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Macro Note

Indonesia: Foreign Reserves Declined By USD2.1bn In September

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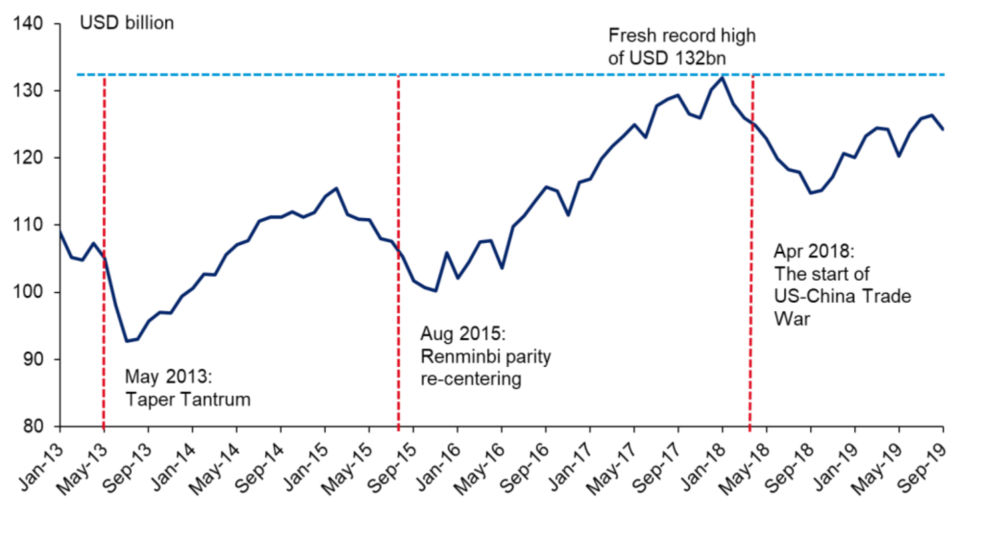
- Indonesia's foreign exchange reserves fell by USD2.1bn to USD124.3bn in September from USD126.4bn in the previous month, the highest level this year. Nevertheless, it remains at healthy levels, sufficient to cover 7.2 months of import financing or 7.0 months of imports, and payments of government external debt.The FX reserves are also well above the international adequacy standard of around 3 months of imports. Bank Indonesia (BI) assessed that foreign exchange reserves will be able to support external sector resilience and maintain macroeconomic and financial system stability.

- The decline in September's foreign exchange reserves was mainly attributable to the government's foreign debt repayment and decline of bank foreign currency placement at Bank Indonesia. Going forward, BI viewed that foreign exchange reserves will remain adequate, supported by stability and sound economic prospects.

- Going forward, we might see a further moderate build-up in FX reserves in light of ongoing US-China trade talks, potentially higher exports revenue and capital inflow (especially in the form of bonds), as well as potential rate cuts by the US Federal Reserve before the end of this year. Risks surrounding this view would be capital outflows and USD strength amidst a return of risk aversion.

Figure 1. FX Reserves Fell by USD2.1bn to USD124.3bn in Sep

Source: Bank Indonesia, UOB Global Economics & Markets Research



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