Monthly Economic Briefing

BCA Economic and Industry Research

FX Reserves:

Scalpels over knives

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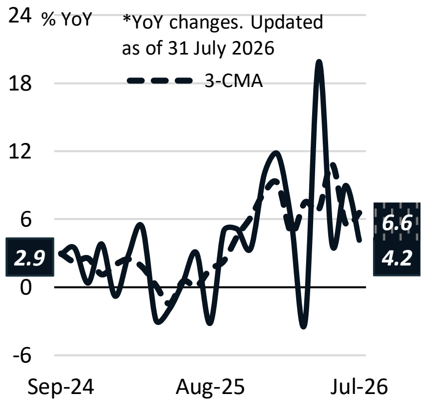
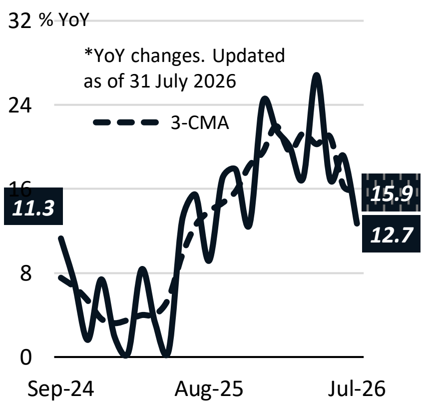
BCA Consumer Spending Index*

