FX Reserves:

Finding a new life jacket

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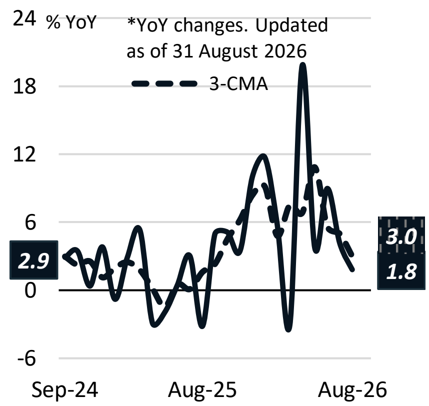
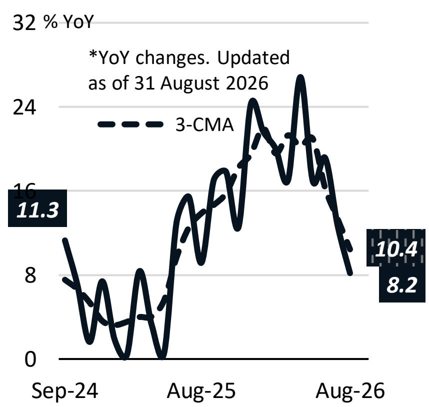
BCA Consumer Spending Index*

