Balance of payments:
Uncertain road ahead

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Executive Summary

- Indonesia's BoP recorded a surplus of USD 7.9 Bn in Q4-24 compared to USD 5.9 Bn in Q3-24. CA deficit decreased to USD 1.1 Bn while FA surplus increased to USD 8.5 Bn.
- Goods account surplus increased due to improved terms of trade, while real exports fell.
- FDI and portfolio weakened but was compensated by inflows in other investments thanks to CB swaps and new loans by the government.
- BoP outlook remains uncertain, but new export receipts (DHE) rules and the new Danantara SWF may support positive BoP for 2025.

- The balance of payments (BoP) recorded a surplus of USD 7.2 Bn for the full calendar year of 2024, higher than USD 6.3 Bn in 2023. This resulted from a wider current account (CA) deficit (from USD 2.0 Bn to 8.9 Bn) due to worsening trade balance, while the financial account (FA) surplus widened (from USD 9.8 Bn to 16.4 Bn) from issuance of SRBI.

- Virtually all of the BoP surplus came in Q4-24 (USD 7.9 Bn), with the previous three quarters effectively being neutral. This surplus was mostly driven by FA surplus (USD 8.5 Bn), while weaker import numbers caused a smaller CA deficit (USD 1.1 Bn). Exports also increased, but this was mainly attributed to improved terms of trade – in volume terms, non-oil/gas exports declined by 4.5% YoY, while imports had gone up by 11.4% YoY.

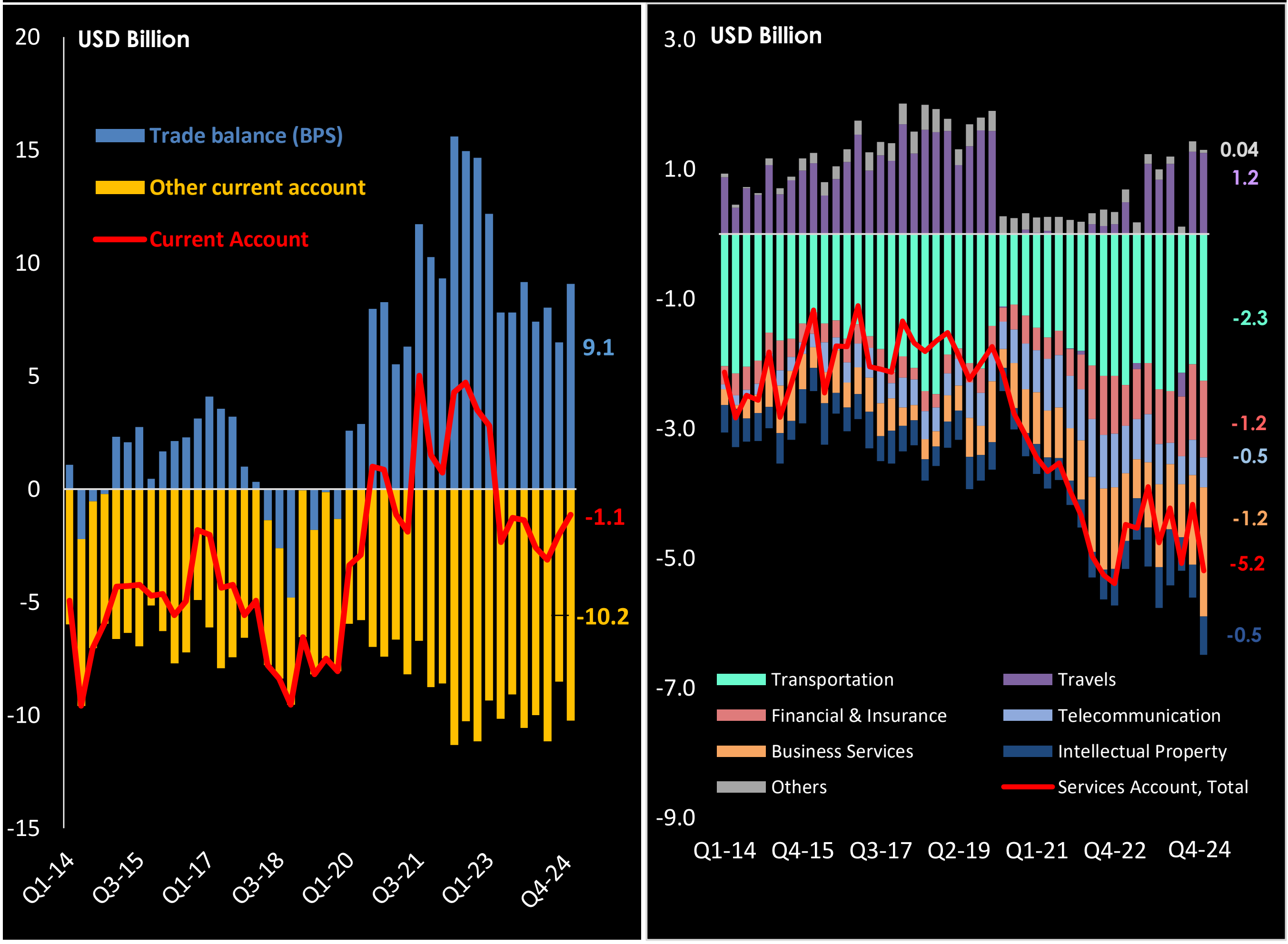
- Services account had also widened its deficit from USD 4.2 Bn to 5.2 Bn. Much of the driver was seasonal, with imports of other business services (+20.8% QoQ) showing notable jump likely due to yearly use of foreign auditors/consultancies, while travel exports (-21.1% QoQ) slipped off its Q3 peak.

