

FX Reserves:

Rising tide, but can it lift our boat?

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Executive Summary

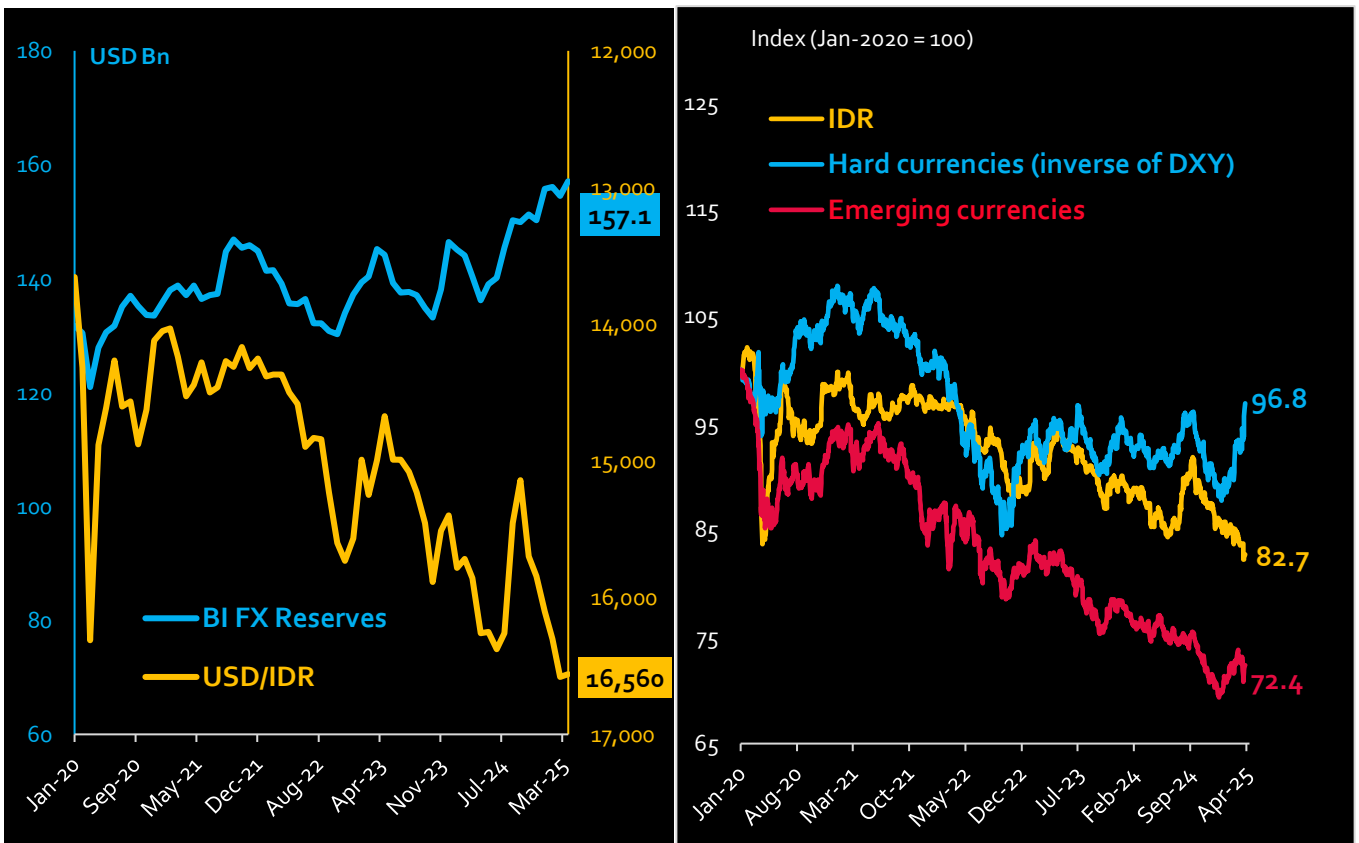
- Indonesia's FX reserves rose to USD 157.1 Bn in March 2025 (USD 154.5 Bn in Feb-25), likely driven by the 100% DHE regulation taking effect.
- Foreign SRBI holdings posted slight increase (USD 0.25 Bn), increasing reserves from DHE should allow for continued reduction in total outstanding SRBI.
- DHE inflows, should add to BI's coffers for the next 4-6 quarters—providing a good deterrence effect against FX speculations.
- Dollar's weakness may open the room for BI to consider a rate cut, however we still see a bigger likelihood that BI maintains rates in April.

