Indonesia: February trade surplus shrinks sharply

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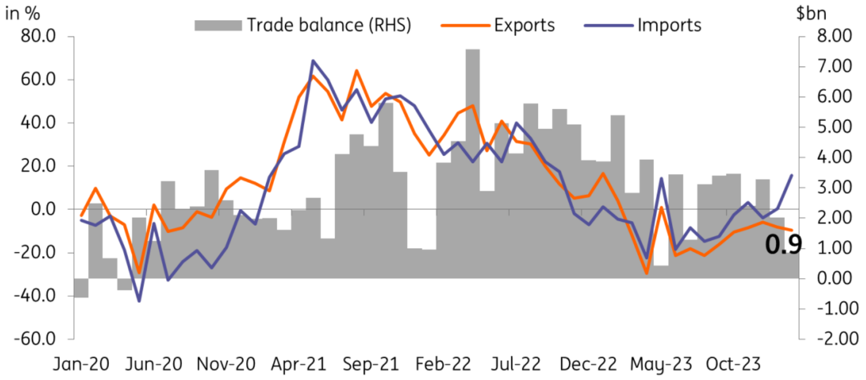
Jakarta, Indonesia

Indonesia's trade surplus shrinks sharply to $0.87bn

February trade data showed exports falling more sharply than expected. Exports were tipped to decline by 6.4%YoY but fell by 9.5%YoY, partly due to falls in palm oil, coal and iron shipments. Meanwhile, imports rose more sharply than anticipated, up 15.8%YoY compared to the median forecast for a 10.1%YoY gain.

The miss on both the export and import figures resulted in a much smaller overall trade surplus of $0.87bn, less than half the market expectation of $2.3bn. This is also much lower than the previous month's trade surplus of $2.0bn.

The trade surplus has shrunk to a modest $0.87bn



Source: Badan Pusat Statistik

Fading support from trade surplus points to extended BI pause

Indonesia's once formidable trade surplus has progressively declined as exports have faltered on soft demand and much lower prices for key commodities. From a peak of roughly $7.6bn in 2022, the trade surplus is now just $0.87bn, suggesting that Indonesia's current account could fall into a deficit this quarter.

The fading support from the trade surplus suggests that Bank Indonesia (BI) will be on hold next week and probably quite a while longer to help support the IDR. BI had previously expressed willingness to cut policy rates sometime in the second half of the year but the recent trends in the trade sector may work to push back the timing for their first rate cut.

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