- The FA numbers, while seemingly robust at first glance, reveals some notable issues when looked at in detail. Most notably, inbound FDI numbers have rapidly dropped to USD 5.3 Bn compared to USD 7.5 Bn in Q3 (a 29.3% QoQ decline). This data, again, reflects the wide discrepancy between the initiation/groundbreaking of projects and the actual financial flows related to those projects.

- Portfolio numbers also are not showing a rosy picture. While there have been slight inflows into the public sector (+USD 1.1 Bn), it has been overtaken by larger outflows in the private sector (-USD 3.1 Bn). Both these numbers are affected by the negative net SRBI issuance during this period, as well as the global market's adverse reaction to Donald Trump's victory in the US Election (so-called "Trump trade").

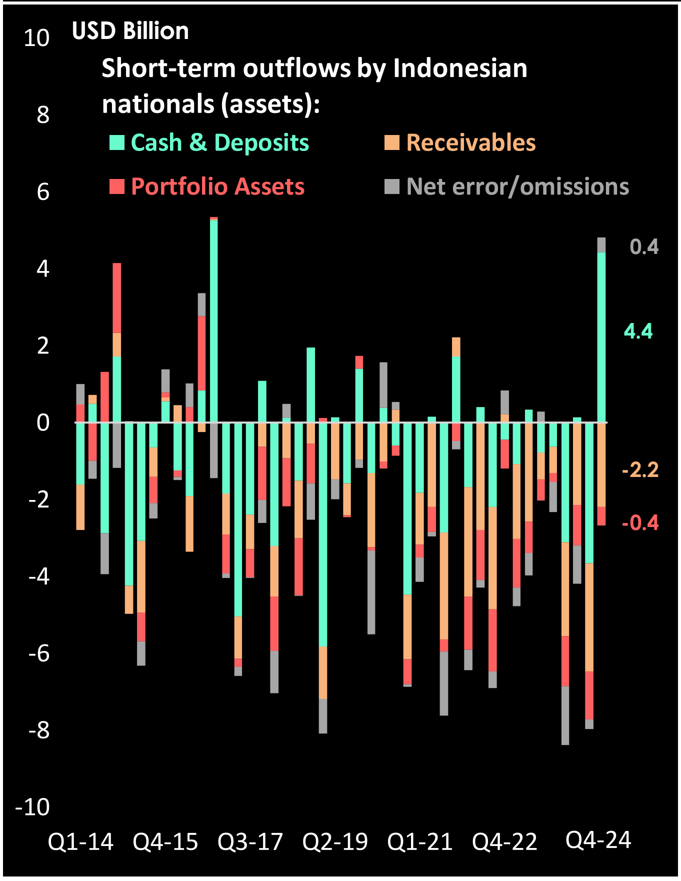
- The main buttress against this decline seems to be other investments account, which had recorded a surplus of USD 8.2 Bn. Curiously, the assets side recorded a surplus from cash and deposits (+USD 4.4 Bn), while there was also a similar increase in cash and deposits on the liabilities side – largely coming from BI's FX swaps in December. The government also drew a larger amount of external loans (4.7 Bn), as part of its tactics to diversify its financing source away from the volatile bond market.
- Looking forward to 2025, the FA side will once again be key, but the massive SRBI-driven surplus in 2024 may not be sustained. The situation in Q1 seems to be roughly neutral, as the reversal of Trump trade and consequent bond inflows is offset by outflows from equities.
- Two of the government's latest marquee measures (export receipts/DHE requirement and the Danantara SWF) could make significant impact on the BoP. In theory, the former should have no impact on the CA since banks have the flexibility to lend out the DHE. But the fact that more of the DHE will be placed domestically means that BI can exert greater oversight, and potentially allows it to restrict lending – effectively curbing the CA deficit – when it needs to defend the Rupiah.
- As for Danantara, we expect the government to use it as a way to finance its projects outside of the State Budget (APBN). In this way, it would likely try to lever up Danantara's massive balance sheet, which would imply significant inflows from external debt, while Danantara itself focuses on domestic investments in agriculture, energy, and downstreaming (ergo, very little will flow out).
- As for the CA side, the outlook remains mixed. On one hand, the government's self-imposed import ban for some staple foodstuffs could depress the deficit. But on the other hand, export numbers could also be depressed by weaker prices and uncertain demand amid a rumbling trade war – with only certain agricultural products providing succor in the short-term.