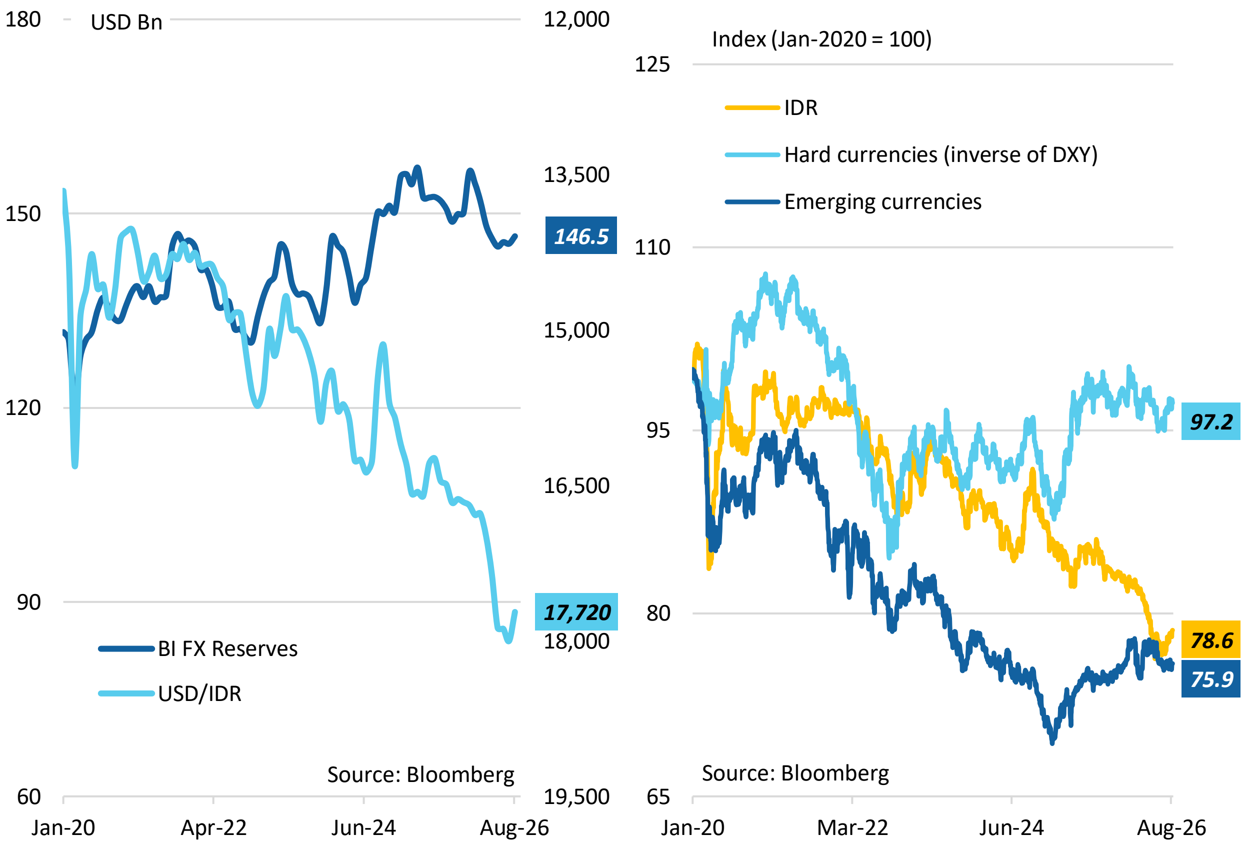


BCA Business Transaction Index*

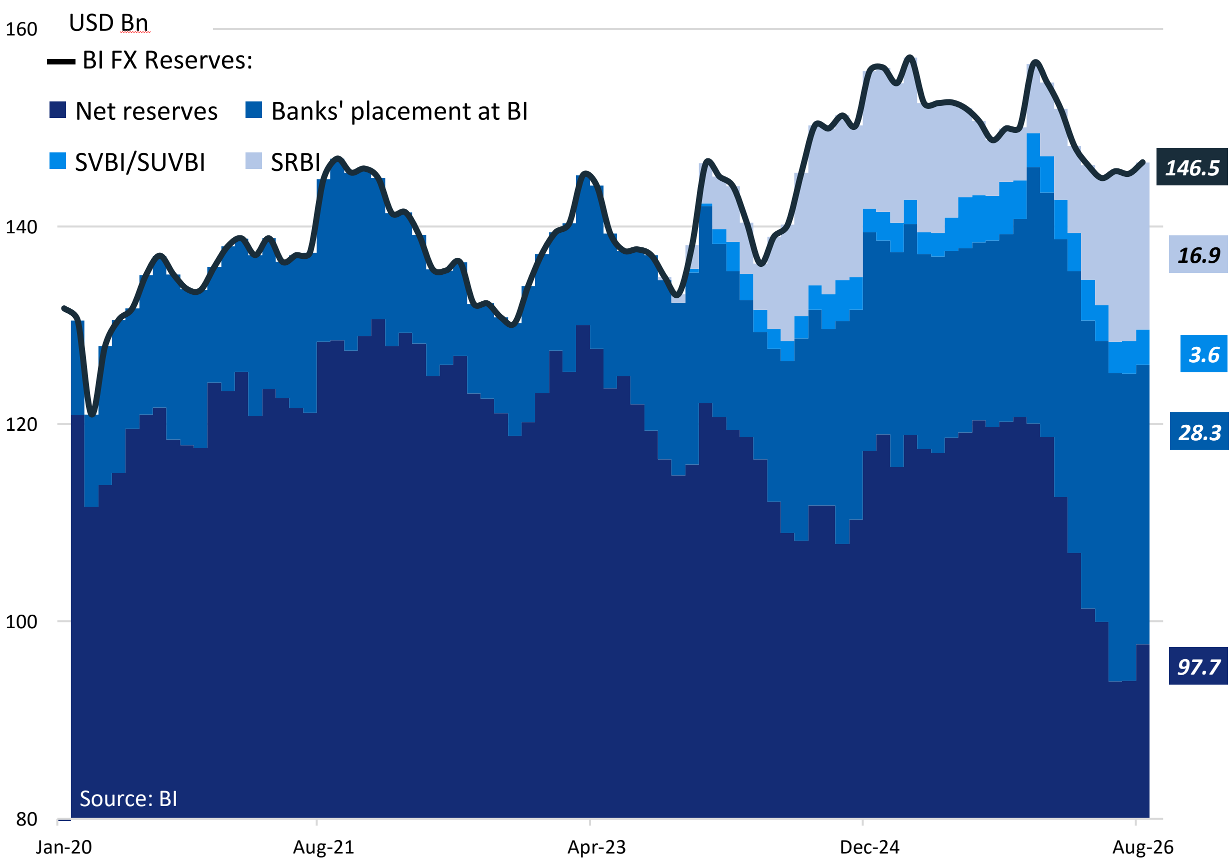


- **Indonesia's FX reserves have recovered to USD 146.5 Bn in Aug-26** from USD 145.3 Bn in July. The main driver of this increase are the net foreign inflows from all 3 main instruments, as well as higher valuation of gold reserves (USD 1.1 Bn).
- **The month of August has brought relatively few headwinds.** First, Prabowo had appointed longtime BI bureaucrats to helm the Central Bank. Second, there are no new additions to domestic uncertainty, in contrast to the announcement of PT DSI in May. Third, the string of protests in August was also relatively limited in size and duration, providing fleeting, if any negative sentiment to investors.
- As a result, we have seen a broad appreciation of Indonesian assets throughout the period. The stock market notched a 4.6% MoM rise, while Rupiah strengthened by 1.7% MoM. This was followed by inflows to both stocks (USD 0.1 Bn) and gov bonds (USD 0.9 Bn) respectively.
- This 'vote of confidence' from the market has allowed BI to pare down SRBI yields (avg 7.2% in Aug-26 vs 7.66% in Jul-26) and issuance amount while still **recording a USD 0.5 Bn inflow**. The decision to quickly tamper SRBI usage as soon as Rupiah showed signs of strength suggests the new BI governor's aversion to constrict liquidity, given the relatively high IndoNIA rates throughout August.