- Foreign exchange reserves rose to USD 157.1 Bn in March 2025, up from USD 154.5 Bn in February. This was likely driven by the 100% repatriation requirement on export proceeds (DHE) from commodities, effective on March 1st, while there was no net issuance of FX bonds by the government and portfolio outflows went negative.
- As we know, March saw persistent turbulence in capital flows. The stock market recorded a net outflow of USD 0.49 Bn, dragged down by both global risk aversion and domestic market sentiment. Bonds managed to post a modest net inflow of USD 0.11 Bn, while foreign SRBI holdings posted a slight increase (USD 0.25 Bn) amid declining issuance by BI.
- These capital movements were a drag on the Rupiah, which failed to take advantage of the broad-based USD weakness (DXY -3.2% MoM) in March. Still, the relatively flat trajectory of USD/IDR did allow BI to somewhat take its foot off of the intervention pedal—and thereby conserve its FX reserves.
- The DHE repatriation requirement should add to the good news on this front. In our estimates, the policy could lift reserves by USD 40–50 Bn over time (i.e. the 60-70% of DHE that has not been repatriated). However, not all of the retained FX will be placed directly at BI: while some will be placed in BI instruments like TD-DHE and SVBI, we expect others to end up as FX deposits at banks—and from there, swapped for IDR liquidity with BI. Large parts of the FX liquidity will also be converted into Rupiah, to be used as domestic working capital.
- Interestingly, we can see how this repatriation plays out in FX placements at BI, which actually declined by USD 0.92 Bn in March. FX term deposits fell by USD 0.42 Bn, TD-DHE dropped by USD 0.41 Bn, and SVBI/SUVBI declined by USD 0.51 Bn. On the other hand, there was a shift towards FX swaps, which increased by USD 0.42 Bn. This indicates that (1) rates offered

by BI may have been less than attractive, and (2) exporters prefer to place or convert their DHE at banks, who then swaps it with BI.