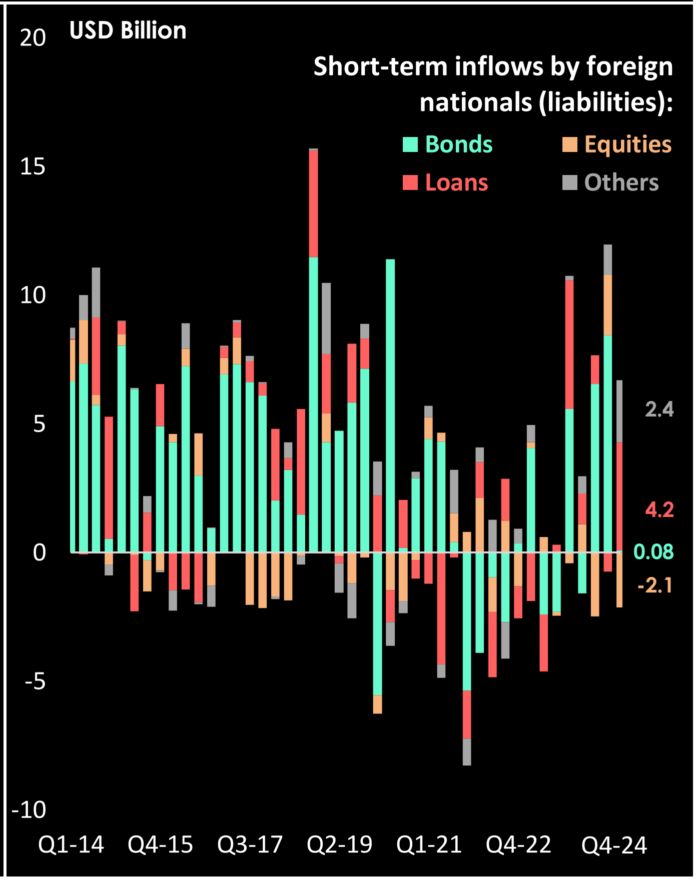
***Panel 1.* The decline in CA deficit is caused by strong trade surplus**



Source: Bank Indonesia, BPS

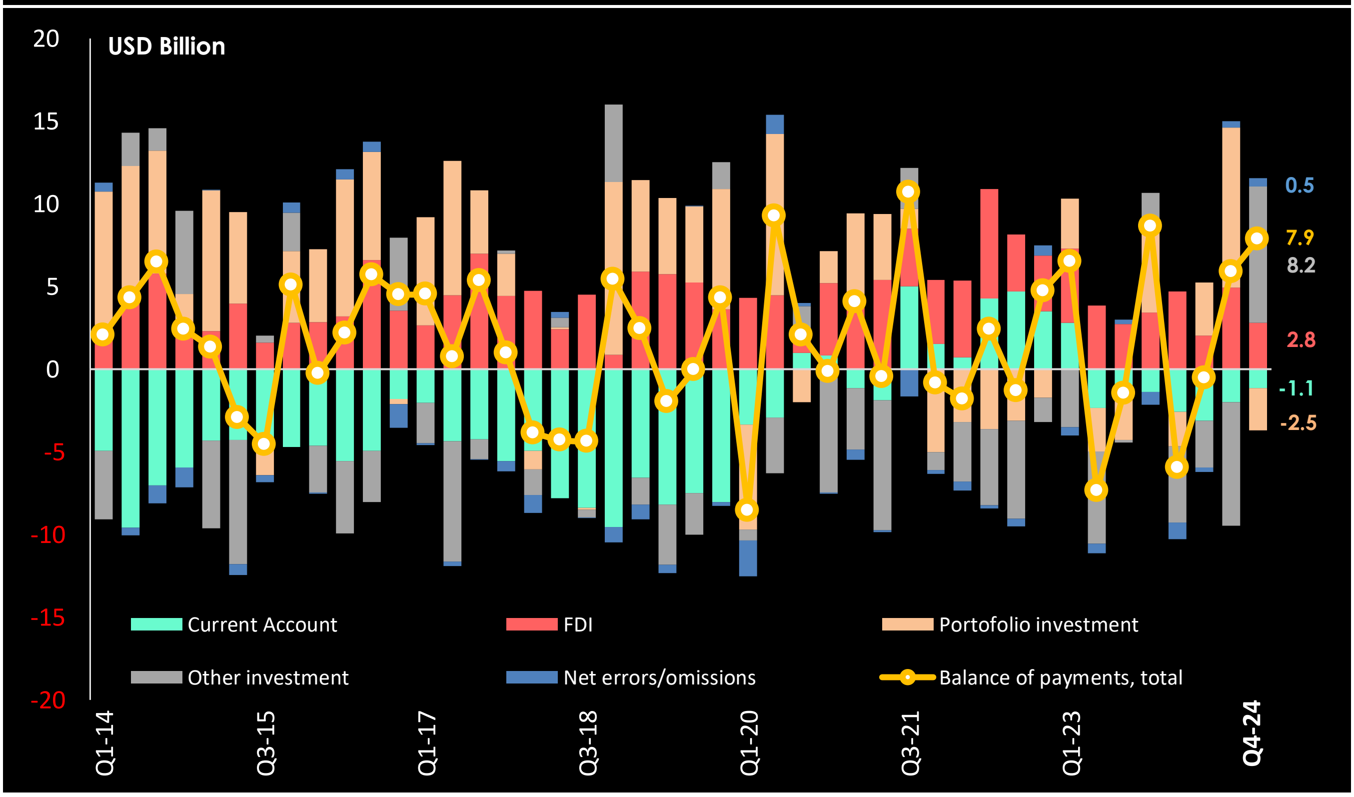
Panel 2. Portfolio outflow driven by Trump Trade and net negative issuance of SRBI