- **However, there remain some concerns over the medium-term trajectory.** Outstanding FX swaps (one of BI's 'smart' policy tool) have declined by USD 1.6 Bn. This could be caused by either complication on Indonesia's Current Account (lower FX liquidity from banks) and/or reduced hedging usage by foreign investors due to recent strengthening of the Rupiah. Additionally, the ongoing Sumatra & Kalimantan wildfires could be exacerbated by the 'Godzilla' El Nino this year, disrupting Indonesia's coal and CPO production and exports.
- **Unfortunately, external forces may impede further appreciation of the Rupiah.** We have seen Fed outlook turned more hawkish in the past week, sparked by Warsh's Jackson Hole speech as well as August's strong NFP print. The (likely) upcoming cycle of rate hikes (from The Fed and/or BoJ) risks straining portfolio inflows, especially at a time where increased energy prices have made some investors pare back exposure to oil importers. With these factors in mind, we still forecast BI to raise rates one more time this year.

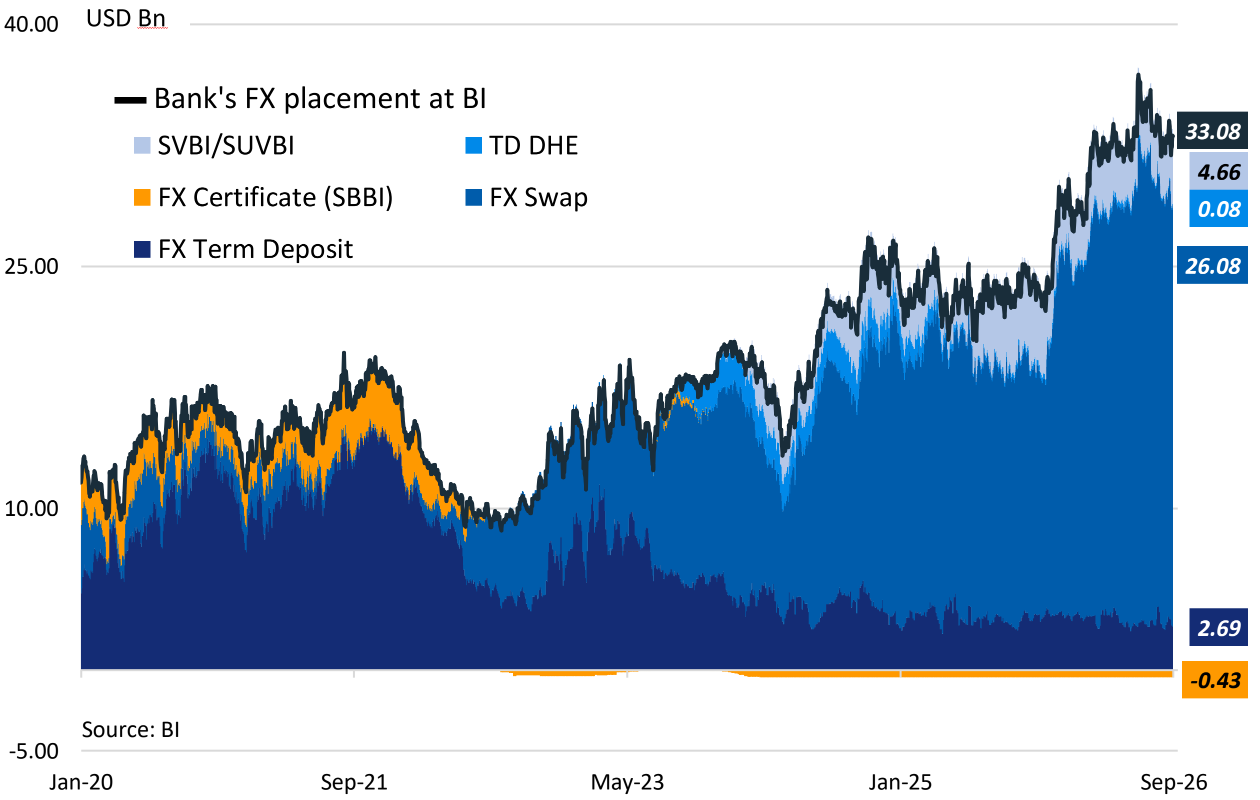
1 **FX reserves rose** as portfolio inflows and strengthening Rupiah lessened the need for interventions



