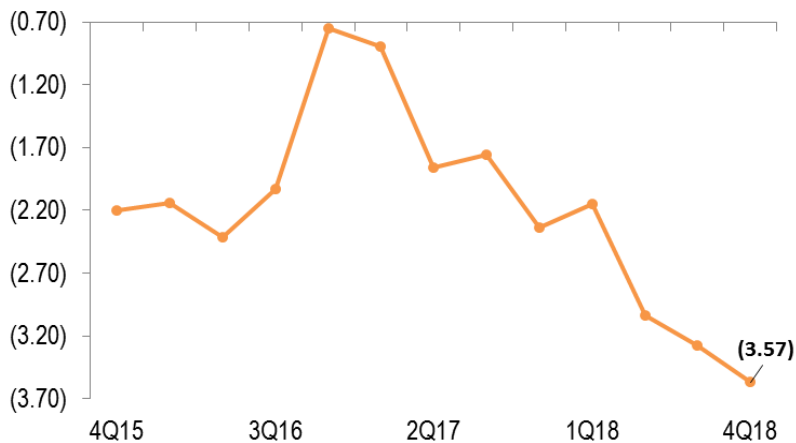


# 4Q18 Current Account

## Matches Well to Projection

Macro Report | Feb 12, 2018

### Indonesia's Current Account Deficits (as % to GDP)



Source: Indonesia Statistics, NHKS research

#### Highlights of the 4Q18 Current Account

The 4Q18 current account deficits were at USD9.1 billion, equal to 3.57% of the GDP. The figure nudged up, compared to the 2Q18 of USD8.6 billion, equal to 3.28% of the GDP. On a cumulative basis, the 2018 current account deficits were at USD31 billion or 2.98% of the GDP. The widening deficits of 4Q18 were mainly attributable to the depleting surplus of non-oil and gas trade and the high deficits of oil and gas trade.

#### Downturn in Goods Trade Balance

The 4Q18 goods trade balance posted deficits of USD2.57 billion, wiping out significantly from the deficits of USD0.45 billion in 3Q18. The slowdown in the goods trade balance, exacerbated by the murky global backdrop amid the high demand in domestic market.

The goods trade balance underperformed for 2018 as it posted deficits of USD0.4 billion, in a stark contrast to its outperformance in 2017 by posting surpluses of USD18.7 billion. The leveraging imports of 20.7% y-y amid the deleveraging exports of 7.0% was the main factor of the 2018 deficits.

#### Better Performance of Services Trade

The 4Q18 services trade balance posted deficits of USD1.6 billion, slightly lower than deficits of USD2.0 billion in 3Q18. The surplus in travel services was the catalyst narrowing the deficits thanks to the international events held in Indonesia. Surpluses in travel services aligned with the sliding number of foreign tourists traveling to Indonesia due to natural disaster sweeping across Indonesia.

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### Improving Primary and Secondary Revenues

The 4Q18 primary revenues hiked, compared to its performance in 3Q18. The 4Q18 primary revenues posted the sliding deficits of USD6.9 billion. On the other hand, the 4Q18 secondary revenues posted surpluses of USD2.0 billion, higher than the 3Q18 surpluses of USD1.7 billion. The natural disaster donation given by the public and private sectors sent the 4Q18 figure higher. Meanwhile, revenues from personal transfers by Indonesia's migrant workers were relatively stable.

### Current Account Deficits Matching Well to Projection

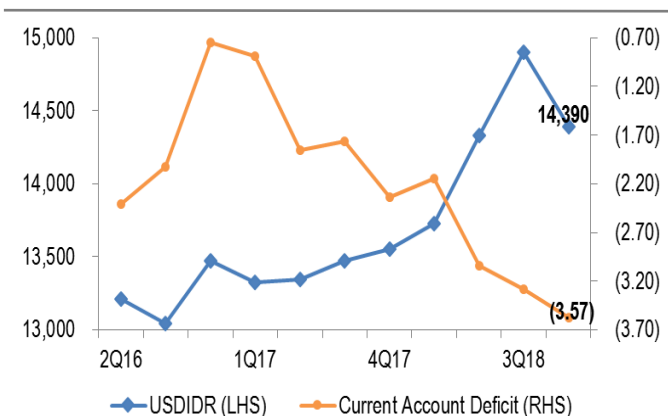
In our prior report, we estimated the 2018 current account deficits were unlikely to outpace 3.00%, but for 2019, we project that current account deficits to stand below 3.00%, if the government is firmly committed to its prior policies, e.g., accelerating exports and tourism, bettering off upstream and downstream industries, implementing further the B20 mandatory, improving online single submission (OSS), and easing investment process.

