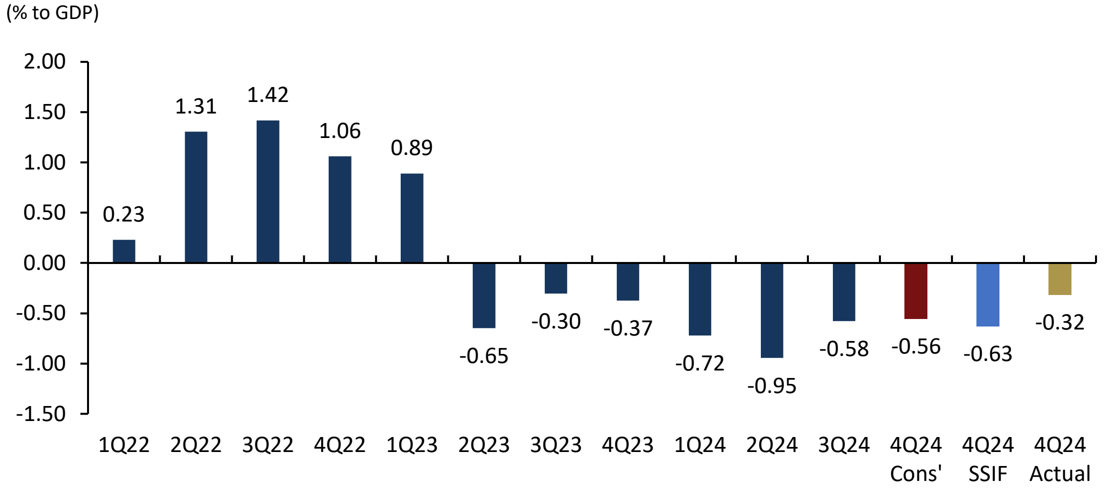
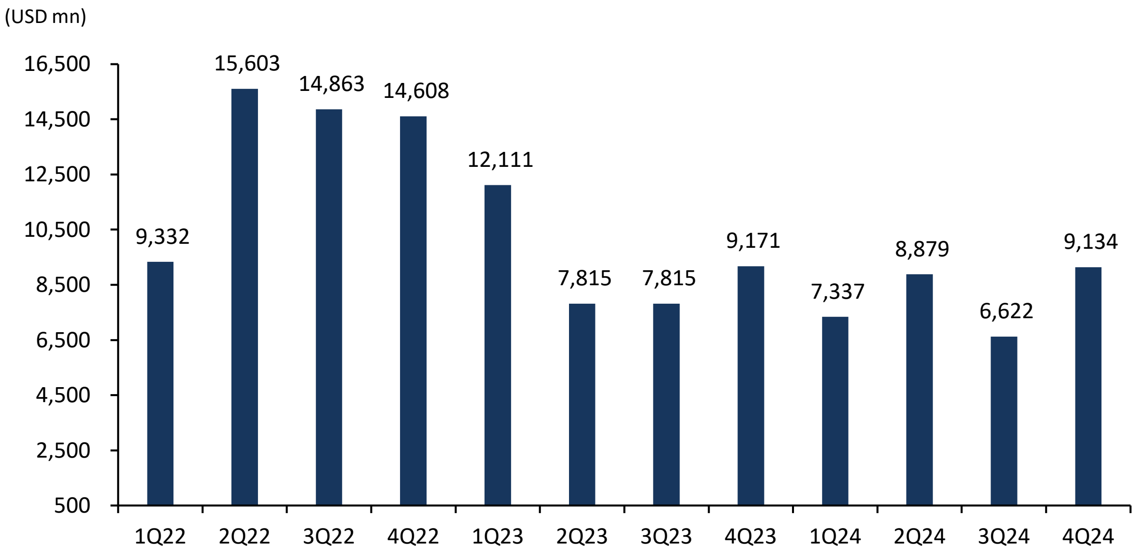
Current Account Balance 4Q24: 20 February 2025

