

Indonesia: Trade surplus swells as imports contract sharply

Collapsing global demand and stalling growth momentum weigh on trade numbers



Source: Stenly Lam

\$2.1bn Indonesia trade balance

Higher than expected

Trade surplus swells as imports fall faster than exports

Collapsing global demand and slowing economic activity, induced by lockdowns, surfaced in Indonesia's trade numbers with exports contracting by 28.9% while imports plunged by 42%. The steep fall in imports moved the trade balance into a substantial surplus of \$2.1bn with capital goods, raw materials and consumer imports all registering a double digit contraction. Exports were also downbeat with global demand subdued, and we expect these trends to continue in the near term as economies struggle to return to normal in an environment of social restriction.

Trade surplus gives BI additional scope to cut policy rates this week

Import compression will likely continue in the months to come, yielding an improved external

position and limiting depreciation pressure on the now-stable rupiah. Meanwhile, the trade report also points to likely weaker economic growth prospects with both imports and exports stalling as the Indonesian economy needs additional stimulus to aid in the recovery. With the Indonesian rupiah now relatively more stable and the economy in need of a boost, we expect Bank Indonesia (BI) to finally cut policy rates at this week's policy meeting.