Indonesia Foreign Exchange Reserves: 7 October 2024

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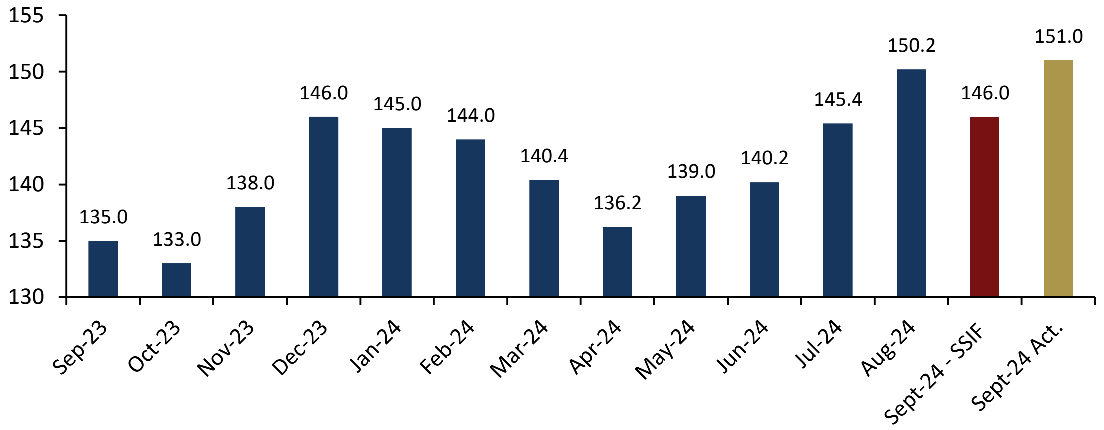
Your Lifelong Investment Partner

- Indonesia's foreign exchange reserves experienced a modest decline in September 2024 to USD 149.9 billion, slightly below our forecast of USD 151 billion, down from a near record high of USD 150.2 billion in August. This decrease was primarily due to the government's external debt payments, which have been strategically managed to maintain economic stability. Despite this slight drop, the current level of reserves remains solid, covering 6.6 months of imports or 6.4 months of imports and servicing the government's external debt. Such reserve position acts as a buffer against external vulnerabilities, particularly amid the current strengthening trend of the DXY.
- In addition, these reserve assets are desirable as we expect potentially weaker export outlook ahead due to softer global economic growth.
- Furthermore, cautions are warranted since the recent September PMI data displayed three consecutive months of contraction (49.3 in July, 48.9 in August, and 49.2 in September), indicating potential restraints on exports, which could limit growth of international reserves, particularly on the non-borrowed front.
- Going forward, we expect this FX reserves position to provide BI with the ability to maintain its benchmark rate amid the recent geopolitical tensions that have applied pressure on the IDR's value.
- In our view, it is imperative that the IDR remains stable, a requirement for investors'confidence, in the lead up to the country's transition to a new administration which requires FDI in order to accelerate Indonesia's future GDP growth.

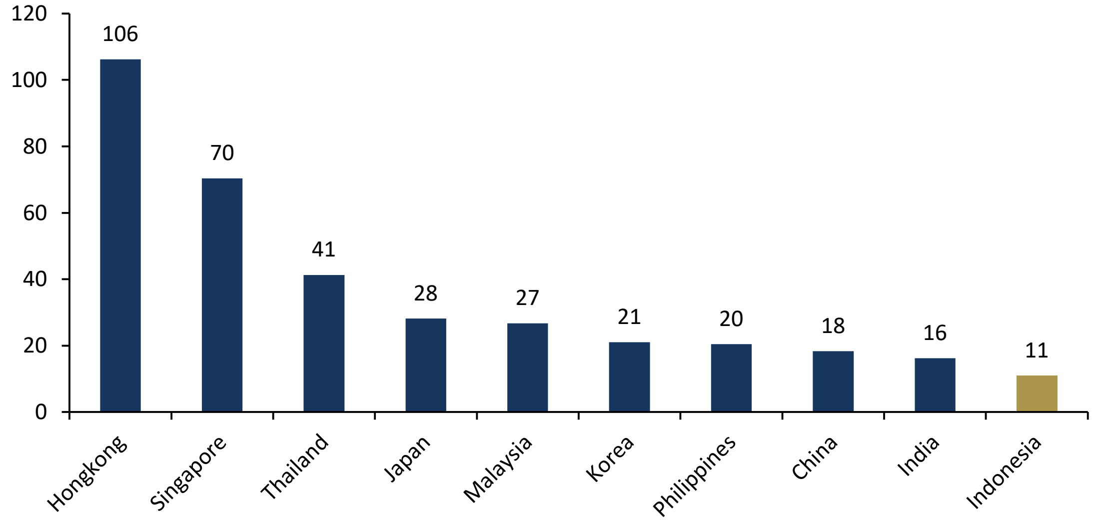
Indonesia Foreign Reserves, September 2023-24

(USD mn)



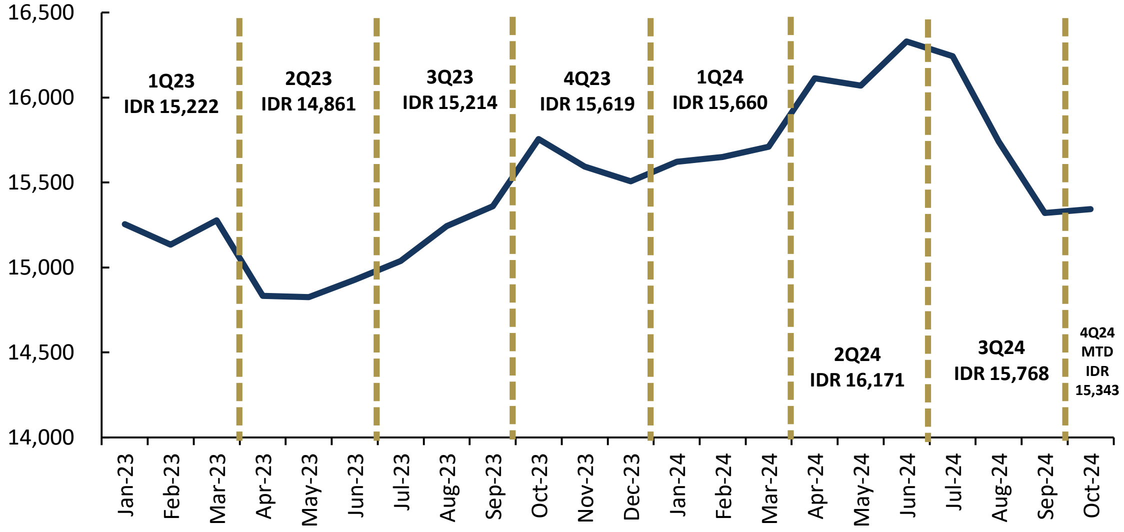
Regional FX Reserves to GDP, YTD

(%)



Quarterly USD/IDR Rate, 1Q23 – 4Q MTD

(IDR)



Sources: Bloomberg, SSI Research

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