FX Reserves:
A momentary rest

Samuel Theophilus Artha
Economist/Analyst

Barra Kukuh Mamia
Head of Macroeconomic Research

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Executive Summary

- Indonesia's FX reserves remained stable at USD 152.5 Bn in May-25 as Rupiah appreciates due to normalization in global conditions.
- SRBI, stocks, and bonds all recorded inflows as weaker US Dollar led to repricing of Indonesian assets.
- Seasonal outflows and potential decline in trade surplus might have dragged down FX reserves.
- Trade uncertainty and refinancing need for SBN & SRBI may lead to declining FX reserves in the coming months, while increased UST issuance after debt ceiling increase risks disrupting Rupiah's stable trajectory.

- Indonesia's FX reserves remained stable at USD 152.5 Bn in May-25, same as Apr-25 as global conditions normalized, lessening BI's need to intervene. This normalization led Rupiah to appreciate by 1.14% during May against the US Dollar, even as BI cut its rate by 25 bps.

- There are two primary reasons for this normalization. First, the US-CN tariff truce has partially rejuvenated growth prospects of emerging markets, including Indonesia due to the strong trade and investment links. Additionally, uncertainties due to the Trump admin's upcoming budget bill and trade policies has led investors to flee from the UST market, leading the USD to depreciate 1.6% against Asian currencies in May.

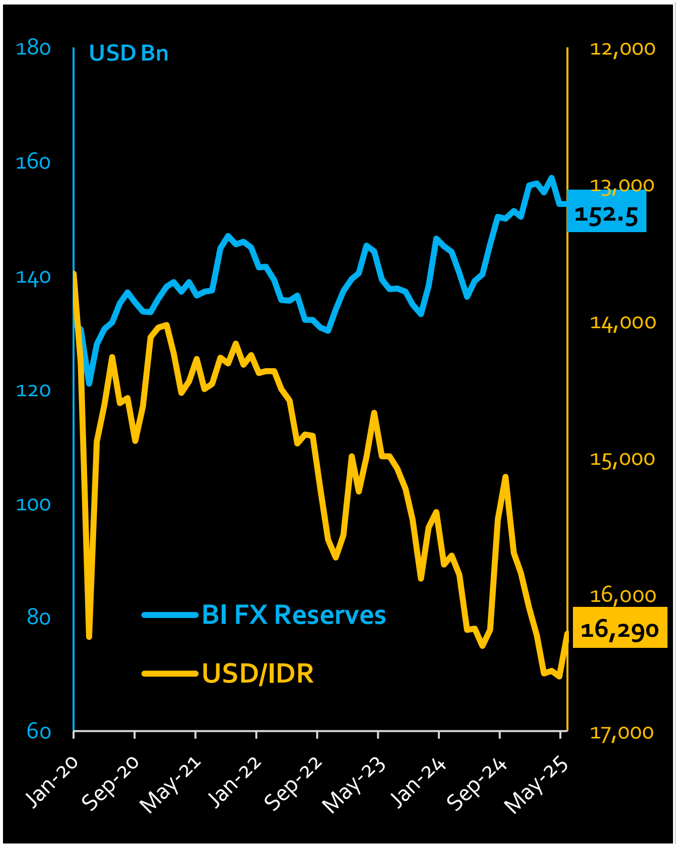
- The weaker Dollar has had a positive effect towards Indonesia's financial market, with SRBI (USD 0.3 Bn), stocks (USD 0.3 Bn), and bonds (USD 1.8 Bn) all recording inflows during May. While SRBI's rise may be modest in absolute terms, foreign ownership has increased (from 24.1% to 24.6%) due to the smaller amount of SRBI outstanding. Additionally, we have seen slight improvement in banks' FX liquidity, seeing as FX swaps has increased by USD 1 Bn.