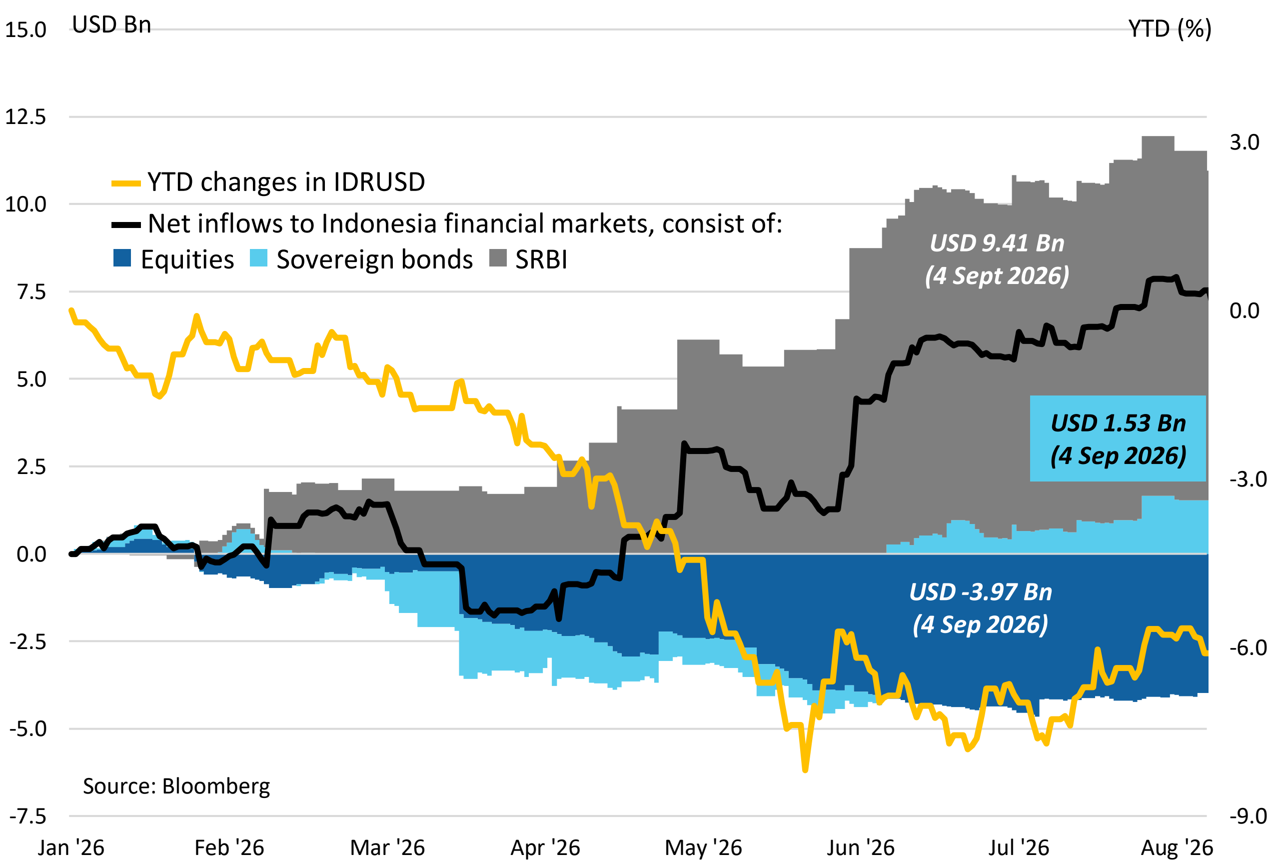
2 **Net reserves rose** due to concentrated portfolio inflows towards non-SRBI instruments



