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## Current Account Imbalances in Asia's Countries: The Contributing Elements

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### Abstract

The current account has emerged as one of the primary indicators of external imbalances in the global economy, and it may be used to assess the strength of a nation's economy. Since the 1990s, it has been a prevalent trend for Asia region to always demonstrate a current account surplus condition and continue to reinforce in the early 2000s. Although it experiences a huge drop of current account balance in 2009 during the mortgage crisis period, the region persists in its current account surplus. Hence, the aim of this study is to assess the determinants of current account imbalances in Asia region. This study is a panel regression model that covered a total of 48 Asia countries from 1990 to 2021 annually. The dependent variable is current account balance and the independent variables are fiscal balance, public debt, age dependency ratio for old, age dependency ratio for young, ICT, and real GDP. The empirical methods that employed are including of panel unit root tests, panel cointegration tests, and pooled mean group (PMG) estimation. The major finding demonstrates that the determinants of current account imbalances are fiscal balance, public debt, age dependency ratio for old, age dependency ratio for young, and real GDP.

**Keywords:** Age Dependency Ratio, Current Account Balance, Fiscal Balance, Panel Model, Public Debt

### Introduction

Current account has become the main markers of external imbalances in the economy of the world (Afonso & Opoku, 2018), where current account can be used to measure the economy health of country. According to the economic theory, current account reaches equilibrium or balance when its value is equal to zero. However, in contradict, a current account imbalance indicates that there is deficit or surplus situation occurred. When current account is in deficit, means that the country's expenditures exceed its income and imports more than exports (Makrevska-Disovska & Trpkova-Nestorovska, 2016). On the other hand, in current account surplus situation, country will export more than imports and leads to the income exceeding the expenses.

Asia's countries have different current account situation than one another. Overall, nevertheless, many Asia countries in recent years experiences current account surpluses.