Balance of Payment:

A Pyrrhic surplus

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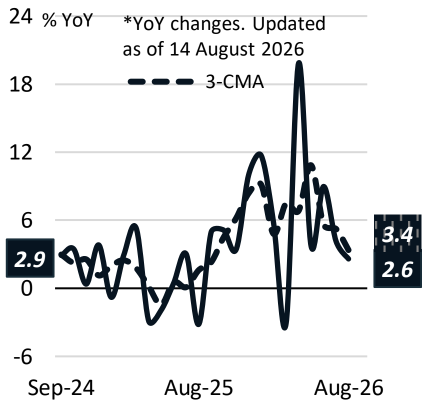
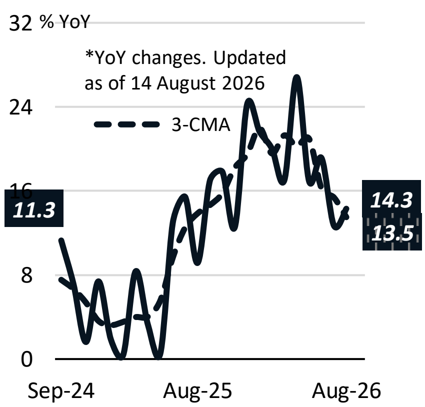
BCA Consumer Spending Index*



