

Indonesia: Mind the (current account) gap

Indonesia's current account gap widened in 4Q 2017 and the country recorded a deficit equal to 1.7% of GDP last year. But we expect this to narrow slightly in 2018



Source: Shutterstock

-1.6%

Forecast for 2018 current account deficit to GDP

Slightly narrower than 2017

Current account deficit in 2018 is likely to narrow to -1.6% of GDP

The current account deficit jumped to -\$5.8bn in 4Q (2.23% of GDP) from -\$4.6bn in 3Q and -\$1.8bn in 4Q 2016, due to high primary income payments (for investments in equity) and a moderate trade surplus.

- Exports in 4Q moderated to a 13% year-on-year increase from 25% in 3Q and 14% in 4Q 2016.

- Import growth remained above 20% in 4Q and 3Q and accelerated from 7% growth in 4Q 2016.
- Export growth in 2017 averaged at 16.4% while imports posted a 15.7% average increase.
- We expect export and import growth to moderate in 2018 with export growth still slightly outpacing imports. Primary income payments are likely to remain high and increase by 13% this year.
- The result is a current account deficit of -\$18.2bn or -1.6% of GDP (on real GDP growth of 5.4%) in 2018 from 2017's -1.7%.