

PIER Snapshot: 1Q24 Balance of Payment

20 May 2024

1Q24 Current Account Deficit Widened Amid Rising Global Uncertainty

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Balance of Payment Review

- **In 1Q24, the Balance of Payments (BoP) recorded a deficit, driven by outflows in the financial account and a widening current account deficit.**
The 1Q24 BoP recorded a deficit of USD5.97 billion, a significant decline from the previous quarter's surplus of USD8.62 billion. Both the Financial Account (FA) and the Current Account (CA) posted deficits, primarily due to heightened global uncertainty at the beginning of the year. Concerns over a prolonged period of high interest rates ('higher-for-longer') led to increased risk-off sentiment in the financial markets and a weakening of global trade activities. Consequently, foreign reserves decreased by USD6 billion, reaching USD140.4 billion at the end of 1Q24.
- **The CA deficit widened due to a shrinking goods trade surplus and an increasing primary income deficit.**
The CA deficit widened to USD2.16 billion in 1Q24, up from USD1.12 billion in 4Q23, representing 0.64% of GDP. This widening deficit was primarily due to a continued decline in the goods trade surplus and a deeper deficit in the primary income balance. The goods trade surplus decreased to USD9.82 billion from USD11.4 billion, driven by weaker export performance amid commodity price normalization and reduced demand from key trading partners. Additionally, the primary income deficit increased unexpectedly compared to 4Q23, led by higher interest payments on external debts due to rising global policy rates, as reflected in the government's increased interest expense payments in 1Q24.
- **The FA balance shifted to a deficit, primarily due to outflows from the portfolio account balance.**
In 1Q24, uncertainty in the global financial market led to capital outflows from Indonesia, particularly from portfolio investments. Government liabilities recorded a deficit of USD1.01 billion, indicating outflows from the government bond market, while private liabilities showed a surplus of USD0.52 billion, reflecting capital inflows into the stock market. Overall, the portfolio investment balance posted a deficit of USD1.79 billion, down from a surplus of USD4.88 billion in 4Q23. The financial account deficit was also driven by other investment components, which recorded a deficit of USD4.44 billion due to increased private investment in various foreign financial instruments. Meanwhile, the direct investment surplus unexpectedly increased during the election period, rising to USD4.35 billion in 1Q24 from USD3.31 billion in 4Q23, contrary to the historical trend of weakening during election quarters.
- **Economic implication.**
The widening CA deficit in 1Q24 indicates that there is limited room for a policy rate cut in the near term. Bank Indonesia (BI) may need to maintain a high policy rate longer to mitigate risks to Rupiah stability amid increasing global uncertainty. In 2H24, there could be potential for a rate cut if global uncertainty, particularly regarding the Fed's policy rate cut trajectory, begins to diminish. We have revised our expectation for the BI-rate in 2024, from the previous forecast of 5.50% to 6.25%, staying at the current level until the end of the year. This revision assumes that the Fed will only cut its policy rate by 25bps in Dec-24. We now anticipate that BI will cut its rate only after the Fed does, meaning that it is likely happen in 2025.

We have adjusted our CA forecast but still expect a manageable deficit in 2024, with a moderate widening from -0.14% of GDP in 2023 to -0.94% of GDP. Overall, foreign reserves are projected to be around USD138 – 142 billion, and the Rupiah is expected to be in the range of Rp15,700 – 16,200 per USD by the end of 2024.

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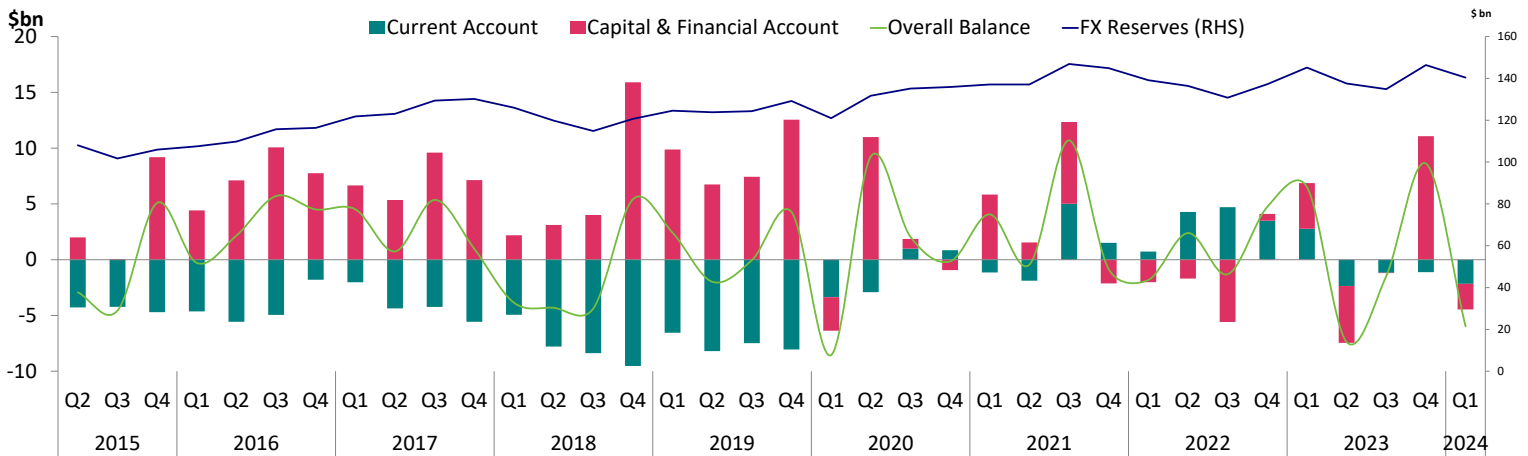
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Balance of Payment Table (in USD mn)

