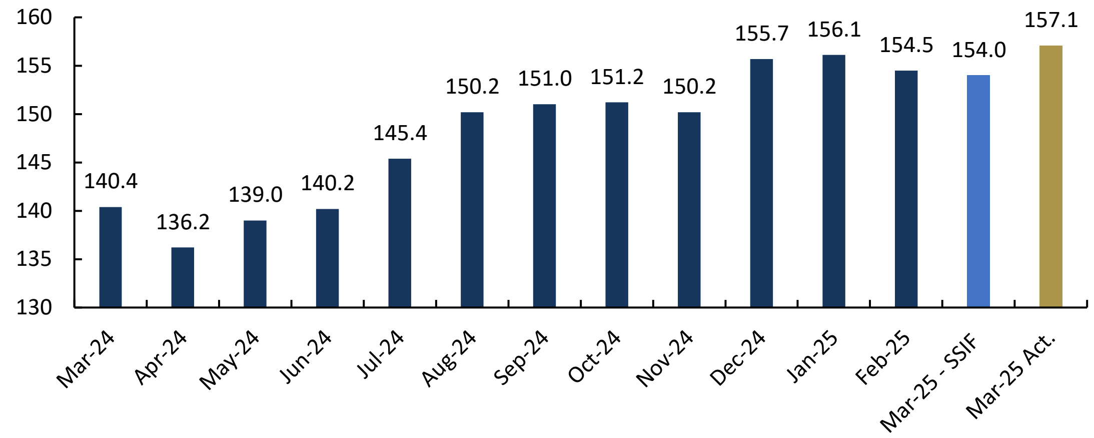
Indonesia Foreign Exchange Reserves: 14 April 2025

- On inflows from tax receipts, service revenues, and foreign loan withdrawals, Indonesia's Mar-25 FX reserves surged to historic high of USD 157.1 bn (Feb: USD 154.5 bn) exceeding market consensus of USD 155 bn and our USD 154 bn estimate, providing cushion amid volatility in global financial markets.
- Thanks to BI's policy dexterity of safeguarding currency stability while ensuring ample liquidity buffers to shield the economy from external shocks, the current reserve level is at more than 6.9 months of imports and official external debt payments, far above the international adequacy threshold.
- Moreover, this all-time high FX reserves serves as strong modality to stabilize the IDR, currently under pressure between IDR 16,800 and 17,000 per USD. We propose a targeted monetary intervention aimed at bringing the FX rate down to IDR 16,400 level. Based on impulse response function (IRF) analysis, it is estimated that every USD 1 bn of FX reserves injection can appreciate the IDR by c. 100 IDR points. To achieve 400-point appreciation to the target level of IDR 16,400, BI would need to inject USD 4 bn into the FX market. A two-phased strategy is advisable. In the first phase (April), an immediate injection of USD 2 bn would serve as a strong signal to markets, anchoring expectations and reducing speculative pressures. The second phase (May) would involve a follow-up injection of USD 2 bn, contingent upon observed market developments, macroeconomic indicators, and behavior of capital flows.
- However, a prolonged bout of global financial tightening, further depreciation pressure on the IDR, and volatility in commodity prices to widen Indonesia's current account deficit could necessitate more aggressive interventions that may slow reserve accumulation going forward.

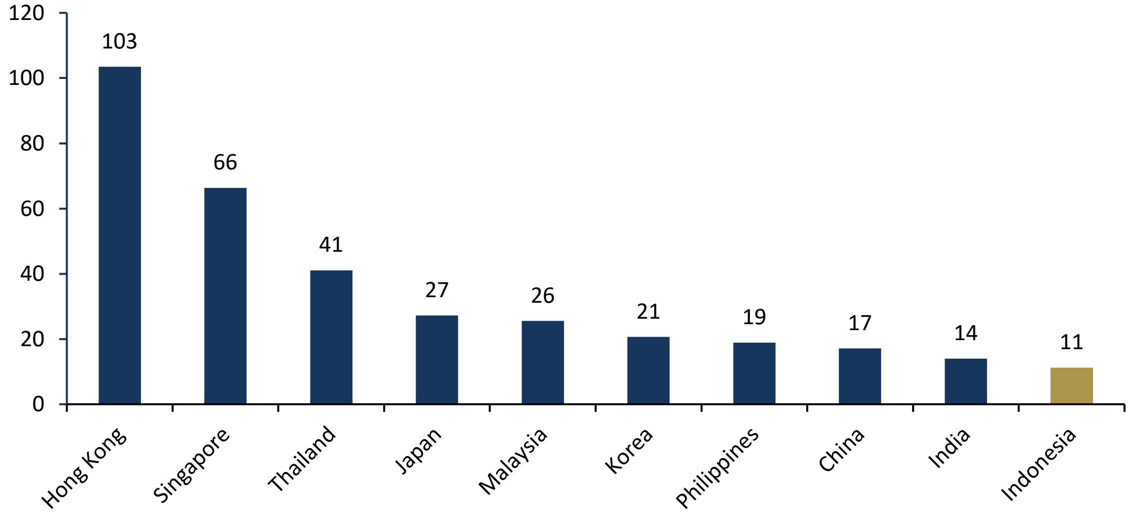
Indonesia Foreign Reserves, March 2024-25

(USD bn)



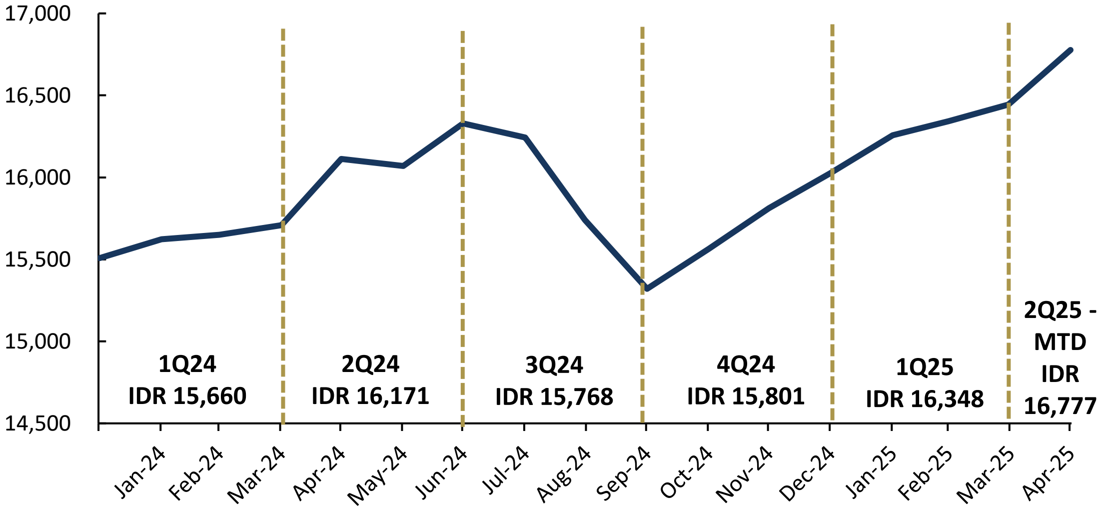
Regional FX Reserves to GDP, YTD

(%)



Quarterly USD/IDR Rate, 1Q24 – 2Q25 MTD

(IDR)



Sources: Bloomberg, SSI Research

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