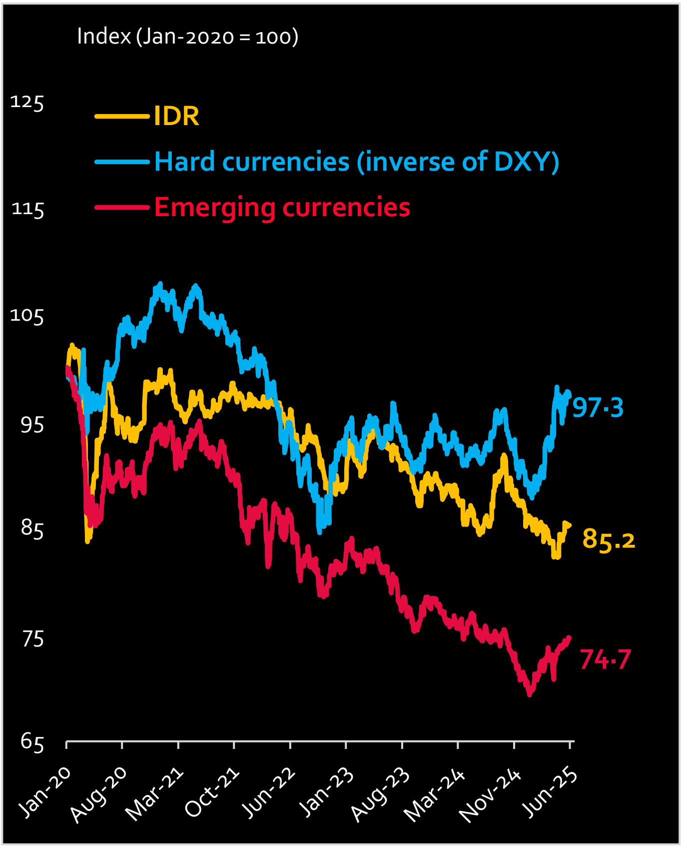
- Despite these inflows, it is interesting that FX reserves remained stable. One plausible cause was the seasonal spike in outflows due to dividend repatriation and hajj pilgrimage. The ongoing trade fluctuations may be another culprit, as we saw a sharp decline in Indonesia's trade surplus in April due to increased imports from China.

- While China's latest trade data have indicated a normalization (11.3% YoY in May vs 37.5% YoY in April). Furthermore, it is possible that some FX proceeds from Indonesia's exports would not be captured by the domestic banking system, as the loophole that allow exporters to bypass the DHE regulation still exists.

- Looking forward, the trajectory of Indonesia's FX reserves may trend downward. The aforementioned trade outlook is still highly uncertain, with ID-US trade deal seemingly having minimal updates since April amidst the reinstatement of reciprocal tariffs in July, combined with the possible redirection of Chinese exports seems to have curtail Indonesia's trade balance.
- Another problem is that a significant amount of FX SBN and SRBI are set to mature in June and July. BI might be unable/constrained to repeat the high issuance of SRBI last year, considering the tight domestic liquidity and the slowing loan growth which might further weigh down on growth outlook.
- On the other hand, the continued weakness in USD should allow Rupiah to remain relatively stable, possibly lessening the need for interventions. We should note, however, that a higher US debt issuance following the expected passage of 'Big Beautiful Bill' may lead to a more attractive UST yields that could attract liquidity into the US market, potentially reverting the weak USD trend that has provided stability for Rupiah.

