
Resilience by Financing or Resilience by Structure? Indonesia's Balance of Payments in Q2 2026 Amid Oil Shocks, Global Financial Volatility, and Domestic Demand Pressures

Loso Judijanto

<https://orcid.org/0009-0007-7766-0647>

IPOSS Jakarta, Indonesia

doi.org/10.51505/IJEBMR.2026.11008 URL: <https://doi.org/10.51505/IJEBMR.2026.11008>

Received: Sep 03, 2026

Accepted: Sep 11, 2026

Online Published: Oct 08, 2026

Abstract

Indonesia's balance of payments (BOP) in the second quarter of 2026 presents an apparent paradox. The overall BOP deficit narrowed markedly from USD 9.1 billion in Q1 to USD 0.9 billion in Q2, while the current-account deficit widened from USD 3.6 billion, or 1.0% of GDP, to USD 12.5 billion, or 3.3% of GDP. The deterioration was largely offset by a USD 12.0 billion capital and financial account surplus supported by direct and portfolio investment. This qualitative literature review assesses whether the Q2 outcome represents durable external resilience or resilience that remains dependent on favourable financing conditions. Drawing on Bank Indonesia data, contemporary macroeconomic evidence and peer-reviewed literature published predominantly during 2020–2026, the study develops a five-pillar framework comprising flow, financing, liquidity, market-policy and structural resilience. The findings indicate that Indonesia retained substantial buffers through foreign-exchange reserves, continuing foreign direct investment, policy credibility and renewed portfolio inflows. Nevertheless, oil-import dependence, a widening primary-income deficit, reliance on internationally mobile portfolio capital and exposure to global interest-rate and geopolitical shocks remain material vulnerabilities. The paper characterises Indonesia's Q2 2026 position as conditional external resilience and argues that policy should progressively shift from financing-supported resilience toward resilience grounded in diversified and sustainable foreign-exchange-generating capacity.

Keywords: Indonesia; balance of payments; current account; external resilience; capital flows; foreign-exchange reserves; oil prices; global financial cycle; exchange rate; macroeconomic policy

JEL Classification: F32; F31; F21; E44; E52

1. Introduction

Indonesia entered the second quarter of 2026 in an unusually demanding external environment. The global economy was simultaneously affected by geopolitical tensions, an energy-price shock associated with conflict in the Middle East, persistent inflation, uncertainty regarding the future path of advanced-economy monetary policy and renewed volatility in global financial markets. The International Monetary Fund (IMF, 2026a) projected global growth of only 3.0% in 2026 and global headline inflation of 4.7%, while its July baseline assumed an average petroleum price of approximately USD 89 per barrel. The IMF also emphasised that renewed geopolitical escalation could increase commodity-price volatility and tighten global financial conditions, illustrating the difficult external setting confronting emerging-market economies such as Indonesia.

Against this background, Indonesia's balance of payments (BOP) produced a strikingly mixed outcome. The overall BOP deficit decreased from USD 9.1 billion in Q1 2026 to only USD 0.9 billion in Q2. However, this headline improvement masked a sizeable deterioration in the current account. The current-account deficit widened from USD 3.6 billion, equivalent to 1.0% of GDP, in Q1 to USD 12.5 billion, equivalent to 3.3% of GDP, in Q2. Rising oil and gas trade deficits, a smaller non-oil and gas trade surplus and higher primary-income payments were important contributors. In contrast, the capital and financial account recorded a USD 12.0 billion surplus after posting a USD 4.8 billion deficit in the preceding quarter (Bank Indonesia, 2026a).

Consequently, a simple reading of the aggregate BOP balance risks generating an incomplete interpretation of Indonesia's external position. A BOP can improve because exports increase, import dependence decreases and recurrent foreign-exchange earnings strengthen; alternatively, it can improve because capital inflows compensate for deterioration in the current account. Both outcomes satisfy the accounting structure of the BOP but carry very different implications for resilience. Foreign direct investment, portfolio investment and short-term external financing vary significantly in persistence, reversibility and exposure to the global financial cycle (Hansen and Wagner, 2022; Islamaj and Kose, 2022; Bianchi, Galstyan and Herzberg, 2022; Pagliari and Hannan, 2024). Research on emerging markets consistently demonstrates that the composition rather than merely the aggregate volume of capital flows is central to external vulnerability (Davis and Zlate, 2023; Buono, Corneli and Di Stefano, 2024).

The Q2 configuration is particularly important because Indonesia's domestic economy was not in recession. Real GDP expanded by 5.29% year-on-year and 3.73% quarter-on-quarter, while government consumption increased strongly (BPS-Statistics Indonesia, 2026). Strong domestic activity is positive for employment and development, but it may also stimulate imports of intermediate inputs, capital equipment, fuels and consumption goods. This creates a familiar open-economy policy tension: a country may simultaneously seek stronger domestic growth and external stability even though the former can initially generate import leakage and a larger current-account deficit.

Recent literature confirms that current-account dynamics cannot be interpreted independently of domestic saving, investment, growth and the policy regime. Macroeconomic growth, fiscal conditions, investment, exchange rates and institutional characteristics can change current-account outcomes, while the nature of a deficit matters at least as much as its size (Altayligil and Çetrez, 2020; Feriyanto, 2020; Hakim and Sriyana, 2020; Handoyo, Erlando and Astutik, 2020; Purnama, Budiono and Priyono, 2021; Afonso et al., 2022). A deficit generated by productive investment that raises future export capacity is fundamentally different from one generated by persistent consumption or structural dependence on imported energy.

Indonesia's energy structure makes this distinction particularly relevant. Bank Indonesia's Q2 2026 data show that the value of oil imports rose from USD 7.291 billion in Q1 2026 to USD 11.607 billion in Q2 even though total import volume moved from approximately 90 million barrels to 88 million barrels. At the same time, reported crude-oil and refined-product prices increased sharply. The evidence therefore suggests that a substantial component of the Q2 deterioration originated from a price shock rather than a simple volume-driven import boom (Bank Indonesia, 2026a).

The importance of oil is consistent with earlier evidence that commodity-price shocks can affect Indonesia through several competing channels. As an exporter of coal, palm oil, metals and several other commodities, Indonesia can benefit from increases in selected commodity prices. Nevertheless, as a net importer of petroleum products, rising international oil prices increase foreign-exchange demand and can negatively affect the trade balance and exchange rate. Baek and Choi (2021) document asymmetric responses of Indonesia's real exchange rate to oil-price movements, while Bildirici and Kayıkçı (2022) show that energy-import exposure can materially influence current-account vulnerability. Chinn and Ito (2025) further demonstrate that oil-price and uncertainty shocks can generate important saving-investment and current-account adjustments in emerging and developing economies.

External resilience must furthermore be assessed against international financial conditions. Bank Indonesia (2026b) reported foreign portfolio net inflows of USD 8.5 billion in Q2 2026, mainly through government securities and Bank Indonesia Rupiah Securities (SRBI). These inflows supported the capital and financial account and the rupiah. At the same time, the Q2 report noted rising US Treasury yields and global portfolio reallocation toward safe-haven and higher-yield US assets. Hence, the mechanism supporting the Q2 BOP was partially connected to financial conditions that can change relatively quickly.

Modern research on the global financial cycle provides a strong theoretical basis for this concern. US monetary-policy shocks, global risk aversion, investor sentiment and changing international liquidity conditions influence capital flows into emerging economies even when countries maintain flexible exchange rates (Miranda-Agrippino and Rey, 2020; Dahlhaus and Vasishtha, 2020; Shim and Shin, 2021; Prabheesh, Anglingkusumo and Juhro, 2021; Davis and Zlate, 2023; Villamizar-Villegas et al., 2024). More recent evidence suggests that sensitivity to global conditions has increased in many emerging markets and that US interest rates, global risk

aversion and domestic economic conditions remain major determinants of capital-flow volatility (Kaya and Erden, 2023; Buono, Corneli and Di Stefano, 2024; Pagliari and Hannan, 2024).

The research problem is therefore not whether Indonesia's BOP improved in Q2—it clearly did at the headline level—but **what type of resilience generated this improvement**. This article distinguishes between **resilience through financing** and **resilience through structure**. Financing resilience exists when an economy retains access to capital sufficient to finance temporary current-account pressures. Structural resilience exists when foreign-exchange generation is supported by diversified exports, manageable import dependence, deep domestic financial markets, prudent foreign-currency liabilities, robust international reserves and sustainable external-income flows. The two forms can coexist, but they should not be treated as equivalent.

Accordingly, this article addresses four questions. First, how should the Q2 2026 BOP be interpreted when a sharply smaller overall deficit coexisted with a substantially larger current-account deficit? Second, what domestic and external factors explain this configuration? Third, which indicators should be used to assess Indonesia's external resilience beyond the headline BOP and conventional import-cover ratio? Fourth, what policy architecture is required to strengthen resilience against oil shocks, global financial tightening, geopolitical uncertainty and changing trade conditions?

The article argues that Indonesia demonstrated **conditional external resilience** in Q2 2026. Foreign-exchange reserves, direct investment, renewed portfolio inflows, investor confidence, policy responsiveness and the economy's underlying productive capacity provided significant buffers. Nevertheless, resilience remained conditional on continued financing access and on the temporary nature of part of the current-account deterioration. The objective for policy is therefore not simply to maintain a manageable overall BOP but progressively to transform **financing-supported resilience into structurally embedded resilience**.

2. Literature Review

2.1 Balance-of-Payments Resilience as a Multidimensional Concept

The BOP is an accounting framework recording transactions between residents and non-residents through the current account, capital account, financial account and reserve assets. Although the accounting relationships are exact in principle, economic interpretation is not. A current-account deficit represents the excess of domestic investment over national saving and must ultimately be financed by net capital inflows or changes in reserve assets. Yet recent research cautions against treating the saving-investment identity as a sufficient analytical model because measurement issues, valuation changes, retained earnings and multinational-company accounting can significantly affect interpretation (Beckmann, Belke and Gros, 2022; Hansen and Wagner, 2022; Bergant, 2021).

A particularly useful insight is provided by Hansen and Wagner (2022), who show that reinvested earnings of multinational corporations appear simultaneously as FDI inflows and income-account transactions even when there is no corresponding cross-border cash movement. This highlights why external-vulnerability assessment should differentiate accounting balances from the underlying liquidity implications. Similarly, valuation effects associated with exchange rates and asset prices can alter a country's net international investment position without equivalent current-period capital flows (Bergant, 2021).

Recent current-account research also emphasises heterogeneity in underlying determinants. Altayligil and Çetrez (2020) identify macroeconomic, institutional and financial determinants, while Harkmann and Staehr (2021) demonstrate that domestic and external drivers can differ depending on exchange-rate regimes. Chinn and Ito (2025) extend the discussion by showing that war, disasters, financial instability, oil prices and monetary uncertainty influence saving and investment and hence current-account adjustment. These findings justify an analytical framework in which current-account sustainability depends on both domestic structure and the nature of external shocks.

Indonesia-specific studies similarly indicate that exchange rates, GDP growth, money supply, FDI and macroeconomic policy affect current-account performance (Feriyanto, 2020; Hakim and Sriyana, 2020; Maulina and Hayati, 2020; Purnama, Budiono and Priyono, 2021). Handoyo, Erlando and Astutik (2020) find evidence relevant to the twin-deficit relationship in Indonesia, reinforcing the proposition that fiscal, saving and external balances should be analysed jointly. Tourism can also generate meaningful foreign-exchange income and improve Indonesia's current account, demonstrating the potential importance of service exports for structural resilience (Narayan, Narayan and Tobing, 2021).