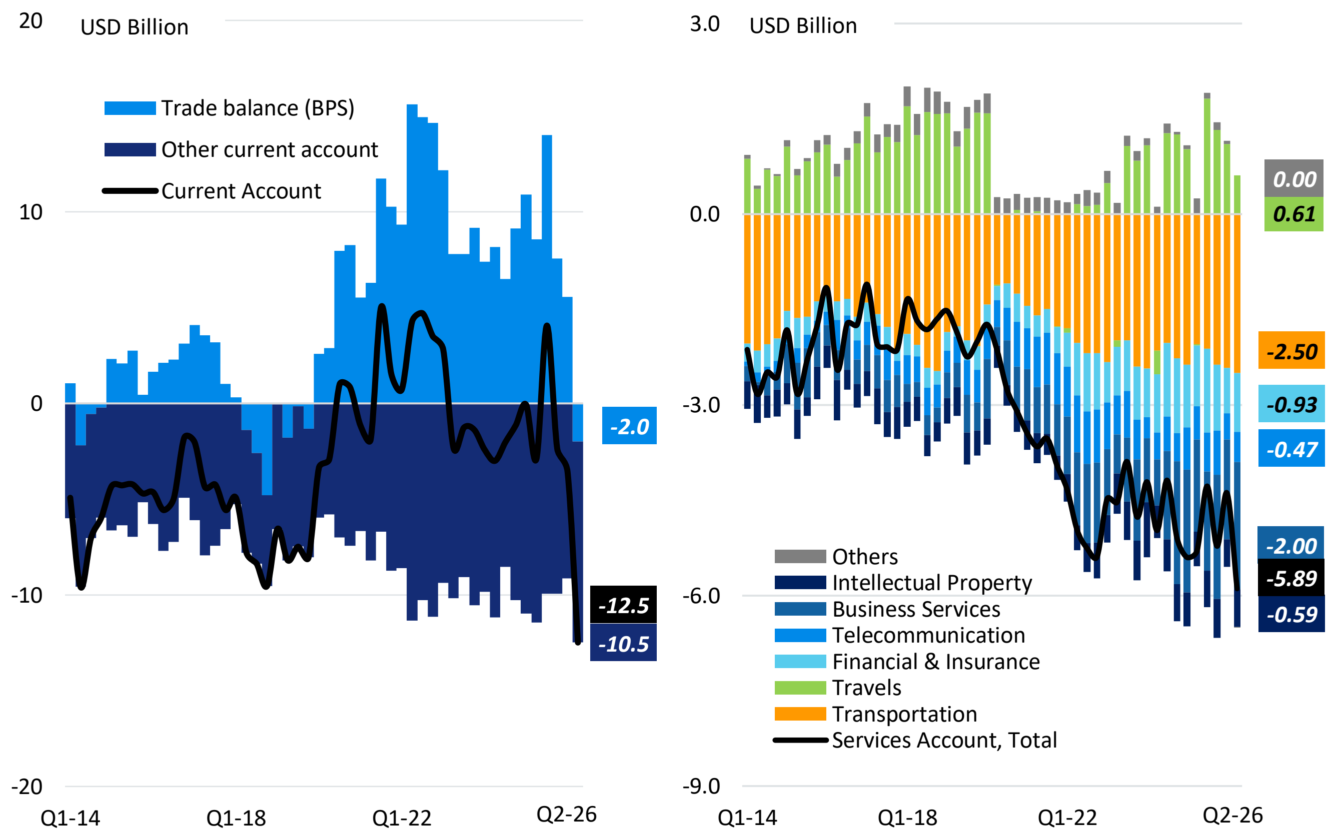
BCA Business Transaction Index*



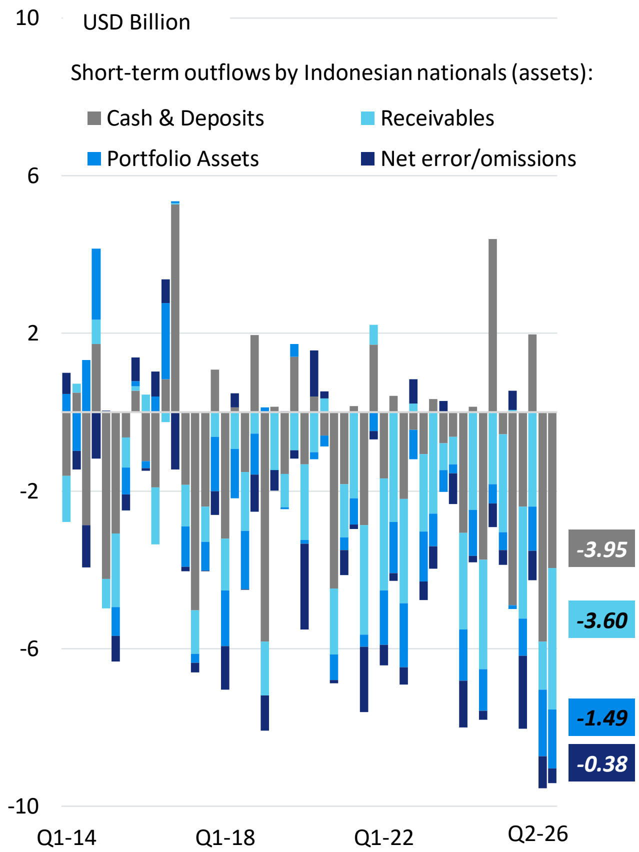
- **Indonesia posted a narrow balance of payments (BoP) deficit of USD 0.5 Bn in Q2-2026**, a significant improvement from the USD 9.1 Bn deficit recorded in the previous quarter. While the headline figure appears benign, it masks two extreme underlying components. The current account (CA) reached an all-time low, with a deficit of USD 12.5 Bn (-3.3% of GDP), while the financial account (FA) simultaneously recorded an unusually high surplus of USD 12.0 Bn.
- The CA deficit was widely anticipated by analysts, as Q2's trade balance reverts to a deficit. Seasonal dividend payments in Q2 tend to widen the deficit, though the bulk of the deterioration stems from the goods trade balance. While blaming the US-Iran war for driving oil prices higher, which in turn weighed on the goods and services balance, holds merit, it is only part of the story. **A closer look at the figures reveals that the non-oil and gas surplus has continued to decline on the back of rising imports, a natural consequence of stronger loan growth.**
- Conveniently, the FA surplus offset the CA deficit, albeit by a slim margin. And more conveniently, even though the private sector portfolio and other investment balance posted a USD 11.5 Bn deficit, **the public sector balance recorded a substantial USD 20.4 Bn surplus**. The private sector deficit is understandable given the heavy capital outflows and private investors placing their savings abroad, which have pressured the Rupiah throughout Q2. On the other hand, the USD 13.0 Bn public sector surplus was driven by SRBI issuance and global bond placements, while the remaining USD 7.4 Bn stemmed from liabilities in other investments, particularly within the currency and deposits subcategory.
- **Overall, the FA surplus was largely a product of rising liabilities, or in other words, increased borrowings.** On one hand, this underscores continued foreign investor appetite for domestic assets. On the other hand, it carries forward-looking risks, as it is premised on the assumption that future conditions will be more favorable than today.
- Going forward, the CA is expected to remain in deficit, though at a more moderate level than the current quarter, as non-oil and gas imports are likely to continue rising if loan growth