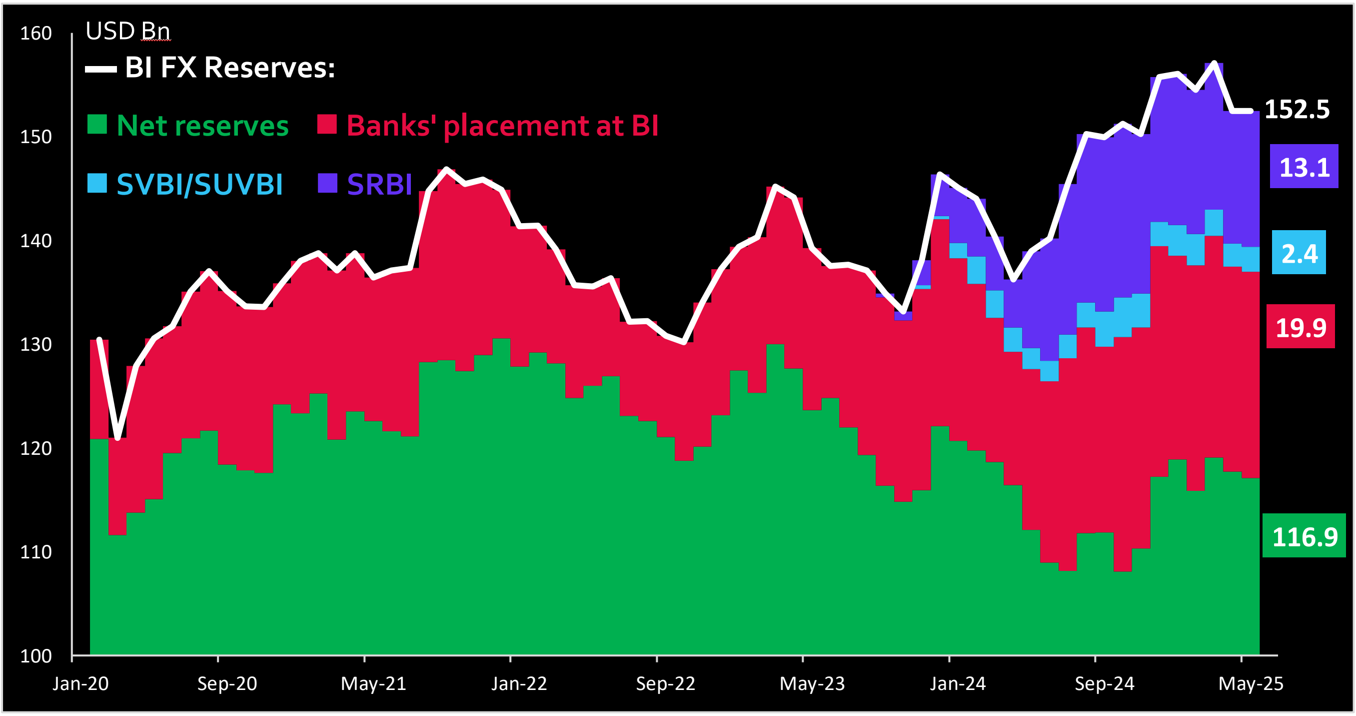
Panel 1. **FX reserves stayed stable as Rupiah rebounded in May**





