Current Account Balance 2Q24: 22 August 2024

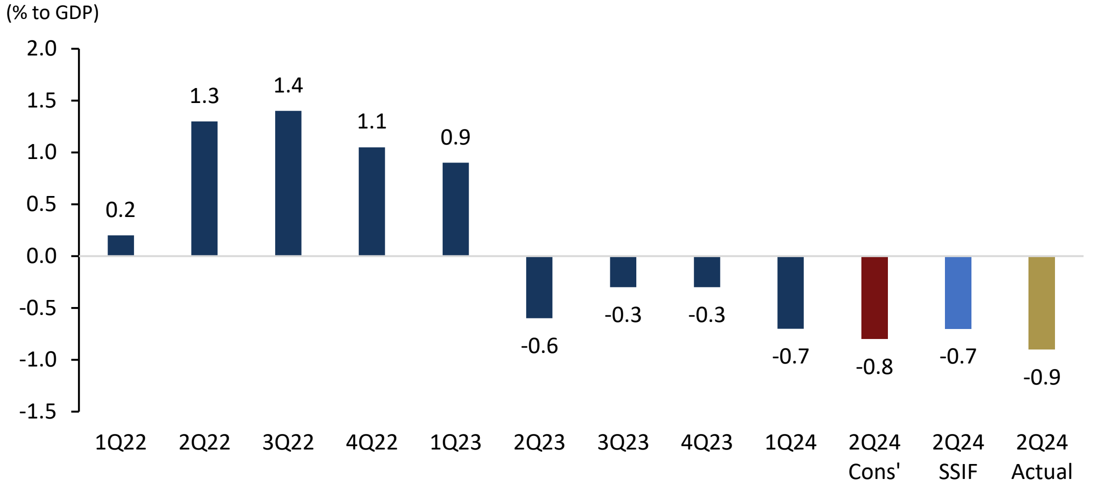
- Indonesia's current account deficit widened to USD 3.02 billion in Q2 2024, up from USD 2.41 billion in the previous quarter, marking the fifth consecutive quarter of deficit and representing 0.9% of GDP. The deficit surpassed our projection of USD 2.39 billion as well as consensus estimate of USD 2.44 billion. Additionally, this figure represents the largest current account deficit since Q1 2020, indicating increasing external pressures on the economy.

- The services account deficit jumped to USD 5.15 billion, its highest in six quarters, compared to USD 4.60 billion a year earlier. This rise is largely due to a widening gap in travel services, likely caused by increased outbound tourism and a decline in foreign visitors to Indonesia, further deepening the deficit. Meanwhile, the primary income deficit remained nearly unchanged at USD 9.29 billion, slightly better than the USD 9.30 billion deficit in the same period last year. This stability suggests ongoing challenges in earnings from investments abroad and foreign direct investment income, translating to little improvement over the past year.

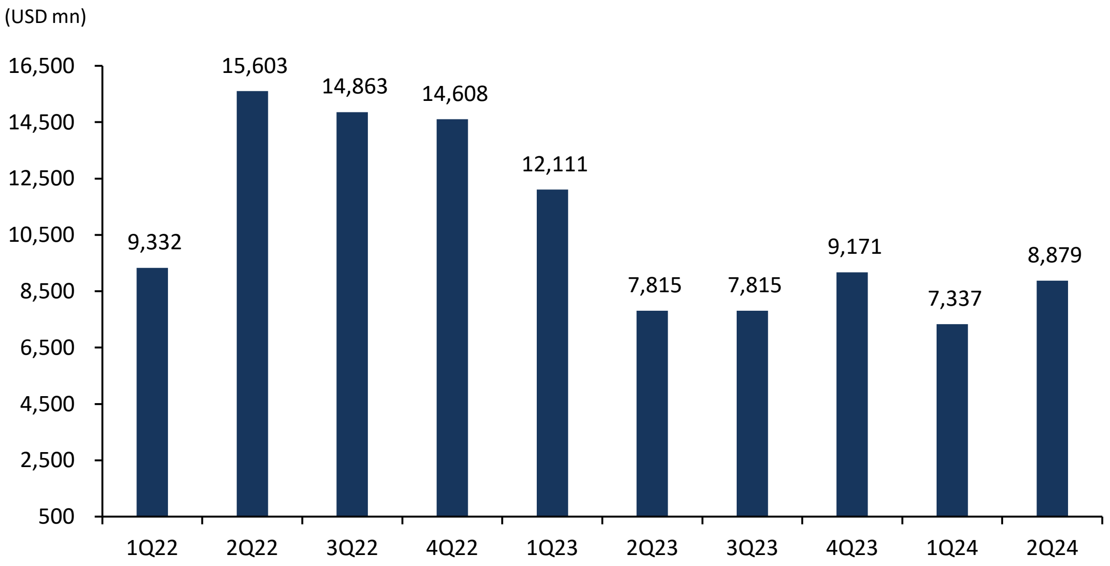
- Indonesia maintained a trade surplus of USD 9.96 billion, slightly down from USD 9.98 billion in Q2 2023. This steady trade surplus reflects resilience in export performance, though the slight decline may indicate the impact of global economic challenges on export demand. Additionally, the secondary income surplus increased slightly to USD 1.47 billion from USD 1.43 billion a year ago. This improvement is likely driven by remittances and other transfer payments, which continue to offer some relief against the widening deficits in other accounts.