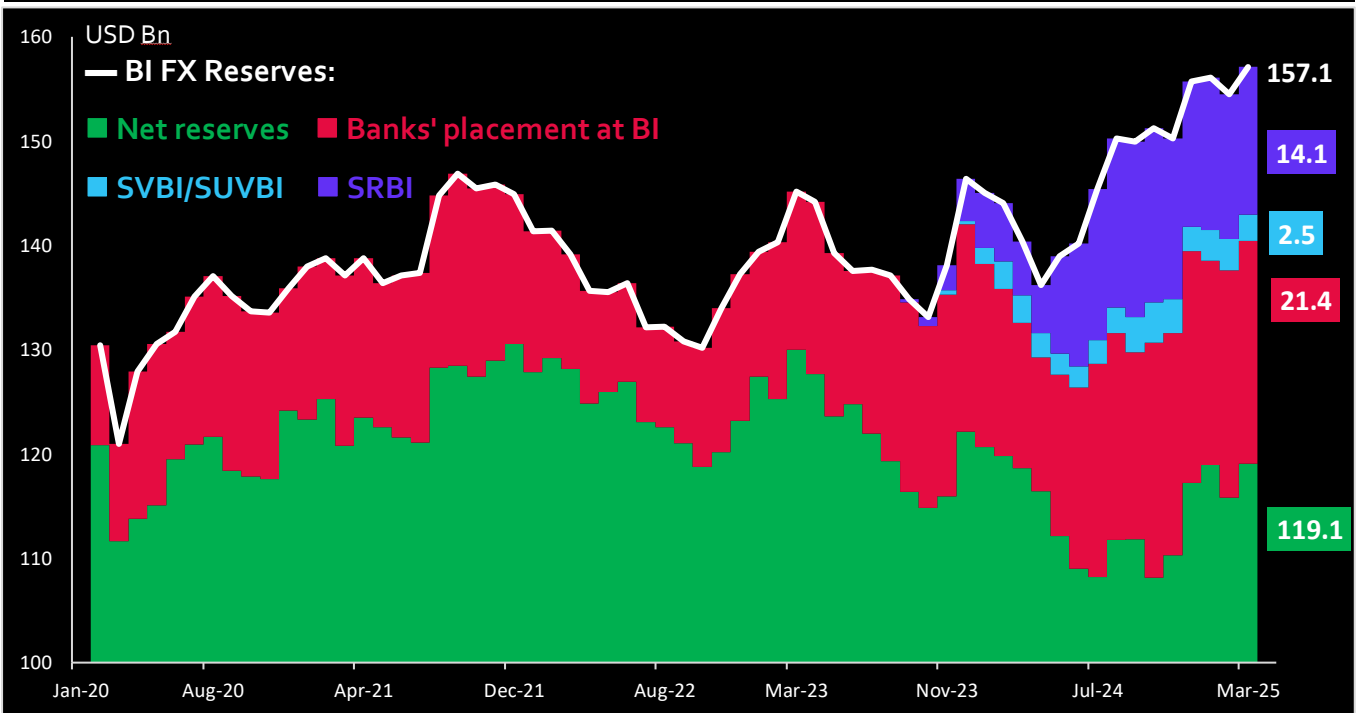
- As such, while the banking data for March are not out yet, we suspect that there might have been relatively robust FX liquidity in the system during the month. This, in turn, meant that BI had less need to intervene in the FX markets—and, again, conserve its FX reserves.
- The DHE inflows, then, should add to BI's coffers for the next 4-6 quarters—providing a good deterrence effect against FX speculations. Whether or not it can materially affect the USD/IDR exchange rate, however, is another matter. As we outlined in a previous [special report](#), the impact is likely to be limited, unless the authorities can enforce repatriation of the “missing money” from mis-invoicing, transfer pricing, or similarly illicit outflows.
- The increase of reserves from DHE should allow for continued reduction in outstanding SRBI, and thereby alleviating upward pressures on short-term rates. This is crucial given the large volume of SRBI maturing over the next few months (IDR 387.54 Tn between May-Jul 25).
- The other major pothole, of course, is the uncertainty over Trump's tariff. The announcement of the tariff had triggered a global stock market sell-off, including in Indonesia. Following the Lebaran holidays, investor sentiment turned sharply risk-off, with USD 0.35 Bn in outflows from equities and USD 0.22 Bn from bonds in the space of a week.
- While the pressure on the markets (and on the Rupiah) have calmed slightly after Trump paused his tariffs, concerns also remain over the decline in commodity prices. This threatens to undercut Indonesia's future export earnings, and thereby the effectiveness of the DHE policy.
- The other effect of the tariffs is the shift away from the US and towards other safe havens such as European/Japanese bonds and gold, the latter of which has appreciated significantly in recent months. While higher gold prices can support reserves through valuation effects, the impact remains minimal compared to capital/DHE flows and interventions.
- Incidentally, the Dollar's weakness may open the room for BI to consider a rate cut, even with the Fed still caught in the crossroads amid the threat of stagflation in the US. We have seen, for example, how India's RBI proceeded with a rate cut after Trump's tariffs.
- On aggregate, however, we still see a bigger likelihood that BI maintains rates in April, while keeping an eye on global developments and the domestic demand picture post-Ramadan and Lebaran. In the meantime, BI still has options to manage liquidity through macroprudential tools (its recent KLM incentive) and adjustments in SRBI issuance.