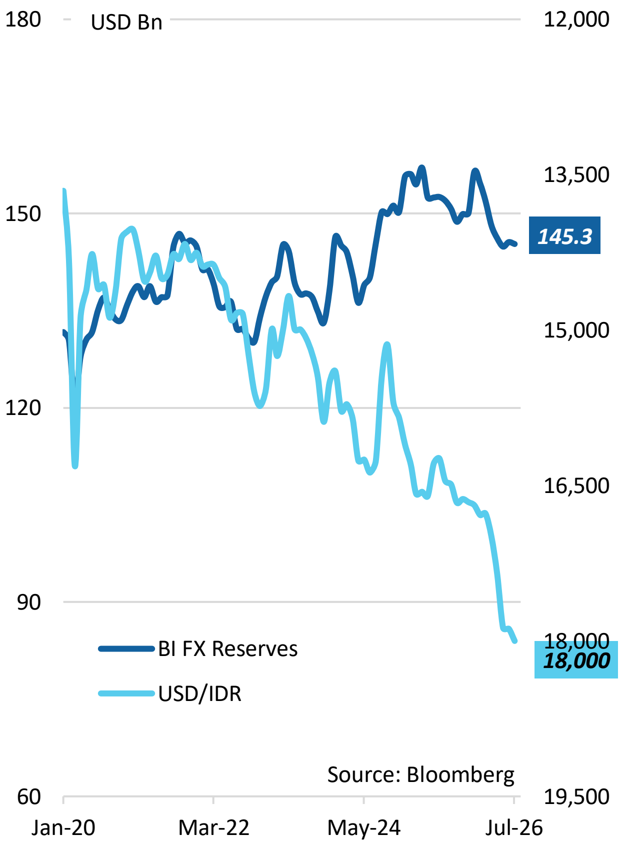


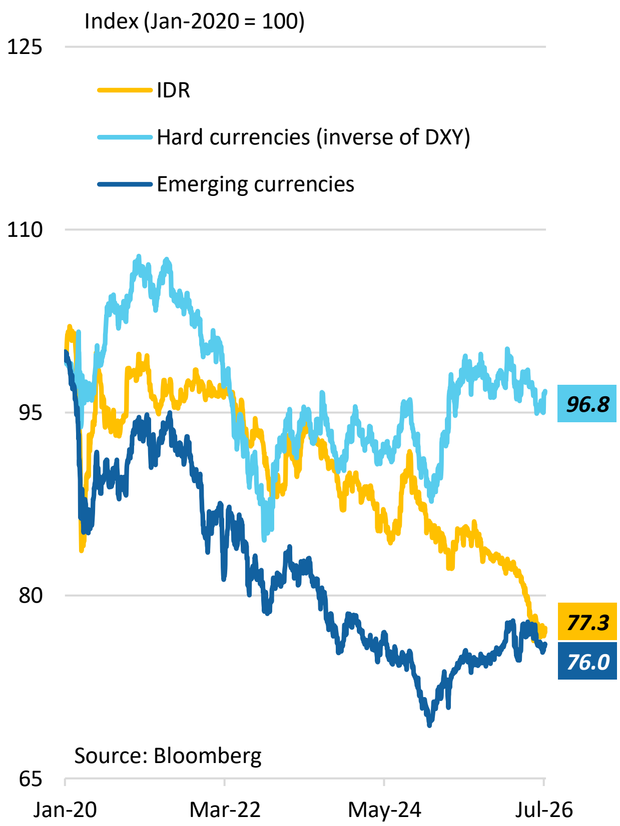
BCA Business Transaction Index*



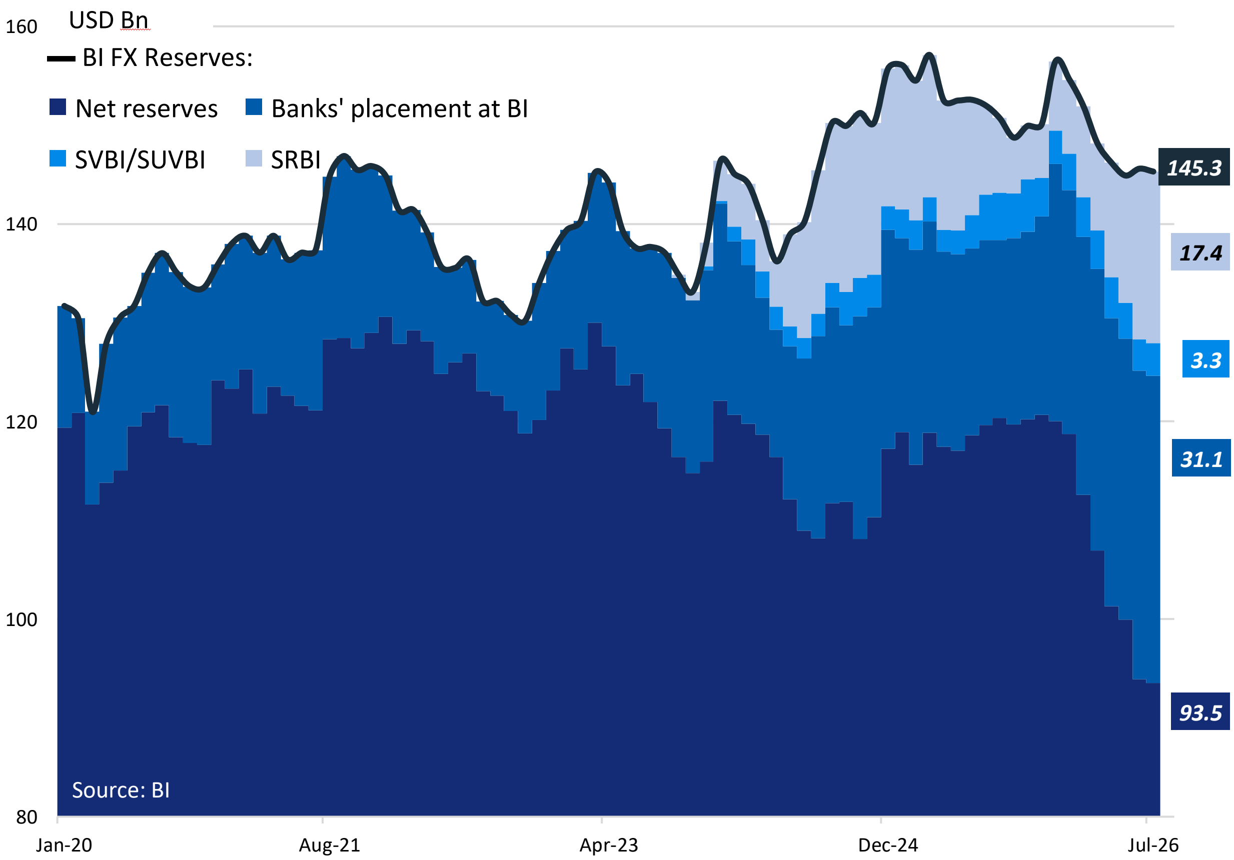
- **Indonesia's FX reserves marginally declined to USD 145.3 Bn in Jul-26**, from USD 145.6 Bn in June. FX reserves declined despite the government's recent issuance of panda bonds totaling USD 1 Bn, indicating either continued FX intervention by the Central Bank or continuing deficit in Indonesia's trade balance.
- Compared to aggressive pro-stability measures present in June, the **month of July has been relatively more subdued.** BI has reduced SRBI outstanding amount in July, resulting in USD 0.3 Bn net outflow from the instrument. However, this reduction seems to indicate a shift towards a 'surgical approach' instead, with BI introducing deeper discounts on FX hedging instruments in its latest monthly meeting.
- This FX hedge approach by BI seems to manifest from a desire to **implement a more 'painless' way to enact its pro-stability measures**, as high SRBI issuance risks being absorbed by banks, thus lowering their lending appetite. This was further reinforced by the new liquidity incentive for banks to hold Rupiah SBN & SRBI below 19% of total third-party funds.
- This approach coincided with favorable global conditions (AI outflow rotation and post latest FOMC), and has yielded slight positive results, with USD 0.4 Bn inflow into bonds and USD 0.1 Bn into stocks. Unfortunately, these inflows have failed to halt Rupiah depreciation, whose value fell by 0.7% during July, **possibly signifying a weak Current Account performance.**
- Moving forward, **we still see considerable pressure facing the Rupiah from four fronts.** First, the hawkish expectation from The Fed. Second, ongoing uncertainty on MSCI's decision regarding Indonesia's investability. Third, the ongoing trade deficit due to higher energy prices coupled with export growth slowdown. Fourth, additional SAL injection into SOE banks indicates faster loan growth is coming.
- Alongside these (largely external) risks, the recent resignation of BI's governor presented a new uncertainty. It is often said that 'personnel is policy', so the question is whether we will see a continuation of BI's 'surgical approach' or if there will be a more expansive policy direction. For now, **BI has reason to emphasize stability**, given that the robust Q2 GDP growth of 5.29% YoY should alleviate any concerns about growth. We still maintain our call for a 25-50 bps BI rate hike this year, but a downward revision remains possible if H2-26 growth proves to be slower than expected.