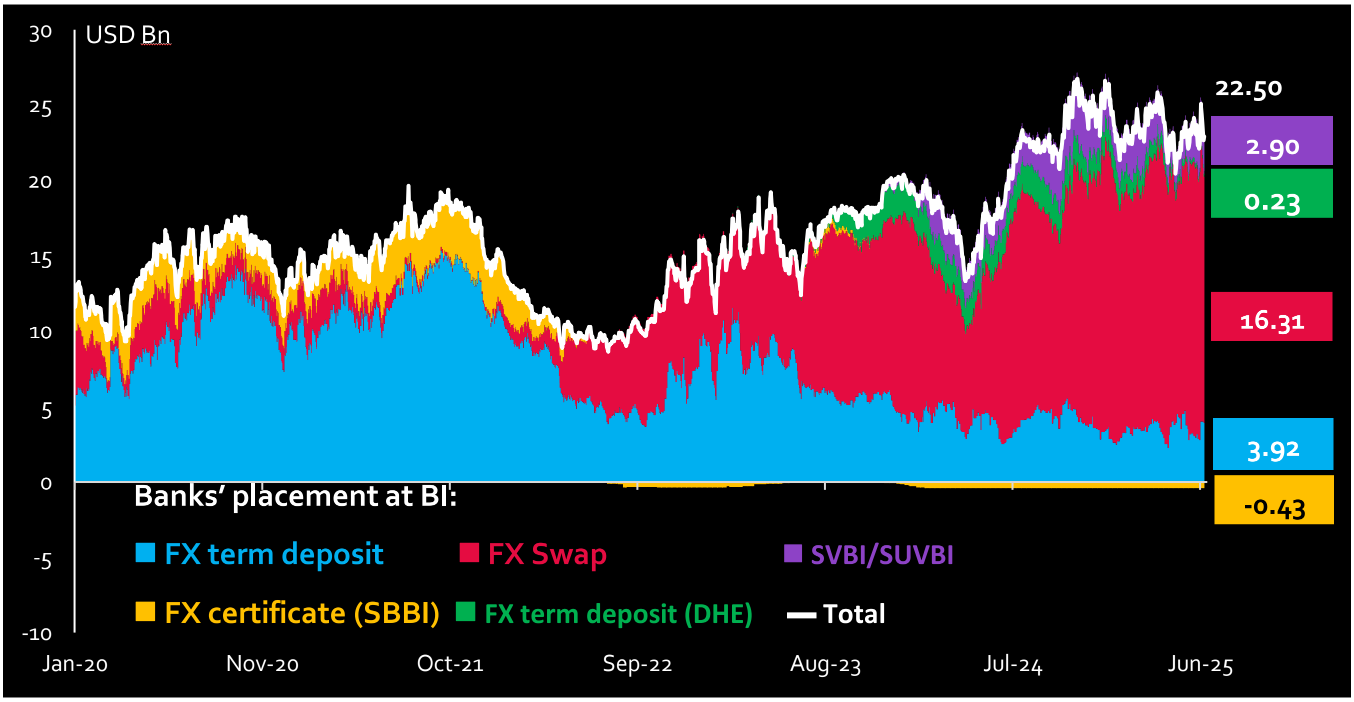
Source: Bloomberg

Panel 2. **Decline in net reserves mitigated by inflows to SRBI**



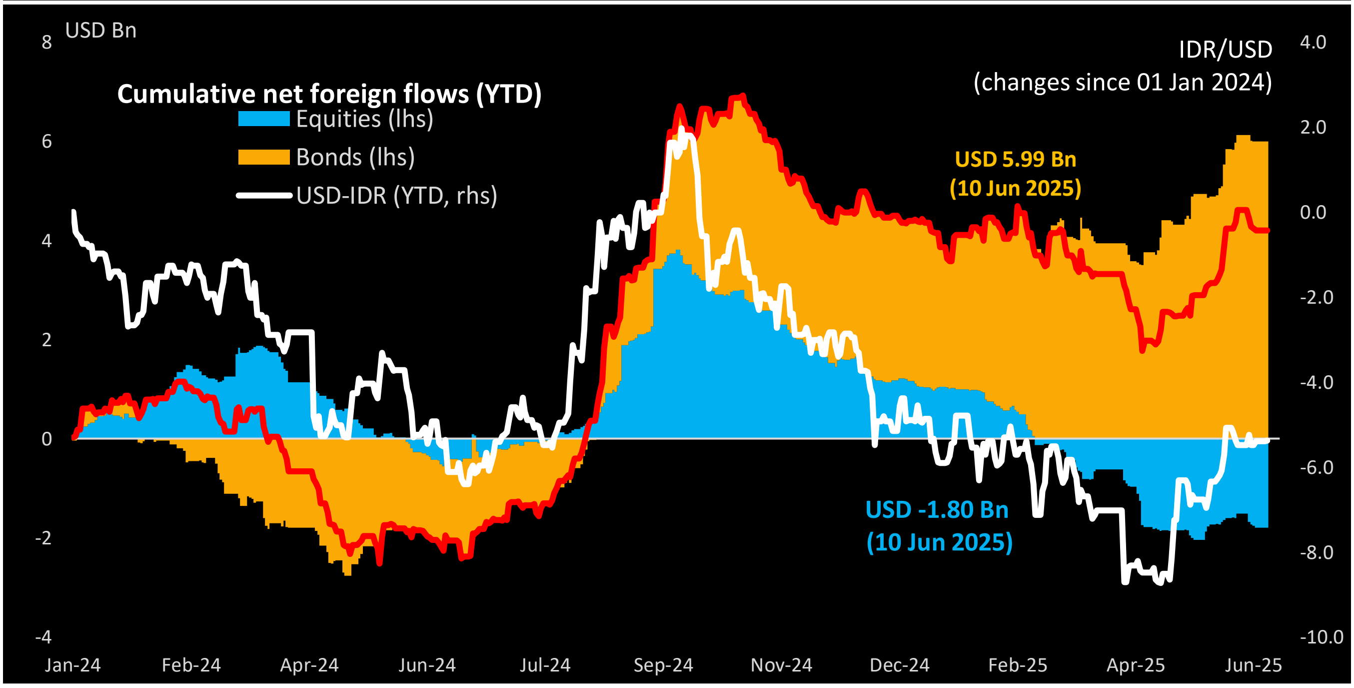
Source: BI

