Unexpected dip in Indonesia imports results in wider trade surplus

Indonesia's December trade report saw exports fall 5.8% YoY while imports fell unexpectedly.

The dip in GDP was largely attributed to slower export growth which resulted in a less robust net exports figure

Trade surplus widens after imports surprise on the downside

December trade data showed exports falling although imports unexpectedly fell. Exports were tipped to edge lower by 8.4%YoY but managed to fall by 5.8%YoY. However, imports contracted by 3.8%YoY compared to forecasts for a 0.2% gain.

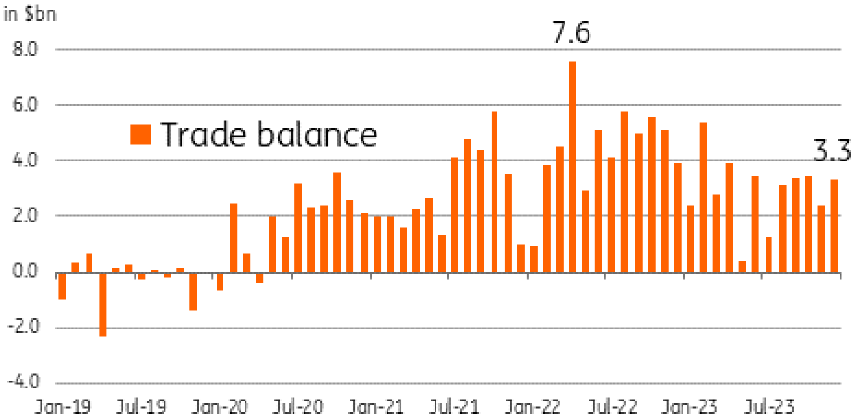
Exports were softer accross most sectors, with coal exports down 19.1%YoY. Palm oil shipments dropped 31.9%YoY. Imports fell, with capital goods down 9.9% YoY although consumer imports rose 13.5% YoY, reflecting robust domestic consumption.

The overall trade balance settled at $3.3bn, up sharply compared to expectations at $1.9bn. Despite the better-than-expected trade surplus, the gap remains well below the record high posted in 2022 and suggests waning support for the IDR. With global trade likely to stay subdued in 2024, we can expect this trend to continue this year.

$3.3bn December trade surplus

Higher than expected

Trade gap widens, could suggest support for IDR



Source: Badan Pusat Statistik

BI decision up next

The wider than expected trade gap suggests that the IDR should still benefit from a current account surplus. Although the trade surplus was better than expected, it remains well-below the recent record high recorded in 2022. With modest depreciation pressure on the IDR expected to persist in the near term, we believe BI will be inclined to keep policy rates untouched at 6% later this week.

Until we gain more certainty regarding the much-awaited Fed pivot, we could see BI retaining its current restrictive stance for most of the first half of the year to help support the currency, while also wary of a potential flare-up in food inflation due to the ongoing El Nino weather phenomenon.