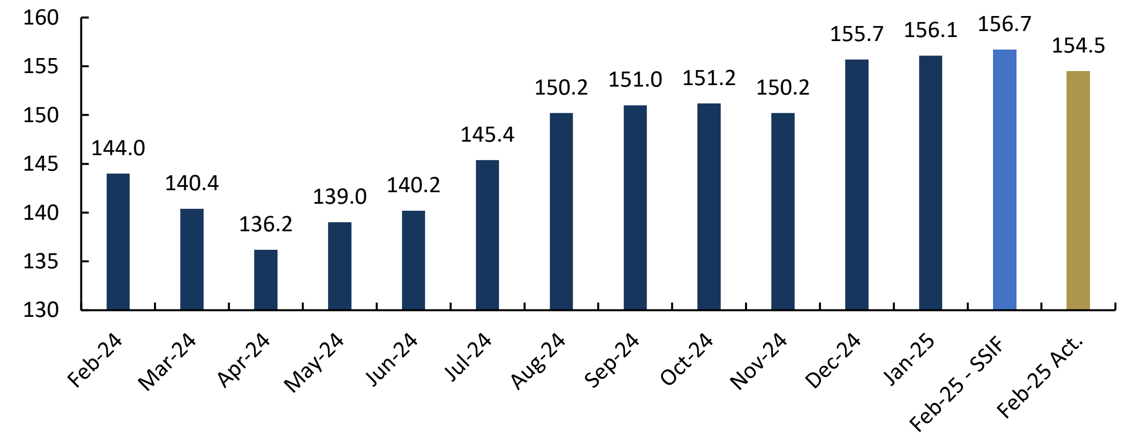
Indonesia Foreign Exchange Reserves: 7 March 2025

- Indonesia's Feb-25 FX reserves fell to USD 154.5 bn, down from USD 156.1 bn in Jan-25 and falling short of our forecast of USD 156.7 bn. This marks the lowest level since Nov-24, driven by foreign debt payments and Bank Indonesia's (BI) efforts to stabilize the exchange rate amid ongoing global financial market uncertainties. Despite this, the reserves remain above the international adequacy standard, covering 6.6 months of imports.
- However, the FX decline highlights ongoing currency risks, particularly as the IDR remains under pressure from global monetary tightening and external uncertainties. The Fed's policy of maintaining hawkish stance has contributed to capital outflows from emerging markets, including Indonesia, increasing demand for the USD and applying pressure on the IDR. In response, BI was actively intervening in the FX market to maintain stability.
- Moreover, Indonesia's export growth is expected to taper in the coming months due to slumping prices of key commodities such as coal and nickel. The global commodities supercycle, which supported Indonesia's strong export performance in recent years, is showing signs of cooling as global demand slows due to softer GDP growth, particularly in our key markets like China and India. This is risky to Indonesia's trade balance, which could, in turn, affect the pace of reserve accumulation.
- While the recent fall in FX reserves reflects external pressures, Indonesia's reserve position remains manageable. The focus will be on ensuring stability in the currency market, maintaining investor confidence, and monitoring global financial developments that may influence reserve adequacy and exchange rate movements.
- Going forward, the trajectory of Indonesia's FX reserves will depend on external financial conditions, global monetary policies, and domestic economic fundamentals. That said, Indonesia's FX reserves could be capped ahead, clouded by several risks, including global economic slowdown, geopolitical tensions, and tightening global monetary conditions, which could dampen investors' appetite for emerging market assets.

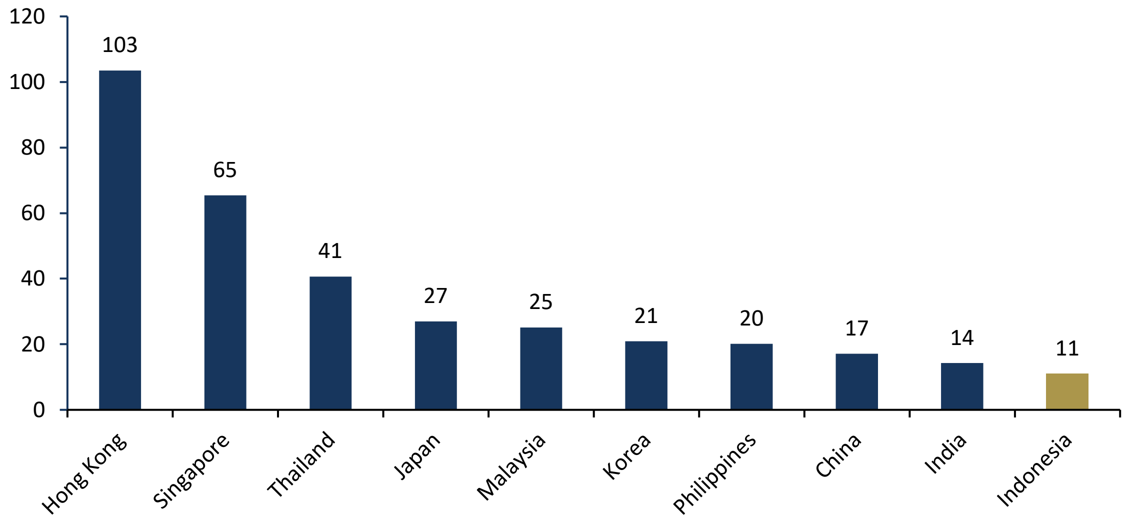
Indonesia Foreign Reserves, February 2024-25

(USD bn)



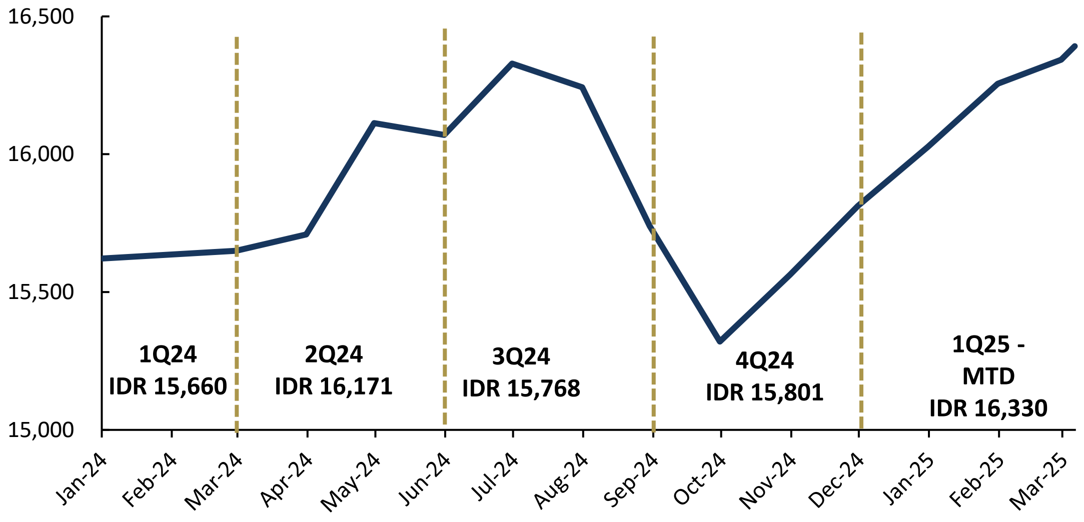
Regional FX Reserves to GDP, YTD

(%)



Quarterly USD/IDR Rate, 1Q24 – 1Q25 MTD

(IDR)



Sources: Bloomberg, SSI Research

Senior Economist: Fithra Faisal