

Balance of Payment Trimmed Deficit on Lower Deficit Current Account and Financial Account

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Balance of Payment Review

- Deficit in Balance of Payment trimmed as current account and financial account deficit fell.**
 Current Account (CA) and Financial Account (FA) in 3Q23 posted lower deficit compared to a quarter earlier, which pushed lower deficit of overall Balance of Payment (BoP). BoP in 3Q23 posted deficit of USD1.46bn compared to deficit of USD7.37bn in the previous quarter. Since BoP recorded deficit, foreign reserves as per end of 3Q23 fell to USD134.86bn from USD137.54bn.
- Current account eased to deficit of 0.25% of GDP on lower deficit in services and primary income balances**
 CA in 3Q23 posted deficit of USD0.86bn or equivalent with -0.25% of GDP, compared to deficit of USD2.21bn or equivalent with -0.61% of GDP in a quarter earlier. Based on the components, goods balance managed to record surplus of USD10.27bn, slightly higher than 2Q23, which posted surplus of USD10.13bn. Solid performance of goods balance in 3Q23 was driven by improving non-oil and gas exports coupled with falling non-oil and gas imports. Meanwhile, services balance posted deficit of USD4.1bn from previously deficit of USD4.73bn. Lower deficit of services balance was driven by higher inbound foreign tourist to Indonesia. Cumulatively, despite tourist arrival in 3Q23 grew slower by 64.87%yoy from previously 169.66%yoy in 2Q23, however, the trend of foreign tourist kept increasing. On the other hand, outbound tourist from Indonesia tended to be stagnant in 3Q23, especially after Hajj season over. Meanwhile, primary income fell on the back of lower income from direct investment in Indonesia. Deficit for direct investment income decreased to USD4.65bn from previously USD5.70bn.
- Financial account deficit trimmed as other investment turned into surplus.**
 Both main components of FA, despite deficit in portfolio investment widened and surplus in direct investment trimmed on 3Q23, the other investment managed to record surplus in the reporting period. Portfolio investment deficit widened to USD3.13bn from deficit of USD2.63bn in 2Q23, as foreign outflow from domestic financial market continued due to Fed's sentiment. Meanwhile, direct investment surplus also fell to USD2.77bn from USD3.98bn as foreign investors tended to wait and see ahead of presidential election. Different from those components, other investment recorded surplus of USD0.12mn, mainly because private companies withdrew external loan in 3Q23.
- Economic implication.**
 Taking into account trimming CA deficit in 3Q23 coupled with lower FA deficit, we expect that BI might hold interest rate at 6.00% in the next meeting. Lower deficit would likely signal lower volatility for Rupiah exchange rate. In addition, due to foreign inflow after US economic indicators eased, Rupiah tended to be appreciated in the last 2 weeks.

Current account in 4Q23 is expected to be widening on the back of higher deficit of services trade balance entering holiday season in Indonesia. We expect that financial account would be improving after portfolio investment posted surplus, due to inflow in domestic stock and bond markets. On the other side, direct investment will likely ease further as investors maintain wait and see approach before election.