1 **FX reserves declined slightly** as portfolio inflows are countervailed by global uncertainty

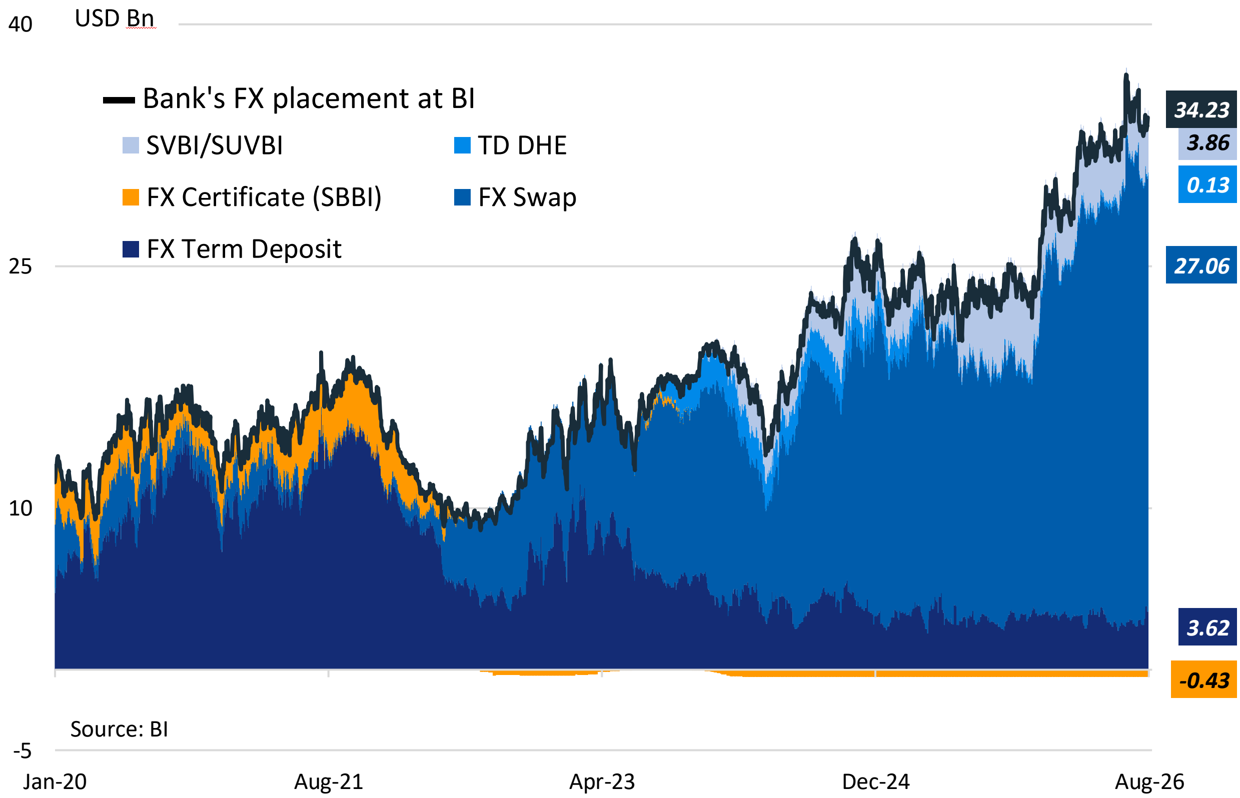




2 **Net reserves remain little changed,** possibly indicating fewer FX interventions

