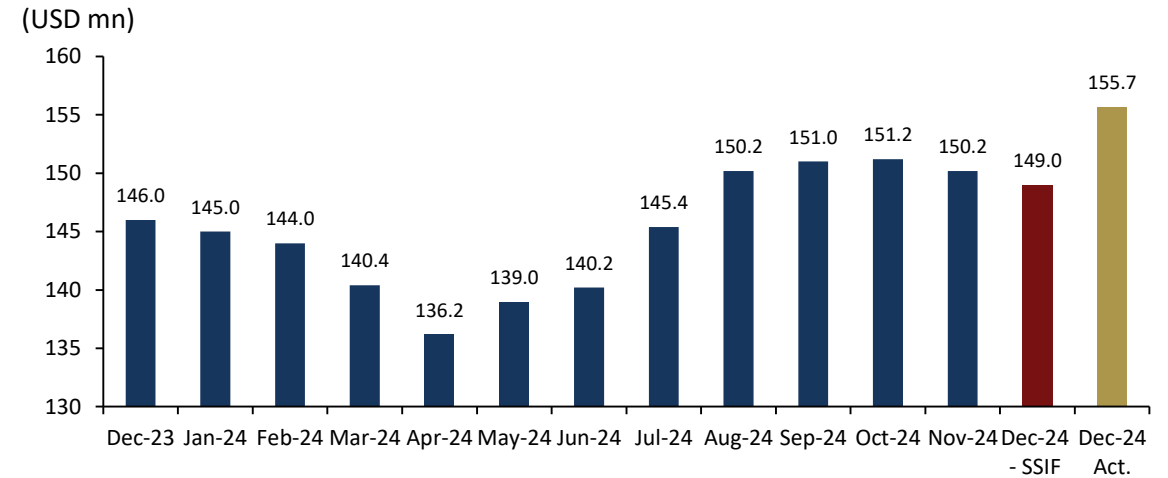


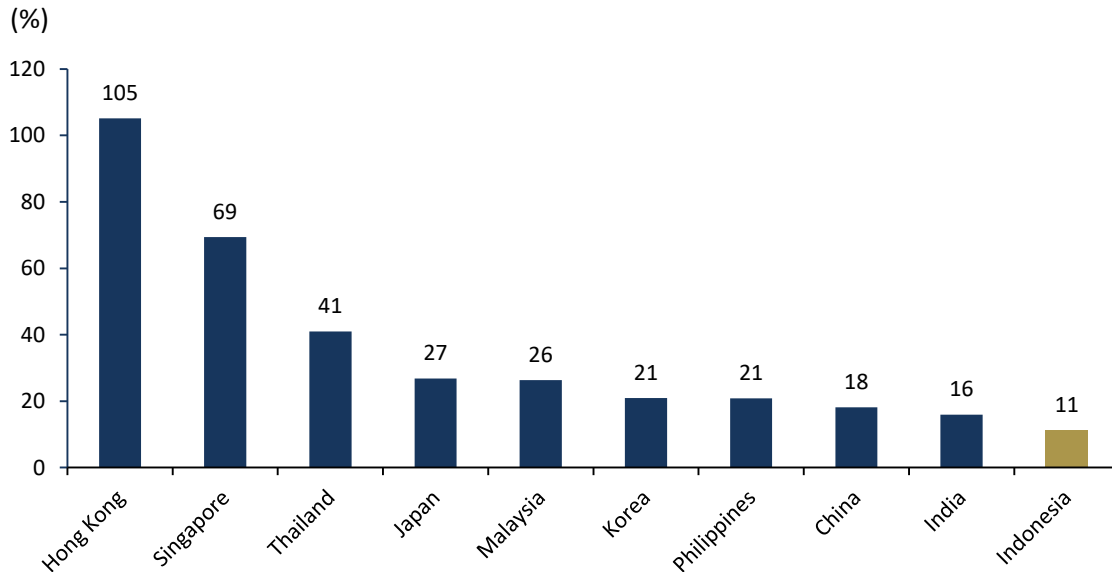
Indonesia Foreign Exchange Reserves: 8 January 2025

- Indonesia's December 2024 foreign exchange reserves reached USD 155.7 bn record high, rising significantly from USD 150.2 bn in the previous month and surpassing our projection of USD 149 bn. This growth underscores Indonesia's solid fiscal and external sector performance, bolstered by increased tax and service revenues, foreign government loans, and oil and gas earnings. These developments, coupled with Bank Indonesia's proactive measures to stabilize the IDR amid persistent global financial turbulence, reflect the nation's resilience in addressing external pressures.
- However, potential external tensions could pose challenges to the local currency in the coming months. Lingering global financial uncertainties, driven by tighter monetary policies in advanced economies and geopolitical risks, may exert downward pressure on emerging market currencies, including the IDR. Despite these risks, Indonesia's record-high foreign exchange reserves provide some buffer to weather such volatility, reinforcing the country's ability to maintain macroeconomic stability and investors' confidence.
- As global economic conditions remain fluid, Indonesia's capacity to maintain reserves well above the adequacy threshold will be critical in preserving international and domestic confidence, safeguarding long-term growth, particularly as the IDR continues to remain under pressure and depreciate due to our twin deficit problem.
- That said, cautions must be undertaken since we see 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.
- 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, December 2023-24



Regional FX Reserves to GDP, YTD



Quarterly USD/IDR Rate, 1Q24 – 1Q MTD