Panel 1. Rupiah continued to depreciate even as other countries reversed trend



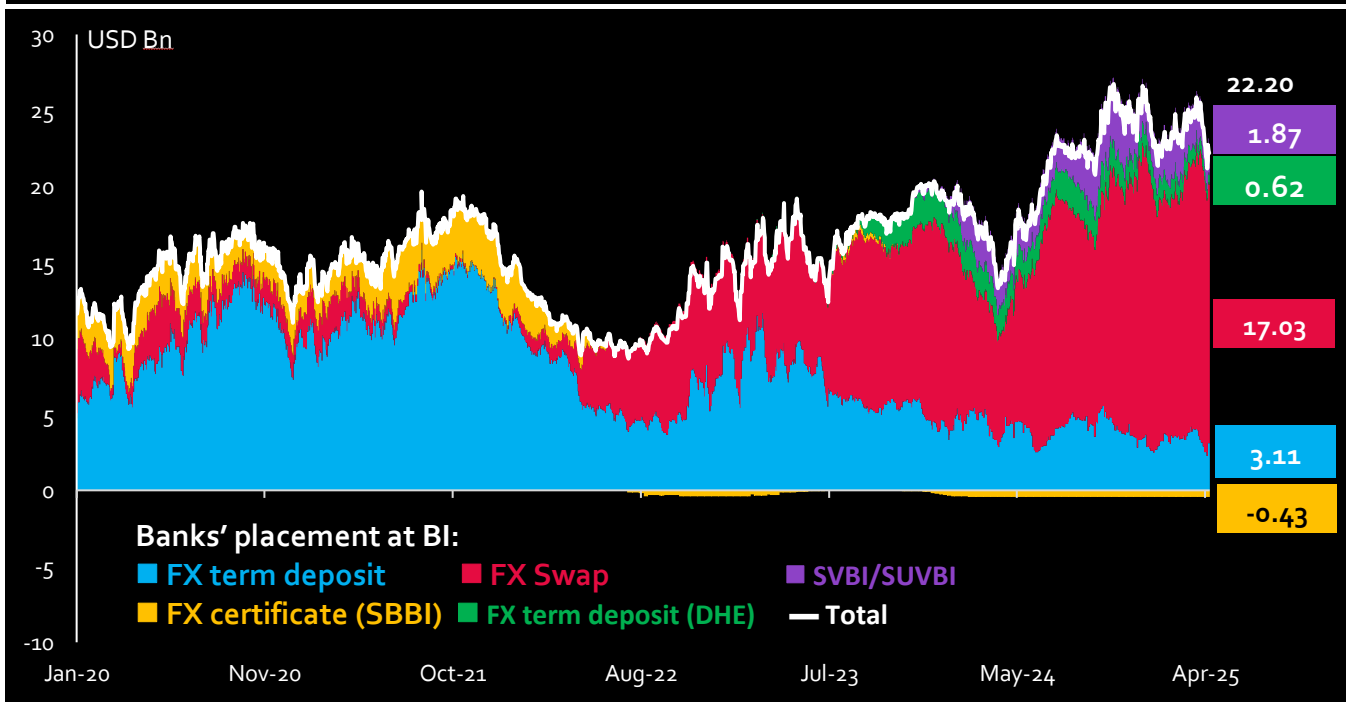
Source: Bloomberg

Panel 2. Net reserves likely increased due to fewer interventions