ITEMS	2021	2022	2023				2024	
	Total	Total	Q1	Q2	Q3	Q4	Total	Q1
I. Current Account	3,511	13,215	2,775	-2,364	-1,171	-1,120	-1,880	-2,161
A. Goods ¹⁾	43,806	62,672	14,718	10,133	10,162	11,440	46,453	9,823
B. Services	-14,599	-19,957	-4,537	-4,621	-3,954	-4,976	-18,089	-4,417
C. Primary Income	-31,961	-35,303	-8,853	-9,303	-8,631	-8,822	-35,608	-8,944
D. Secondary Income	6,264	5,803	1,447	1,427	1,252	1,239	5,365	1,378
II. Capital Account	80	476	3	5	8	27	43	3
III. Financial Account ²⁾	12,492	-9,157	4,089	-5,094	-40	11,039	9,994	-2,305
1. Direct Investment	17,286	18,067	4,376	3,925	3,157	3,308	14,766	4,347
2. Portfolio Investment	5,086	-11,631	3,027	-2,637	-3,020	4,880	2,250	-1,791
3. Financial Derivatives	333	48	205	-83	-53	99	167	-421
4. Other Investment	-10,212	-15,642	-3,519	-6,299	-124	2,752	-7,190	-4,441
IV. Total (I + II + III)	16,083	4,535	6,867	-7,453	-1,203	9,946	8,158	-4,463
V. Net Error and Omissions	-2,622	-535	-350	81	-259	-1,329	-1,857	-1,507
VI. Overall Balance (IV + V)	13,461	3,999	6,517	-7,372	-1,462	8,617	6,301	-5,970
VII. Reserves and Related Items ³⁾	-13,461	-3,999	-6,517	7,372	1,462	-8,617	-6,301	5,970
A. Reserve Asset Transactions	-13,461	-3,999	-6,517	7,372	1,462	-8,617	-6,301	5,970
B. Credit and Loans with IMF	0	0	0	0	0	0	0	0
C. Exceptional Financing	0	0	0	0	0	0	0	0
Memorandum:								
- Reserve Assets Position	144,905	137,233	145,189	137,541	134,856	146,384	146,384	140,390
In Months of Imports & Official Debt Repayment	7.8	5.9	6.2	6.0	6.0	6.5	6.47	6.19
- Current Account (% GDP)	0.30	1.00	0.83	-0.67	-0.34	-0.33	-0.14	-0.64

Source: BI & PIER

Trend of Current Account and Balance of Payment



Source: BI & PIER

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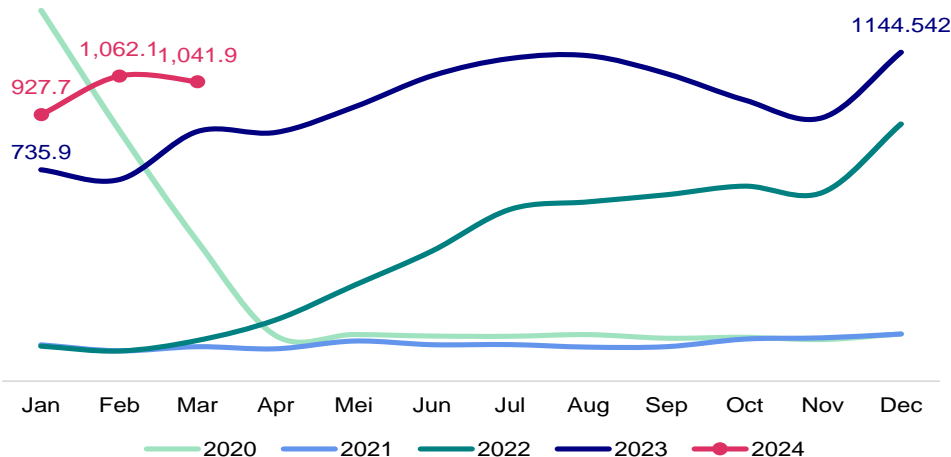
Historical Exports-Imports in 2018-2024