2.2 Current-Account Deficits and the Quality of External Adjustment

A current-account deficit is not inherently evidence of macroeconomic fragility. Intertemporal models allow economies with strong investment opportunities to import capital today in exchange for higher future output. The crucial questions concern the productivity of the expenditure financed, the expected path of exports and income, the quality of financing and the economy's ability to service future liabilities. Persistent deficits become more problematic when associated with weak productivity, excessive consumption, short-term foreign borrowing, currency mismatch or deterioration in competitiveness.

Afonso et al. (2022) demonstrate that fiscal institutions can influence current-account outcomes and that well-designed fiscal frameworks may reduce external imbalances. Beirne, Renzhi and Volz (2021) additionally show that current-account imbalances can generate regional and global spillovers, particularly through trade and global value chains. Cardani et al. (2022) distinguish domestic from foreign drivers of trade imbalances, while Chinn and Ito (2022) emphasise that the distribution of global current-account surpluses and deficits changes over time and cannot be reduced to a single bilateral explanation.

Services and structural transformation can also modify the relationship between growth and current-account balances. Gruhle and Harms (2022) find that expansion of producer services may initially weaken current accounts while raising productivity, highlighting why the economic significance of a deficit depends on its underlying growth mechanism. Duval, Furceri and Jalles (2022) similarly demonstrate that structural reforms can influence external balances through saving and investment responses. Nieminen (2022) adds a deeper long-run perspective by showing persistent links between economic preferences, current-account balances and national external wealth.

For Indonesia, this literature implies that Q2 2026 should not automatically be categorised as unsustainable because the quarterly deficit reached 3.3% of GDP. The key question is whether the widening largely reflected temporary high oil prices and productive import demand or a persistent deterioration in competitiveness and saving. Bank Indonesia explicitly described several drivers as temporary and projected the full-year current-account deficit to remain within approximately 0.5–1.3% of GDP, significantly below the Q2 annualised-looking quarterly ratio.

2.3 Oil Dependence, Terms of Trade and the Exchange Rate

Energy prices represent a particularly important BOP transmission channel for economies whose commodity-export structure coexists with petroleum-import dependence. Higher global commodity prices can increase export receipts from coal, palm oil and metals while simultaneously increasing the petroleum import bill. The net result is therefore determined by commodity composition rather than a simple exporter/importer classification, and cross-country evidence confirms that high energy-import dependence can make current accounts more vulnerable to adverse energy shocks (Bildirici and Kayıkçı, 2022).

Baek and Choi (2021) demonstrate that oil-price changes can have asymmetric effects on Indonesia's real exchange rate. Related Indonesia-specific evidence shows that information transmission in the US dollar-rupiah market can be dynamic, reinforcing the need to analyse exchange-rate adjustment alongside external shocks (Lau and Yip, 2020). When the value of oil imports rises, domestic agents require additional foreign currency for settlement, potentially increasing pressure on the rupiah; if depreciation follows, imported energy and intermediate costs may rise further, producing inflationary effects and an additional monetary-policy response. Dainauskas (2023) shows more generally that commodity prices preserve an important relationship among exchange rates, terms of trade and current accounts even in a world characterised by dominant-currency pricing.

The oil-price shock in Q2 2026 illustrates this mechanism unusually clearly. The Bank Indonesia table reports substantially higher oil-import values even though aggregate import volume was slightly lower. Crude-oil and refined-product prices increased sharply. The current-account deterioration should therefore be interpreted partly as a negative terms-of-trade shock rather than exclusively as evidence of excessive domestic demand.

The distinction is important for policy. Demand compression through tighter monetary or fiscal policy can reduce imports but cannot eliminate an externally imposed oil-price shock without significant output costs. Structural solutions instead require energy efficiency, domestic refining and energy capacity where economically justified, fuel substitution, electrification and renewable-energy deployment. Energy transition can therefore be understood not only as environmental policy but also as long-term BOP-risk management.

2.4 Capital Flows and the Global Financial Cycle

Capital flows provide both benefits and risks. FDI can support production, technology transfer and employment, while portfolio flows deepen markets and reduce financing costs. However, capital-flow composition determines vulnerability. Bathia et al. (2020) find that debt and equity portfolio flows influence emerging-market asset returns and volatility differently, with debt flows often exerting particularly strong effects, while Bathia et al. (2023) show that international capital flows contribute to information and shock transmission between equity and currency markets. Indonesia-specific evidence also indicates that capital inflows interact with domestic bank credit, underscoring the importance of monitoring financial-system transmission alongside the BOP itself (Mara et al., 2021).

Bianchi, Galstyan and Herzberg (2022) find that emerging-market debt flows are especially sensitive to global risk. Fischer et al. (2021) show that transitions into high-stress financial regimes generate portfolio outflows from emerging markets. Shim and Shin (2021) similarly demonstrate that financial stress in creditor countries can drive withdrawals of international financing from emerging economies. These findings matter directly for Indonesia because a portion of the Q2 2026 improvement was supported by portfolio inflows into tradable domestic instruments.

The global financial cycle operates through US monetary conditions, the dollar, global liquidity and risk appetite. Dahlhaus and Vasishta (2020) show that US monetary-policy news affects emerging-market portfolio flows with significant cross-country heterogeneity, while Davis and Zlate (2023) find that the sensitivity of exchange rates and cross-border capital flows to the global financial cycle can rise sharply during periods of stress. Prabheesh, Anglingkusumo and Juhro (2021) provide evidence specifically linking global and domestic financial cycles in Indonesia and India. Buono, Corneli and Di Stefano (2024) and Pagliari and Hannan (2024) further identify global conditions, US interest rates and risk aversion as key determinants of the level and volatility of capital flows to emerging and developing economies.

Investor expectations also matter. Beckmann, Boonman and Schreiber (2024) find that survey expectations and media sentiment contain information about emerging-market capital flows beyond conventional push and pull factors, with exchange-rate-related sentiment particularly influential. Ayadi, Ben Omrane and Das (2024) show that emerging currencies react strongly to US macroeconomic announcements and senior officials' communications. Therefore, financial-account resilience is partly a function of credibility and perceptions as well as realised macroeconomic fundamentals.

Villamizar-Villegas et al. (2024), synthesising empirical evidence on emerging markets, conclude that monetary tightening can attract some categories of inflows but that global risk has a stronger restraining effect than many domestic factors. FDI is less responsive to monetary-policy shocks than banking flows, providing an important argument for favouring stable productive investment over financing strategies that rely excessively on rate-sensitive portfolio capital.

2.5 Foreign-Exchange Reserves and External Liquidity

Reserve adequacy is a fundamental component of external resilience because reserves enable a central bank to provide foreign-currency liquidity, manage disorderly market conditions and maintain confidence during sudden capital-flow reversals. Yet simple import coverage provides only a partial measure. External liquidity assessment should additionally consider short-term external debt, debt-service requirements, gross external financing needs, the currency structure of liabilities, derivative commitments and the liquidity characteristics of reserve assets. This broader approach is consistent with research showing that foreign liquid assets can provide insurance against global financial-cycle shocks and sudden stops (Jeanne and Sandri, 2023; Davis, Devereux and Yu, 2023).

Sosa-Padilla and Sturzenegger (2023) show that not only the level but also the manner in which reserves are accumulated can influence sovereign risk. Lutz and Zessner-Spitzenberg (2023) develop a framework in which reserve accumulation helps insure economies against international liquidity shocks and sudden stops, while Jeanne and Sandri (2023) emphasise the role of foreign liquid assets in buffering global financial-cycle shocks. The implication is that reserves should be interpreted as insurance against specific liability structures rather than merely as a target number of months of imports.

Indonesia retained USD 145.6 billion in official reserve assets at the end of June 2026. The supplied Bank Indonesia release reports this as equivalent to 5.6 months of imports and 5.4 months of imports plus government external-debt payments, whereas a subsequent reserve release reports 5.5 months of imports for the same reserve stock (Bank Indonesia, 2026a, 2026c). This small difference is likely related to the reference import measure used and is reported transparently rather than silently reconciled. Both figures are materially above the conventional three-month import benchmark.

Indonesia-specific recent research reinforces the importance of liability structure. Afriana et al. (2025) analyse currency and maturity risks in relation to Indonesian reserve resilience, while Kumar, Prabheesh and Gunadi (2026) investigate the broader determinants of Indonesia's international reserves. Abubakar, Utari and Azwar (2020) further emphasise the usefulness of early-warning indicators in anticipating macro-financial stress. The combined implication is that a comprehensive external-resilience dashboard should monitor reserves jointly with short-term external debt, foreign holdings of domestic securities, corporate hedging and external debt servicing rather than relying on import cover alone.

2.6 Foreign-Exchange Intervention and the Integrated Policy Mix

Emerging-market central banks increasingly operate with several instruments rather than a single policy interest rate. Chertman, Hutchison and Zink (2020) show that large emerging economies frequently combine interest-rate policy, FX intervention and capital-account tools while attempting to stabilise inflation, output, exchange rates and reserves. Choi (2020) demonstrates theoretically that partial capital controls and managed exchange-rate policies may be welfare improving when financial markets are highly sensitive to FX risks, while Fan et al. (2020) show that capital-control policies can also generate cross-border spillovers that need to be considered. Lama and Medina (2020) likewise find that the optimal mix of monetary policy, FX intervention and macroprudential measures depends on the source of the capital-flow shock.

Adler, Chang and Wang (2021) document the widespread use of FX intervention under inflation targeting in emerging economies. Adler and Mano (2021), however, emphasise that intervention carries balance-sheet and quasi-fiscal costs. Firm-level evidence also indicates that FX intervention can affect corporate exchange-rate exposure, reinforcing the need to consider micro-financial transmission when designing intervention strategies (Sikarwar, 2020). Thus, intervention should normally reduce excessive volatility rather than permanently defend an exchange rate inconsistent with macroeconomic fundamentals.

More recent research reinforces the integrated-policy perspective. Magud and Pienknagura (2025) find that FX intervention can mitigate large depreciation episodes associated with global uncertainty, particularly where interventions are used selectively rather than continuously. Pereira and Divino (2025) find welfare benefits from coordinated monetary and sterilised FX intervention in emerging small open economies, while Davis, Devereux and Yu (2023) show how intervention can help mitigate sudden-stop dynamics under high external-debt conditions. Agénor and Pereira da Silva (2023) similarly emphasise complementarity among fiscal, monetary, macroprudential, FX-intervention and capital-flow tools in a managed-float framework.

This literature closely resembles Indonesia's actual policy framework, in which the BI-Rate operates alongside SRBI, FX spot intervention, DNDF instruments, swaps, macroprudential policies and initiatives to deepen the domestic FX market. Indonesia-specific research also indicates that exchange-rate returns respond to multiple domestic and international predictors, supporting a policy framework that does not rely on a single instrument (Fianto et al., 2020). Bank Indonesia's Q2 2026 policy package explicitly included measures designed to attract portfolio inflows, strengthen hedging and promote Local Currency Transactions (Bank Indonesia, 2026b).

2.7 Export Proceeds, Domestic FX Liquidity and Structural Resilience

One potential mechanism for increasing domestic FX availability is requiring or incentivising exporters to retain export proceeds within the domestic financial system. Nevertheless, repatriation alone does not create new foreign-exchange earnings. Panggabean et al. (2025) find

that export-proceeds repatriation does not necessarily eliminate exchange-rate volatility arising from short-term capital-flow fluctuations. The policy is therefore most effective when accompanied by financial-market deepening, attractive domestic FX instruments and credible hedging arrangements.