- Indonesia's current account deficit (CAD) slightly narrowed to USD 1.15 bn in Q4 2024, down from USD 1.38 bn in the same period of 2023. This marks the seventh consecutive quarter of deficit, although it represents the smallest shortfall in this sequence, accounting for 0.3% of GDP—a better outcome than SSI's projection of 0.63% of GDP and the Market Consensus estimate of 0.56% of GDP. However, despite this quarterly improvement, the full-year 2024 CAD widened significantly to USD 8.86 billion, compared to USD 2.04 billion in 2023, highlighting persistent external vulnerabilities.
- Breaking down the key components, the primary income shortfall slightly declined to USD 9.01 billion from USD 9.26 billion a year ago, indicating a marginal improvement in foreign investment returns and remittance outflows. However, the services account deficit widened to USD 5.19 billion from USD 4.77 billion, reflecting Indonesia's increasing reliance on foreign services, particularly in technology, financial services, and travel.
- On the trade front, the surplus remained stable at USD 11.34 bn, only slightly down from USD 11.39 bn in Q4 2023. With Indonesia's exports up 7% YoY, the sector appears to continue holding up despite global economic uncertainties, particularly in commodity markets such as coal and palm oil. Meanwhile, the secondary income surplus rose significantly to USD 1.72 bn, up from USD 1.25 bn a year earlier, likely due to stronger remittance inflows from Indonesian workers abroad and improved foreign transfers.
- Going forward, Indonesia's external position will depend on a combination of global and domestic factors. The trade performance remains a critical factor, particularly given the country's dependence on commodity exports. While the government's push for downstream industrialization in mining and minerals could increase the value-added component of exports, Indonesia still faces risks from commodity price fluctuations and slowing demand from key trading partners like China. The widening services account deficit underscores the growing reliance on foreign services, especially in the digital economy, technology, and travel. Without significant domestic improvements in these sectors, the services gap is likely to persist. Foreign direct investment (FDI) and capital flows will also be key to managing Indonesia's external balance. The primary income deficit remains high, indicating that foreign investors continue to repatriate earnings from their investments in Indonesia.

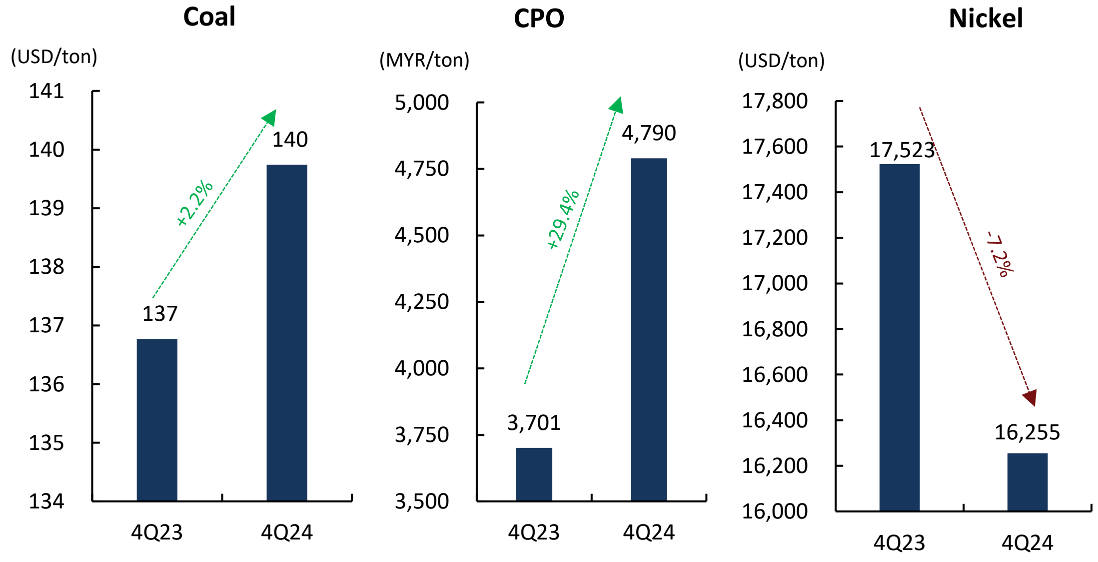
Current Account Balance, 1Q22 – 4Q24



Quarterly Trade Balance, 1Q22 – 4Q24



Various Average Commodity Prices, 4Q23 vs 4Q24



Sources: Bank Indonesia, Bloomberg, SSI Research

Analyst: Fithra Faisal