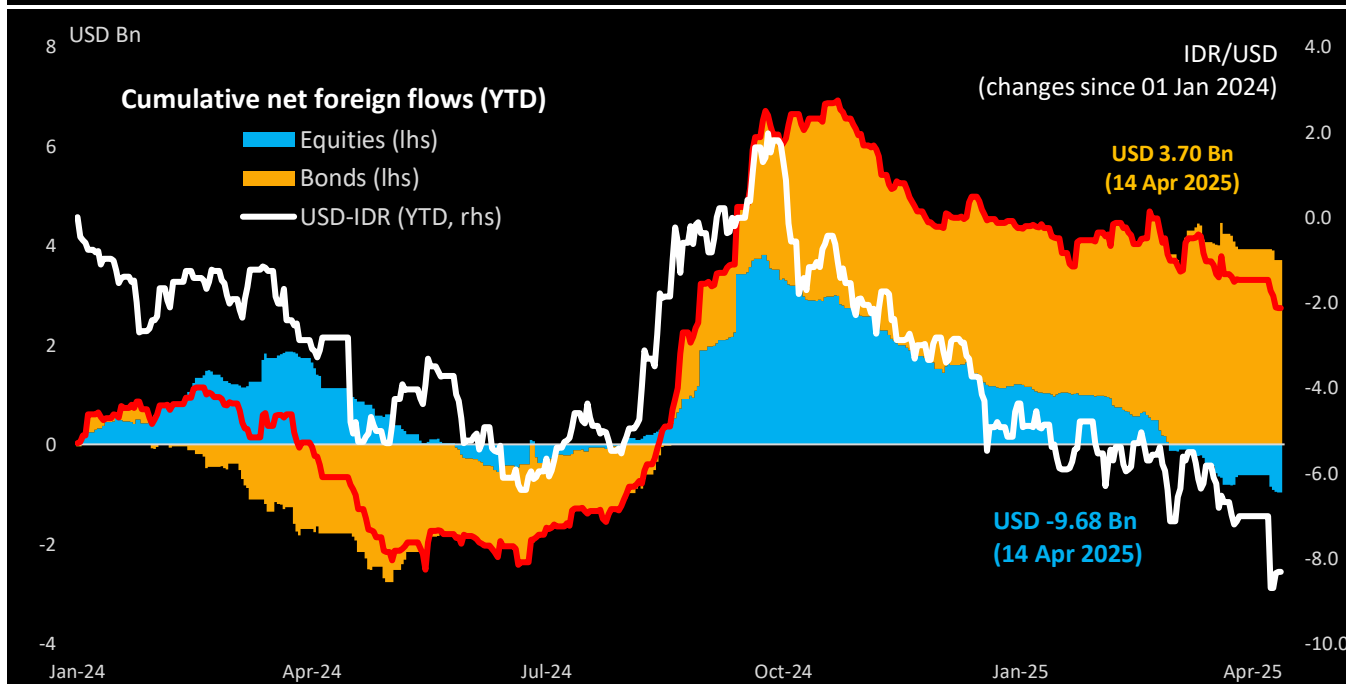
Source: BI

Panel 3. Increase in Banks' placement at BI expected over the coming months



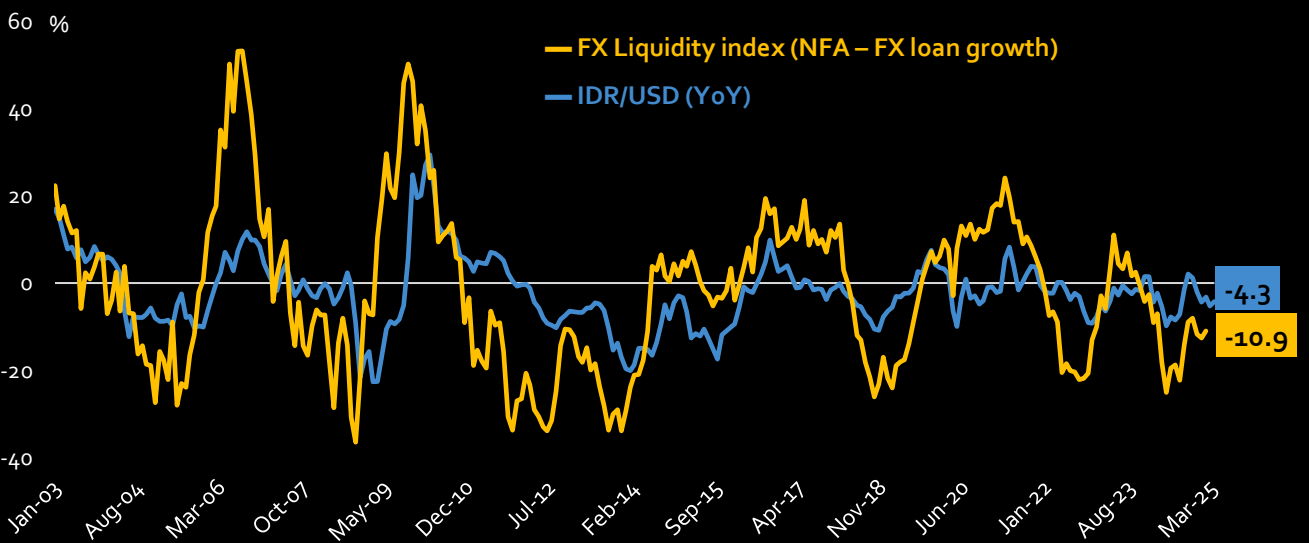
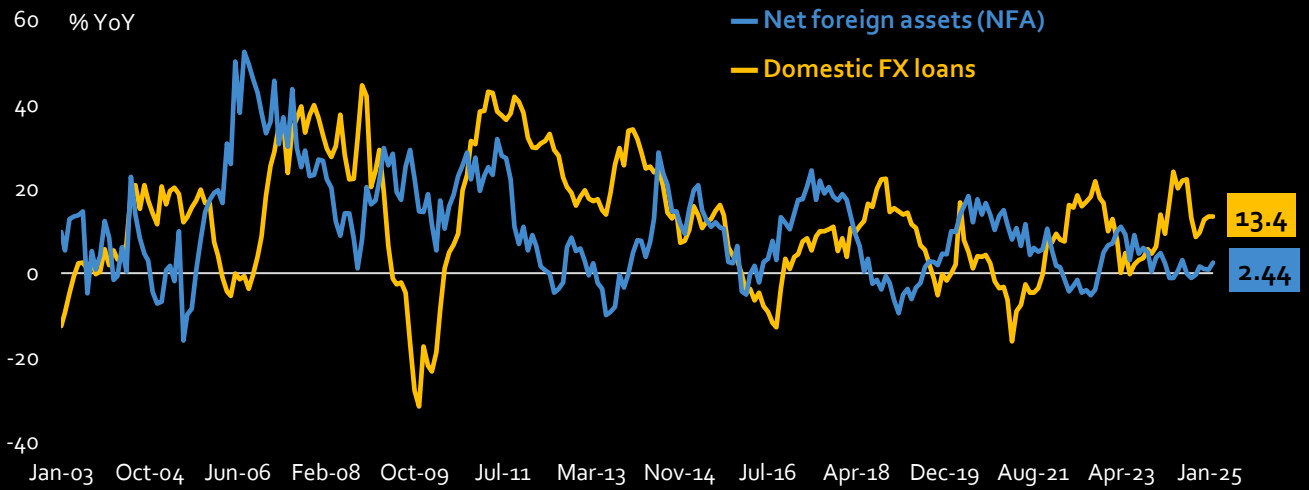
Source: BI