A related structural issue concerns primary income. As FDI and other foreign liabilities accumulate, profit, dividend and interest payments can increase future primary-income debits. This does not imply that FDI is undesirable; productive FDI can expand output, employment and exports. Rather, the relevant objective is to ensure that foreign investment creates sufficient domestic value added and export capacity to more than compensate for subsequent income remittances. Liu et al. (2026) show that financial-market development can materially influence the investment-income component of the current account, demonstrating that external resilience eventually depends on the composition and returns of both foreign assets and liabilities.

This literature leads to a broader proposition: **external resilience is not a single balance but an architecture**. The architecture includes the current account, financing quality, reserve liquidity, market capacity and the economy's structural ability to generate foreign exchange.

3. Method

3.1 Research Design

This study adopts a **qualitative literature review (QLR)** and does not use a systematic literature review or meta-analysis. The purpose is interpretive and explanatory synthesis rather than exhaustive identification of every available study. A QLR is appropriate because the principal research problem concerns the economic meaning and policy implications of a rapidly evolving contemporary macroeconomic configuration, requiring the integration of official data, conceptual literature, emerging-market comparative evidence and Indonesia-specific empirical studies.

Accordingly, no PRISMA protocol, formal study-quality score, meta-analytic effect pooling or mandatory exhaustive database search is employed. Instead, the study applies purposive literature selection guided by relevance to the analytical questions: current-account sustainability, capital-flow composition, global financial cycles, exchange-rate adjustment, reserve adequacy, FX intervention, energy shocks, primary-income dynamics and external resilience.

3.2 Empirical Anchor and Supplementary Sources

The principal empirical anchor is Bank Indonesia's Q2 2026 BOP material. It provides the Q1-Q2 comparison of the overall BOP, current account, capital and financial account, reserves and oil-import developments. The document records a Q2 BOP deficit of USD 0.9 billion, a current-account deficit of USD 12.5 billion and a capital and financial account surplus of USD 12.0 billion (Bank Indonesia, 2026a).

The source is triangulated with Bank Indonesia's Q1 and Q2 2026 Monetary Policy Reports, subsequent reserve releases and the August 2026 monetary-policy communication, together with BPS-Statistics Indonesia GDP data and the IMF July 2026 World Economic Outlook Update (Bank Indonesia, 2026b, 2026c, 2026d, 2026e; BPS-Statistics Indonesia, 2026; IMF, 2026a). This triangulation is necessary because the primary BOP release establishes the central external-sector outcomes but does not contain the complete international macroeconomic context or post-quarter information required to evaluate persistence.

Peer-reviewed literature published principally from 2020 to August 2026 was purposively selected. Priority was given to reputable journals in international economics, international finance, monetary economics, and emerging-market studies, including the *Journal of International Money and Finance*, *Journal of International Economics*, *Economic Modelling*, *Emerging Markets Review*, *The World Economy*, *Journal of Asian Economics*, *Journal of Money, Credit and Banking*, *Economic Analysis and Policy*, and relevant peer-reviewed Bank Indonesia publications.

3.3 Literature Identification and Thematic Synthesis

Literature identification followed an iterative and purposive rather than exhaustive search strategy. Searches combined terms such as “Indonesia balance of payments”, “current account”, “capital flows”, “global financial cycle”, “foreign-exchange reserves”, “foreign-exchange intervention”, “oil-price shock”, “energy imports”, “external debt”, “local-currency bond market” and “external resilience”. Priority was given to peer-reviewed studies published from 2020 to August 2026 in established journals of international economics, monetary economics, finance and emerging-market studies. Older foundational literature was not used as the main evidentiary base because the objective was to interpret Indonesia's Q2 2026 experience through recent theoretical and empirical developments.

The search process was intentionally iterative, consistent with a qualitative literature review rather than a systematic review. Studies were retained when they contributed directly to one or more explanatory mechanisms relevant to Indonesia, including current-account adjustment, energy-price transmission, capital-flow reversals, reserve adequacy, exchange-rate intervention, external balance-sheet risks or structural foreign-exchange generation. Evidence was then compared across Indonesia-specific studies, broader emerging-market research and contemporary official data to identify convergent findings, contextual differences and policy-relevant tensions. No PRISMA flow diagram, formal risk-of-bias score or claim of exhaustive database coverage is therefore made.

3.4 Thematic Analytical Framework

The literature and empirical material were organised around five analytical dimensions. Flow resilience captures the current account, goods and services trade, primary and secondary income, terms of trade and the distinction between oil and non-oil balances, whereas financing resilience

examines whether current-account requirements are funded through FDI, portfolio investment, other investment or reserve drawdown and whether these sources are stable or reversible.

The remaining dimensions capture the economy's ability to absorb and adapt to external shocks. Liquidity resilience concerns foreign-exchange reserves relative to imports, short-term external liabilities, debt service and other foreign-currency funding requirements; market and policy resilience covers exchange-rate volatility, domestic financial-market depth, hedging, monetary-policy credibility, FX intervention and macroprudential capacity; and structural resilience concerns export diversification, domestic value added, energy dependence, service exports, the currency composition of debt and the long-run capacity to generate foreign exchange.

The approach allows apparently contradictory indicators to coexist. For example, strong reserves can signal liquidity resilience while a widening current account indicates weaker flow resilience; simultaneously, strong FDI can indicate financing resilience whereas excessive portfolio dependence may imply exposure to future reversals.

3.5 Limitations

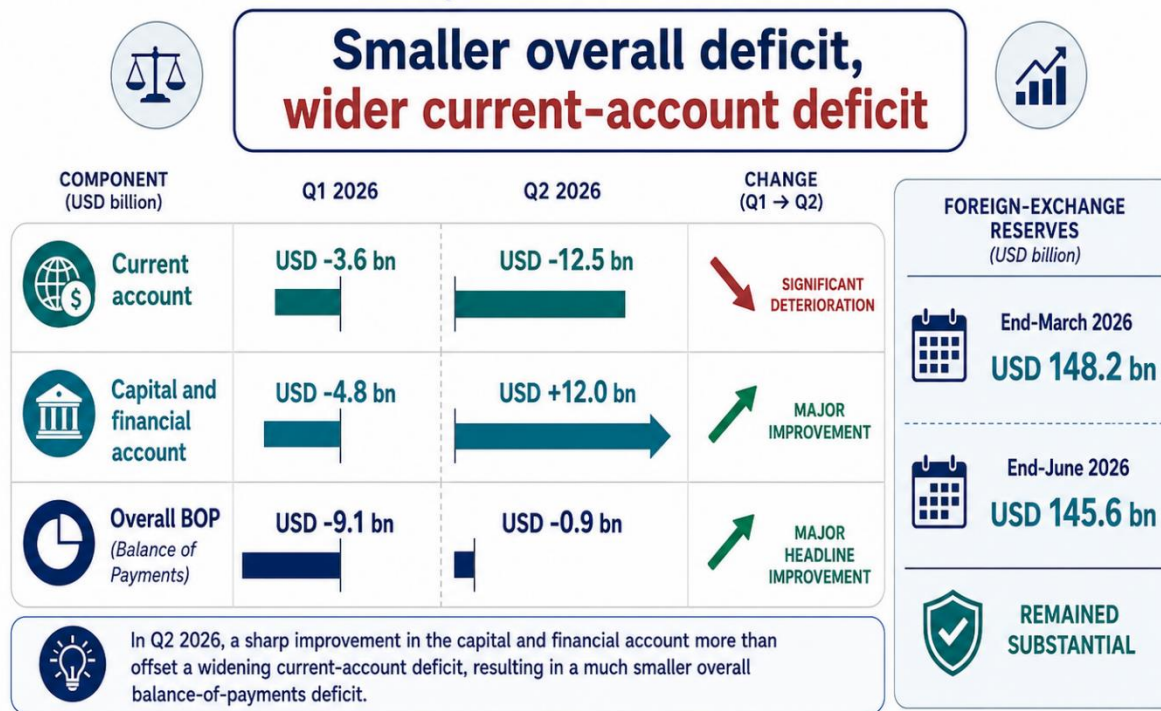
The analysis has four principal limitations. First, quarterly BOP data can be influenced by temporary payment timing and are subject to subsequent revisions. Second, geopolitical and energy-market developments during 2026 remain unusually volatile, reducing the reliability of point forecasts. Third, the qualitative method identifies mechanisms and plausible causal channels but does not estimate a structural econometric model of the Q2 outcome. Fourth, the oil-import table indicates a strong price component but does not by itself quantify the exact causal contribution of the energy shock to the entire current-account deterioration. Conclusions regarding causation are therefore expressed cautiously.

4. Results

4.1 The Central Q2 2026 Paradox

The most important finding is that the overall BOP and the current account moved in opposite directions. The BOP deficit declined dramatically from USD 9.1 billion in Q1 to USD 0.9 billion in Q2. If the overall balance were considered alone, the quarter could reasonably be interpreted as a substantial improvement in external conditions. However, the current-account deficit expanded from USD 3.6 billion to USD 12.5 billion, while the capital and financial account changed from a USD 4.8 billion deficit to a USD 12.0 billion surplus (Bank Indonesia, 2026a).

The result therefore represents a compositional transformation of external adjustment rather than a broad-based improvement across all BOP accounts. The current-account shock required significant financing, and the capital and financial account provided that financing. Figure 1 visualises this composition paradox and shows why the improvement in the headline BOP should not be interpreted as an equivalent improvement in every component of external resilience.

Figure 1. The Q2 2026 Balance-of-Payments Composition Paradox*Financing resilience offset weaker flow resilience.*

Source: Author's synthesis based on Bank Indonesia (2026).

Figure 1. The Q2 2026 Balance-of-Payments Composition Paradox

Figure 1 demonstrates why the concept of **conditional resilience** is analytically preferable to a binary resilient-versus-fragile classification. The BOP was successfully financed and external liquidity remained substantial, but flow resilience weakened during the quarter. Hence, the quality and sustainability of the financial-account improvement become central to interpreting whether the Q2 outcome can persist.

4.2 Current-Account Deterioration and the Oil Shock

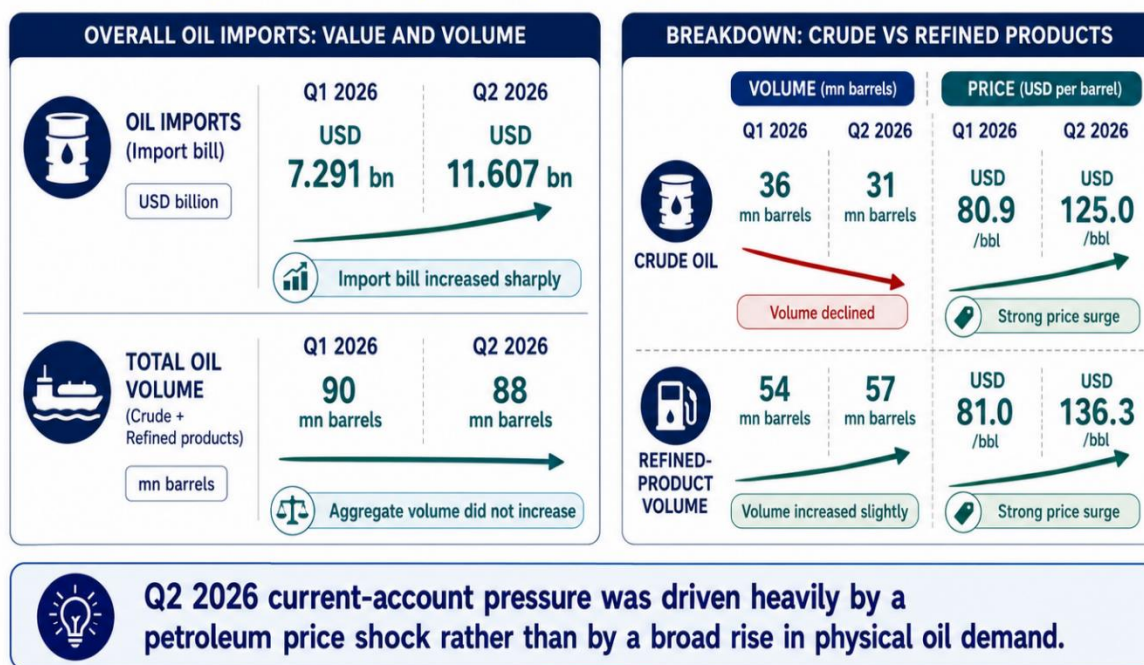
The current-account deterioration reflected several mutually reinforcing factors. The oil and gas trade deficit widened as petroleum import costs rose, while the non-oil and gas trade surplus decreased as non-oil imports increased alongside domestic economic activity. Primary-income payments also increased, whereas secondary income remained relatively stable (Bank Indonesia, 2026a).