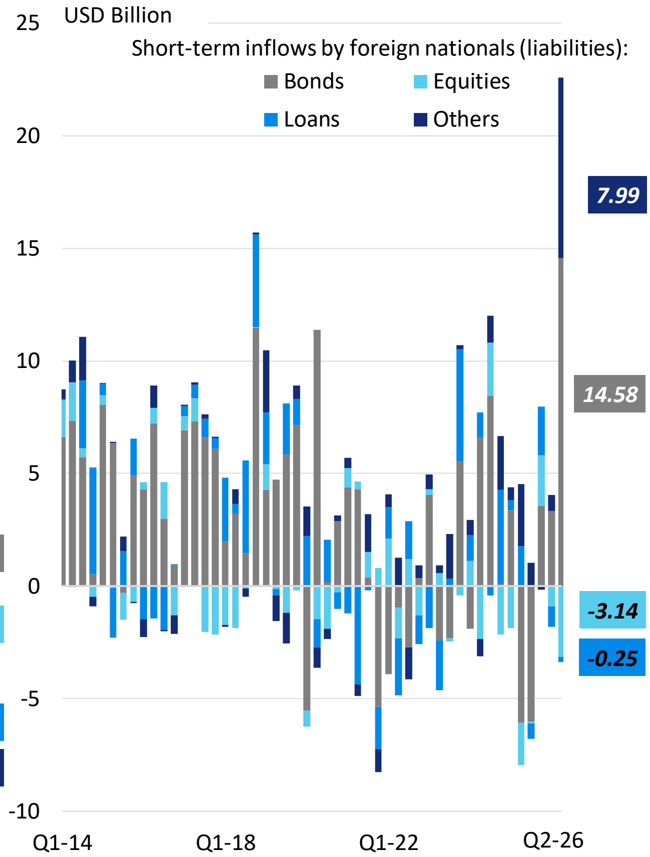
remains elevated. The question is whether the same financing strategy can continue to support the FA. Adding to the challenge, it is not a favorable environment to take on more debt given rising global long-term yields – the 30-year UST yield has breached 5%, JGB yields have breached 4%, and German Bunds have crossed 3%. **Therefore, we continue to expect Bank Indonesia to keep rates high to attract more capital inflows.**