Panel 4. Outflow in bond and stock market following Trump's tariff



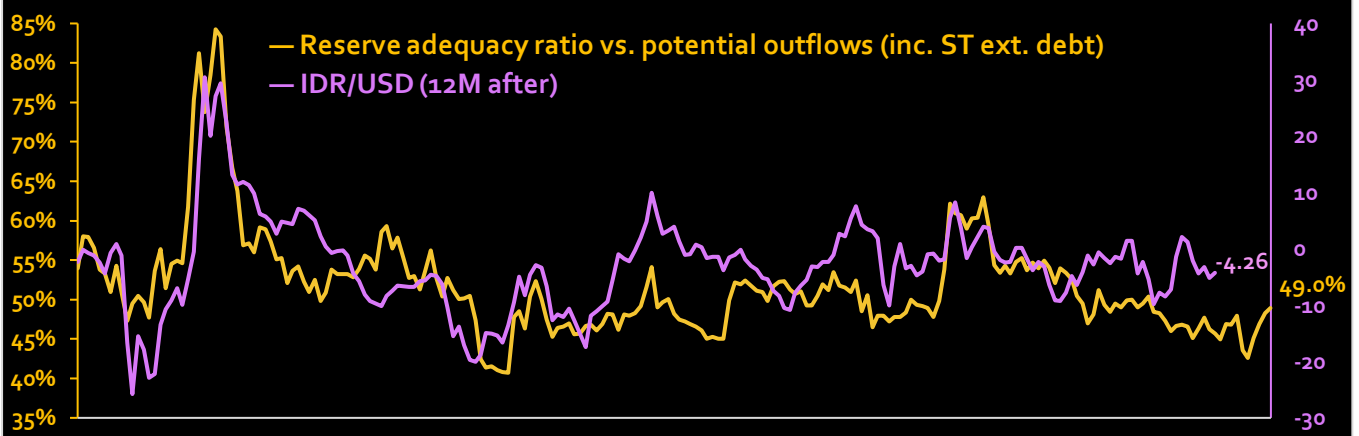
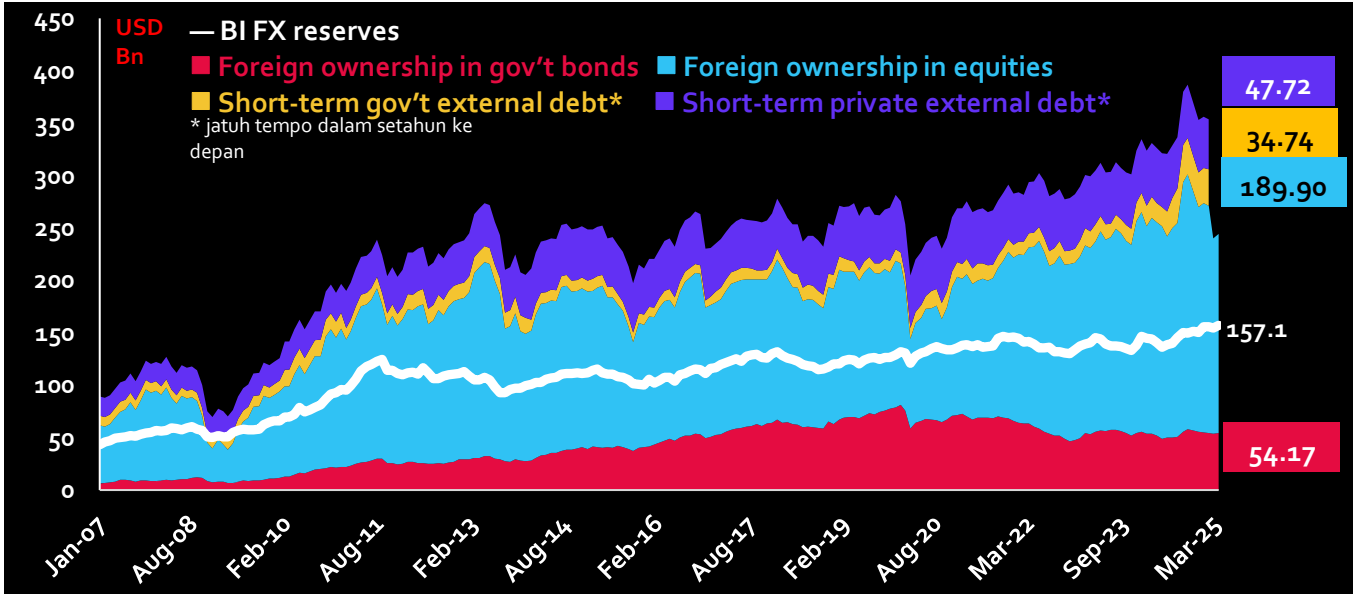
Source: Bloomberg