The oil-import data provide particularly revealing evidence. Oil imports were valued at USD 7.291 billion in Q1 2026 and USD 11.607 billion in Q2, yet the reported physical volume declined from 90 million barrels to 88 million barrels. Crude import volume decreased from 36

to 31 million barrels while refined-product volume increased from 54 to 57 million barrels. Meanwhile, the reported crude-oil price increased from USD 80.9 per barrel to USD 125.0 and the refined-product price from USD 81.0 to USD 136.3 (Bank Indonesia, 2026a). Figure 2 therefore distinguishes the price effect from the volume effect and helps prevent the higher petroleum import bill from being misread as a broad-based surge in physical oil demand.

Figure 2. Anatomy of Indonesia's Oil-Import Shock, Q1–Q2 2026

The import bill rose mainly because prices surged, not because total volume increased.



Source: Reconstructed from Bank Indonesia (2026).

Figure 2. Anatomy of Indonesia's Oil-Import Shock, Q1–Q2 2026

The figure indicates that higher petroleum prices rather than a broad surge in physical oil demand were a major contributor to the increasing import bill. This distinction materially changes the policy interpretation. Macroeconomic demand restraint could reduce part of Indonesia's overall import demand, but it cannot efficiently address a global petroleum-price shock. The durable response requires reducing the energy intensity of economic activity and the economy's exposure to imported petroleum.

4.3 Domestic Demand and Import Intensity

Domestic conditions simultaneously amplified external demand. Indonesia's economy expanded by 5.29% year-on-year in Q2 2026, and government final consumption recorded particularly rapid growth (BPS-Statistics Indonesia, 2026). Investment, construction, transportation and manufacturing activity also remained important contributors. These conditions help explain why

a portion of the increase in non-oil imports was associated with continued domestic economic activity rather than a collapse in export competitiveness.

Higher domestic growth is therefore both an external-strength indicator and a potential source of current-account pressure. If imports represent productive machinery, industrial components and infrastructure-related capital goods, short-term external deficits can increase future productive capacity. If import growth instead reflects recurring consumption or inputs for activities with low export potential, the resulting current-account deterioration is structurally less favourable. This distinction is consistent with the intertemporal current-account literature and with studies emphasising investment, fiscal policy and domestic absorption as drivers of external balances (Altayligil and Çetrez, 2020; Afonso et al., 2022; Beckmann, Belke and Gros, 2022; Chinn and Ito, 2025).

Consequently, policy should not pursue the lowest possible current-account deficit regardless of development consequences. The appropriate objective is a deficit consistent with productive capital formation, manageable external liabilities and credible future foreign-exchange earnings.

4.4 Capital and Financial Account as the Main Stabiliser

The second major result is the exceptional turnaround in the capital and financial account. After a USD 4.8 billion deficit in Q1, the account recorded a USD 12.0 billion Q2 surplus. Direct investment strengthened, reflecting continuing investor confidence, while portfolio investment also improved as domestic yields became more attractive (Bank Indonesia, 2026a).

Bank Indonesia (2026b) separately reported USD 8.5 billion in net foreign portfolio inflows during Q2, mainly into government securities and SRBI. Earlier policy actions had deliberately increased the attractiveness of these instruments, demonstrating that the financing recovery was not purely exogenous but also reflected an active policy response to external pressure. This evidence is consistent with Indonesia-specific findings that capital inflows can transmit into domestic banking and credit conditions (Mara et al., 2021).

This development is consistent with empirical literature showing that monetary policy and yield differentials can influence emerging-market capital allocation (Dahlhaus and Vasishta, 2020; Villamizar-Villegas et al., 2024). It nevertheless creates an important trade-off. Attractive financial yields can strengthen the rupiah and finance the current-account deficit, but sustained reliance on high yields may increase domestic financing costs and expose the BOP to reversals when global rates or investor risk preferences change.

Direct investment provides a more favourable resilience profile because it is generally less responsive to short-term monetary shocks than bank and portfolio flows. Yet even FDI requires careful interpretation. The future income generated for foreign investors can subsequently appear as primary-income debits. Productive FDI should therefore be evaluated by its contribution to

exports, technology, domestic supply networks and import substitution rather than solely by the gross amount of inflow (Hansen and Wagner, 2022; Liu et al., 2026).

4.5 Foreign-Exchange Reserve Resilience

The third major finding is that Indonesia retained a substantial liquidity buffer. Official reserves stood at USD 145.6 billion at the end of June 2026, slightly above the USD 144.9 billion position at end-May. Bank Indonesia reported that the position covered approximately 5.5 months of imports or 5.4 months of imports plus government external-debt servicing, comfortably above the conventional three-month import benchmark (Bank Indonesia, 2026c).

Reserves nevertheless declined relative to the USD 148.2 billion end-March level reported in the Q1 Monetary Policy Report (Bank Indonesia, 2026e). The change reflected, among other things, external-debt payments and exchange-rate stabilisation activity, meaning that the reserve stock should be interpreted as an active policy buffer rather than an entirely passive asset. This interpretation is consistent with the broader literature on precautionary reserve use and liquidity management (Jeanne and Sandri, 2023; Lutz and Zessner-Spitzenberg, 2023).

Import cover alone cannot determine whether USD 145.6 billion is sufficient under every adverse scenario. A stronger assessment should include the ratio of reserves to short-term external debt, government and corporate foreign-currency obligations, potential portfolio outflows, external refinancing needs and derivative commitments. The IMF's 2025 Article IV assessment reported Indonesia's reserves well above short-term external debt on a remaining-maturity basis, providing additional evidence of substantial external-liquidity protection entering 2026 (IMF, 2026b).

4.6 Global Conditions: Oil, US Yields and Geopolitical Risk

Indonesia's BOP performance cannot be separated from an international environment characterised by two simultaneous external shocks: expensive energy and potentially tighter financial conditions. The IMF's July 2026 outlook describes the world economy as operating at the intersection of the Middle East energy shock and a technology-driven investment cycle, with downside risks from renewed conflict and financial-market repricing (IMF, 2026a). This combination matters because adverse price and financial shocks can affect the current and financial accounts at the same time rather than sequentially.

Bank Indonesia's Q2 report similarly noted higher US Treasury yields and international portfolio reallocation toward safe-haven US assets (Bank Indonesia, 2026b). These developments matter because Indonesia simultaneously imports oil and receives internationally mobile portfolio financing. An adverse scenario in which oil prices rise while foreign portfolio investors reduce emerging-market exposure would therefore affect both sides of the BOP at once.

Carney et al. (2024) show that geopolitical risk raises the cost of equity capital in emerging economies as investors migrate toward safer markets. Bianchi, Galstyan and Herzberg (2022)

find heightened sensitivity of emerging-market debt flows to global risk. Andrikopoulos et al. (2023) report that global policy uncertainty suppresses capital inflows, although macroprudential policies can mitigate part of the effect. These findings provide empirical support for treating geopolitical risk as a BOP variable rather than merely a political background condition.

4.7 Post-Q2 Evidence: Resilience Continues, but Risks Remain

Evidence available after the end of Q2 suggests that the external position remained manageable. Reserves stood at USD 145.3 billion at end-July, only slightly below the June position. Foreign portfolio investment during Q3 through 14 August recorded net inflows of USD 1.8 billion, supported by global bond issuance and flows into government securities and SRBI (Bank Indonesia, 2026d).

Nevertheless, merchandise-trade developments warrant caution. Indonesia recorded a cumulative trade surplus of USD 3.58 billion during January-June 2026, but June itself registered a USD 0.45 billion deficit (Bank Indonesia, 2026d). This does not establish a structural deterioration, but it indicates that the non-oil trade cushion cannot be assumed to be permanently large.

Hence, the available post-Q2 evidence is consistent with conditional rather than unconditional resilience: financing access and reserves remained strong, but the external environment was still sufficiently volatile that complacency would be inappropriate. The distinction is analytically important because a favourable financing environment can stabilise the BOP without eliminating underlying exposure to energy prices, global yields or shifts in risk appetite.

5. Discussion and Analysis

5.1 From a Binary Assessment to Conditional External Resilience

The empirical evidence does not support either of two extreme narratives. The first—that Indonesia experienced an external-sector crisis in Q2—is inconsistent with the narrow overall BOP deficit, substantial reserves, continuing FDI and renewed portfolio inflows. The second—that the quarter demonstrated unambiguous structural strength—is inconsistent with a 3.3%-of-GDP current-account deficit, a sharply larger petroleum import bill and increased dependence on financial-account inflows.

The more appropriate characterisation is **conditional external resilience**. The condition is that the factors worsening the current account remain substantially temporary and that Indonesia retains access to sufficiently stable external financing. The term also recognises that resilience can be real even when incomplete. A country need not run continuous current-account surpluses to be resilient; it must be able to absorb shocks without disorderly external adjustment.

This interpretation is consistent with modern literature questioning one-dimensional indicators of vulnerability. Current accounts, capital-flow composition, reserves, asset-liability structure and

financial-market depth jointly determine external adjustment (Bergant, 2021; Hansen and Wagner, 2022; Sosa-Padilla and Sturzenegger, 2023; Pagliari and Hannan, 2024).

