

# 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

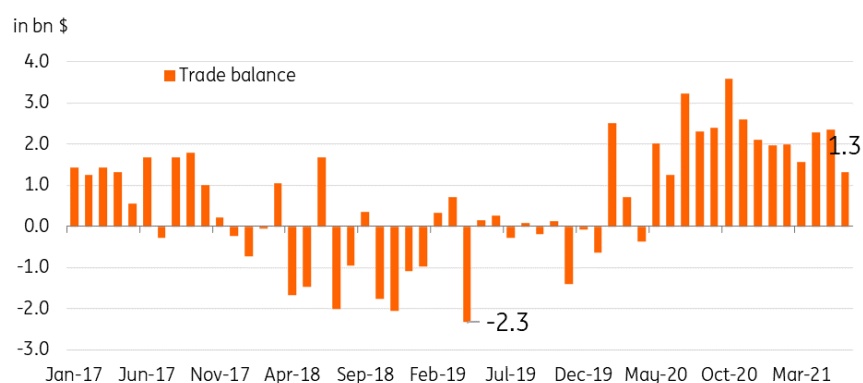
Indonesia's June trade report showed both imports and exports outperforming expectations, but the overall trade surplus narrowed sharply as import growth hit 60.1% versus expectations of 44.9%.

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.

### Author

#### Nicholas Mapa

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto: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 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>.