Indonesia

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Strong Trade Data to Start 2Q24

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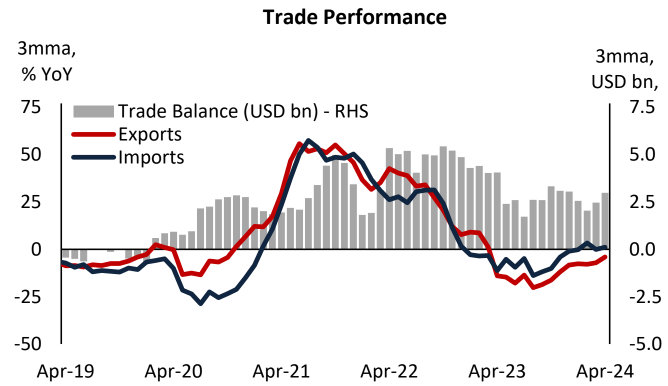
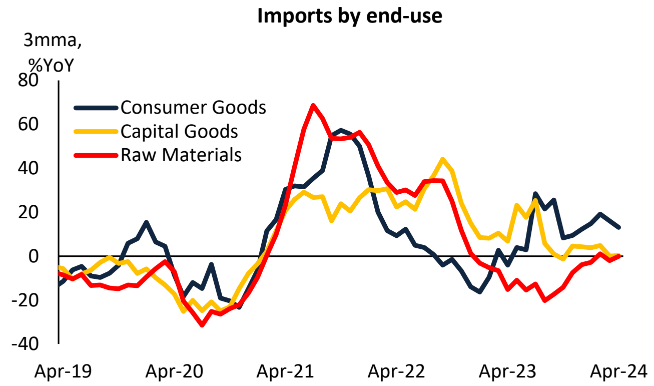
- April trade data was strong. Export growth improved to 1.7% YoY versus -3.7% in March while imports growth improved to 4.6% YoY versus -12.8% in March.
- As a result, the trade surplus narrowed to USD3.6bn from USD4.6bn in March. It remains to be seen if the strength in April trade data can be sustained.
- Recent activity data, April trade and 1Q24 GDP, has been strong, allowing Bank Indonesia (BI) to remain focused on external stability in the near term.

Export growth improved to 1.7% YoY in April compared to -3.7% in March, but was weaker than expected (consensus: 4.4%, OCBC: 1.4%). Similarly, imports undershot expectations, rising by 4.6% YoY versus -12.8% in March (consensus: 8.7%, OCBC: 5.9%). Consequently, the trade surplus narrowed to USD3.6bn from USD4.6bn in March (consensus: USD3.1bn, OCBC: USD3.3bn), marking 48 consecutive months of trade surpluses.



Source: Statistics Indonesia (BPS), CEIC, OCBC

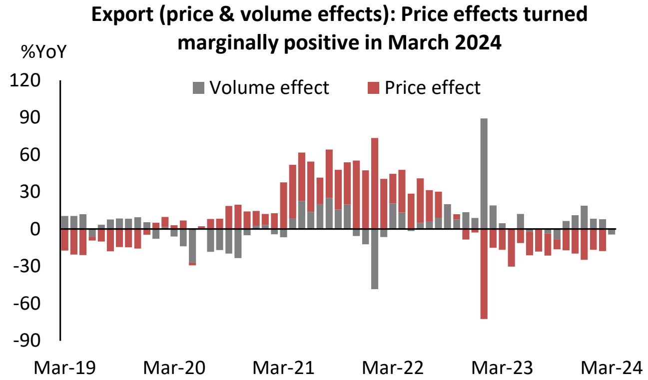


Source: Statistics Indonesia (BPS), CEIC, OCBC.

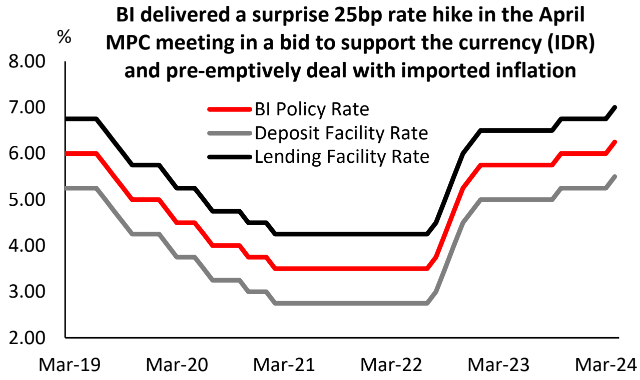
On the exports front, oil and gas (+7.2% YoY in April versus -4.0% in March) and non-O&G exports (+1.3% versus -4.2%) improved in April versus March. Within non-O&G exports, agricultural products exports growth slowed but was offset by improvements in manufacturing and mining exports.

On the import front, O&G import growth slowed to 0.2% YoY versus 10.3% in March while non-O&G import growth picked up to 5.7% YoY versus -16.7% in March. By end-use, raw materials and capital goods imports accelerated to 3.3% YoY and 13.6% in April from -12.6% and -21.7% in March, respectively. This more than offset slowing consumption goods import growth of 0.6% YoY (March: 5.0%).

Although April trade data improved, it remains to be seen whether this trend can be sustained for the rest of 2Q24. While the price effect started to turn more positive in March, export volume growth remained subdued. Notwithstanding, we expect the current account deficit to widen to -0.4% of GDP in 2024 from -0.1% in 2023. This is within BI's forecast range of '-0.1% to -0.9% of GDP'.



Source: CEIC, OCBC



Source: Bank Indonesia, CEIC, OCBC

Recent activity data including the April trade data and 1Q24 GDP growth has been strong, allowing BI to remain focused on external stability in the near term. That said, the depreciation pressure on the currency has reduced in recent weeks and BI Governor Perry Warijiyo noted "the data…recently shows that there is no longer a need to increase the BI rate".

Our forecast is for BI to lower its policy rate by a cumulative 75bp in 4Q24, reflecting our house view on that the US Federal Reserve will cut its policy rate by a cumulative 75bp in 2024 starting in July.

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