5.2 Resilience through Financing versus Resilience through Structure

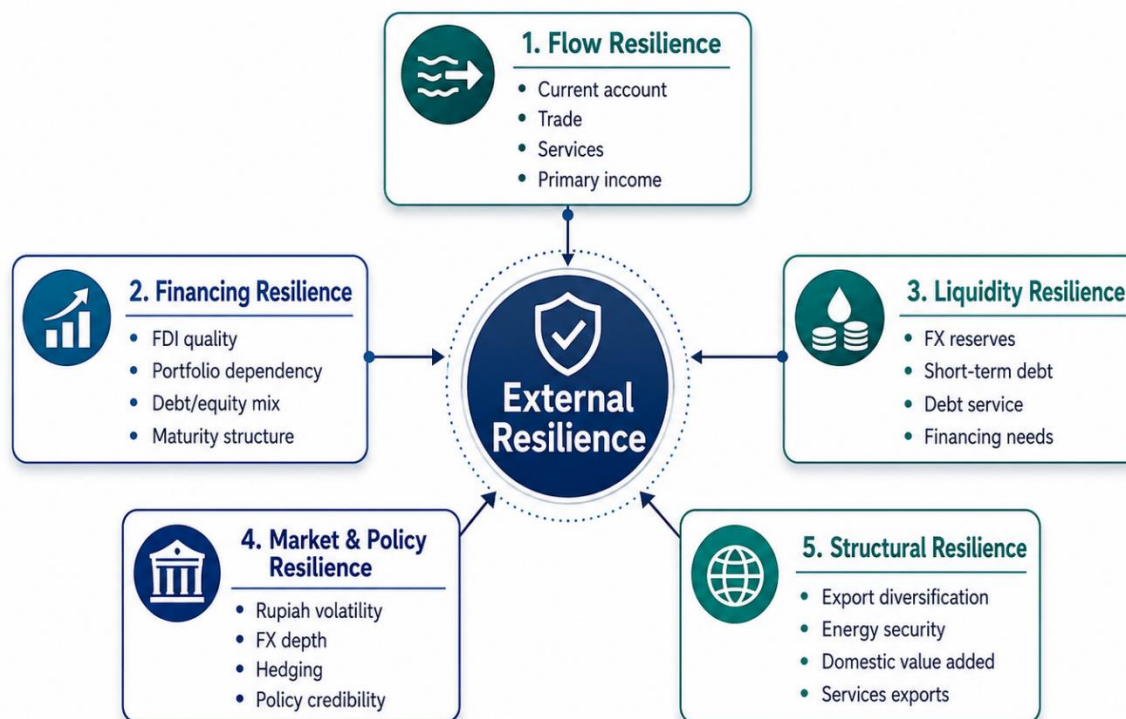
The distinction between financing and structural resilience provides the article's main conceptual contribution. It separates the capacity to fund an external gap from the deeper capacity to generate foreign exchange, absorb shocks and sustain external obligations without relying excessively on reversible flows.

Financing resilience exists when investors remain willing to provide the capital needed to cover a current-account deficit. Indonesia clearly exhibited this form in Q2. FDI increased, portfolio flows returned, and capital and financial transactions generated sufficient inflows to offset almost all the current-account deficit.

Structural resilience, by comparison, exists when the economy itself possesses durable sources of foreign currency. Such sources include diversified high-value exports, competitive services, manageable imported-energy dependence, sufficient domestic production of strategic inputs, a favourable external asset-liability structure and deep local-currency financial markets.

Neither form is inherently superior in every circumstance. Capital mobility allows investment opportunities to be financed efficiently, and an emerging economy should not sacrifice productive investment merely to maximise its current-account balance. Nevertheless, excessive dependence on portfolio finance creates vulnerabilities because portfolio flows are more sensitive to global risk and relative yields than direct investment (Bianchi, Galstyan and Herzberg, 2022; Villamizar-Villegas et al., 2024; Beckmann, Boonman and Schreiber, 2024).

Indonesia should therefore aim for a balance in which financial inflows complement rather than substitute for structural foreign-exchange generation. Figure 3 operationalises this distinction through five mutually reinforcing pillars and makes clear that a strong financing account cannot by itself compensate indefinitely for weak flow or structural resilience.

Figure 3. Five-Pillar Architecture of Balance-of-Payments Resilience*A multidimensional framework for evaluating Indonesia's external resilience.**Source: Author's conceptual synthesis.***Figure 3. Five-Pillar Architecture of Balance-of-Payments Resilience**

The framework shows why no single metric provides a complete external-sector diagnosis. Q2 2026 displayed relatively strong liquidity and financing resilience, weaker short-run flow resilience, substantial market-policy capability, and mixed structural resilience. This multidimensional interpretation should replace assessments based exclusively on whether the overall BOP is in surplus or deficit.

5.3 Transmission Channel I: Global Oil Shock

The first major transmission mechanism begins with the international energy shock. Higher global petroleum prices increase Indonesia's oil-import bill. Greater dollar demand for energy settlement can then increase pressure on the rupiah. Depreciation may increase rupiah-denominated import prices, raising inflation and potentially requiring tighter monetary settings. Higher domestic rates may subsequently attract capital inflows but also raise borrowing costs.

The resulting adjustment is therefore circular rather than linear. The oil shock initially worsens the current account, while the policy response may subsequently improve the financial account.

In accounting terms, this can produce exactly the pattern observed in Q2: a weaker current account coexisting with stronger financing.

Baek and Choi (2021), Dainauskas (2023) and Chinn and Ito (2025) provide complementary evidence on oil, exchange-rate and current-account transmission mechanisms. The Q2 Indonesian data offer a particularly vivid real-time illustration because the import-value increase occurred despite no corresponding increase in aggregate oil-import volume.

5.4 Transmission Channel II: Strong Domestic Demand and Import Leakage

A second mechanism originates domestically. Government programmes, household spending and investment sustained economic growth. Stronger domestic activity increases imports, but the external implications depend on composition.

Capital-equipment imports can reduce the current-account balance today while building manufacturing capacity that increases exports tomorrow. Infrastructure imports can improve logistics and competitiveness. Intermediate inputs can enable higher industrial exports. Consequently, an import-driven current-account deterioration associated with productive investment may be intertemporally sustainable.

However, this benign interpretation requires verification rather than assumption. Policy evaluation should examine whether import-intensive public and private investment produces measurable improvements in productivity, export capacity or domestic substitution; otherwise, strong domestic demand can create persistent external leakage. The literature on current-account determinants repeatedly demonstrates the importance of the saving-investment balance and fiscal behaviour in these dynamics (Altayligil and Çetrez, 2020; Handoyo, Erlando and Astutik, 2020; Afonso et al., 2022; Chinn and Ito, 2025).

5.5 Transmission Channel III: Yield Differentials and Portfolio Financing

The third mechanism links monetary policy and domestic financial instruments to external financing. Attractive yields on SBN and SRBI helped generate portfolio inflows during Q2. Bank Indonesia also used swap and DNDF incentives and financial-market deepening measures to improve FX supply and investor attractiveness.

This mechanism is effective but involves a policy trade-off. Villamizar-Villegas et al. (2024) show that emerging-market monetary tightening can attract capital, while Pagliari and Hannan (2024) demonstrate that US rates and global risk remain powerful determinants of volatility. Consequently, a country cannot permanently offset international risk aversion simply by offering higher yields without potentially imposing increasing costs on domestic borrowers or public finances.

Portfolio inflows should therefore be regarded as a valuable stabilising margin, not as the central long-run solution to external imbalance. Policy should use the period of strong inflows to deepen

markets and build structural competitiveness rather than assume that international yield-seeking behaviour will remain unchanged.

5.6 Transmission Channel IV: Global Risk and Sudden Repricing

Indonesia's position is additionally vulnerable to nonlinear market responses. During ordinary conditions, capital flows can respond gradually to relative yields and growth expectations. During stress events, however, investors may abruptly rebalance toward global safe assets. Fischer et al. (2021) show that high-stress regimes can generate emerging-market portfolio outflows; Carney et al. (2024) find that geopolitical risk raises emerging-market financing costs; and Ayadi, Ben Omrane and Das (2024) demonstrate that emerging currencies respond strongly to global monetary news.

This nonlinearity means that a financing structure that appears comfortable during normal markets can become considerably less stable after a global shock. Indonesia's policy architecture therefore requires buffers large enough not only for baseline conditions but for tail events.

Magud and Pienknagura (2025) show that FX intervention can mitigate extreme exchange-rate movements, particularly where intervention is used selectively and macroeconomic fundamentals remain credible. This reinforces the importance of preserving reserves during normal times so that intervention capacity is credible when truly disruptive market conditions occur.

5.7 Primary Income: The Less Visible Structural Challenge

The widening primary-income deficit deserves greater attention than it commonly receives in public BOP discussions. Primary-income debits include dividends, reinvested earnings and interest associated with Indonesia's foreign liabilities. A country may therefore simultaneously experience strong inward investment today and increasing income remittances tomorrow.

This is not an argument against FDI. Instead, it highlights the importance of the economic return generated domestically by foreign investment. FDI is structurally beneficial when it increases productivity, domestic supply-chain participation, technology, exports and taxable income sufficiently to offset future profit remittances. It is less transformative when the domestic value-added component is low and the foreign-exchange earnings generated by the project are insufficient relative to future income outflows.

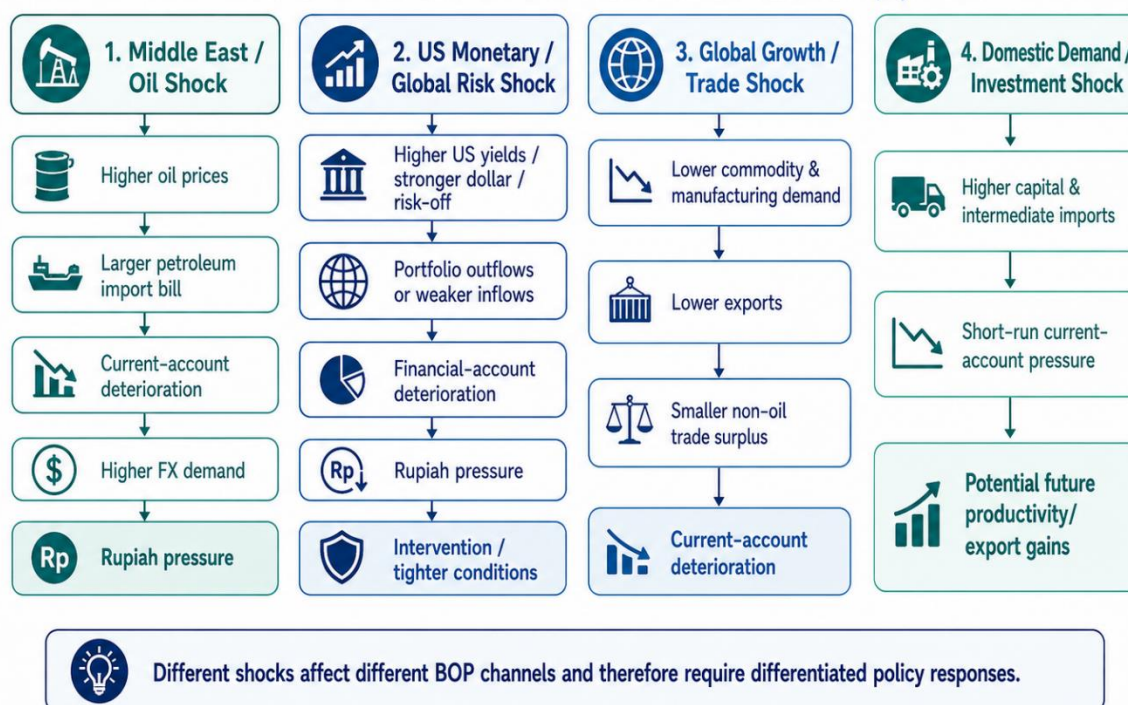
Hansen and Wagner (2022) demonstrate why reinvested foreign earnings require careful treatment when interpreting the cash consequences of the current account. Liu et al. (2026) additionally show that financial-market development influences countries' investment-income balances. Indonesia's long-term external strategy should therefore increasingly monitor net international investment income, not only merchandise trade.

5.8 Stress Scenarios for Indonesia's External Position

The resilience question becomes clearer when the BOP is examined under alternative scenarios because different shocks operate through different external accounts and policy channels. Figure 4 summarises these global-to-domestic transmission mechanisms and illustrates why oil-price, financial, trade and domestic-demand shocks require differentiated policy responses.

Figure 4. Global-to-Domestic BOP Transmission Channels

How external and domestic shocks affect Indonesia's balance of payments.



Source: Author's synthesis based on the literature and Q2 2026 evidence.

Figure 4. Global-to-Domestic BOP Transmission Channels

The **baseline scenario** assumes energy prices gradually normalise, Indonesia's export prices remain supportive, and capital flows continue. Under these conditions, the unusually wide Q2 current-account deficit should narrow, and Bank Indonesia's full-year projection of a deficit in the range of approximately 0.5–1.3% of GDP remains plausible.