(in \$mn)	Exports			Imports			Trade Balance		
	TOTAL	Non Oil&Gas Export	Oil&Gas Export	TOTAL	Non Oil&Gas Import	Oil&Gas Import	TOTAL	Non Oil&Gas Balance	Oil&Gas Balance
FY2018	180,013	162,841	17,172	188,711	158,842	29,869	-8,699	3,999	-12,697
FY2019	167,683	155,894	11,789	171,276	149,390	21,885	-3,593	6,503	-10,096
FY2020	163,192	154,941	8,251	141,569	127,312	14,257	21,623	27,629	-6,006
FY2021	231,609	219,362	12,248	196,190	170,661	25,529	35,420	48,701	-13,282
FY2021	231,609	219,362	12,248	196,190	170,661	25,529	35,420	48,701	-13,282
FY2022	291,904	275,906	15,998	237,447	197,031	40,416	54,457	78,875	-24,418
FY2023	258,797	242,875	15,923	221,886	186,056	35,830	36,911	56,819	-19,908
Jan-24	20,494	19,097	1,398	18,495	15,796	2,698	2,000	3,300	-1,301
Feb-24	19,274	18,057	1,217	18,440	15,461	2,980	833	2,596	-1,763
Mar-24	22,539	21,254	1,285	17,961	14,635	3,327	4,578	6,619	-2,041
Apr-24	19,615	18,265	1,350	16,057	13,096	2,960	3,559	5,169	-1,610
Jan-Apr-23	86,345	81,074	5,271	70,298	59,015	11,282	16,047	22,059	-6,011
Jan-Apr-24	81,922	76,672	5,250	70,952	58,988	11,965	10,969	17,684	-6,715
Growth	-5.1	-5.4	-0.4	0.9	0.0	6.0			

Source: Statistics Indonesia & PIER

Tourist Arrival Trend

Foreign Tourist Arrival (Th)

