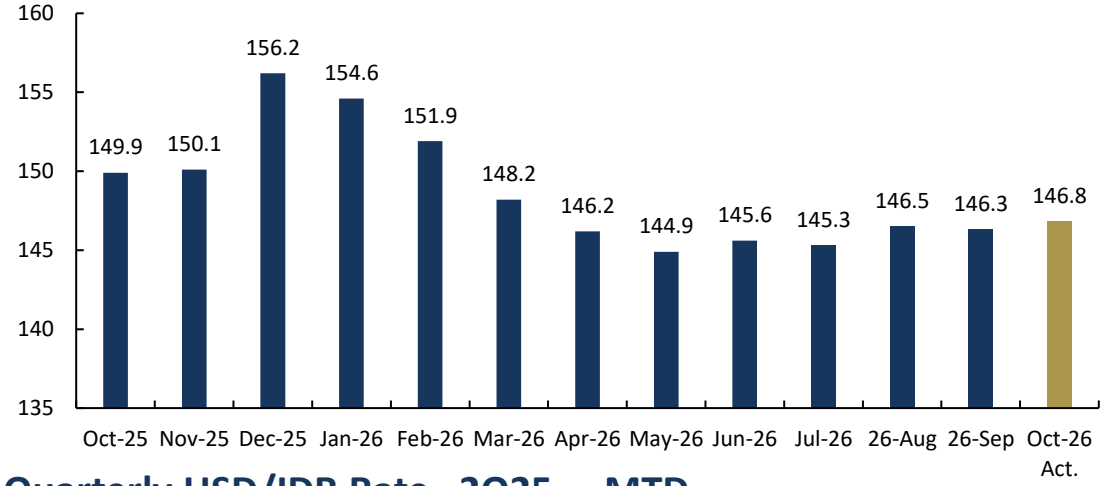
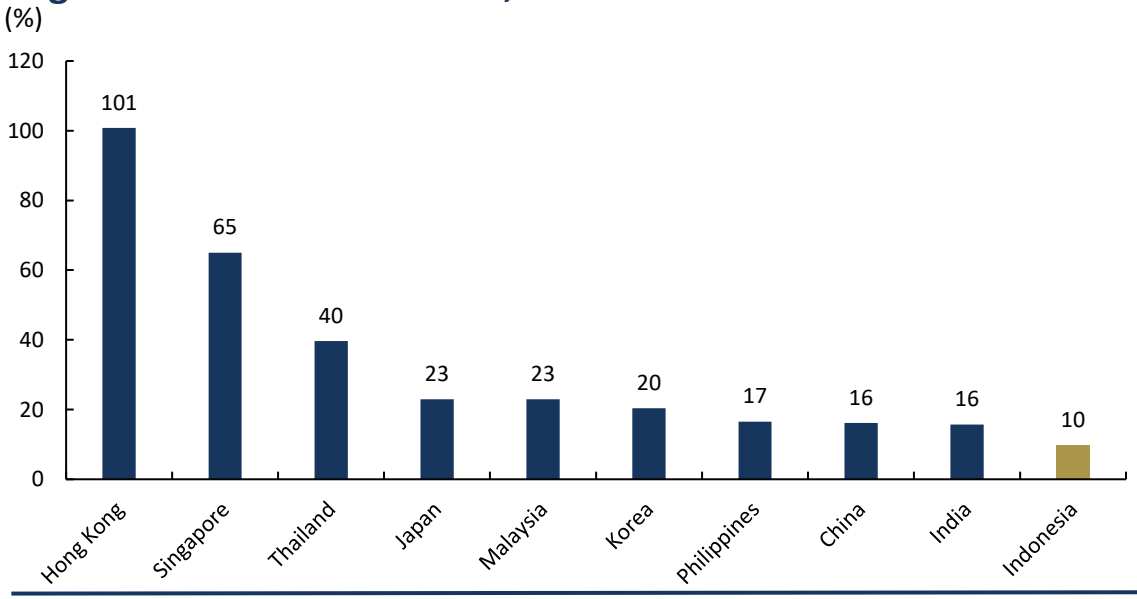
Indonesia Foreign Exchange Reserves: 6 November 2026