An **oil-shock scenario** assumes petroleum prices remain elevated because geopolitical tensions or shipping disruption persist. The principal impact would occur through the current account, inflation, and FX demand. Reserves would provide liquidity, but repeated intervention without structural energy adjustment would gradually reduce the buffer.

A **global-financial-tightening scenario** assumes higher US yields, stronger dollar conditions or global risk aversion. The principal impact would occur through portfolio flows and local asset prices. This scenario is important because Q2 financing resilience depended significantly on portfolio inflows. Debt-oriented flows can exhibit relatively high sensitivity to global risk (Bianchi, Galstyan and Herzberg, 2022; Bathia et al., 2020).

A **trade-fragmentation or external-demand scenario** would affect coal, palm oil, metals, and manufacturing exports. The effect could be magnified through global value chains, consistent with evidence that international trade linkages transmit current-account and growth shocks between countries (Beirne, Renzhi and Volz, 2021).

The most difficult outcome would be a **combined shock** in which oil prices remain high, export demand weakens, and financial conditions tighten simultaneously. The current and financial accounts would then deteriorate together—the opposite of Q2, where financial inflows compensated for current-account weakness. This scenario represents the appropriate benchmark for evaluating genuine external resilience.

Figure 5. Qualitative Stress Matrix for Indonesia's BOP

Potential external scenarios and their likely balance-of-payments implications.

Scenario	Current account	Capital/financial account	Rupiah pressure	Reserve pressure	Policy difficulty
 Baseline normalisation	 Improving	 Positive	 Low-moderate	 Low	 Manageable
 Persistent oil shock	 Deteriorating	 Neutral/positive	 Moderate	 Moderate	 Significant
 Global financial tightening	 Moderate	 Deteriorating	 High	 High	 Significant
 Export-demand shock	 Deteriorating	 Uncertain	 Moderate	 Moderate	 Significant
 Combined adverse shock	 Strongly deteriorating	 Strongly deteriorating	 Very high	 Very high	 Severe
Severity guide:  Improving  Positive  Neutral/positive  Moderate/Neutral  Deteriorating  High  Very high  Severe					
 The most difficult scenario is a combined adverse shock that simultaneously weakens both the current account and the financial account.					

Source: Author's qualitative scenario analysis.

Figure 5. Qualitative Stress Matrix for Indonesia's BOP

The matrix demonstrates why resilience should be tested against correlated shocks. High reserves and attractive yields may absorb one shock at a time, but simultaneous pressure on both the current and financial accounts would constitute a much stronger test.

5.9 Short-Term Policy Priorities

The first short-term priority is to preserve exchange-rate flexibility while preventing disorderly volatility. The rupiah should act as a shock absorber rather than be defended at an inflexible numerical level. FX intervention is most effective when it addresses temporary market dysfunction rather than permanent fundamental pressure, consistent with modern intervention research (Adler, Chang and Wang, 2021; Adler and Mano, 2021; Davis, Devereux and Yu, 2023; Magud and Pienknagura, 2025). Indonesia-specific evidence on exchange-rate predictors and firm exposure further supports combining intervention with market-based risk management rather than relying on a single exchange-rate instrument (Fianto et al., 2020; Sikarwar, 2020).

Second, reserves should be preserved as insurance against tail risk. With reserves around USD 145 billion, Indonesia possesses significant intervention capacity. However, a large stock does not justify continuous deployment when markets can adjust through a flexible exchange rate. Intervention should be coordinated with domestic FX liquidity facilities and transparent communication.

Third, the composition of capital inflows should be improved. Policies attracting FDI and longer-maturity financing should receive higher priority than policies whose effectiveness relies predominantly on short-term yield differentials. Where portfolio inflows remain important, financial-market infrastructure and hedging should reduce the systemic consequences of reversals.

Fourth, corporations with foreign-currency liabilities should maintain prudent hedging and liquidity buffers. Currency mismatch can amplify depreciation shocks through balance-sheet effects and reduce access to international bank financing during episodes of tight global liquidity (Kadirgan, 2023).

Fifth, short-term energy-risk management should reduce sensitivity to extreme petroleum-price movements without resorting to economically inefficient universal price suppression. Supply diversification, strategic inventories, targeted assistance and energy efficiency provide more durable resilience than policies that simply socialise the entire international price shock.

5.10 Medium-Term Structural Policies

The central medium-term task is to reduce the structural petroleum deficit. Indonesia's external resilience can improve substantially if rising economic activity does not translate proportionately into petroleum imports. Electrified transport, renewable electricity, energy efficiency, appropriate development of domestic energy resources, and improved refining capacity can all contribute where economically viable. Cross-country evidence that energy-import dependence is

associated with greater current-account vulnerability reinforces the macroeconomic rationale for this agenda (Bildirici and Kayıkçı, 2022).

Second, downstream industrialisation should be evaluated by **net foreign-exchange creation**, not merely gross export value. Processing nickel, palm oil, minerals and other commodities can strengthen BOP resilience if domestic value added rises, imported intermediate requirements remain manageable and profits retained in or accruing to Indonesia increase.

Third, Indonesia should expand service exports. Narayan, Narayan and Tobing (2021) demonstrate the contribution of tourism to the Indonesian current account. Digital services, logistics, professional services, education, healthcare and other tradable services could diversify foreign-exchange earnings away from commodities and reduce exposure to commodity cycles.

Fourth, export-proceeds policies should be integrated with market deepening. Panggabean et al. (2025) indicate that export-proceeds repatriation alone cannot fully stabilise the rupiah against short-term capital-flow shocks. Exporters must have attractive domestic FX instruments and convenient hedging alternatives if foreign-exchange liquidity is to remain within the domestic system sustainably.

Fifth, Local Currency Transactions should continue expanding where economically efficient. Reducing unnecessary use of a third-country currency in regional settlement can reduce transaction costs and marginally reduce demand for dollar liquidity, although LCT should complement rather than be portrayed as a substitute for strong fundamentals.

5.11 Long-Term Structural Transformation

The long-term objective should be to move Indonesia's external sector from **commodity-and-capital-flow resilience** toward **diversified foreign-exchange resilience**. This requires a wider manufacturing export base, knowledge-intensive services, greater domestic value added and a financial system capable of intermediating long-term investment predominantly in local currency.

Export diversification is crucial because concentration generates correlated risks. Commodity prices can provide windfalls but also transmit global downturns quickly. Downstream processing can help, but genuine diversification additionally requires technological sophistication, human capital, logistics and integration into higher-value segments of global production networks.

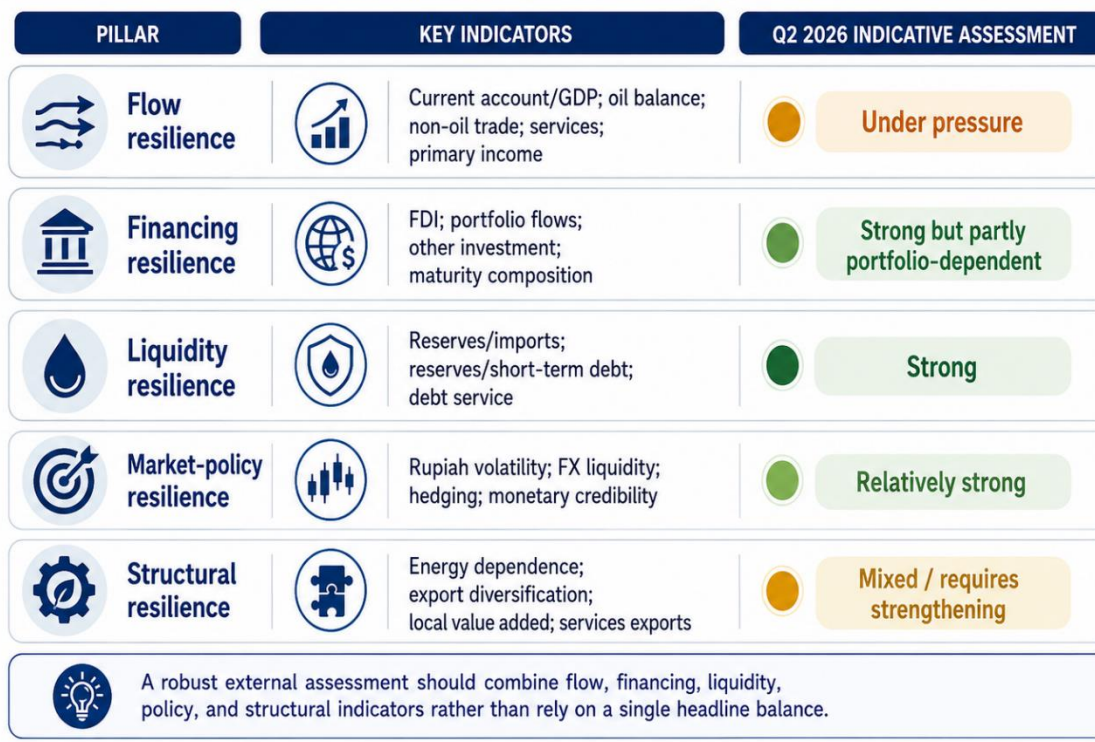
Deep domestic capital markets are similarly important. If infrastructure and corporate investment can increasingly be financed through long-duration rupiah instruments, the economy becomes less dependent on foreign-currency borrowing. Chernov, Creal and Hördahl (2023) show that local-currency sovereign bond markets can materially reshape credit and exchange-rate risks in Asia-Pacific economies, while Beirne, Renzhi and Volz (2024) find that deeper local-currency bond markets can reduce capital-flow volatility in emerging Asia even as high foreign-investor

participation may introduce additional sensitivity. These findings strengthen the case for simultaneously deepening the market and expanding the domestic institutional-investor base. Domestic investors—pension funds, insurance companies, mutual funds and other institutional investors—therefore constitute part of external-resilience policy. A deeper local investor base reduces the probability that movements in foreign holdings generate disproportionate changes in domestic yields and exchange rates.

Finally, the external-asset side deserves greater attention. Indonesia's resilience can strengthen not simply by reducing liabilities but by developing productive external assets and investment-income receipts. The growing importance of the investment-income balance documented by Liu et al. (2026) suggests that countries with increasingly sophisticated financial systems must eventually manage a broader concept of external wealth rather than focusing almost exclusively on merchandise trade.

5.12 A Proposed External Resilience Dashboard

The analysis suggests that Bank Indonesia and other policymakers could complement headline BOP reporting with an explicit multidimensional resilience dashboard. Such a dashboard would combine flow, financing, liquidity, market-policy and structural indicators, thereby extending early-warning approaches beyond a small set of headline ratios (Abubakar, Utari and Azwar, 2020). Figure 6 presents an indicative version of this monitoring architecture for Q2 2026.

Figure 6. Proposed Indonesia External Resilience Dashboard*A multidimensional monitoring framework for assessing BOP resilience in Q2 2026.*

Source: Author's synthesis.

Figure 6. Proposed Indonesia External Resilience Dashboard

Such a dashboard would reduce the risk of interpreting a single favourable indicator as evidence that all dimensions of external vulnerability have improved. It would also encourage policymakers to distinguish cyclical BOP management from structural transformation.

6. Conclusion and Policy Recommendations

Indonesia's Q2 2026 balance of payments provides a revealing example of why external resilience cannot be assessed through a headline balance alone. The overall BOP deficit narrowed dramatically to USD 0.9 billion from USD 9.1 billion in Q1, demonstrating a substantial improvement in aggregate external financing. Yet the current-account deficit widened to USD 12.5 billion, or 3.3% of GDP, while the capital and financial account swung to a USD 12.0 billion surplus. The two developments are not contradictory: they show that capital inflows successfully financed an unusually large current-account deficit.