### Current Account Summary (USD mn)

	4Q17	1Q18	2Q18	3Q18	4Q18	2017	2018
Goods	3,086	2,323	277	-454	-2,576	18,785	-430
Services	-2,135	-1,642	-1,819	-2,017	-1,623	-7,831	-7,101
Primary Income	-7,752	-7,465	-8,036	-7,930	-6,988	-32,979	-30,420
Secondary Income	1,235	1,444	1,632	1,777	2,039	4,498	6,892
<b>Current Account</b>	<b>-5,567</b>	<b>-5,342</b>	<b>-7,946</b>	<b>-8,625</b>	<b>-9,148</b>	<b>-17,528</b>	<b>-31,061</b>
<b>as % to GDP</b>	<b>-2.34</b>	<b>-2.15</b>	<b>-3.04</b>	<b>-3.28</b>	<b>-3.57</b>	<b>-1.70</b>	<b>-2.98</b>

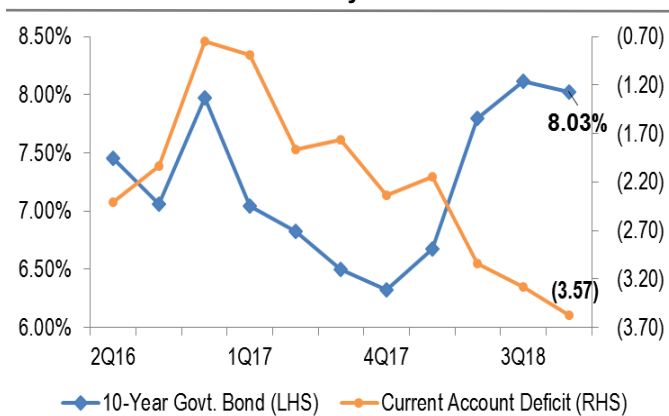
Source: Bank Indonesia, NHKS Research

### Current Account Deficit & USDIDR



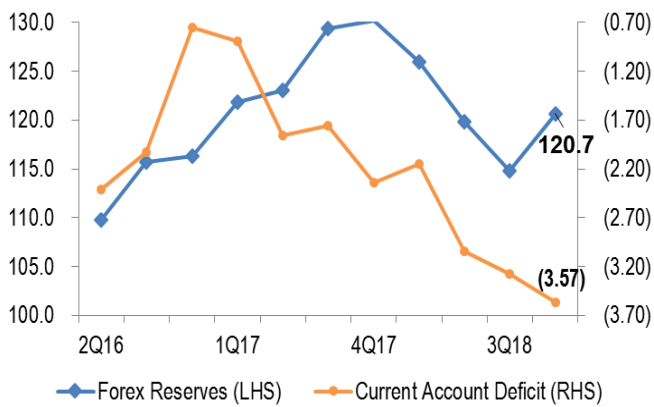
Source: Indonesia Statistics, Bloomberg, NHKS research

### Current Account Deficit & 10-year Gov. Bond Yield



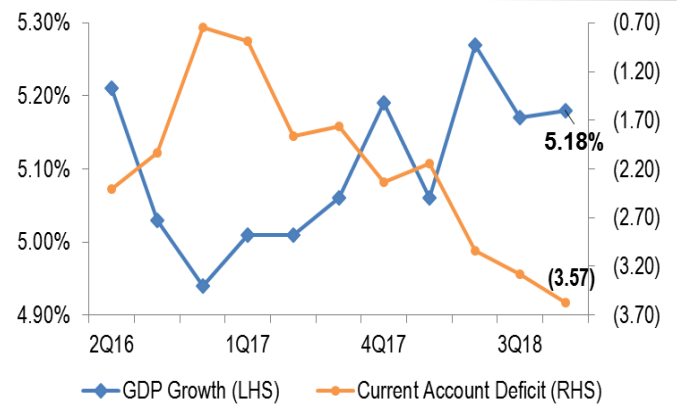
Source: Indonesia Statistics, NHKS research

**Current Account Deficit & Forex Reserves**



Source: Indonesia Statistics, NHKS research

**Current Account Deficit & GDP Growth**



Source: Indonesia Statistics, NHKS research

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