- Largely supported by government external loan withdrawals, Indonesia's FX reserves remained relatively flat M-M at USD 146.8bn in Oct-26 (Sept-26: USD 146.3bn), in line with SSI's forecast of USD 146.8bn, marking the highest level since March. The marginal USD 0.5bn rise did not stem from meaningful improvements in underlying capital inflows as external debt repayments and Bank Indonesia's FX interventions continued to absorb reserves. That said, the modest increases offers limited reassurance regarding Indonesia's external stability amid persistent IDR depreciation pressures.
- Despite remaining above international adequacy standards, reserves equivalence of 5.3 months of imports or 5.2 months of imports and government external debt servicing provides less comfort than headline figures suggest. Thus, continued reliance on external borrowings to support reserve accumulation raises concerns over sustainability of Indonesia's external buffers, particularly amid elevated global interest rates and volatile portfolio flows. Furthermore, persistent currency intervention requirements is likely to accelerate reserve depletion on foreign capital outflow intensification, leaving Indonesia increasingly vulnerable to external shocks.
- The relatively modest higher reserve also underscores BI's increasingly constrained monetary policy flexibility, following cumulative 100bps rate hikes in May and June. With benchmark rate at 5.75%, we expect BI to prioritize IDR stability over supporting domestic growth, particularly as elevated US Treasury yields and persistent USD strength continue to pressure emerging markets' currencies. While tighter monetary conditions may help contain capital outflows, they could also weigh on domestic consumption, investment, and credit expansion, creating increasingly challenging trade-off between external stability and economic growth.
- Looking ahead, we see limited prospects for sustained recovery in FX reserves, given persistent global financial uncertainty, elevated external financing costs, and potentially weaker portfolio inflows. Although export earnings and FDI may provide some cushion, rising imports associated with domestic investment and widening current account deficit could offset these improvements. Moreover, sustained USD strength and elevated global bond yields could trigger renewed capital outflows, forcing BI to maintain currency interventions and potentially eroding reserves despite continued external borrowing.
- Overall, SSI maintains a cautious outlook on Indonesia's external stability, with FX reserves expected to remain under pressure within USD 145–150bn range in the near term. We expect BI to maintain its benchmark rate at 5.75%, as persistent IDR weakness and external volatility limit the scope for monetary easing. While current reserve levels remain adequate, the lack of meaningful organic FX inflows, ongoing intervention requirements, and rising external financing pressures suggest that Indonesia's external resilience remains vulnerable. Without sustained improvements in capital inflows and reduced currency intervention needs, the current reserve condition is not a signal towards recovery, leaving elevated downside risks on both IDR and domestic financial conditions.

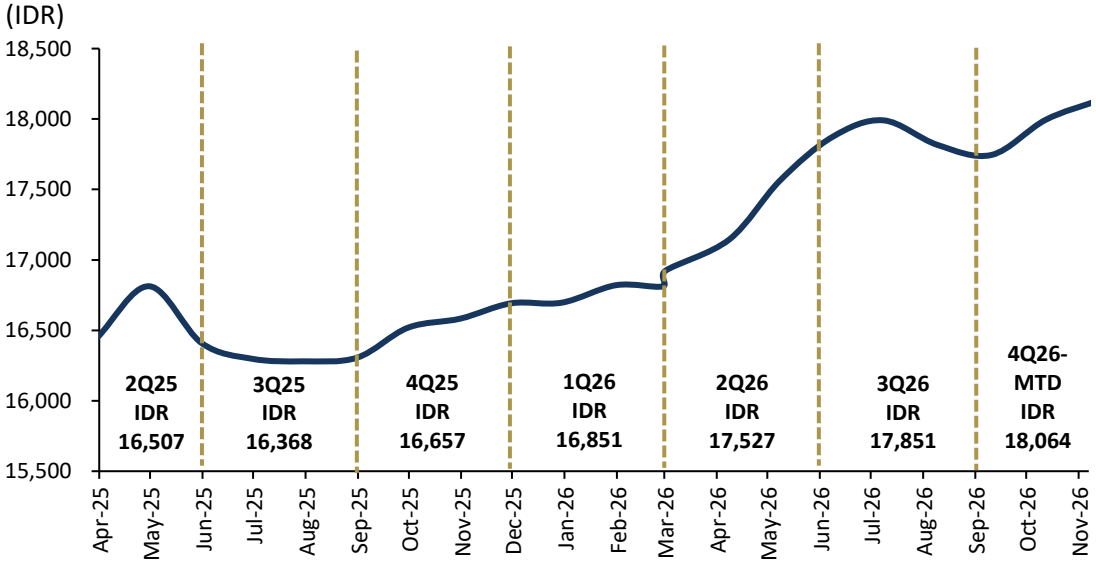
Indonesia Foreign Reserves, Oct-26



Regional FX Reserves to GDP, YTD



Quarterly USD/IDR Rate, 2Q25 – MTD



Sources: Bloomberg, SSI Research

Macro Strategy Team