The current-account deterioration does not in itself demonstrate structural weakness. A substantial component was associated with an extraordinary increase in the petroleum import bill driven by higher international prices, while strong domestic economic activity also increased

import requirements. Bank Indonesia expects several of these factors to be temporary and projects a much smaller full-year current-account deficit. Nevertheless, the quarter demonstrates the sensitivity of Indonesia's external sector to petroleum dependence.

Indonesia also retained significant resilience buffers. Foreign-exchange reserves remained around USD 145.6 billion at end-June and USD 145.3 billion at end-July. FDI remained supportive, portfolio inflows recovered and domestic policy instruments demonstrated capacity to influence FX liquidity and investor incentives. Post-Q2 evidence through mid-August continued to show positive net portfolio inflows.

The central conclusion is therefore that Indonesia exhibited **conditional external resilience**. It was resilient because the economy retained financing access, reserve liquidity, policy credibility and substantial productive capacity. It was conditional because the Q2 outcome relied significantly on a financial-account surplus compensating for current-account deterioration and because some of that financing consisted of internationally mobile portfolio capital.

In the short term, policy should preserve exchange-rate flexibility, use intervention selectively against disorderly market conditions, maintain sufficient reserve buffers, deepen hedging, improve the stability of capital inflows and manage extreme energy-price risks. Interest-rate policy should not be required to shoulder the entire burden of external adjustment when FX intervention, macroprudential policy and market-deepening instruments can address specific distortions more directly.

In the medium term, Indonesia should reduce petroleum-import dependence, improve the domestic value added of downstream industries, increase service exports, deepen domestic capital and FX markets, strengthen export-proceeds intermediation, improve external-debt maturity structures and expand local-currency settlement where commercially justified. These measures should be evaluated collectively according to their contribution to stable net foreign-exchange generation rather than as isolated sectoral initiatives.

In the long term, the objective should be a transition from **resilience by financing to resilience by structure**. Indonesia will be more externally resilient when economic expansion generates increasingly diversified foreign-exchange earnings; when investment creates domestic production that substitutes strategically important imports or expands exports; when energy demand becomes less dependent on imported petroleum; when domestic institutional investors provide a deeper local-currency financing base; and when external assets generate a larger stream of investment income.

The policy question is therefore not whether Indonesia should avoid all current-account deficits. An emerging economy with extensive investment requirements will periodically and appropriately import capital. The more important objective is to ensure that external deficits finance productive transformation and are funded through sufficiently stable instruments.

Under that framework, the Q2 2026 episode should be interpreted neither as evidence of impending external crisis nor as justification for complacency. It is better understood as a successful absorption of a difficult external shock that simultaneously revealed where structural vulnerabilities remain. Indonesia's next stage of external-sector policy should use the breathing space created by its reserves, policy credibility and access to capital to build a BOP structure less sensitive to imported-energy shocks, portfolio reversals and global financial cycles.

Ultimately, genuine balance-of-payments resilience is achieved not when capital is always available to finance external deficits, but when the economy develops sufficiently diverse, productive and sustainable sources of foreign exchange that temporary disruptions to any single source - commodities, portfolio inflows or external borrowing - can be absorbed without jeopardising macroeconomic stability. The strategic objective is therefore to preserve Indonesia's existing financing and liquidity buffers while progressively reducing the structural conditions that make external stability dependent on favourable global prices and investor sentiment.

References

- Abubakar, A., Utari, G.A.D. and Azwar, P. (2020) 'Early warning indicators and optimal policies for mitigating economic crises: Evidence from meta-analysis', *Bulletin of Monetary Economics and Banking*, 23(2), pp. 269–294. <https://doi.org/10.21098/bemp.v23i1.1421>.
- Adler, G., Chang, K.S. and Wang, Z. (2021) 'Patterns of foreign exchange intervention under inflation targeting', *Latin American Journal of Central Banking*, 2(4), 100045. <https://doi.org/10.1016/j.latchb.2021.100045>.
- Adler, G. and Mano, R.C. (2021) 'The cost of foreign exchange intervention: Concepts and measurement', *Journal of Macroeconomics*, 67, 103045. <https://doi.org/10.1016/j.jmacro.2018.07.001>.
- Afonso, A., Huart, F., Jalles, J.T. and Stanek, P. (2022) 'Twin deficits revisited: A role for fiscal institutions?', *Journal of International Money and Finance*, 121, 102506. <https://doi.org/10.1016/j.jimonfin.2021.102506>.
- Afriana, W., Damanhuri, D.S., Taryono and Amanah, S. (2025) 'Currency risk and debt maturity: Their effects on the resilience of Indonesia's foreign exchange reserves', *Signifikan: Jurnal Ilmu Ekonomi*, 14(2), pp. 537–548. <https://doi.org/10.15408/sjie.v14i2.46526>.
- Agénor, P.-R. and Pereira da Silva, L.A. (2023) 'Macro-financial policies under a managed float: A simple integrated framework', *Journal of International Money and Finance*, 135, 102841. <https://doi.org/10.1016/j.jimonfin.2023.102841>.
- Altayligil, Y.B. and Çetrez, M. (2020) 'Macroeconomic, institutional and financial determinants of current account balances: A panel data assessment', *Journal of Economic Structures*, 9, 49. <https://doi.org/10.1186/s40008-020-00225-1>.
- Andrikopoulos, A., Chen, Z., Chortareas, G. and Li, K. (2023) 'Global economic policy uncertainty, gross capital inflows, and the mitigating role of macroprudential policies', *Journal of International Money and Finance*, 131, 102793. <https://doi.org/10.1016/j.jimonfin.2022.102793>.

- Ayadi, M.A., Ben Omrane, W. and Das, D.K. (2024) 'Macroeconomic news, senior officials' speeches, and emerging currency markets: An intraday analysis of price jump reaction', *Emerging Markets Review*, 60, 101147. <https://doi.org/10.1016/j.ememar.2024.101147>.
- Baek, J. and Choi, Y.J. (2021) 'Do fluctuations in crude oil prices have symmetric or asymmetric effects on the real exchange rate? Empirical evidence from Indonesia', *The World Economy*, 44(1), pp. 312–325. <https://doi.org/10.1111/twec.12987>.
- Bathia, D., Bouras, C., Demirer, R. and Gupta, R. (2020) 'Cross-border capital flows and return dynamics in emerging stock markets: Relative roles of equity and debt flows', *Journal of International Money and Finance*, 109, 102258. <https://doi.org/10.1016/j.jimonfin.2020.102258>.
- Bathia, D., Demirer, R., Ferrer, R. and Raheem, I.D. (2023) 'Cross-border capital flows and information spillovers across the equity and currency markets in emerging economies', *Journal of International Money and Finance*, 139, 102948. <https://doi.org/10.1016/j.jimonfin.2023.102948>.
- Beckmann, J., Belke, A. and Gros, D. (2022) 'Savings-investment and the current account: More measurement error than identity', *Journal of International Money and Finance*, 121, 102507. <https://doi.org/10.1016/j.jimonfin.2021.102507>.
- Beckmann, J., Boonman, T.M. and Schreiber, S. (2024) 'Expectations, sentiments and capital flows to emerging market economies', *Emerging Markets Review*, 62, 101172. <https://doi.org/10.1016/j.ememar.2024.101172>.
- Beirne, J., Renzhi, N. and Volz, U. (2021) 'Persistent current account imbalances: Are they good or bad for regional and global growth?', *Journal of International Money and Finance*, 115, 102389. <https://doi.org/10.1016/j.jimonfin.2021.102389>.
- Beirne, J., Renzhi, N. and Volz, U. (2024) 'Local currency bond markets, foreign investor participation and capital flow volatility in emerging Asia', *Singapore Economic Review*, 69(2), pp. 517–541. <https://doi.org/10.1142/S0217590821410083>.
- Bergant, K. (2021) 'The role of stock-flow adjustment during the global financial crisis', *Journal of International Money and Finance*, 110, 102261. <https://doi.org/10.1016/j.jimonfin.2020.102261>.
- Bergant, K., Grigoli, F., Hansen, N.-J. and Sandri, D. (2024) 'Dampening global financial shocks: Can macroprudential regulation help (more than capital controls)?', *Journal of Money, Credit and Banking*, 56, pp. 1405–1438. <https://doi.org/10.1111/jmcb.13089>.
- Bianchi, B., Galstyan, V. and Herzberg, V. (2022) 'Global risk and portfolio flows to emerging markets: Evidence from Irish-resident investment funds', *Journal of International Money and Finance*, 123, 102600. <https://doi.org/10.1016/j.jimonfin.2022.102600>.
- Bildirici, M.E. and Kayıkçı, F. (2022) 'The relation between growth, energy imports, militarization and current account balance in China, Israel and South Korea', *Energy*, 242, 122537. <https://doi.org/10.1016/j.energy.2021.122537>.
- Buono, I., Corneli, F. and Di Stefano, E. (2024) 'Capital inflows to emerging countries and their sensitivity to the global financial cycle', *International Finance*, 27(1), pp. 17–34. <https://doi.org/10.1111/infi.12442>.
- Cardani, R., Hohberger, S., Pfeiffer, P. and Vogel, L. (2022) 'Domestic versus foreign drivers of trade (im)balances: How robust is evidence from estimated DSGE models?', *Journal of*

- International Money and Finance, 121, 102509.
<https://doi.org/10.1016/j.jimonfin.2021.102509>.
- Carney, R.W., El Ghouli, S., Guedhami, O. and Wang, H. (2024) 'Geopolitical risk and the cost of capital in emerging economies', *Emerging Markets Review*, 61, 101149.
<https://doi.org/10.1016/j.ememar.2024.101149>.
- Chernov, M., Creal, D. and Hördahl, P. (2023) 'Sovereign credit and exchange rate risks: Evidence from Asia-Pacific local currency bonds', *Journal of International Economics*, 140, 103692. <https://doi.org/10.1016/j.jinteco.2022.103692>.
- Chertman, F., Hutchison, M. and Zink, D. (2020) 'Facing the quadrilemma: Taylor rules, intervention policy and capital controls in large emerging markets', *Journal of International Money and Finance*, 102, 102122. <https://doi.org/10.1016/j.jimonfin.2019.102122>.
- Chinn, M.D. and Ito, H. (2022) 'A requiem for "Blame It on Beijing": Interpreting rotating global current account surpluses', *Journal of International Money and Finance*, 121, 102510. <https://doi.org/10.1016/j.jimonfin.2021.102510>.
- Chinn, M.D. and Ito, H. (2025) 'Current account dynamics and saving-investment nexus in a changing and uncertain world', *Journal of International Money and Finance*, 151, 103238. <https://doi.org/10.1016/j.jimonfin.2024.103238>.
- Choi, J.H. (2020) 'Capital controls and foreign exchange market intervention', *Journal of International Money and Finance*, 101, 102098. <https://doi.org/10.1016/j.jimonfin.2019.102098>.
- Dahlhaus, T. and Vasishtha, G. (2020) 'Monetary policy news in the US: Effects on emerging market capital flows', *Journal of International Money and Finance*, 109, 102251. <https://doi.org/10.1016/j.jimonfin.2020.102251>.
- Dainauskas, J. (2023) 'Time-varying exchange rate pass-through into terms of trade', *Journal of International Money and Finance*, 137, 102905. <https://doi.org/10.1016/j.jimonfin.2023.102905>.
- Davis, J.S., Devereux, M.B. and Yu, C. (2023) 'Sudden stops and optimal foreign exchange intervention', *Journal of International Economics*, 141, 103728. <https://doi.org/10.1016/j.jinteco.2023.103728>.
- Davis, J.S. and Zlate, A. (2023) 'The global financial cycle and capital flows during the COVID-19 pandemic', *European Economic Review*, 156, 104477. <https://doi.org/10.1016/j.eurocorev.2023.104477>.
- Duval, R., Furceri, D. and Jalles, J.T. (2022) 'Labor and product market reforms and external imbalances: Evidence from advanced economies', *Journal of International Money and Finance*, 121, 102513. <https://doi.org/10.1016/j.jimonfin.2021.102513>.
- Fan, H., Gou, Q., Peng, Y. and Xie, W. (2020) 'Spillover effects of capital controls on capital flows and financial risk contagion', *Journal of International Money and Finance*, 105, 102189. <https://doi.org/10.1016/j.jimonfin.2020.102189>.
- Feriyanto, N. (2020) 'Determinants of Indonesia's current account balance: An error correction model approach', *Entrepreneurship and Sustainability Issues*, 7(4), pp. 3410–3425. [https://doi.org/10.9770/jesi.2020.7.4\(55\)](https://doi.org/10.9770/jesi.2020.7.4(55)).