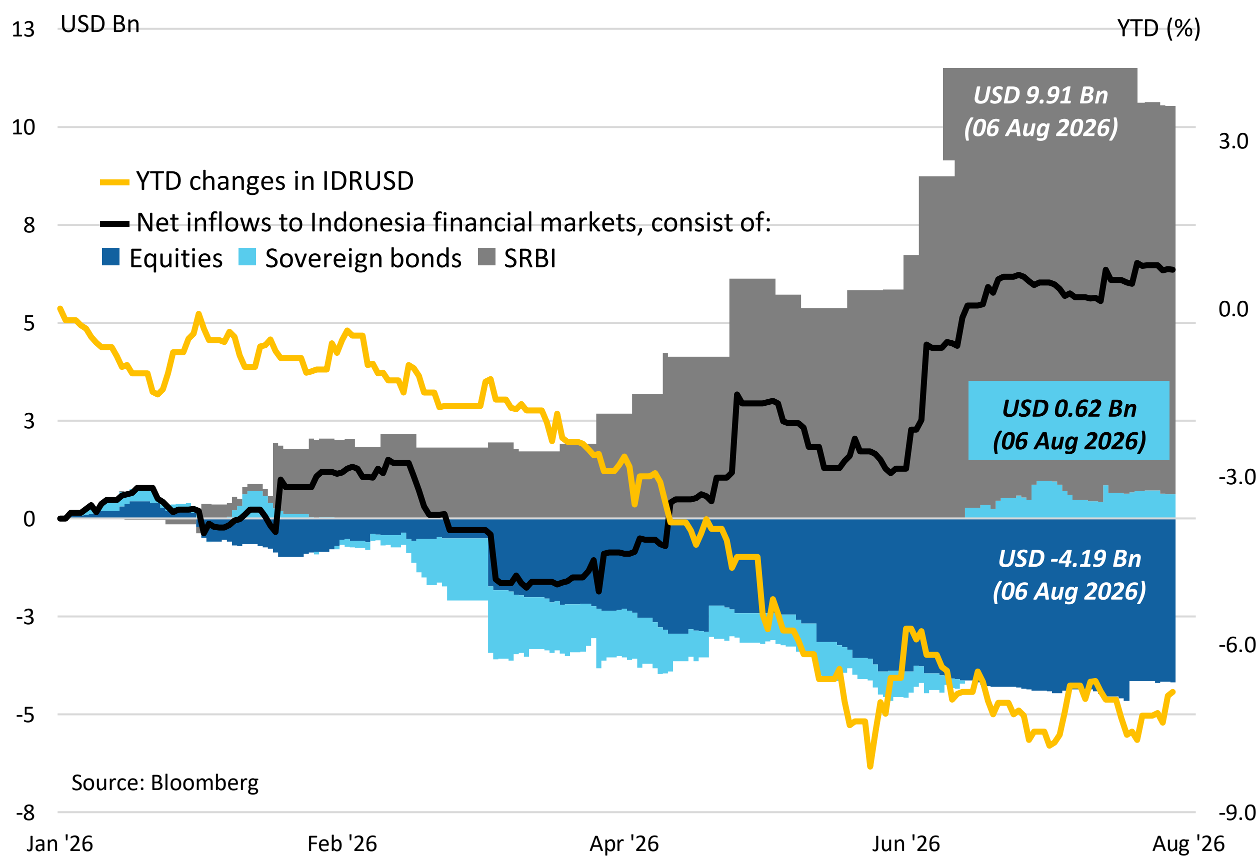


3 Higher USD demand for intervention **required BI to step up FX swaps**



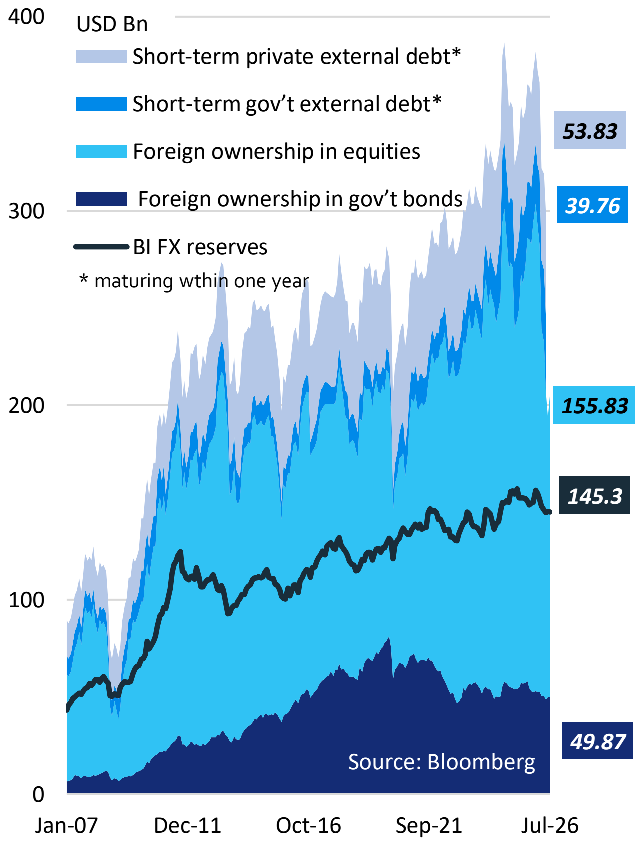
Source: BI

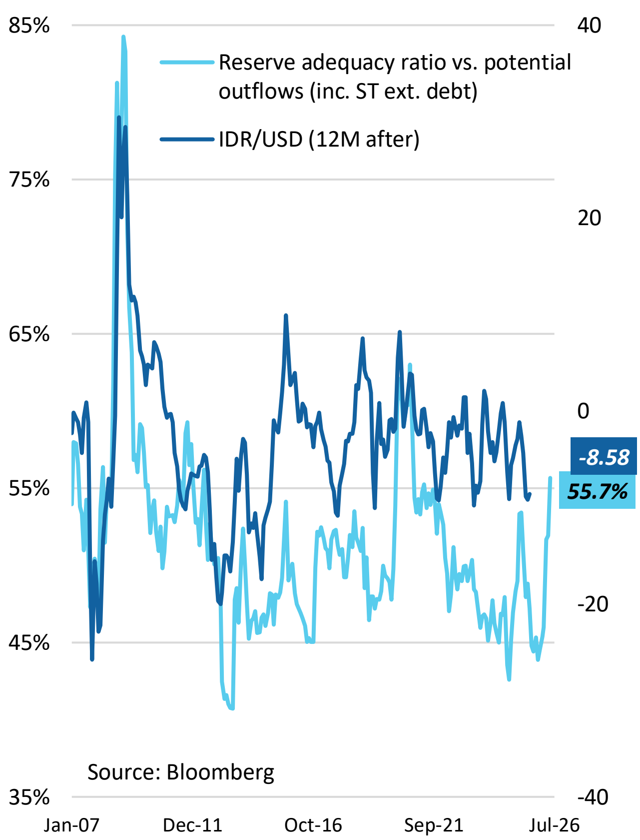
4 **Equities still recorded net outflows,** while fixed income recorded net inflows