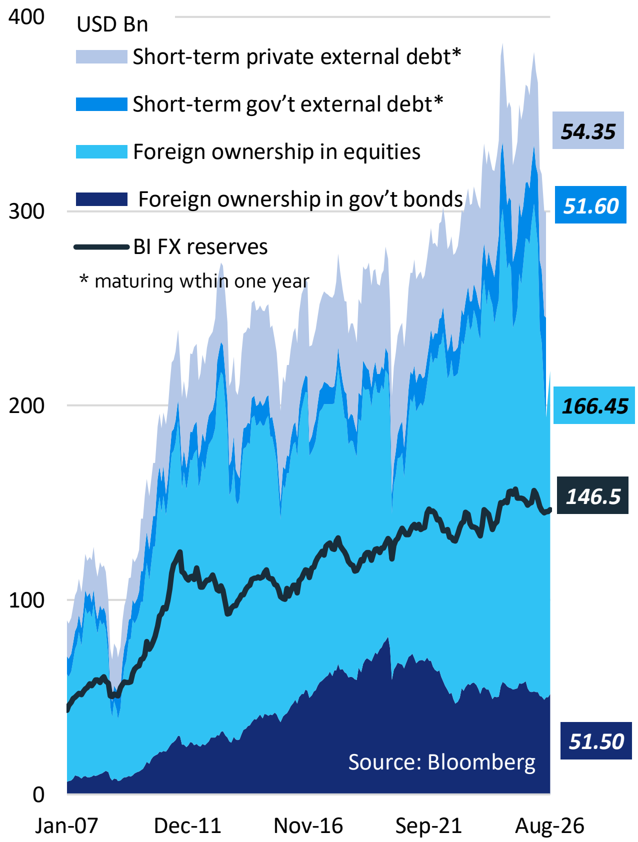
3 Declining outstanding FX swaps due to **either tighter FX liquidity or lower interest in FX hedging**