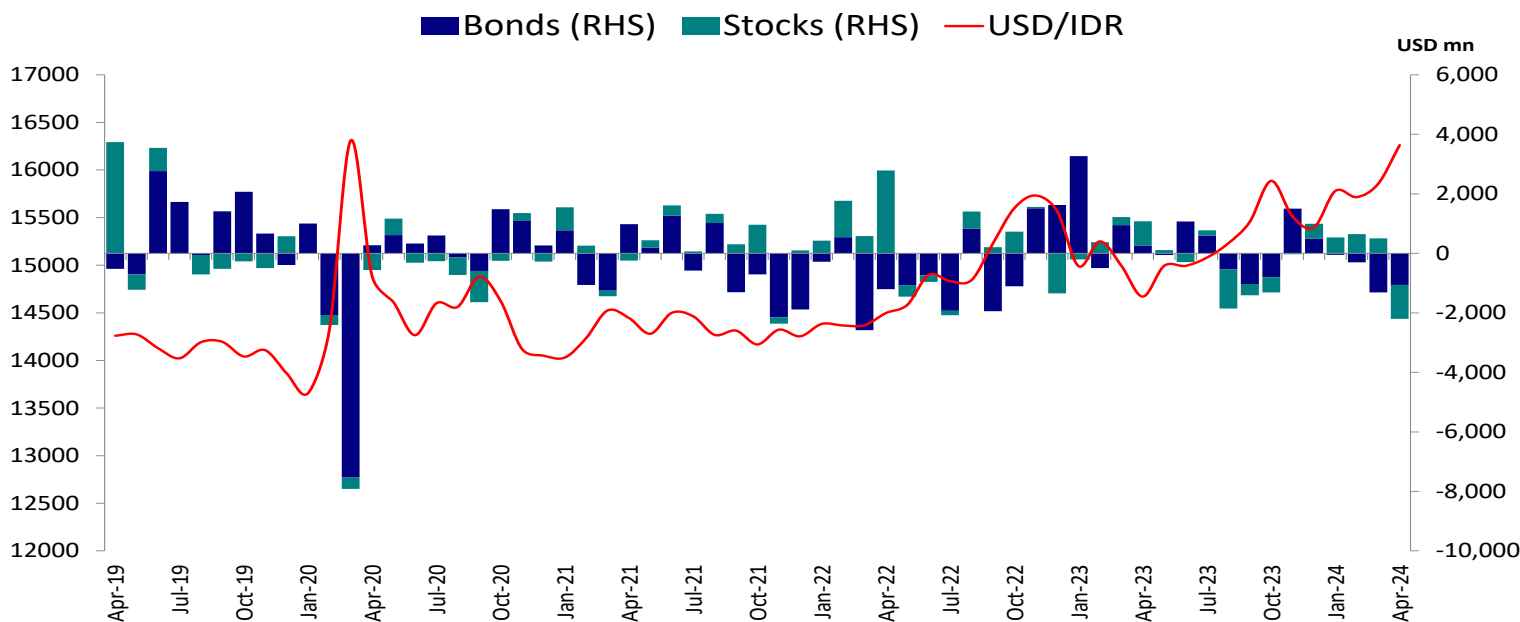


Source: Statistics Indonesia & PermataBank Economic Research

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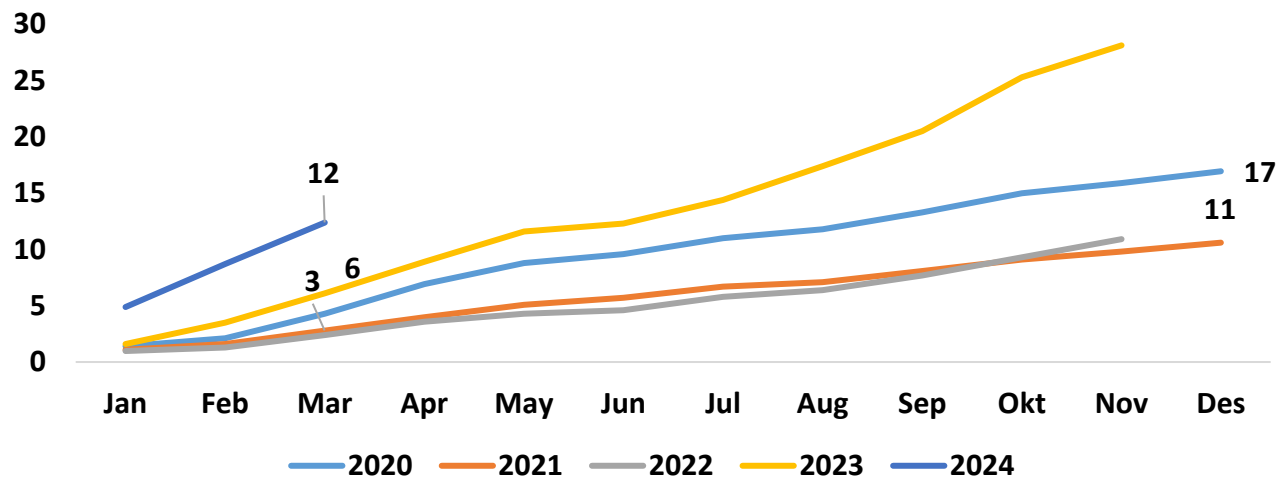
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Flow in Financial Market



Government Interest Payment in 2024 Rose Significantly Compared to the Previous Years

Government Interest Payment (Overseas) Realization (Rp tn)



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PIER's Economic & Market Forecast