Panel 5. Domestic FX loan growth continue to grow



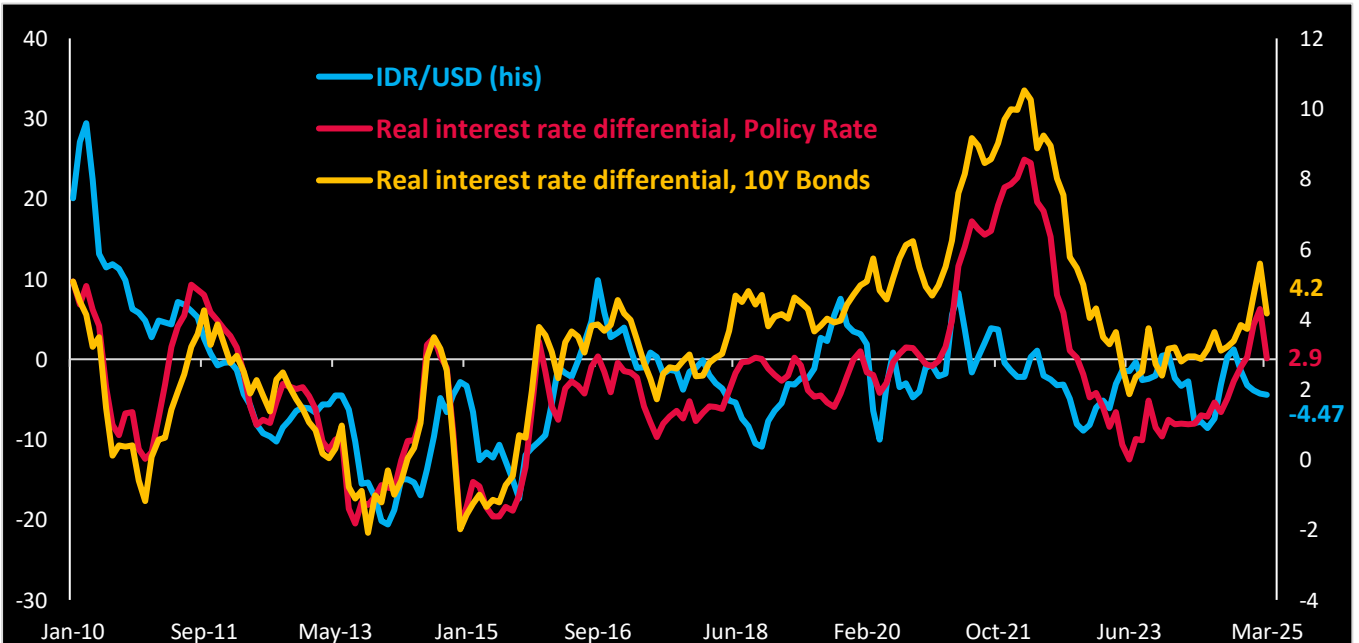
Source: Bloomberg

Panel 6. Reserves adequacy ratio sees an uptick but has been declining for a while



