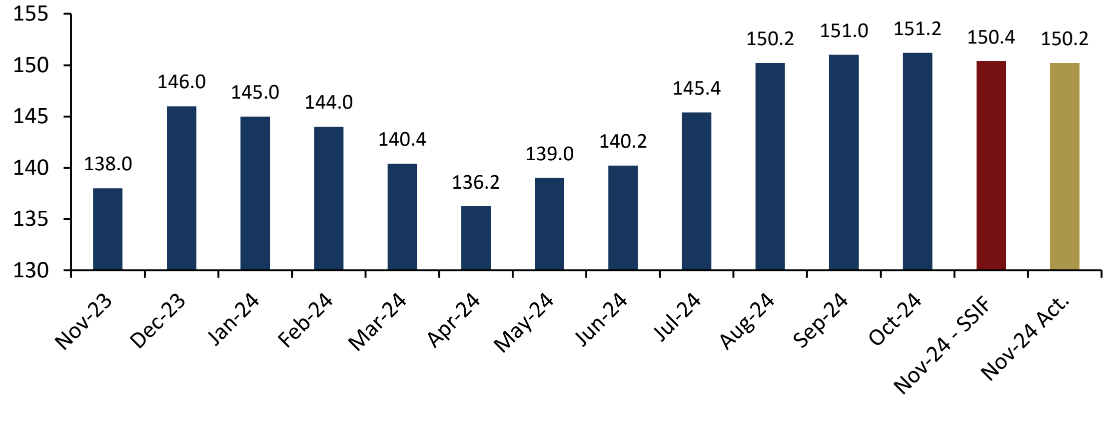
Indonesia Foreign Exchange Reserves: 6 December 2024

- Retreating from October's record high of USD 151.2 billion, Indonesia's foreign exchange reserves slightly declined to USD 150.2 billion in November 2024, in line with our forecast of USD 150.36 billion. The marginal drop was primarily attributed to the government's external debt payments—a typical cyclical factor in reserve management—and the Central Bank's intervention to maintain the rupiah at around IDR 15,900 against the USD, given the significant external pressure following Trump-era policies. Despite the decrease, the current level of reserves remains robust, covering 6.5 months of imports or 6.3 months of imports combined with government foreign debt obligations. This is well above the internationally recognized adequacy standard of three months of imports, reflecting Indonesia's solid external sector positioning.
- We believe that the level of reserves can continue to serve as a buffer, supporting macroeconomic stability and financial system robustness, which are crucial for navigating external risks amid global economic uncertainties.
- As global economic conditions remain fluid, Indonesia's capacity to maintain reserves well above the adequacy threshold will be a critical factor in preserving investor confidence and safeguarding long-term growth, particularly as the IDR continues to test the IDR16K psychological level.
- That said, cautions must be undertaken since the recent November PMI data displayed five consecutive months of contraction (49.3 in July, 48.9 in August, and 49.2 in September and October, 49.6 in November), 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 additional room to maintain its flexibility amid recent geopolitical tensions that have applied pressure on the IDR's value. Although we believe BI can still lower the rate in this month's meeting, the probability of this happening becomes relatively limited if BI intends to maintain the IDR at its current level (15,800–15,900 against the USD).
- 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.

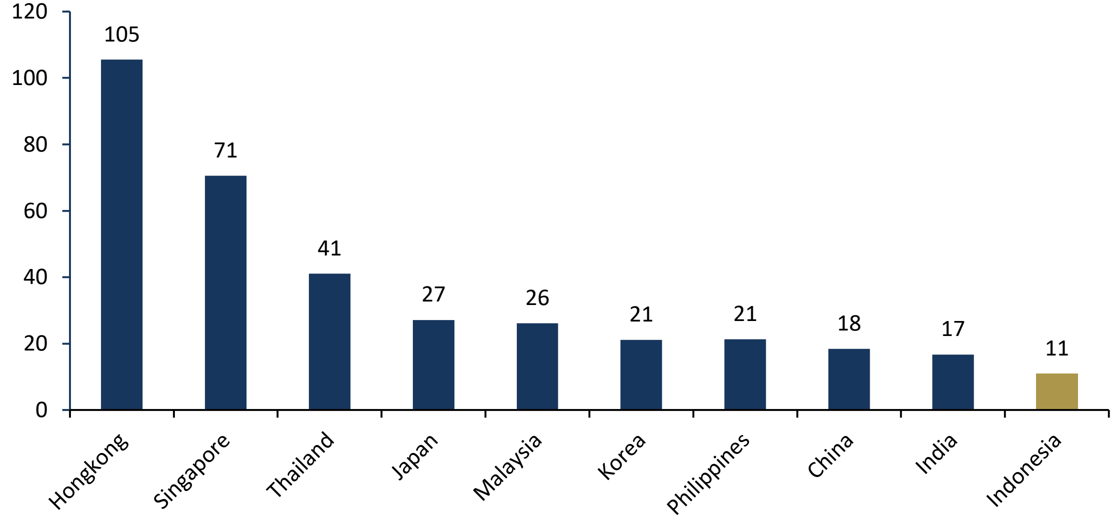
Indonesia Foreign Reserves, November 2023-24

(USD mn)



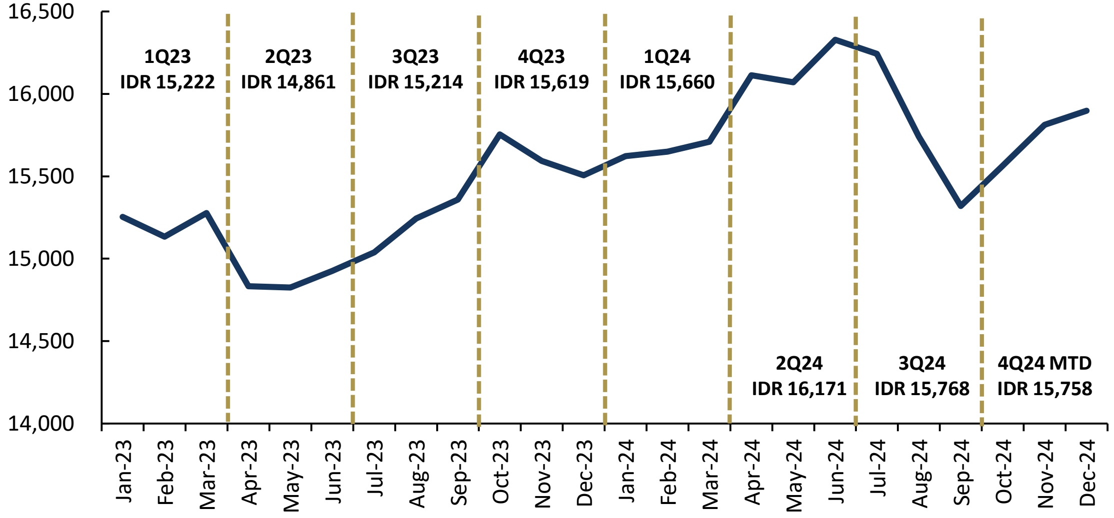
Regional FX Reserves to GDP, YTD

(%)



Quarterly USD/IDR Rate, 1Q23 – 4Q MTD

(IDR)



Sources: Bloomberg, SSI Research

Senior Economist: Fithra Faisal