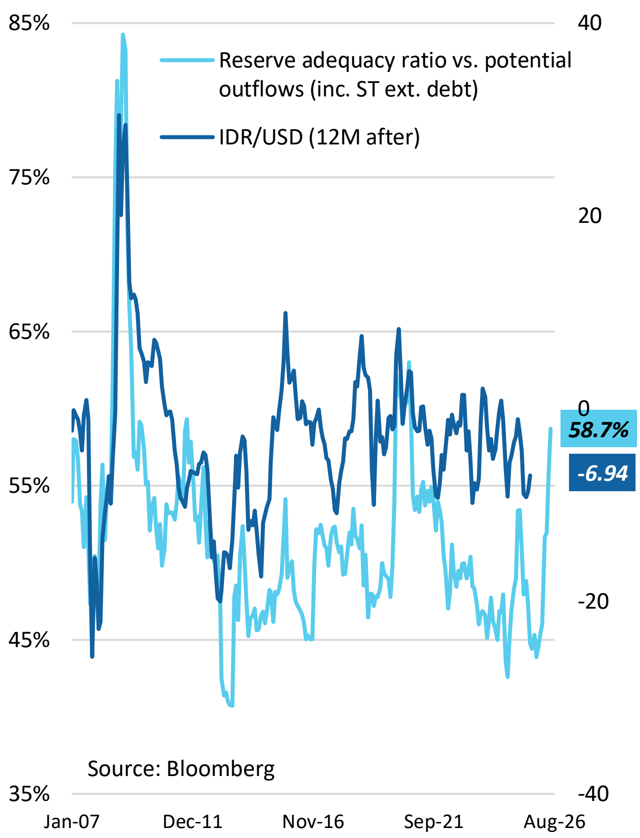


4 **Equities still recorded net outflows YtD,** while fixed income recorded net inflows

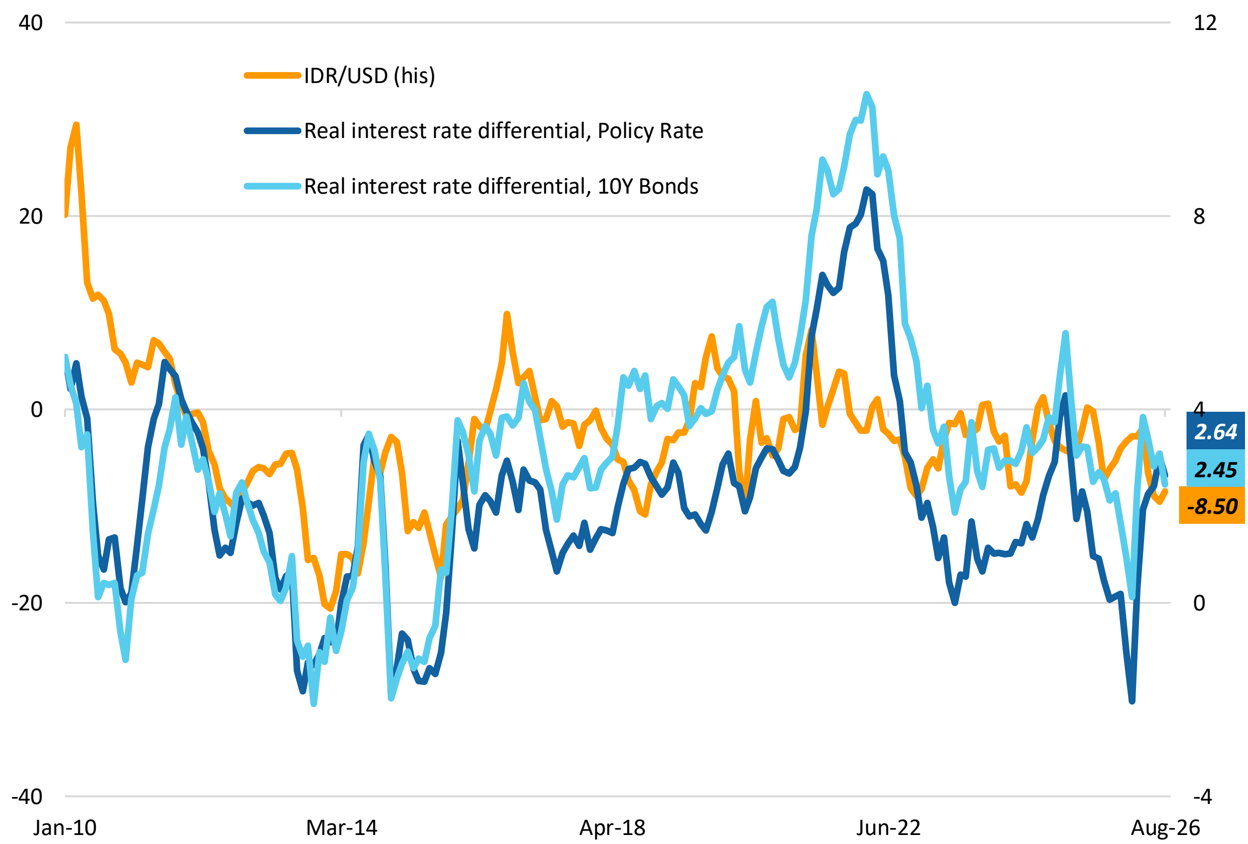


5 **Higher SRBI maturities in the second half** may be costly for Indonesia





6 Real interest rate differential has fallen recently owing to **higher inflation**



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)
US	3.75	Dec-25	0.35
UK	3.75	Dec-25	0.85
EU	2.40	Jun-26	-0.90
Japan	1.00	Jun-26	-0.90
China (lending)	2.00	Sep-24	3.85
Korea	3.00	Aug-26	-0.10
India	5.25	Dec-25	0.80
Indonesia	5.75	Jun-26	2.56