- Fianto, B.A., Laila, N., Sukmana, R. and Madyan, M. (2020) 'Predictors of exchange rate returns: Evidence from Indonesia', *Bulletin of Monetary Economics and Banking*, 23(2), pp. 239–252. <https://doi.org/10.21098/bemp.v23i1.1169>.
- Fischer, A.M., Greminger, R.P., Grisse, C. and Kaufmann, S. (2021) 'Portfolio rebalancing in times of stress', *Journal of International Money and Finance*, 113, 102360. <https://doi.org/10.1016/j.jimonfin.2021.102360>.
- Gruhle, T. and Harms, P. (2022) 'Producer services and the current account', *Journal of International Money and Finance*, 121, 102514. <https://doi.org/10.1016/j.jimonfin.2021.102514>.
- Hakim, A. and Sriyana, J. (2020) 'Risk threshold for sustainable current account balance of payments: An Indonesian case', *Asian Economic and Financial Review*, 10(7), pp. 778–789. <https://doi.org/10.18488/journal.aefr.2020.107.778.789>.
- Handoyo, R.D., Erlando, A. and Astutik, N.T. (2020) 'Analysis of twin deficits hypothesis in Indonesia and its impact on financial crisis', *Heliyon*, 6(1), e03248. <https://doi.org/10.1016/j.heliyon.2020.e03248>.
- Hansen, E. and Wagner, R. (2022) 'The reinvestment by multinationals as a capital flow: Crises, imbalances, and the cash-based current account', *Journal of International Money and Finance*, 124, 102615. <https://doi.org/10.1016/j.jimonfin.2022.102615>.
- Harkmann, K. and Staehr, K. (2021) 'Current account drivers and exchange rate regimes in Central and Eastern Europe', *Journal of International Money and Finance*, 110, 102286. <https://doi.org/10.1016/j.jimonfin.2020.102286>.
- Islamaj, E. and Kose, M.A. (2022) 'What types of capital flows help improve international risk sharing?', *Journal of International Money and Finance*, 122, 102544. <https://doi.org/10.1016/j.jimonfin.2021.102544>.
- Jeanne, O. and Sandri, D. (2023) 'Global financial cycle and liquidity management', *Journal of International Economics*, 146, 103736. <https://doi.org/10.1016/j.jinteco.2023.103736>.
- Kadırgan, C. (2023) 'Exchange rate driven balance sheet effect and capital flows to emerging market economies', *Quarterly Review of Economics and Finance*, 87, pp. 35–45. <https://doi.org/10.1016/j.qref.2022.11.003>.
- Kaya, A.I. and Erden, L. (2023) 'Capital-flow volatility in emerging markets: A panel GARCH approach', *International Finance*, 26(2), pp. 172–188. <https://doi.org/10.1111/infi.12427>.
- Kumar, S., Prabheesh, K.P. and Gunadi, I. (2026) 'Unravelling the factors behind Indonesia's international exchange reserves', *Journal of Asian Economics*, 102, 102105. <https://doi.org/10.1016/j.asieco.2025.102105>.
- Lama, R. and Medina, J.P. (2020) 'Mundell meets Poole: Managing capital flows with multiple instruments in emerging economies', *Journal of International Money and Finance*, 109, 102193. <https://doi.org/10.1016/j.jimonfin.2020.102193>.
- Lau, W.-Y. and Yip, T.-M. (2020) 'Information flow between the US dollar–Rupiah exchange rates', *Bulletin of Monetary Economics and Banking*, 23(3), pp. 441–464. <https://doi.org/10.21098/bemp.v23i3.918>.
- Liu, C., Wang, W., Wen, Y. and Yang, J. (2026) 'Financial market development and investment income balance of current account', *Journal of International Money and Finance*, 167, 103624. <https://doi.org/10.1016/j.jimonfin.2026.103624>.

- Lutz, F. and Zessner-Spitzenberg, L. (2023) 'Sudden stops and reserve accumulation in the presence of international liquidity risk', *Journal of International Economics*, 143, 103729. <https://doi.org/10.1016/j.jinteco.2023.103729>.
- Magud, N.E. and Pienknagura, S. (2025) 'Foreign exchange intervention and capital flow measures under external tail risks', *Emerging Markets Review*, 65, 101245. <https://doi.org/10.1016/j.ememar.2024.101245>.
- Mara, M.Y.I., Purwanto, N.M.A., Kurniati, I.N., Fauziah, N.R. and Aqmaliyah, E. (2021) 'Capital flow and banking credit in Indonesia', *Economic Modelling*, 95, pp. 298–310. <https://doi.org/10.1016/j.econmod.2020.02.047>.
- Maulina, A.S. and Hayati, B. (2020) 'Analisis keterkaitan instrumen kebijakan moneter, kebijakan defisit anggaran dan neraca transaksi berjalan Indonesia 2006Q1–2016Q4', *Diponegoro Journal of Economics*, 9(1), pp. 156–169. <https://doi.org/10.14710/djoe.31500>.
- Miranda-Agrippino, S. and Rey, H. (2020) 'U.S. monetary policy and the global financial cycle', *Review of Economic Studies*, 87(6), pp. 2754–2776. <https://doi.org/10.1093/restud/rdaa019>.
- Narayan, S., Narayan, P.K. and Tobing, L. (2021) 'Has tourism influenced Indonesia's current account?', *Economic Analysis and Policy*, 69, pp. 225–237. <https://doi.org/10.1016/j.eap.2020.12.009>.
- Nieminen, M. (2022) 'Cross-country variation in patience, persistent current account imbalances and the external wealth of nations', *Journal of International Money and Finance*, 121, 102517. <https://doi.org/10.1016/j.jimonfin.2021.102517>.
- Pagliari, M.S. and Hannan, S.A. (2024) 'The volatility of capital flows in emerging markets: Measures and determinants', *Journal of International Money and Finance*, 145, 103095. <https://doi.org/10.1016/j.jimonfin.2024.103095>.
- Panggabean, S.M.U., Ekananda, M., Gitaharie, B.Y. and Djuranovik, L. (2025) 'Steadying the ship: Can export proceeds repatriation policy stabilize Indonesian exchange rates amid short-term capital flow fluctuations?', *Economies*, 13(6), 180. <https://doi.org/10.3390/economies13060180>.
- Pereira, P.H.A. and Divino, J.A. (2025) 'Monetary policy and foreign exchange interventions in emerging small open economies', *Emerging Markets Review*, 69, 101370. <https://doi.org/10.1016/j.ememar.2025.101370>.
- Prabheesh, K.P., Anglingkusumo, R. and Juhro, S.M. (2021) 'The dynamics of global financial cycle and domestic economic cycles: Evidence from India and Indonesia', *Economic Modelling*, 94, pp. 831–842. <https://doi.org/10.1016/j.econmod.2020.02.024>.
- Purnama, D., Budiono, B. and Priyono, A.F. (2021) 'Determinants of current account balance in ASEAN+6', *Jurnal Economia*, 17(2), pp. 220–237. <https://doi.org/10.21831/economia.v17i2.29043>.
- Shim, I. and Shin, K. (2021) 'Financial stress in lender countries and capital outflows from emerging market economies', *Journal of International Money and Finance*, 113, 102356. <https://doi.org/10.1016/j.jimonfin.2021.102356>.
- Sikarwar, E. (2020) 'Forex interventions and exchange rate exposure: Evidence from emerging market firms', *Economic Modelling*, 93, pp. 69–81. <https://doi.org/10.1016/j.econmod.2020.07.010>.

Sosa-Padilla, C. and Sturzenegger, F. (2023) 'Does it matter how central banks accumulate reserves? Evidence from sovereign spreads', *Journal of International Economics*, 140, 103711. <https://doi.org/10.1016/j.jinteco.2022.103711>.

Villamizar-Villegas, M., Arango-Lozano, L., Castelblanco, G., Fajardo-Baquero, N. and Ruiz-Sanchez, M.A. (2024) 'The effects of monetary policy on capital flows: An emerging market survey', *Emerging Markets Review*, 62, 101167. <https://doi.org/10.1016/j.ememar.2024.101167>.

Institutional and Official Data Sources

Bank Indonesia (2026a) 'Indonesia's Balance of Payments, Quarter II 2026'. Available at: https://www.bi.go.id/id/publikasi/ruang-media/news-release/Pages/sp_2816526.aspx (Accessed: 22 August 2026).

Bank Indonesia (2026b) 'Monetary Policy Report - Quarter II 2026'. Available at: <https://www.bi.go.id/en/publikasi/laporan/Pages/Laporan-Kebijakan-Moneter-Triwulan-II-2026.aspx> (Accessed: 22 August 2026).

Bank Indonesia (2026c) 'Official Reserve Assets Remained Maintained in June 2026'. Available at: https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_2813126.aspx (Accessed: 22 August 2026).

Bank Indonesia (2026d) 'BI-Rate Held at 5.75%: Strengthening Stability, Supporting Economic Growth', August 2026. Available at: https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_2816226.aspx (Accessed: 22 August 2026).

Bank Indonesia (2026e) 'Monetary Policy Report - Quarter I 2026'. Available at: <https://www.bi.go.id/en/publikasi/laporan/Pages/Laporan-Kebijakan-Moneter-Triwulan-I-2026.aspx> (Accessed: 22 August 2026).

BPS-Statistics Indonesia (2026) 'Indonesia's Economic Growth in Q2 2026 was 5.29 Percent (y-on-y)'. Available at: <https://www.bps.go.id/en/pressrelease/2026/08/05/2605/ekonomi-indonesia-triwulan-ii-2026-tumbuh-5-29-persen--y-on-y-.html> (Accessed: 22 August 2026).

International Monetary Fund (IMF) (2026a) 'World Economic Outlook Update, July 2026: Global Economy in Crosscurrents of War and Technology'. Available at: <https://doi.org/10.5089/9798229047999.081>. <https://www.imf.org/en/publications/weo/issues/2026/07/08/world-economic-outlook-update-july-2026> (Accessed: 22 August 2026).

International Monetary Fund (IMF) (2026b) 'IMF Executive Board Concludes 2025 Article IV Consultation with Indonesia'. Available at: <https://www.imf.org/en/news/articles/2026/01/21/pr-26010-indonesia-imf-executive-board-concludes-2025-article-iv-consultation> (Accessed: 22 August 2026).