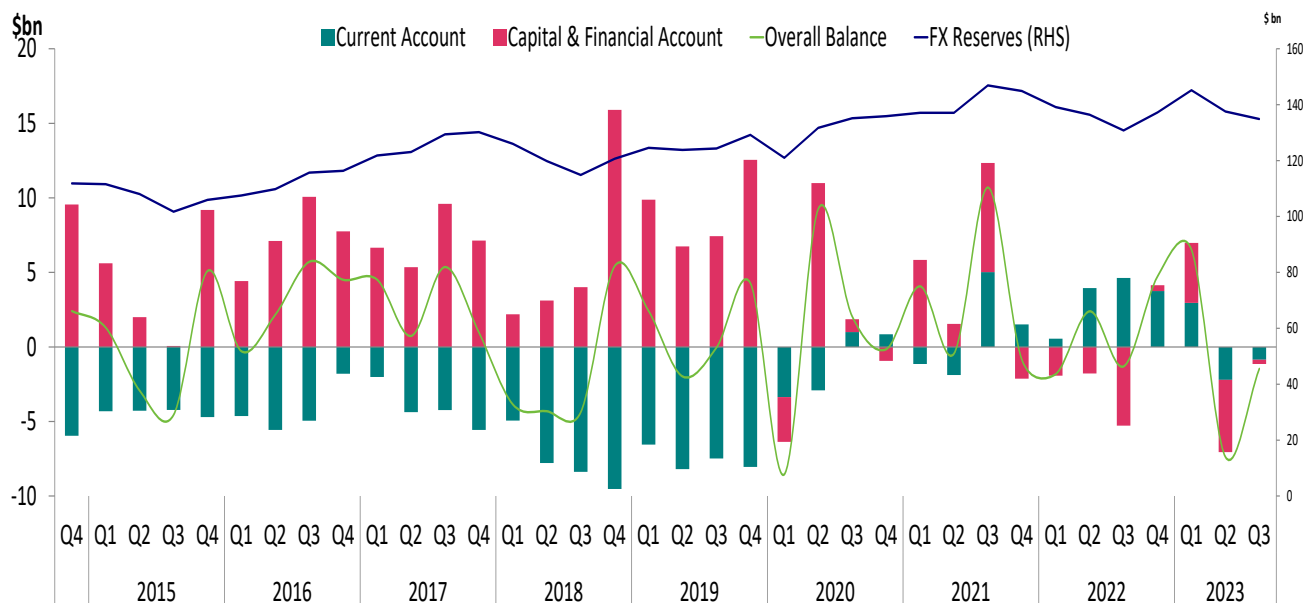
The CA deficit in F23 is expected to be around -0.28% of GDP, compared to a surplus of 0.96% of GDP in 2022. All in all, foreign reserves are forecasted to range between USD133-137 billion, and the Rupiah is expected to close at approximately Rp15,300-15,500 per USD by the end of 2023.

Balance of Payment Table

ITEMS	2021		2022				2023			
	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Total
I. Current Account	3,511	553	3,947	4,629	3,745	12,874	2,960	-2,207	-860	-107
A. Goods	43,806	11,301	16,797	17,623	16,951	62,672	14,681	10,133	10,269	35,084
B. Services	-14,599	-4,375	-5,019	-5,327	-5,525	-20,246	-4,573	-4,727	-4,106	-13,407
C. Primary Income	-31,961	-7,868	-9,354	-9,077	-9,628	-35,926	-8,629	-9,157	-8,487	-26,272
D. Secondary Income	6,264	1,494	1,523	1,410	1,947	6,374	1,481	1,543	1,464	4,488
II. Capital Account	80	1	3	2	445	451	3	5	8	16
III. Financial Account	12,492	-1,924	-1,781	-5,283	-46	-9,034	4,015	-4,851	-290	-1,126
1. Direct Investment	17,286	4,647	6,617	3,483	3,421	18,168	4,287	3,975	2,771	11,033
2. Portfolio Investment	5,086	-3,182	-3,614	-3,118	-1,716	-11,631	3,030	-2,630	-3,129	-2,729
3. Financial Derivatives	333	137	-86	9	-11	48	205	-83	-53	69
4. Other Investment	-10,212	-3,526	-4,698	-5,656	-1,740	-15,620	-3,507	-6,113	121	-9,499
IV. Total (I + II + III)	16,083	-1,371	2,169	-652	4,144	4,291	6,978	-7,054	-1,141	-1,217
V. Net Error and Omissions	-2,622	-446	220	-652	586	-291	-461	-318	-321	-1,099
VI. Overall Balance (IV + V)	13,461	-1,817	2,389	-1,304	4,730	3,999	6,517	-7,372	-1,462	-2,317
VII. Reserves and Related Items	-13,461	1,817	-2,389	1,304	-4,730	-3,999	-6,517	7,372	1,462	2,317
A. Reserve Asset Transactions	-13,461	1,817	-2,389	1,304	-4,730	-3,999	-6,517	7,372	1,462	2,317
B. Credit and Loans with IMF	0	0	0	0	0	0	0	0	0	0
C. Exceptional Financing	0	0	0	0	0	0	0	0	0	0
Memorandum:										
- Reserve Assets Position	144,905	139,129	136,379	130,782	137,233	137,233	145,189	137,541	134,856	
In Months of Imports & Official Debt Repayment	7.8	7.0	6.4	5.7	5.9	5.9	6.2	6.0	6.0	
- Current Account (% GDP)	0.30	0.18	1.17	1.36	1.14	0.98	0.89	-0.63	-0.25	