Money Mkt Rates	04-Sep	-1 mth	Chg (bps)
SPN (1Y)	6.79	6.82	-2.9
SUN (10Y)	7.09	7.31	-21.8
INDONIA (O/N, Rp)	5.65	6.29	-63.3
JIBOR 1M (Rp)	5.03	5.03	0.0

Bank Rates (Rp)	Jun	May	Chg (bps)
Lending (WC)	8.07	7.95	12.00
Deposit 1M	4.96	4.52	44.00
Savings	0.68	0.68	0.00

Currency/USD	04-Sep	-1 mth	Chg (%)
UK Pound	0.740	0.743	0.50
Euro	0.861	0.867	0.72
Japanese Yen	156.3	157.8	0.95
Chinese RMB	6.711	6.749	0.57
Indonesia Rupiah	17,637	18,023	2.19

Capital Mkt	04-Sep	-1 mth	Chg (%)
JCI	6,636.5	6,319.6	5.01
DJIA	53,414.3	54,085.9	-1.24
FTSE	10,831.1	10,879.4	-0.44
Nikkei 225	65,020.9	63,957.5	1.66
Hang Seng	25,650.9	25,852.9	-0.78

Foreign portfolio ownership (Rp Tn)	Aug	Jul	Chg (Rp Tn)
Stock	2,949.5	2,805.0	144.49
Govt. Bond	907.8	892.4	15.35
Corp. Bond	4.8	5.6	-0.74

Trade & Commodities	04-Sep	-1 mth	Chg (%)
Baltic Dry Index	3,628.0	2,936.0	23.6
S&P GSCI Index	735.8	652.5	12.8
Oil (Brent, $/brl)	96.3	79.4	21.3
Coal ($/MT)	153.0	134.1	14.1
Gas ($/MMBtu)	2.92	2.69	8.4
Gold ($/oz.)	4,430.0	4,078.0	8.6
Copper ($/MT)	14,490.2	14,168.9	2.3
Nickel ($/MT)	16,686.3	16,995.2	-1.8
CPO ($/MT)	1,143.7	1,102.3	3.8
Rubber ($/kg)	2.37	2.19	8.2

External Sector	Jul	Jun	Chg (%)
Export ($ bn)	26.22	25.46	2.98
Import ($ bn)	26.09	25.91	0.72
Trade bal. ($ bn)	0.12	-0.45	-127.06
Central bank reserves ($ bn)*	145.3	145.6	-0.17

Prompt Indicators	Jul	Jun	May
Consumer confidence index (CCI)	116.8	117.8	120.9
Car sales (%YoY)	33.3	33.0	14.0
Motorcycle sales (%YoY)	8.3	1.1	-5.1

Manufacturing PMI	Aug	Jul	Chg (bps)
USA	53.9	53.9	0
Eurozone	52.7	51.9	80
Japan	54.9	54.5	40
China	51.5	50.9	60
Korea	52.3	53.1	-80
Indonesia	49.8	50.2	-40

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	5.3
Nominal GDP growth (% YoY)	-2.5	9.9	15.4	6.7	6.0	7.6	9.1
GDP per capita (USD)	3912	4350	4784	4920	4960	5083	5126
CPI inflation (% YoY)	1.7	1.9	5.5	2.6	1.6	2.9	3.2
BI Rate (%)	3.75	3.50	5.50	6.00	6.00	4.75	6.00
SBN 10Y yield (%)	5.86	6.36	6.92	6.45	6.97	6.05	7.31
USD/IDR exchange rate (average)	14,529	14,297	14,874	15,248	15,841	16,468	17,621
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690	18,238
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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