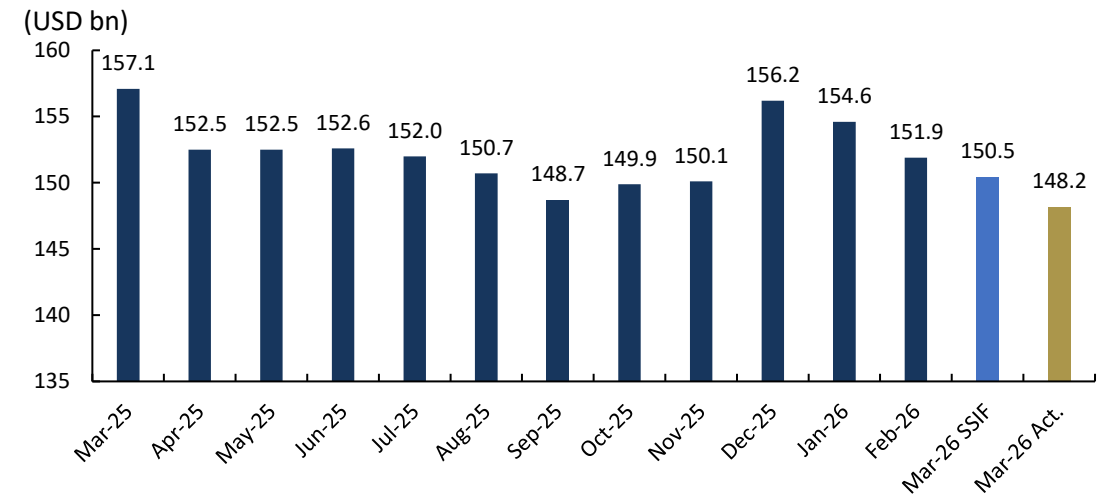


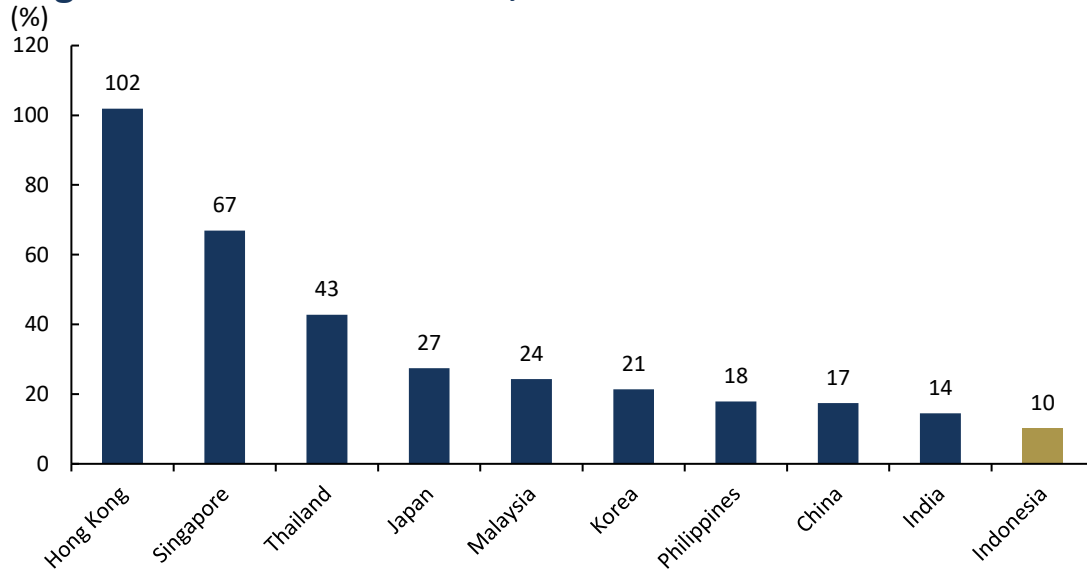
Indonesia Foreign Exchange Reserves: 8 April 2026

- On the back of BI's intervention to support IDR weakness, Indonesia's FX reserves continued its downward trajectory in Mar-26, down from USD 151.9bn in Feb-26 to USD 148.2bn, the lowest level since Jul-24 and below SSI's forecast of USD 150.45bn. With geopolitical tensions and elevated global yields, the IDR has faced renewed depreciation pressures. BI's strategy—both in spot and domestic non-deliverable forward markets—signals commitment in maintaining currency stability as precondition for broader macro credibility. Reserves are being deployed to stabilize and smooth volatility rather than defending a particular level. This distinction is critical, particularly in an environment where sentiment can amplify FX movements beyond fundamentals.
- Despite the monthly drop, Indonesia's reserve adequacy remains above international thresholds: at 6 months of import coverage—or 5.8 months including external debt servicing. Nevertheless, the headline decline in reserves suggests some deterioration of weaker trade balance due to softer global demand for exports and portfolio outflows on Mid-East conflict. That said, the persistence of reserve drawdowns over consecutive months introduces a more nuanced concern—namely, the cost of prolonged intervention in a high-volatility global regime. If global financial conditions remain tight—driven by a higher-for-longer stance from the Fed, geopolitical fragmentation, and episodic risk-off sentiment—then the burden on reserves as a policy buffer could intensify. This is particularly relevant given the IDR's sensitivity to portfolio flows, which remain susceptible to shifts in global yield differentials and risk appetite.
- Looking ahead, the trajectory of Indonesia's reserves will hinge on: (1) the evolution of global financial conditions—especially US Treasury yields and the Fed's policy path—will be critical in shaping capital flow volatility; (2) the sustainability of Indonesia's trade surplus, which has historically served as a natural replenishment mechanism for reserves, will depend on commodity price dynamics and external demand, particularly from China; (3) domestic policy credibility—both fiscal and monetary—will play a central role in anchoring investor confidence. In our view, while near-term pressures on reserves may persist, the outlook remains cautiously stable with this recovery likely to be gradual rather than immediate, reflecting the still-fragile nature of the global macro environment.

Indonesia Foreign Reserves, February 2025-26



Regional FX Reserves to GDP, YTD



Quarterly USD/IDR Rate, 1Q25 – 2Q26 MTD