Source: BI & PermataBank Economic Research

Trend of Current Account and Balance of Payment



Source: BI & PermataBank Economic Research

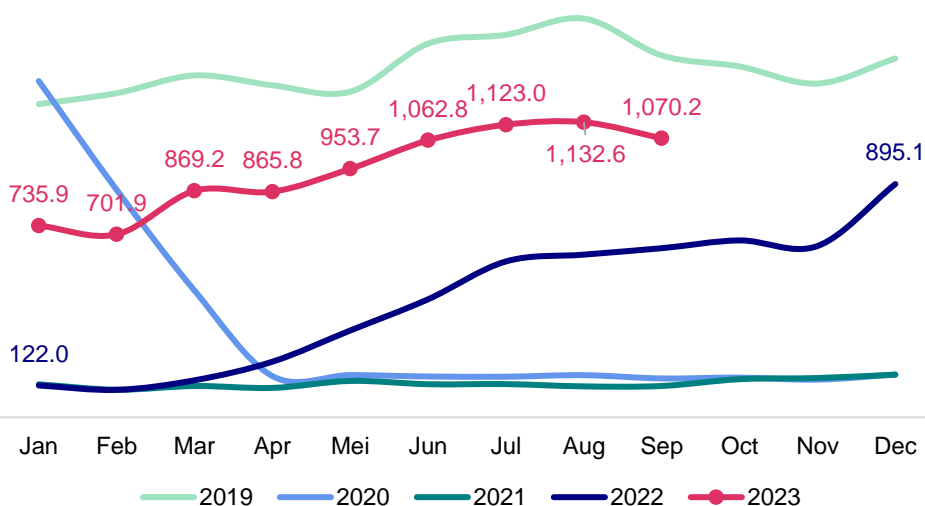
Historical Exports-Imports in 2018-2023

(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	219,349	12,252	196,190	170,661	25,529	35,420	48,688	-13,277
FY2022	291,932	276,067	15,865	237,447	197,031	40,416	54,485	79,037	-24,551
Jan-23	22,324	20,836	1,488	18,443	15,537	2,906	3,881	5,299	-1,418
Feb-23	21,321	20,195	1,187	15,919	13,513	2,407	5,402	6,682	-1,220
Mar-23	23,416	22,078	1,338	20,588	17,573	3,015	2,828	4,505	-1,677
Apr-23	19,284	18,025	1,259	15,348	12,393	2,955	3,936	5,633	-1,696
May-23	21,707	20,398	1,309	21,280	18,145	3,135	427	2,254	-1,827
Jun-23	20,601	19,342	1,260	17,150	14,928	2,222	3,451	4,413	-963
Jul-23	20,862	19,635	1,227	19,570	16,438	3,132	1,292	3,197	-1,905
Aug-23	21,998	20,679	1,319	18,880	16,218	2,662	3,118	4,461	-1,343
Sep-23	20,747	19,342	1,405	17,342	14,013	3,329	3,405	5,329	-1,924
Oct-23	22,148	20,777	1,372	18,673	15,466	3,207	3,476	5,311	-1,835
Jan-Oct'22	244,010	230,732	13,278	198,622	164,211	34,411	45,388	66,522	-21,133
Jan-Oct'23	214,408	201,307	13,162	183,192	154,223	28,969	31,216	47,084	-15,807
Growth	-12.1	-12.8	-0.9	-7.8	-6.1	-15.8			