Panel 3. Increased FX swaps reflect improvement in domestic liquidity



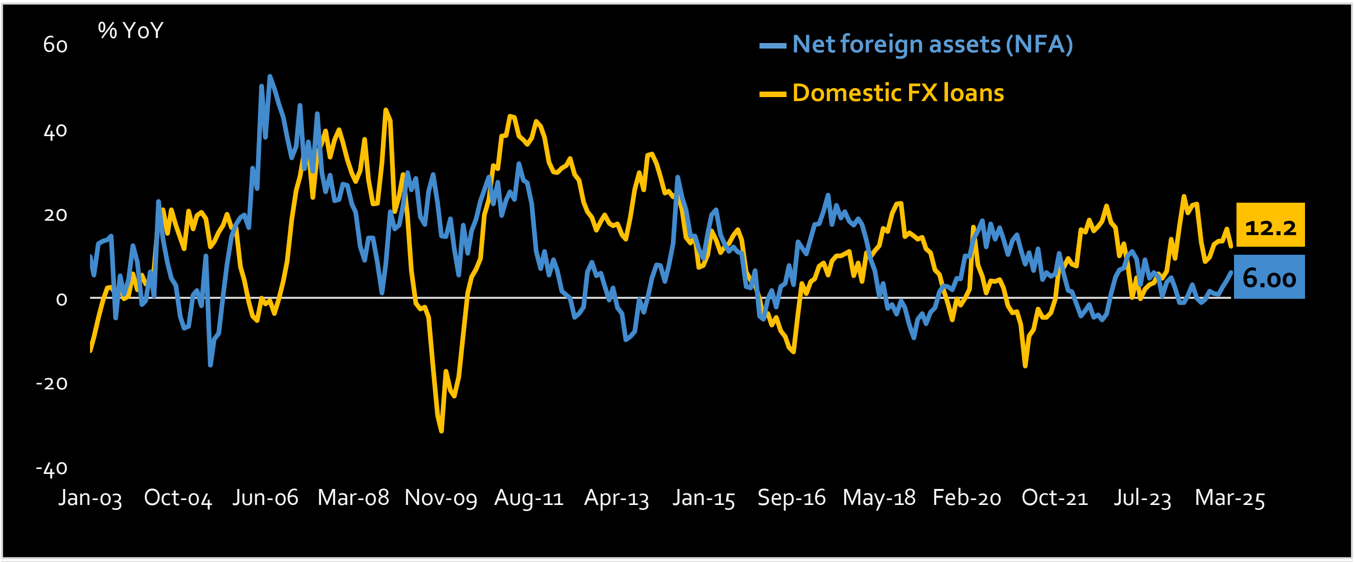
Source: BI

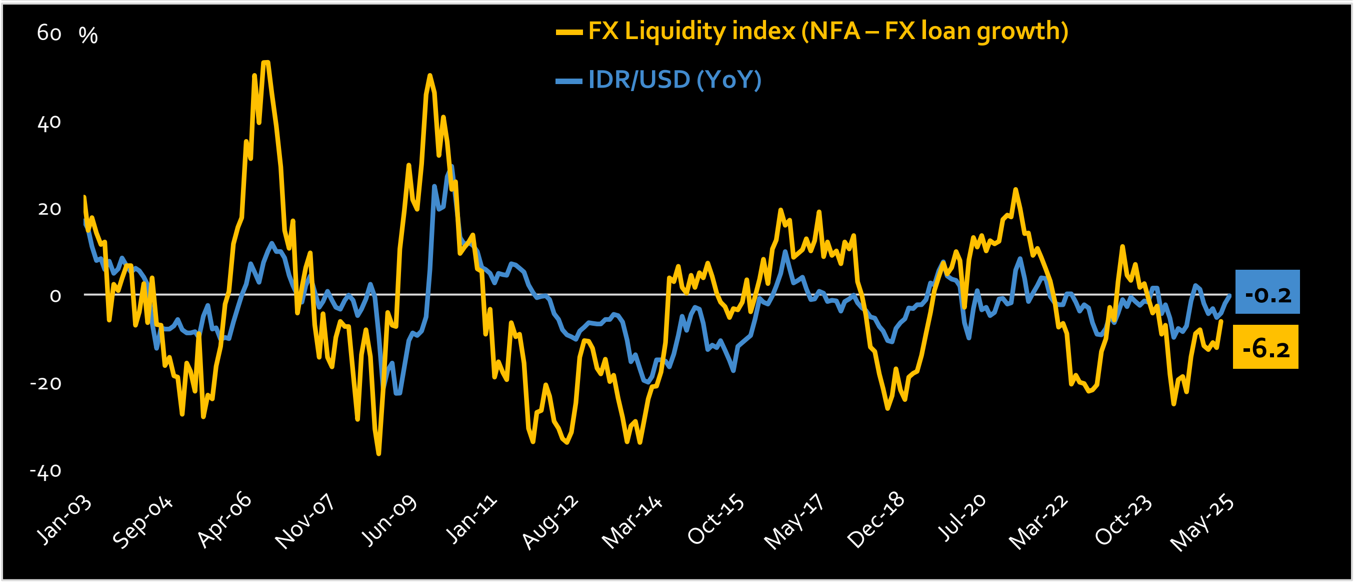
Panel 4. Investors go back to Indonesian market as US risk mounts