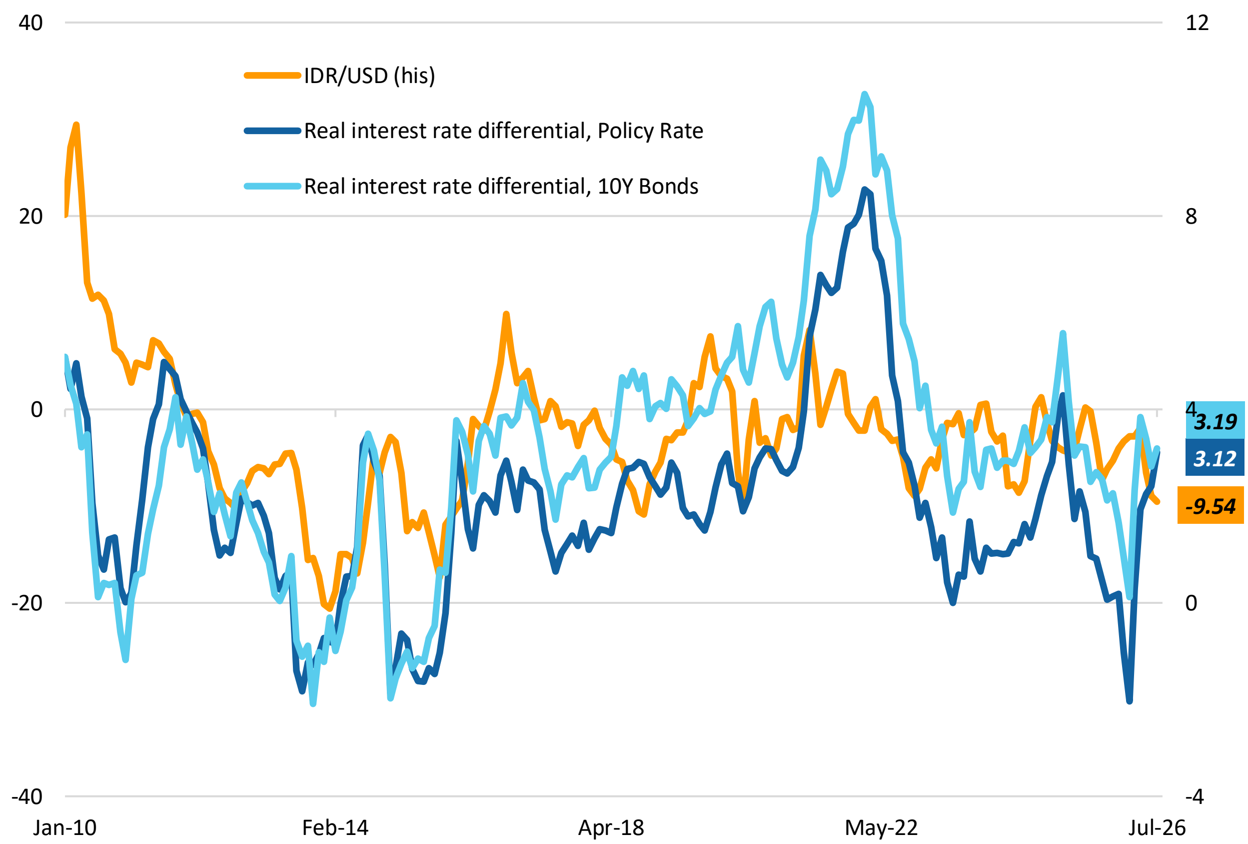
Source: Bloomberg

5 **Higher SRBI maturities in the second half** will be costly for Indonesia





6 **Recent market pressures are keeping interest rates high**



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)
US	3.75	Dec-25	0.25
UK	3.75	Dec-25	1.15
EU	2.40	Jun-26	-0.50
Japan	1.00	Jun-26	-0.70
China (lending)	2.00	Sep-24	3.35
Korea	2.75	Jul-26	-0.05
India	5.25	Dec-25	0.87
Indonesia	5.75	Jun-26	2.87

