

## Dots &amp; Plots

16 November 2020

Wellian Wiranto

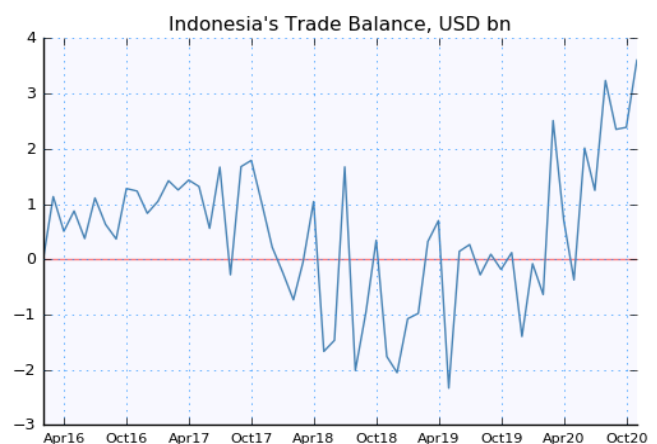
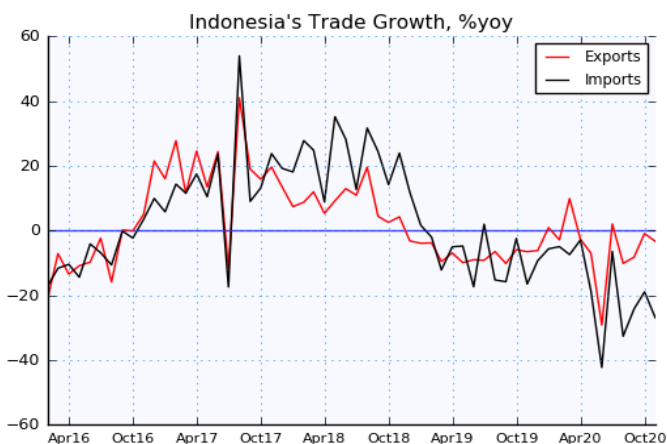
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## Fat Surplus, Thin Demand

### Indonesia's Oct trade data show a mixed picture

- Indonesia reported strong exports data for October. Compared to market expectation for a contraction of 4.36% yoy, exports shrank by a less forceful 3.29% yoy. Strength in non-oil & gas exports drove the upside surprise.
- Specifically, non-oil exports to China grew at a solid 8.94% yoy, a further uptick from September's 6.53%. While the breakdown does not allow us to delve deeper into the make-up yet, Bank Indonesia had noted before that China's demand in iron and other commodities has been strong.
- More broadly, how China's recovery has been driving an uptick in ASEAN exports is a trend that we have been seeing. Moreover, as mentioned in our report this morning, the stronger trade links would likely receive even more of a boost with [RCEP's conclusion](#).
- Combined with an undershooting of imports, Indonesia's exports uptick delivered a trade balance of USD3.6bn, much stronger than the 2.2bn expected and indeed the fattest surplus since December 2010.
- It is not all unvarnished good news, however. Specifically, while it helps to boost Indonesia's trade balance, the continued softness in October's imports – which contracted by 26.9% yoy – signals that demand remains weak into Q4 across both consumers and businesses, with still-heavy pullback in imports of consumption goods, raw materials and capital goods alike.
- Hence, even as exports recovery remains a silver lining, there is still scant evidence that the economy will gain speed after [a lacklustre Q3 performance](#). We still think BI would start to cut rate again, when it meets this week. If anything, since the trade surplus should help anchor Rupiah stability, there is a net expansion of space for them to do so from today's data.



Source: OCBC, Bloomberg.

## Treasury Research & Strategy

### Macro Research

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