



Indonesia Investments

December 2020 Trade Balance

- Indonesia Posts USD \$2.1 Billion Trade Surplus in December 2020
- Indonesia's Calendar-Year 2020 Trade Surplus (USD \$21.7 Billion) Highest Since 2011
- Strong Demand from China Pushed Commodity Prices Up in 2020
- Both Indonesia's Exports and Imports Back at Pre-COVID-19-Crisis Levels in December 2020
- Outlook for International Trade in 2021 Plagued by Vaccine-Related Uncertainty

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Preface

In addition to our reports, Indonesia Investments sends updates on key economic, political or social developments to our subscribers to make sure that our subscribers do not miss out on vital information. Topics in these updates will often be discussed in more detail (and in an updated form) in forthcoming monthly reports.

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2020 Trade Balance of Indonesia; Country's Biggest Full-Year Trade Surplus Since 2011

Indonesia posted a USD \$21.74 billion trade surplus in full-year 2020. This is a great recovery from the USD \$3.59 billion trade deficit the country saw one year earlier. And interestingly enough, it is Indonesia's biggest calendar-year trade surplus since 2011 which – as most should be aware – was the last year of the 2000s commodities boom (which was a lucrative period, and characterized by large trade surpluses, for Indonesia, a country blessed with abundant natural resources).

Just like China was the major engine behind the 2000s commodities boom (due to the country's robust commodity demand amid its rapid economic development), we again detected how soaring demand in China managed to push up commodity prices in 2020, thereby supporting Indonesian exports. Last year, China in fact imported record volumes of crude oil, copper, iron ore and coal, partly because it was the first country to recover from the COVID-19 crisis (being the first affected by the COVID-19 pandemic, it also allowed China to be the first to start its economic recovery).

China bought crude oil in large quantities last year for storage purposes as oil prices collapsed when the pandemic intensified across the globe in Q1-2020. Meanwhile, it imported large quantities of other commodities as Beijing pushed for infrastructure and construction projects (aimed at triggering renewed economic growth after the COVID-19 pandemic).

The big question, however, is whether China will continue to be as hungry in 2021 (in terms of commodity imports) as in 2020, or, will decide to cut its appetite. If it decides to cut commodity imports, then it will certainly have a negative impact on the export performance of Indonesia in 2021. What also remains quite uncertain is to what extent the international economy can recover from the COVID-19 pandemic in 2021. While there is optimism now immunization programs have been rolled out, the big questions are whether the vaccines are safe, effective, and provide long-term protection.

[...]

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