

Indonesia's trade surplus narrows sharply as imports surge

Indonesia trade balance dipped in June as import growth outpaced expectations



Source: Shutterstock

\$1.3 bn June trade surplus

Lower than expected

Exports and imports beat forecast while trade surplus dips to \$1.3 bn

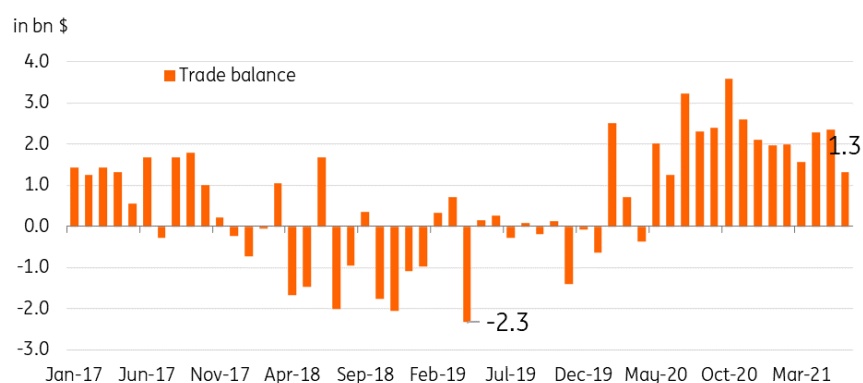
Indonesia's June trade report showed both imports and exports outperforming expectations, but the overall trade surplus narrowed sharply as import growth hit 60.1% versus expectations of 44.9%.

Exports posted a 54.6% gain as outbound shipments of oil and gas lifted the sector while manufactured goods also posted a decent pickup of 45.9%. Meanwhile, import expansion, aided in large part by base effects, saw double-digit growth for capital goods (43.4%), raw materials

(72.1%) and consumer items (16.7%). However, the trade balance reflected a narrowing surplus as the outperformance of imports outpaced the export sector.

The June trade surplus shrank to \$1.3 bn, down sharply from the previous month's revised \$2.7 bn, which would translate to a slightly wider current account deficit in the near term.

Indonesia's trade surplus whittled down to \$1.3 bn



Source: Badan Pusat Statistik

Trade trends point to growth prospects but current account gap likely to widen

The strong imports and exports suggest a modest pickup in economic activity, with exports helping drive manufacturing.

In contrast, the resurgence in raw materials and capital goods suggest a resumption of investment appetite. This development, however, translates to a widening current account deficit (due to a narrowing trade surplus) which would, in turn, put pressure on the currency in the near term, especially after the central bank governor pledged to keep policy accommodative for the rest of the year.

The Indonesia rupiah is currently on the backfoot with the country battling surging Covid-19 infections, and today's trade report could mean IDR stays under pressure for a bit longer.