Indonesia Foreign Exchange Reserves: 9 May 2025

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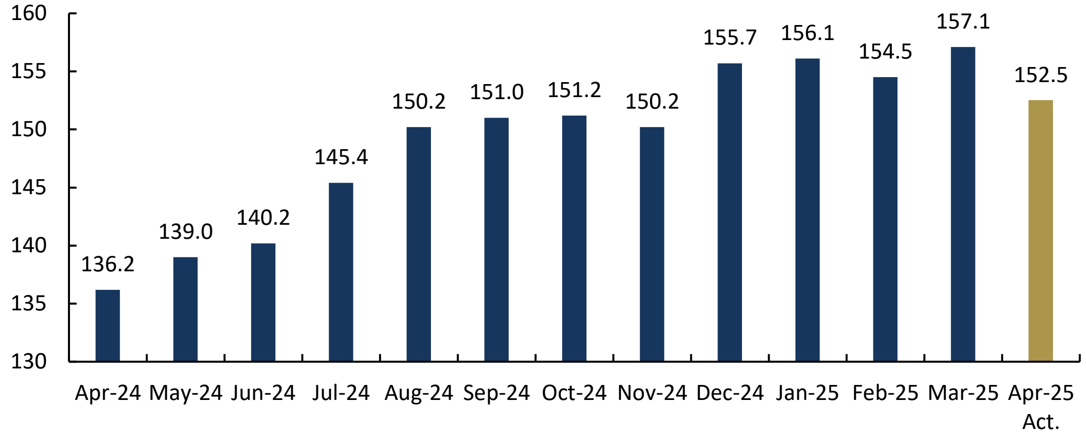
Your Lifelong Investment Partner

- Indonesia's April foreign exchange reserves fell to USD 152.5 billion, down from a record USD 157.1 billion in March—marking the sharpest monthly drop since mid-2022 and closely in line with our forecast of USD 153 billion. According to our calculation, Bank Indonesia intervened in the forex market with an estimated USD 2 billion during April to curb excessive volatility in the IDR. The currency came under renewed depreciation pressure amid firming US dollar, rising US Treasury yields, and heightened market uncertainty spurred by President Trump's tariff threats.
- The reduction in reserves was also partially driven by scheduled government external debt repayments, a seasonal pattern in April, but the standout factor was BI's assertive defense of the IDR. Despite this drawdown, Indonesia's reserves remain adequate by global standards, covering 6.4 months of imports or 6.2 months of imports plus government external debt obligations, far exceeding the IMF's 3-month adequacy benchmark.
- The forex operation reflects BI's proactive stance in maintaining exchange rate stability as a key element in anchoring inflation expectations, especially as imported inflation risks resurface. With headline inflation accelerating to 1.95% YoY in April (from 1.03% in March), largely due to seasonal demand during Lebaran and rising import prices, BI is expected to continue defending the IDR without altering its benchmark interest rate. This cautious approach allows for macroprudential easing to continue supporting credit and growth, although both stock market and currency players went on a profit taking mode upon the announcement of much lower FX reserves. USD:IDR depreciated to the beyond the 16,500 level while the Jakarta Composite Index dropped 1.4%.
- Looking ahead, the central bank may maintain its intervention strategy in the near term as external risks persist—including uncertainty over the Fed's policy normalization pace, the trajectory of US-China trade negotiations, and volatility in global capital markets. However, BI is likely to rebuild reserves later this year, supported by robust commodity exports (notably palm oil and coal), ongoing tourism recovery, and capital inflows tied to state-owned enterprise restructuring and sovereign bond issuance.
- We expect Indonesia's forex reserves to stabilize around USD 150–155 billion in Q2 2025 before gradually recovering in H2 2025, barring a significant deterioration in global risk appetite. The IDR may remain under mild pressure in the short term, but ample reserves and prudent intervention are expected to cap volatility, maintaining financial system stability.

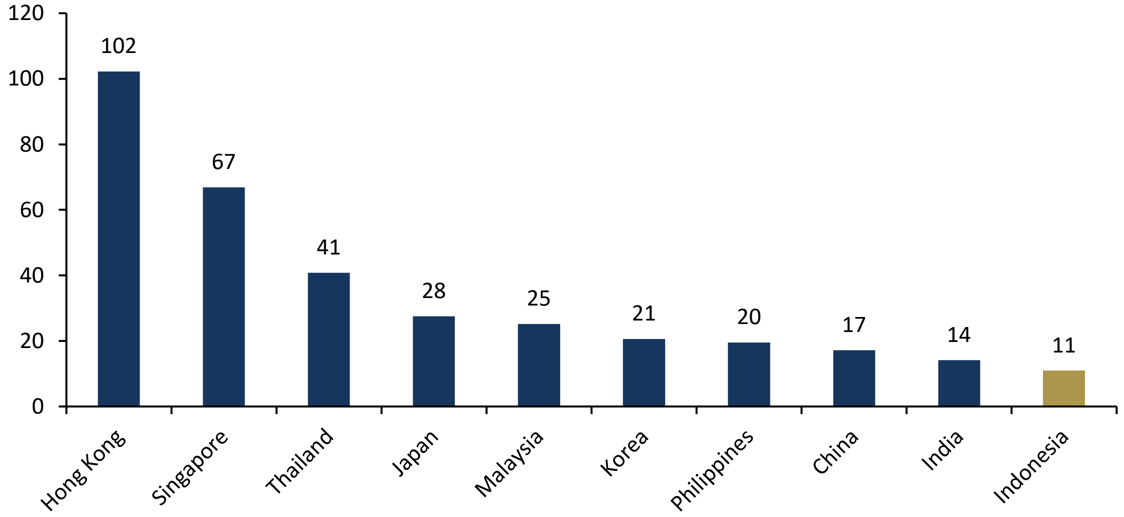
Indonesia Foreign Reserves, April 2024-25

(USD bn)



Regional FX Reserves to GDP, YTD

(%)



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

(IDR)