Source: Bloomberg

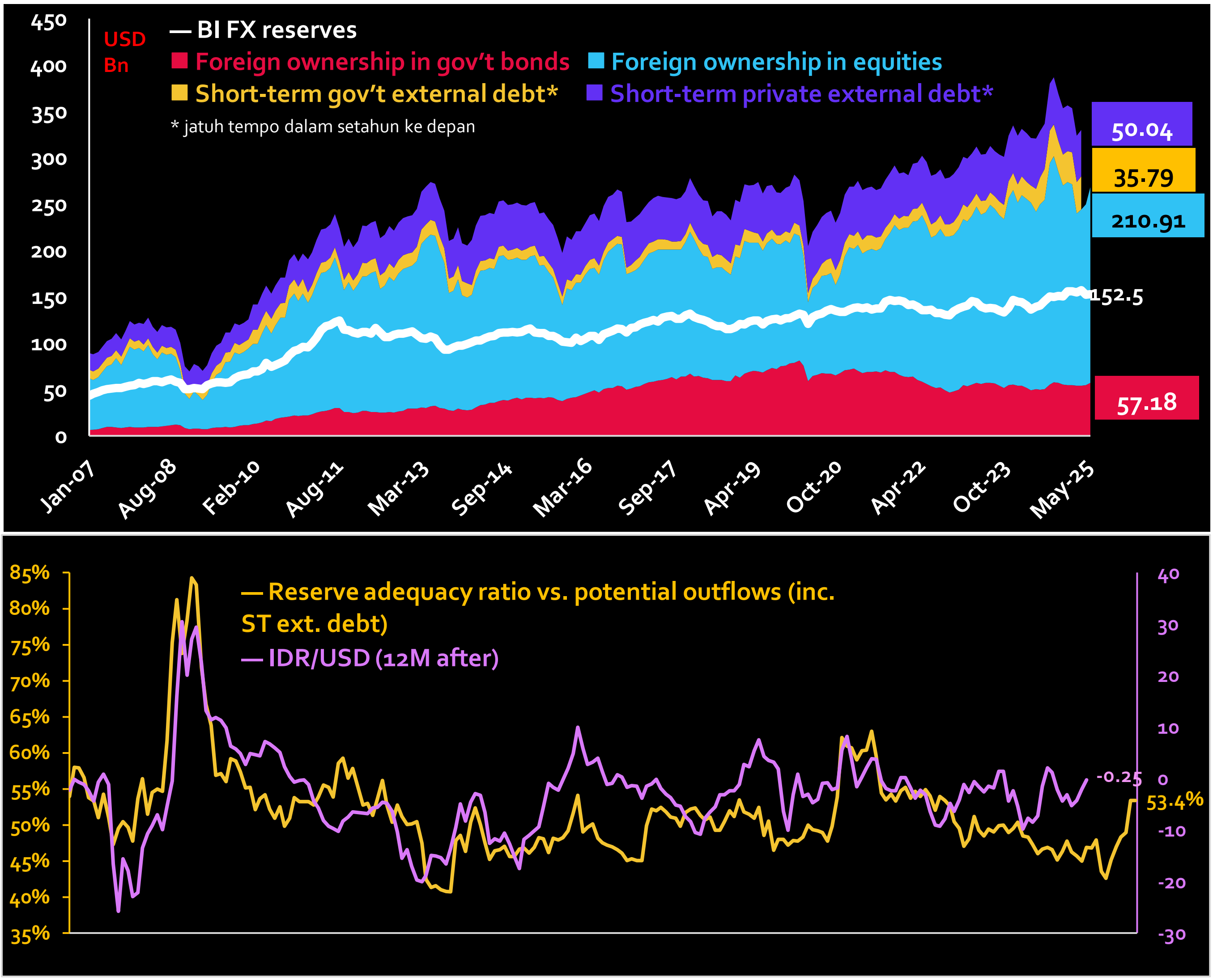
Panel 5. **Domestic FX loan growth continue to grow faster than NFA**