	2019	2020	2021	2022	2023	1Q24	2Q24F	3Q24F	4Q24F	2024F	2025F	2026F
National Account												
Real GDP (% yoy)	5.02	-2.07	3.70	5.31	5.05	5.11	5.10	5.05	5.00	5.07	5.15	5.26
Real Consumption: Private (% yoy)	5.04	-2.63	2.02	4.93	4.82	4.91	4.88	4.95	5.00	4.93	5.10	5.12
Real Consumption: Government (% yoy)	3.27	2.12	4.24	-4.51	2.95	19.90	6.89	4.81	5.05	8.07	5.49	6.08
Real Gross Fixed Capital Formation (% yoy)	4.45	-4.96	3.80	3.87	4.40	3.79	3.63	3.79	4.89	4.04	5.83	6.62
Real Export (% yoy)	-0.48	-8.42	17.95	16.28	1.32	0.50	-1.09	1.27	4.95	1.50	9.61	10.41
Real Import (% yoy)	-7.13	-17.60	24.87	14.75	-1.65	1.77	-0.95	2.88	6.36	2.60	11.80	12.63
Nominal GDP (IDR tn) - nominal	15,832.66	15,443.35	16,976.75	19,588.09	20,892.38	5,288.29	5,655.74	5,727.73	5,731.44	22,403.21	24,266.91	26,317.21
Nominal GDP (USD bn) - nominal	1,119.10	1,059.93	1,186.29	1,318.68	1,371.47	337.70	346.45	353.39	354.71	1,392.25	1,534.97	1,732.43
Inflation & Unemployment												
Headline Inflation Rate (2022=100, % yoy, avg)	2.82	2.04	1.56	4.14	3.73	2.79	3.10	3.15	3.07	3.03	3.15	3.18
Headline Inflation Rate (2022=100, % yoy, eop)	2.59	1.68	1.87	5.41	2.81	3.05	3.18	3.12	3.08	3.08	3.25	3.15
Unemployment Rate (%)	5.18	7.07	6.49	5.86	5.32	4.82	4.82	4.94	4.94	4.94	5.03	4.93
Fiscal Condition												
Fiscal Balance (% of GDP)	-2.20	-6.14	-4.57	-2.35	-1.65	0.04	-0.30	-0.75	-2.18	-2.18	-2.56	-2.84
IDR 10-year Bond Yield (%)	7.06	5.89	6.38	6.94	6.48	6.73	7.25	7.16	7.10	7.10	6.39	5.87
External Sector												
Trade Balance (USD bn)	-3.59	21.62	35.42	54.46	36.91	7.31	6.11	5.44	6.52	25.38	23.41	17.22
Goods Balance (USD bn)	3.51	28.30	43.81	62.67	46.45	9.82	8.13	7.44	7.84	33.23	31.44	25.24
Current Account (USD bn)	-30.28	-4.43	3.51	13.22	-1.88	-2.16	-3.97	-3.91	-3.06	-13.10	-18.67	-26.63
Current Account (% of GDP)	-2.71	-0.42	0.30	1.00	-0.14	-0.64	-1.15	-1.11	-0.86	-0.94	-1.22	-1.54
Foreign Reserves (USD bn)	129.18	135.90	144.91	137.23	146.38	140.39	131.99	132.52	140.42	140.42	140.77	144.21
USD/IDR (avg)	14,141	14,529	14,297	14,874	15,248	15,783	16,325	16,208	16,158	16,119	15,817	15,201
USD/IDR (eop)	13,866	14,050	14,253	15,568	15,397	15,855	16,235	16,245	16,121	16,121	15,595	14,897
Commodity Price												
Coal Price (USD/MT)	66.2	83.0	169.7	379.2	141.8	131.5	124.4	121.0	117.5	117.5	103.8	90.3
CPO Price (USD/MT)	763.7	1,016.4	1,270.3	940.4	797.8	942.9	813.7	821.7	829.6	829.6	818.0	808.3
Oil Price (USD/BBL)	65.85	49.87	74.31	80.90	77.9	85.5	81.0	80.7	80.3	80.3	78.9	82.0
Interest Rate												
Fed Funds Rate (%)	1.75	0.25	0.25	4.50	5.50	5.50	5.50	5.50	5.25	5.25	4.50	3.75
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.25	6.25	6.25	6.25	5.50	4.75
Average Lending Rate (%)	10.52	9.67	9.16	9.16	9.27	9.28	9.34	9.40	9.41	9.41	8.97	8.30
Banking Sector												
Loan (% yoy)	6.08	-2.40	5.24	11.35	10.38	12.40	10.58	10.69	10.79	10.79	11.34	11.78
TPF (% yoy)	6.54	11.11	12.21	9.01	3.73	7.44	6.28	8.15	10.57	10.57	9.39	9.22
LDR (%)	94.8	83.2	77.8	79.7	83.8	84.2	86.1	85.9	84.0	84.0	85.5	87.5
Real Sector												
Car Sales (Unit)	1,030,126	532,027	887,202	1,048,040	1,005,802	313,529	202,128	252,240	279,733	1,047,630	1,071,763	1,144,675
Car Sales (% yoy)	-10.5	-48.4	66.8	18.1	-4.0	-1.0	-9.7	1.2	25.4	4.2	2.3	6.8
Motorcycles Sales (Unit)	6,487,460	3,660,616	5,057,516	5,221,470	6,236,992	2,144,597	1,026,925	1,604,918	1,502,065	6,278,505	6,300,894	6,436,790
Motorcycles Sales (% yoy)	1.6	-43.6	38.2	3.2	19.4	17.6	-25.5	5.6	-0.9	0.7	0.4	2.2

Source: Permata Institute for Economic Research (PIER)

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