Indonesia Foreign Exchange Reserves: 7 November 2024

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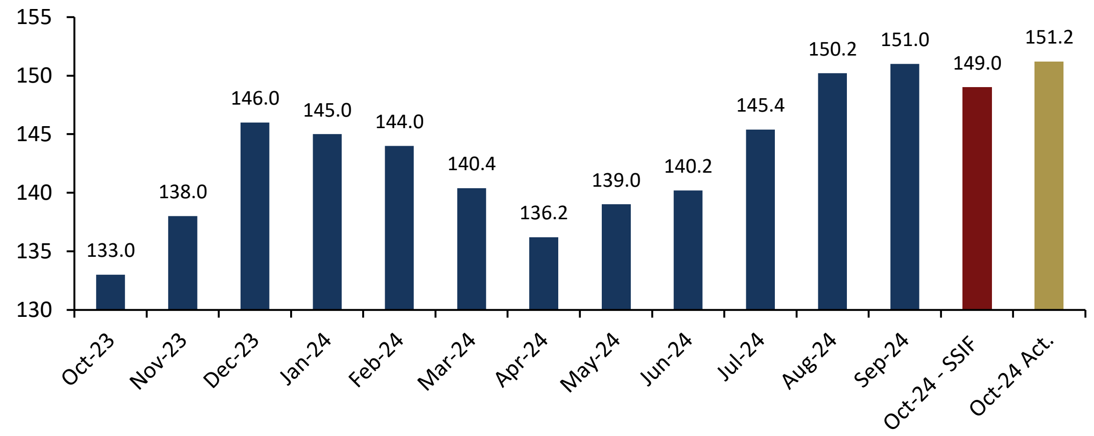
- In October 2024, Indonesia's foreign exchange reserves, primarily attributed to revenues from taxes and services, along with the government's foreign loan withdrawals rose to a historic peak of USD 151.2 billion, exceeding our projection of USD 149 billion, and marking an increase from USD 149.9 billion in September. This upward shift is much needed, particularly given the recent strength of the USD. This reserve level reflects Indonesia's robust external position, with funds capable of covering 6.6 months' worth of imports or, alternatively, 6.4 months when accounting for both imports and government foreign debt obligations.
- We believe this reserve level is adequate to uphold Indonesia's external sector resilience while safeguarding macroeconomic and financial stability, especially given the persistent downward pressure on the Rupiah. The surplus in reserves is an encouraging indicator, especially as it provides an additional buffer in the face of potential challenges in the global market landscape, such as shifts in capital flows, fluctuations in commodity prices, or currency volatility. This record reserve level thus not only serves as a financial safety net but also much warranted in order to imbue confidence among investors and stakeholders towards Indonesia's economic and financial stability.
- However, cautions must be undertaken since the recent September PMI data displayed four consecutive months of contraction (49.3 in July, 48.9 in August, and 49.2 in September and October), 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 extra room 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.

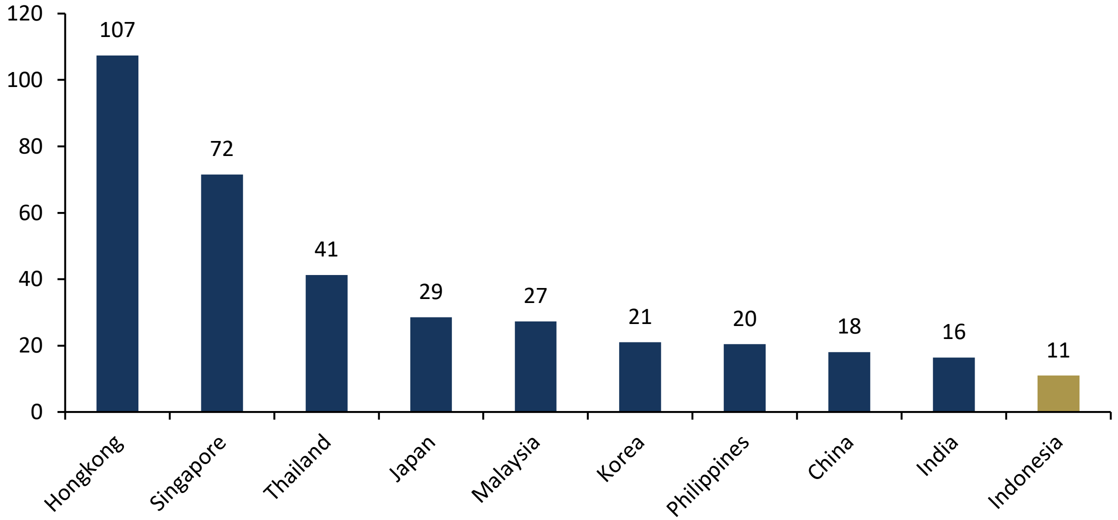
Indonesia Foreign Reserves, October 2023-24

(USD mn)



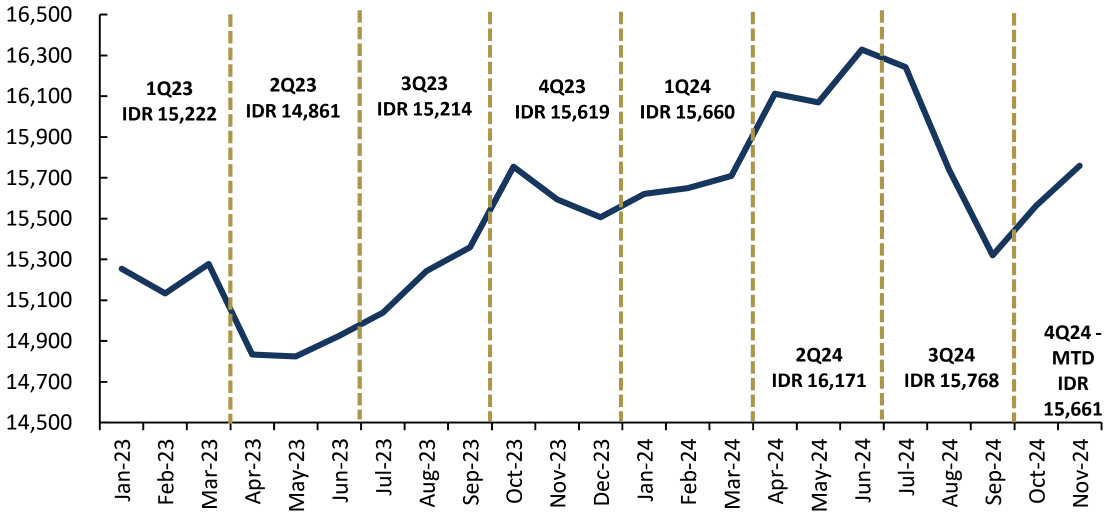
Regional FX Reserves to GDP, YTD

(%)



Quarterly USD/IDR Rate, 1Q23 – 4Q MTD

(IDR)



Sources: Bloomberg, SSI Research

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