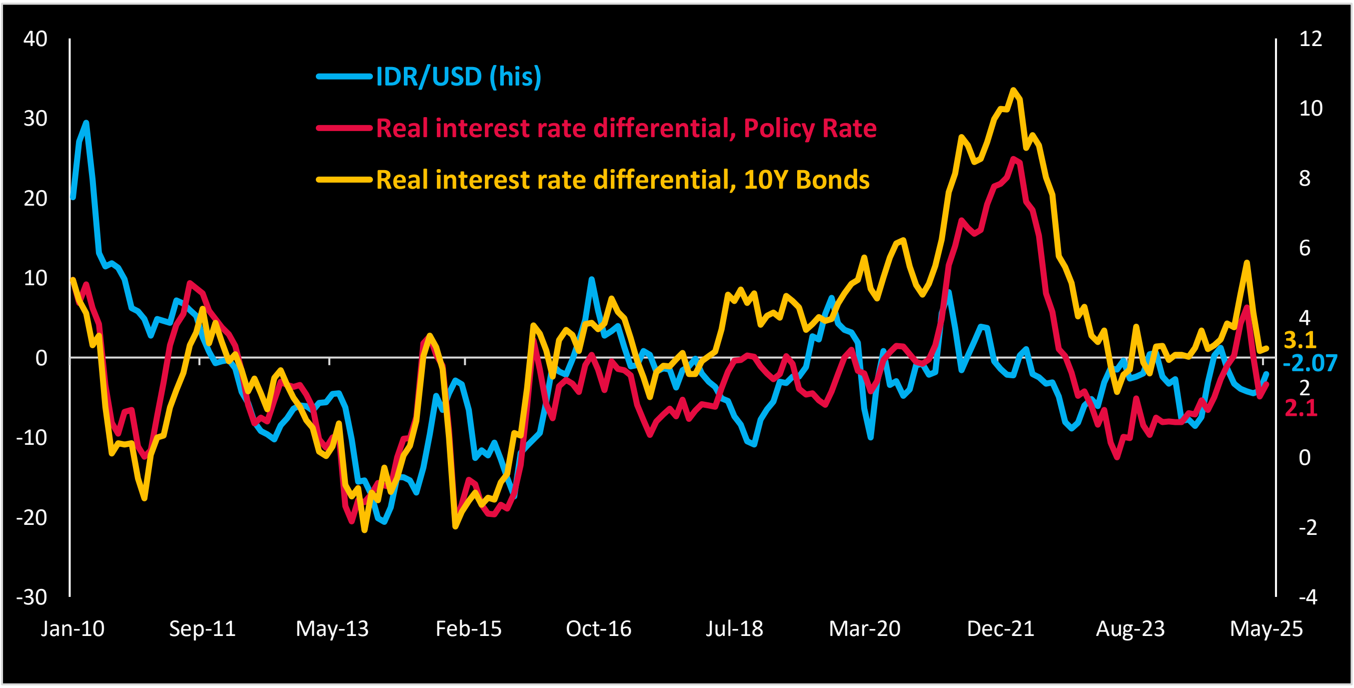
Source: Bloomberg

Panel 6. Reserves adequacy ratio may decline in the coming months



Source: BI, Bloomberg

Panel 7. Policy rate real differential likely to decline as USD weakens



Source: Bloomberg

Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)
US	4.50	Dec-24	2.20
UK	4.25	May-25	0.75
EU	2.15	Apr-25	0.25
Japan	0.00	Jan-25	-3.10
China (lending)	2.00	Sep-24	4.45
Korea	2.50	May-25	0.60
India	5.50	Apr-25	2.34
Indonesia	5.50	May-25	3.90
Money Mkt Rates	**10-Jun**	**-1 mth**	**Chg (bps)**
SPN (1Y)	6.00	6.02	-1.4
SUN (10Y)	6.76	6.84	-7.9
INDONIA (O/N, Rp)	5.69	5.98	-29.5
JIBOR 1M (Rp)	6.16	6.38	-22.2
Bank Rates (Rp)	**Mar**	**Feb**	**Chg (bps)**
Lending (WC)	8.66	8.67	-0.75
Deposit 1M	5.01	5.02	-0.47
Savings	0.68	0.68	0.16
Currency/USD	**10-Jun**	**-1 mth**	**Chg (%)**
UK Pound	0.741	0.752	1.46
Euro	0.875	0.889	1.56
Japanese Yen	144.9	145.4	0.35
Chinese RMB	7.188	7.238	0.70
Indonesia Rupiah	16,273	16,515	1.49
Capital Mkt	**10-Jun**	**-1 mth**	**Chg (%)**
JCI	7,230.7	6,832.8	5.82
DJIA	42,866.9	41,249.4	3.92
FTSE	8,853.1	8,554.8	3.49
Nikkei 225	38,211.5	37,503.3	1.89
Hang Seng	24,162.9	22,867.7	5.66
Foreign portfolio ownership (Rp Tn)	**May**	**Apr**	**Chg (Rp Tn)**
Stock	3,435.7	3,244.2	191.47
Govt. Bond	926.3	995.6	-69.37
Corp. Bond	5.2	5.1	0.08