Money Mkt Rates	06-Aug	-1 mth	Chg (bps)
SPN (1Y)	6.94	6.89	4.9
SUN (10Y)	7.25	7.10	14.8
INDONIA (O/N, Rp)	6.16	6.02	14.0
JIBOR 1M (Rp)	5.03	5.03	0.0

Bank Rates (Rp)	May	Apr	Chg (bps)
Lending (WC)	7.95	7.96	-1.00
Deposit 1M	4.52	4.48	4.00
Savings	0.68	0.68	0.00

Currency/USD	06-Aug	-1 mth	Chg (%)
UK Pound	0.743	0.747	0.47
Euro	0.868	0.874	0.73
Japanese Yen	158.4	162.1	2.31
Chinese RMB	6.751	6.795	0.64
Indonesia Rupiah	17,918	17,995	0.43

Capital Mkt	06-Aug	-1 mth	Chg (%)
JCI	6,343.7	5,916.1	7.23
DJIA	53,885.1	53,055.9	1.56
FTSE	10,867.9	10,651.8	2.03
Nikkei 225	65,683.3	69,737.7	-5.81
Hang Seng	25,530.3	23,616.3	8.10

Foreign portfolio ownership (Rp Tn)	Jul	Jun	Chg (Rp Tn)
Stock	2,805.0	2,573.5	231.50
Govt. Bond	892.0	885.7	6.39
Corp. Bond	5.6	5.7	-0.08

Trade & Commodities	06-Aug	-1 mth	Chg (%)
Baltic Dry Index	3,057.0	2,797.0	9.3
S&P GSCI Index	662.2	626.8	5.7
Oil (Brent, $/brl)	82.5	72.0	14.6
Coal ($/MT)	129.8	128.7	0.8
Gas ($/MMBtu)	2.51	3.22	-21.9
Gold ($/oz.)	4,239.4	4,165.2	1.8
Copper ($/MT)	14,226.6	13,348.4	6.6
Nickel ($/MT)	16,564.4	16,208.3	2.2
CPO ($/MT)	1,104.2	1,094.7	0.9
Rubber ($/kg)	2.21	2.17	1.8

External Sector	Jun	May	Chg (%)
Export ($ bn)	25.46	23.20	9.72
Import ($ bn)	25.91	24.81	4.41
Trade bal. ($ bn)	-0.45	-1.61	-72.02
Central bank reserves ($ bn)*	145.6	144.9	0.48

Prompt Indicators	Jun	May	Apr
Consumer confidence index (CCI)	117.8	120.9	123.0
Car sales (%YoY)	32.9	14.0	55.0
Motorcycle sales (%YoY)	1.1	-5.1	28.1

Manufacturing PMI	Jul	Jun	Chg (bps)
USA	53.9	53.9	0
Eurozone	51.9	51.4	50
Japan	54.5	54.8	-30
China	50.9	51.7	-80
Korea	53.1	52.1	100
Indonesia	50.2	46.9	330

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

	2020	2021	2022	2023	2024	2025	2026E
Real GDP growth (% YoY)	-2.1	3.7	5.3	5.0	5.0	5.1	5.1
Nominal GDP growth (% YoY)	-2.5	9.9	15.4	6.7	6.0	7.6	9.0
GDP per capita (USD)	3912	4350	4784	4920	4960	5083	5128
CPI inflation (% YoY)	1.7	1.9	5.5	2.6	1.6	2.9	4.5
BI Rate (%)	3.75	3.50	5.50	6.00	6.00	4.75	6.25
SBN 10Y yield (%)	5.86	6.36	6.92	6.45	6.97	6.05	8.01
USD/IDR exchange rate (average)	14,529	14,297	14,874	15,248	15,841	16,468	17,600
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690	18,171
Trade balance (USD Bn)	21.7	35.3	54.5	37.0	31.0	41.1	19.2
Current account balance (% of GDP)	-0.4	0.3	1.0	-0.1	-0.6	-0.1	-1.3

Notes:

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

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