Source: Statistics Indonesia & PermataBank Economic Research

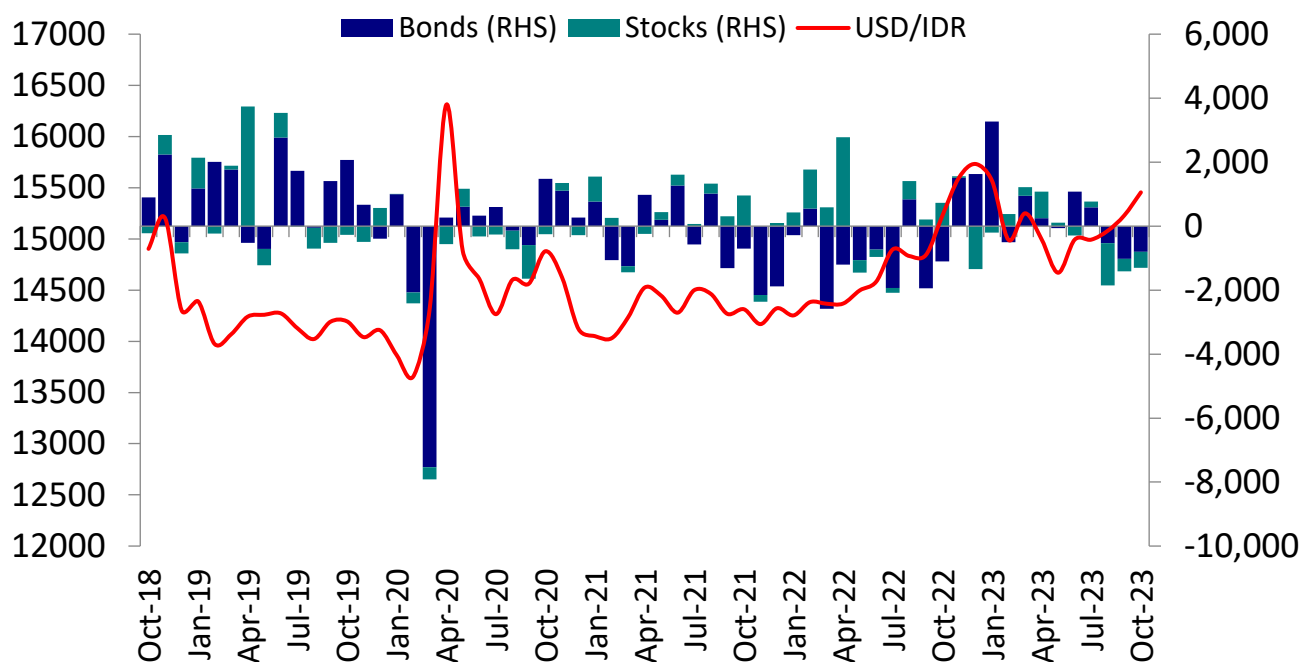
Tourist Arrival Trend

Foreign Tourist Arrival (Th)



Source: Statistics Indonesia & PermataBank Economic Research

Flow in Financial Market



Macro Economic Indicator

Indicators	2018	2019	2020	2021	2022	2023F	2024F
Inflation (%YoY)	3.1	2.7	1.7	1.9	5.51	2.89	3.17
Exchange Rate Eop (Rp/US\$)	14,390	13,866	14,050	14,253	15,568	15,300	15,124
Curent Account (% GDP)	-3.0	-2.7	-0.4	0.28	1.00	-0.28	-1.75
Fiscal Balance (% GDP)	-1.8	-2.2	-6.1	-4.7	-2.4	-2.3	-2.3
BI 7RR	6.00	5.00	3.75	3.50	5.50	6.00	5.50
Credit Growth (%)	11.8	6.1	-2.1	5.2	11.4	8.6	8.7
Deposit Growth (%)	6.4	6.5	11.1	12.2	9.0	5.7	5.9
Car Sales (1000 Units)	1,150	1,030	532	887	1,048	1,062	1,084
Car Sales Growth (%)	6.50	-10.61	-48.35	66.73	18.16	1.32	2.10
Motorcycle Sales (1000 Units)	6,383	6,487	3,663	5,057	5,221	5,997	6,169
Motorcycle Sales Growth (%)	8.45	1.63	-43.54	38.06	3.25	14.84	2.87
Unemployment Rate (%)	5.40	5.16	7.07	6.49	5.86	5.60	5.40
International Reserve (US\$ bn)	120.7	129.2	135.9	144.9	137.2	137.0	148.6
Fed Rate	2.50	1.75	0.25	0.25	4.50	5.75	5.25
GDP Growth (%)	5.17	5.02	-2.07	3.69	5.31	5.07	5.09

Note : the red numbers are forecast

Source : PermataBank Economic Research

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