in the trade deficit, with imports expected to expand in 2020.