1 **Trade balance reverting to a deficit** becomes a drag on the current account

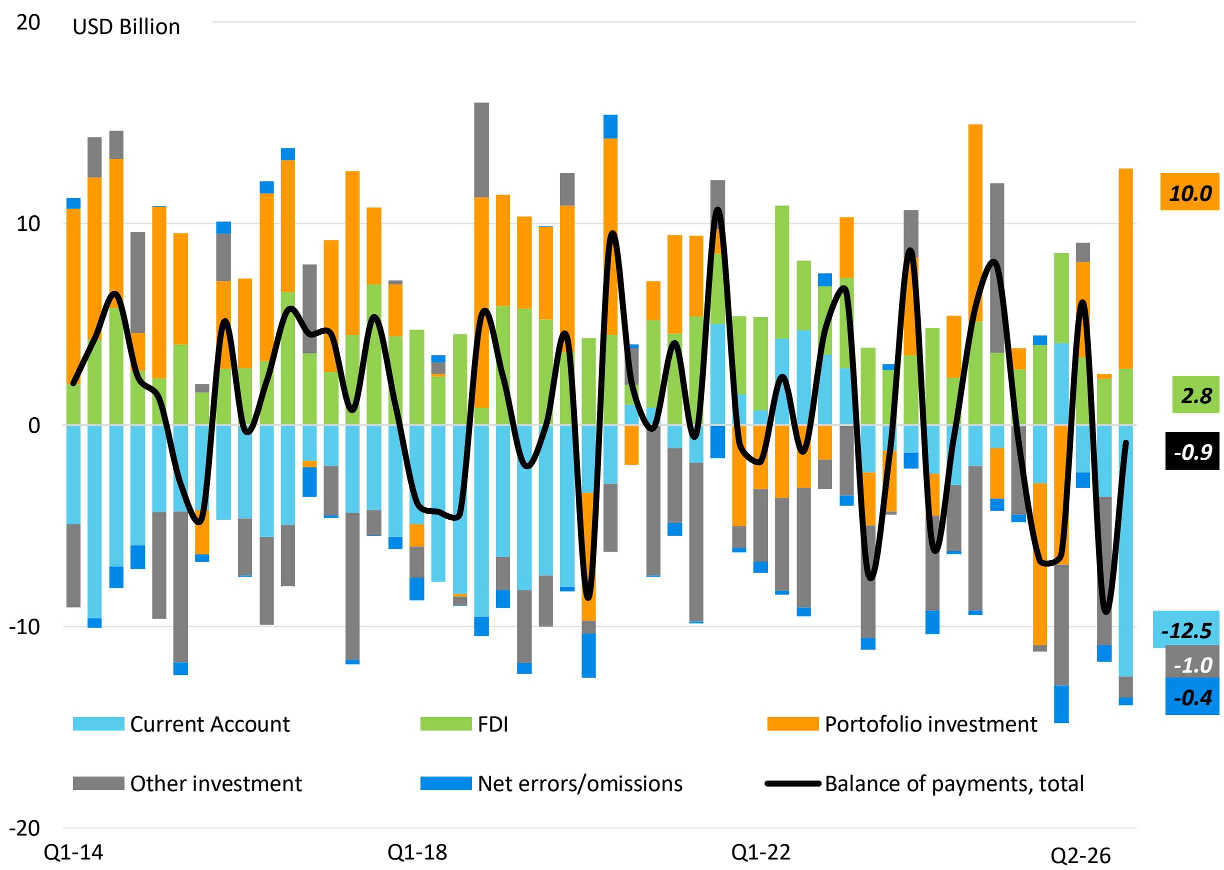


2 The private sector has been pouring money abroad, while **the public sector props up the FA with bonds, SRBI, and other liabilities**





3 **A sizeable portfolio investment surplus** offsets a deep CA deficit



Selected Macroeconomic Indicators

Table 1. Balance of payments (current USD Million)

	2022	2023	2024	2025	Q2-25	Q3-25	Q4-25	Q1-26	Q2-26
CURRENT ACCOUNT	***13,215***	***-2,042***	***-8,583***	***-1,522***	***-2,889***	***4,064***	***-2,359***	***-3,576***	***-12,487***
(as % of GDP)	***1.00***	***-0.15***	***-0.61***	***-0.11***	***-0.80***	***1.10***	***-0.64***	***-0.97***	***-3.34***
A. Goods	62,672	46,269	39,839	49,853	10,516	16,033	10,234	8,210	1,320
- Non-Oil/Gas	89,773	67,814	62,779	71,848	15,678	20,814	16,517	15,273	12,136
- Oil/Gas	-24,777	-19,917	-19,646	-19,538	-4,203	-4,906	-5,744	-5,087	-10,180
B. Services	-19,957	-17,676	-18,485	-20,466	-5,296	-4,281	-5,225	-4,391	-5,893
C. Income	-35,303	-36,015	-35,815	-37,628	-9,790	-9,419	-9,123	-9,145	-9,668
D. Current Transfers	5,803	5,380	5,878	6,719	1,680	1,731	1,755	1,751	1,754
CAPITAL TRANSACTIONS	**476.19**	**27.75**	**279.69**	**352.04**	**67.27**	**68.80**	**172.52**	**4.28**	**29.44**
FINANCIAL TRANSACTIONS	**-9,157**	**9,846**	**17,701**	**-4,017**	**-4,413**	**-8,666**	**9,003**	**-4,765**	**11,953**
A. Direct Investment	18,067	14,417	15,882	14,354	3,957	4,459	3,370	2,291	2,787
B. Portfolio Investment	-11,631	2,208	8,235	-9,368	-8,040	-6,925	4,717	243	9,953
C. Derivative Instruments	48.36	167.29	291.42	-54.31	-21.06	-181.97	-53.50	59.62	250.54
D. Other Investment	-15,642	-6,946	-6,707	-8,948	-309	-6,019	970	-7,359	-1,037
NET ERRORS AND OMISSIONS	**-535.12**	**-1,531.48**	**-2,187.72**	**-2,655.04**	**492.55**	**-1,850.51**	**-744.63**	**-808.23**	**-376.98**
BALANCE OF PAYMENT ***(= change in BI international reserves)***	**3,999**	**6,301**	**7,210**	**-7,842**	**-6,743**	**-6,384**	**6,072**	**-9,145**	**-882**

Source: Bank Indonesia

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Indonesia – Economic Indicators Projection

	2020	2021	2022	2023	2024	2025	2026E
Real GDP growth (% YoY)	-2.1	3.7	5.3	5.0	5.0	5.1	5.3
Nominal GDP growth (% YoY)	-2.5	9.9	15.4	6.7	6.0	7.6	9.1
GDP per capita (USD)	3912	4350	4784	4920	4960	5083	5126
CPI inflation (% YoY)	1.7	1.9	5.5	2.6	1.6	2.9	3.2
BI Rate (%)	3.75	3.50	5.50	6.00	6.00	4.75	6.00
SBN 10Y yield (%)	5.86	6.36	6.92	6.45	6.97	6.05	7.31
USD/IDR exchange rate (average)	14,529	14,297	14,874	15,248	15,841	16,468	17,621
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690	18,238
Trade balance (USD Bn)	21.7	35.3	54.5	37.0	31.0	41.1	19.2
Current account balance (% of GDP)	-0.4	0.3	1.0	-0.1	-0.6	-0.1	-1.3

Notes:

- *USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time*

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