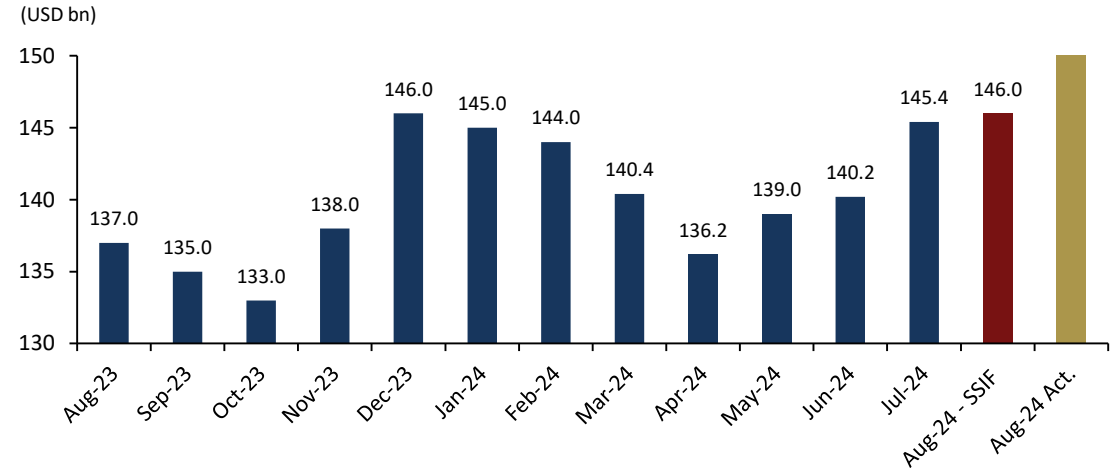


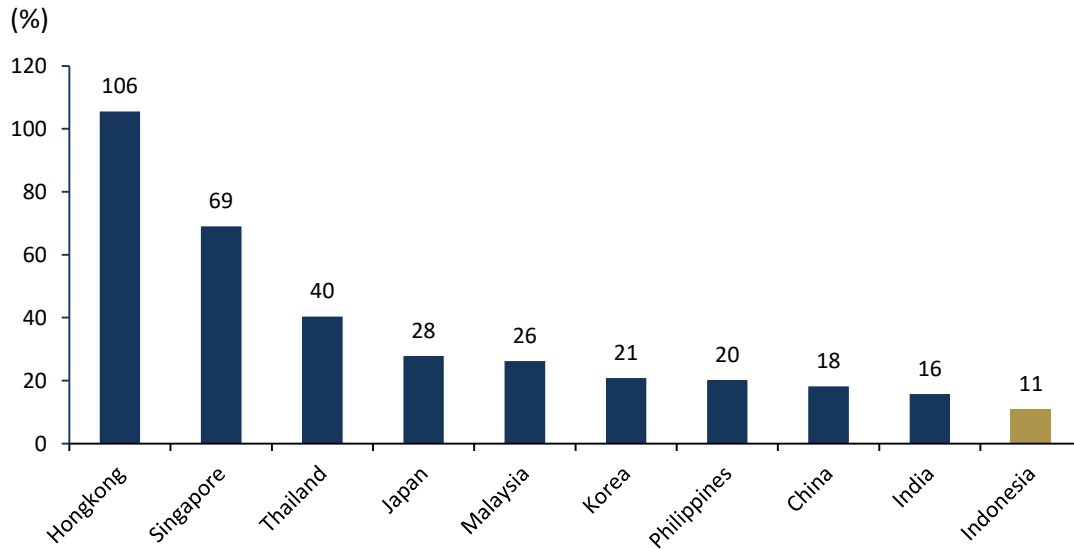
Indonesia Foreign Exchange Reserves: 6 September 2024

- In August 2024, Indonesia's foreign exchange reserves reached a record high of USD 150.2 billion well above our forecast of USD 146 billion, a significant increase from USD 145.4 billion in the previous month. The amount of reserves are more than adequate to support the country's economic stability, covering 6.7 months of imports or 6.5 months when factoring in the servicing of the government's external debt.
- This strong reserve position reinforces Indonesia's ability to weather external shocks and underscores the country's economic resilience. With positive investor sentiment, the central bank remains confident that the foreign exchange reserves will remain robust. This bodes well for future economic stability and growth, providing a buffer for Indonesia as it navigates global economic uncertainties.
- Nevertheless, some caution must be noted here as this surge in reserves was primarily driven by borrowed reserves (predominantly from government loan withdrawals) rather than non-borrowed reserves, which could pose as a possible source of fragility in the medium term.
- Given the recent August PMI data showing two consecutive months of contraction (49.3 in July and 48.9 in August), we view this as potentially restraining exports, which could create a constraint on increasing international reserves, particularly on the non-borrowed front.
- We expect this solid FX reserves position to provide a safe zone for maintaining the IDR's strength this month. Given recent developments, with the Fed likely to cut rates this month (we anticipate a 25 bps cut), Bank Indonesia may have greater flexibility to follow suit, creating a much-needed expansive path for the economy given the current subdued inflation on lack of purchasing power.

Indonesia Foreign Reserves, August 2023-24



Regional FX Reserves to GDP, YTD



Quarterly USD/IDR Rate, 1Q23 – 3Q MTD