Source: Bank Indonesia

Panel 3. Other investment becomes the main driver of Balance of Payment surplus increase



Source: Bank Indonesia, BPS

Selected Macroeconomic Indicators

Table 1. Balance of payments (current USD Million)

	2019	2020	2021	2022	2023	2024
CURRENT ACCOUNT	***-30,279***	***-4,433***	***3,511***	***13,215***	***-2,042***	***-8,856***
(as % of GDP)	***-2.71***	***-0.42***	***0.30***	***1.00***	***-0.11***	***-0.63***
A. Goods	3,508	28,301	43,806	62,672	46,269	39,926
- Non-Oil/Gas	11,965	29,954	57,804	89,773	67,814	62,868
- Oil/Gas	-10,319	-5,386	-12,965	-24,777	-19,917	-19,651
B. Services	-7,641	-9,755	-14,599	-19,957	-17,676	-18,667
C. Income	-33,775	-28,911	-31,961	-35,303	-36,015	-36,092
D. Current Transfers	7,629	5,932	6,264	5,803	5,380	5,977
CAPITAL TRANSACTIONS	**39.06**	**36.91**	**80.15**	**476.19**	**27.75**	**28.42**
FINANCIAL TRANSACTIONS	**36,564**	**7,884**	**12,492**	**-9,157**	**9,846**	**16,356**
A. Direct Investment	20,531	14,142	17,286	18,067	14,417	14,509
B. Portfolio Investment	21,990	3,369	5,086	-11,631	2,208	8,221
C. Derivative Instruments	186.40	17.73	332.71	48.36	167.29	291.42
D. Other Investment	-6,144	-9,645	-10,212	-15,642	-6,946	-6,665
NET ERRORS AND OMISSIONS	**-1,647.91**	**-891.30**	**-2,622.30**	**-535.12**	**-1,531.48**	**-319.17**
BALANCE OF PAYMENT *(= change in BI international reserves)*	**4,676**	**2,597**	**13,461**	**3,999**	**6,301**	**7,210**

Source: Bank Indonesia

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Indonesia – Economic Indicators Projection

	2019	2020	2021	2022	2023	2024	2025E
Real GDP growth (% YoY)	5.0	-2.1	3.7	5.3	5.0	5.0	4.9
Nominal GDP growth (% YoY)	6.7	-2.5	9.9	15.4	6.7	6.0	7.6
GDP per capita (USD)	4175	3912	4350	4784	4920	4960	5005
CPI inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	1.6	2.3
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	5.50
SBN 10Y yield (%)	7.04	5.86	6.36	6.92	6.45	6.97	7.47
USD/IDR exchange rate (end of year)	13,866	14,050	14,262	15,568	15,397	16,102	16,887
Trade balance (USD Bn)	-3.2	21.7	35.3	54.5	37.0	31.0	26.2
Current account balance (% of GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.6	-0.9

Notes:

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

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