- Going forward, the widening current account deficit presents challenges to Indonesia's economic stability, particularly concerning the risk of currency depreciation. While the trade surplus offers some support, persistent deficits in services and primary income underscore the need for structural reforms to boost competitiveness in these areas. We now forecast a deficit of 0.8% of GDP for this year (up from 0.7%), before further worsening to 1.2% of GDP in 2025.

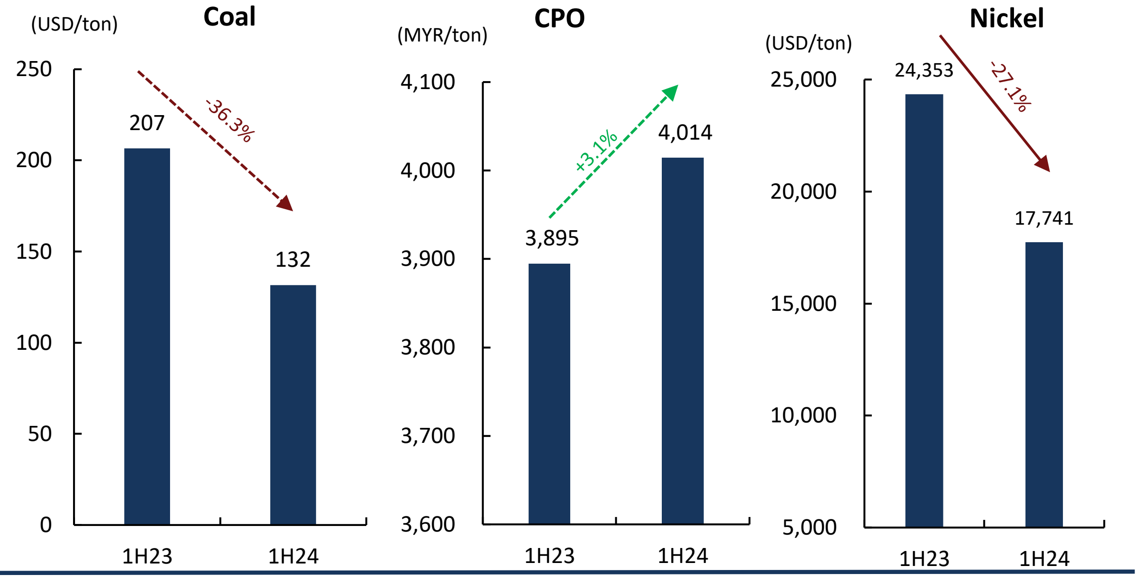
Current Account Balance, 1Q22 – 1Q24



Quarterly Trade Balance, 1Q22 – 2Q24



Various Average Commodity Prices, 1H23 vs 1H24



Sources: Bank Indonesia, Bloomberg, SSI Research

Analyst: Fithra Faisal