Trade & Commodities	10-Jun	-1 mth	Chg (%)
Baltic Dry Index	1,680.0	1,299.0	29.3
S&P GSCI Index	543.6	531.5	2.3
Oil (Brent, $/brl)	66.9	63.9	4.6
Coal ($/MT)	105.9	106.5	-0.6
Gas ($/MMBtu)	2.78	3.21	-13.4
Gold ($/oz.)	3,323.7	3,325.0	-0.0
Copper ($/MT)	9,840.6	9,494.7	3.6
Nickel ($/MT)	15,123.8	15,621.0	-3.2
CPO ($/MT)	932.6	883.2	5.6
Rubber ($/kg)	1.67	1.76	-5.1
External Sector	**Apr**	**Mar**	**Chg (%)**
Export ($ bn)	20.74	23.25	-10.77
Import ($ bn)	20.59	18.92	8.80
Trade bal. ($ bn)	0.16	4.33	-96.33
Central bank reserves ($ bn)*	152.5	157.1	-2.94
Prompt Indicators	**Apr**	**Mar**	**Feb**
Consumer confidence index (CCI)	121.7	121.1	126.4
Car sales (%YoY)	5.0	-5.1	2.2
Motorcycle sales (%YoY)	-3.0	-7.2	4.0
Manufacturing PMI	**May**	**Apr**	**Chg (bps)**
USA	52.0	50.2	180
Eurozone	49.4	49.0	40
Japan	49.4	48.7	70
China	48.3	50.4	-210
Korea	47.7	47.5	20
Indonesia	47.4	46.7	70

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	2.0
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	5.00
SBN 10Y yield (%)	7.04	5.86	6.36	6.92	6.45	6.97	7.02
USD/IDR exchange rate (average)	14,141	14,529	14,297	14,874	15,248	15,841	16,350
USD/IDR exchange rate (end of year)	13,866	14,050	14,262	15,568	15,397	16,102	16,625
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*

Economic, Banking & Industry Research Team

David E.Sumual
Chief Economist
david_sumual@bca.co.id
+6221 2358 8000 Ext:1051352

Victor George Petrus Matindas
Head of Banking Research and Analytics
victor_matindas@bca.co.id
+6221 2358 8000 Ext: 1058408

Elbert Timothy Lasiman
Economist / Analyst
Elbert_lasiman@bca.co.id
+6221 2358 8000 Ext: 1007431

Agus Salim Hardjodinoto
Head of Industry and Regional Research
agus_lim@bca.co.id
+6221 2358 8000 Ext: 1005314

Gabriella Yolivia
Industry Analyst
gabriella_yolivia@bca.co.id
+6221 2358 8000 Ext: 1063933

Thierris Nora Kusuma
Economist / Analyst
thierris_kusuma@bca.co.id
+6221 2358 8000 Ext: 1071930

Samuel Theophilus Artha
Economist / Analyst
samuel_artha@bca.co.id
+6221 2358 8000 Ext: 1080373

Barra Kukuh Mamia
Head of Macroeconomic Research
barra_mamia@bca.co.id
+6221 2358 8000 Ext: 1053819

Lazuardin Thariq Hamzah
Economist / Analyst
lazuardin_hamzah@bca.co.id
+6221 2358 8000 Ext: 1071724

Nicholas Husni
Economist / Analyst
nicholas_husni@bca.co.id
+6221 2358 8000 Ext: 1079839

PT Bank Central Asia Tbk

Economic, Banking & Industry Research of BCA Group

20th Grand Indonesia, Menara BCA

Jl. M.H Thamrin No. 1, Jakarta 10310, Indonesia

Ph : (62-21) 2358-8000 Fax : (62-21) 2358-8343