Source: BI, Bloomberg

Panel 7. Policy rate real differential likely to persist to defend Rupiah



Source: Bloomberg

Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	11-Apr	-1 mth	Chg (%)
US	4.50	Dec-24	2.10	Baltic Dry Index	1,274.0	1,436.0	-11.3
UK	4.50	Feb-25	1.70	S&P GSCI Index	525.2	549.8	-4.5
EU	2.65	Mar-25	0.45	Oil (Brent, \$/brl)	64.8	69.6	-6.9
Japan	0.50	Jan-25	-3.20	Coal (\$/MT)	102.3	116.8	-12.4
China (lending)	2.00	Sep-24	4.45	Gas (\$/MMBtu)	3.44	4.56	-24.6
Korea	2.75	Feb-25	0.65	Gold (\$/oz.)	3,237.6	2,915.9	11.0
India	6.00	Apr-25	2.39	Copper (\$/MT)	9,191.9	9,639.2	-4.6
Indonesia	5.75	Jan-25	4.72	Nickel (\$/MT)	14,866.8	16,274.4	-8.6
Money Mkt Rates	11-Apr	-1 mth	Chg (bps)	CPO (\$/MT)	1,017.4	1,087.5	-6.4
				Rubber (\$/kg)	1.72	2.00	-14.0
SPN (1Y)	6.21	6.03	18.9	External Sector	Feb	Jan	Chg (%)
SUN (10Y)	7.05	6.89	15.7	Export (\$ bn)	21.98	21.43	2.58
INDONIA (O/N, Rp)	5.57	5.73	-16.5	Import (\$ bn)	18.86	17.94	5.18
JIBOR 1M (Rp)	6.38	6.38	0.4	Trade bal. (\$ bn)	3.12	3.49	-10.75
Bank Rates (Rp)	Jan	Dec	Chg (bps)	Central bank reserves (\$ bn)*	154.5	156.1	-1.01
Lending (WC)	8.62	8.62	0.57	Prompt Indicators	Feb	Jan	Oct
Deposit 1M	4.87	4.92	-4.27	Consumer confidence index (CCI)	126.4	127.2	121.1
Savings	0.68	0.68	-0.18	Car sales (%YoY)	2.2	-11.3	-3.7
Currency/USD	11-Apr	-1 mth	Chg (%)	Motorcycle sales (%YoY)	4.0	-5.5	5.4
UK Pound	0.764	0.772	1.05	Manufacturing PMI	Mar	Feb	Chg (bps)
Euro	0.881	0.916	3.99	USA	50.2	52.7	-250
Japanese Yen	143.5	147.8	2.95	Eurozone	48.6	47.6	100
Chinese RMB	7.292	7.230	-0.85	Japan	48.4	49.0	-60
Indonesia Rupiah	16,795	16,405	-2.32	China	51.2	50.8	40
Capital Mkt	11-Apr	-1 mth	Chg (%)	Korea	49.1	49.9	-80
JCI	6,262.2	6,545.9	-4.33	Indonesia	52.4	53.6	-120
DJIA	40,212.7	41,433.5	-2.95				
FTSE	7,964.2	8,496.0	-6.26				
Nikkei 225	33,585.6	36,793.1	-8.72				
Hang Seng	20,914.7	23,782.1	-12.06				
Foreign portfolio ownership (Rp Tn)	Mar	Feb	Chg (Rp Tn)				
Stock	3,144.7	3,083.7	61.05				
Govt. Bond	891.9	890.2	1.72				
Corp. Bond	5.2	5.1	0.06				

Source: Bloomberg, BI, BPS

Notes:

*Data from earlier period

For changes in currency: **Black indicates appreciation against USD, **Red** otherwise

***For PMI, >50 indicates economic expansion, <50 otherwise



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Indonesia – Economic Indicators Projection

	2019	2020	2021	2022	2023	2024	2025E
Real GDP growth (% YoY)	5.0	-2.1	3.7	5.3	5.0	5.0	4.8
Nominal GDP growth (% YoY)	6.7	-2.5	9.9	15.4	6.7	6.0	5.7
GDP per capita (USD)	4175	3912	4350	4784	4920	4960	4996
CPI inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	1.6	2.1
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	5.50
SBN 10Y yield (%)	7.04	5.86	6.36	6.92	6.45	6.97	7.68
USD/IDR exchange rate (end of year)	13,866	14,050	14,262	15,568	15,397	16,102	16,943
Trade balance (USD Bn)	-3.2	21.7	35.3	54.5	37.0	31.0	26.0
Current account balance (% of GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.6	-1.0

Notes:

- USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time

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