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Bank Indonesia's Monetary Policy Analysis in Maintaining Rupiah Exchange Rate Stability Amid Global Uncertainty

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Abstract

The rupiah exchange rate is one of the most sensitive variables in the Indonesian economy. When global conditions deteriorate, the rupiah is usually the first to feel it. Throughout 2024-2025, the pressure is coming from multiple directions at once: the escalation of U.S. tariffs on China, the economic slowdown of major trading partners, and geopolitical tensions that show no signs of abating. This study explores how BI manages its monetary policy mix under these conditions, with a focus on the rupiah exchange rate stabilization strategy throughout 2024-2025. The method used is qualitative descriptive based on document studies. All data is sourced from BI's official publications - the quarterly Monetary Policy Report, the press release of the Board of Governors Meeting, official statements, and regulatory documents - which are publicly accessible on bi.go.id. The findings of the study show that BI does not rely on a single instrument. BI-Rate will be cut by 150 bps gradually to touch 4.75% from September 2024, while on the other hand, BI is actively intervening in the foreign exchange market through three simultaneous channels: spot markets, off-shore NDFs in Singapore and Hong Kong, and domestic DNDFs that do not deplete foreign exchange reserves. SRBI and SVBI instruments are optimized to manage liquidity, while DHE SDA policies and LCT expansion are used as medium-term structural strategies. The results are not bad for a high measure of global uncertainty. Foreign exchange reserves remain in the range of USD148-156 billion throughout 2025 - above international adequacy standards - and the volatility of the rupiah is relatively controlled compared to many other emerging market currencies.

Keywords: monetary policy, Rupiah exchange rate, Bank Indonesia, global uncertainty, foreign exchange intervention, foreign exchange reserves

INTRODUCTION

There is one thing that makes exchange rate policy different from other economic policies: the pressure can be felt in a matter of hours. When foreign investors decided to withdraw funds from the Indonesian bond market, the rupiah weakened that same day (Hamada, 2019). There is no time lag like the transmission of fiscal policy that takes months to feel the effects.

This is what makes Bank Indonesia's position characterised by significant policy trade-offs. As a central bank of a country with an open economy and a heavy reliance on commodity exports and foreign capital flows, BI must keep the rupiah stable without having full control over the factors that drive the forex market (Hasanah et al., 2024; Indonesia, 2020). People's purchasing power, import inflation, balance of payments, investment climate all are directly related to exchange rate stability.

The conditions of 2024-2025 do not provide much leniency. Increasingly aggressive U.S. tariff policies including additional tariffs on Chinese, pharmaceutical, and automotive products are fueling a wave of uncertainty that is spreading across global financial markets. The Federal Reserve is normalizing its policy slower than expected, but inconsistent signals from Washington have been enough to destabilize emerging market capital flows. Meanwhile, China's economic slowdown is weighing on export demand and commodity prices - two of Indonesia's main sources of foreign exchange.

In the midst of all that, BI is required to balance two opposing needs. On the one hand, maintaining competitive interest rates so that foreign funds do not run away. On the other hand, it encourages credit and domestic growth that requires monetary easing. This study traces how BI navigates these policy tensions throughout 2024-2025, using a descriptive qualitative approach based on the analysis of official BI documents.

Empirically, the scale of these pressures warrants rigorous academic attention. capital outflows from emerging markets reached approximately USD 30 billion in the first quarter of 2025, the largest single-quarter net outflow since the COVID-19 pandemic shock of 2020. The rupiah's nominal effective exchange rate (NEER) depreciated by approximately 5.2% between January and September 2025, while the volatility of the rupiah against the US dollar reached its highest level since 2020. Despite this challenging environment, few studies have examined in granular detail how BI specifically calibrated and sequenced its multi-instrument policy response during this episode Has addressed exchange rate policy either at an aggregate level or with a focus on pre-2024 periods, leaving a significant empirical gap in the academic documentation of BI's contemporary instrument architecture.

The urgency of this research is threefold. First, the 2024–2025 global environment represents a qualitatively distinct policy shock from prior episodes, combining simultaneous trade policy disruption (U.S. tariff escalation), geopolitical uncertainty, and monetary policy divergence among major central banks in a manner not previously studied for the Indonesian case. Second, BI's deployment of a new generation of instruments—particularly the Domestic Non-Deliverable Forward (DNDF) and the expanded DHE SDA foreign exchange repatriation mechanism—has not been comprehensively evaluated in peer-reviewed literature, leaving a gap between policy innovation and academic documentation. Third, the outcomes of this period carry significant implications for Indonesia's external vulnerability framework and for the broader literature on monetary policy effectiveness in open emerging market economies operating under managed float regimes.

The novelty of this study lies specifically in its integration of three analytical dimensions instrument sequencing logic, theoretical framework alignment encompassing the ITF, managed float regime, and 'fear of floating' concept and structural vulnerability assessmentwithin a single coherent policy narrative grounded exclusively in primary BI sources.

This study pursues three explicit research objectives to describe and contextualise the dynamics of the rupiah exchange rate throughout 2024–2025 in relation to the global macroeconomic environment, to analyse the design, sequencing, and theoretical rationale of Bank Indonesia's multi-instrument monetary policy mix deployed to maintain exchange rate stability and to evaluate the effectiveness and limitations of this policy mix in addressing both short-term exchange rate volatility and structural vulnerabilities in Indonesia’s external financial position.

This study is expected to contribute to academic knowledge in two respects. Theoretically, it provides empirical documentation of how ‘fear of floating’ manifests in a contemporary multi-instrument policy framework, extending the application of (Calvo et al., n.d.) concept to the post-2020 emerging market context. Methodologically, it demonstrates the value of systematic qualitative document analysis in capturing the internal logic of central bank policy decisions that cannot be fully captured by quantitative models. From a policy perspective, the findings are intended to assist Bank Indonesia, the Ministry of Finance, and related financial stability authorities in identifying residual structural vulnerabilities and in designing future frameworks that reduce Indonesia’s dependence on reactive exchange rate intervention.

The Global Macroeconomic Context 2025 as the Background of the Research
Escalation of US tariffs on China (100% additional) pressures global trade and financial markets
The IMF cut its global growth projection to 2.8% in 2025, down 0.5 points from its January projection
The rupiah had touched Rp16,815/USD (January 2026) due to capital outflows and US dollar pressure
Indonesia's foreign exchange reserves fluctuate from USD157 billion (end of 2025) to USD148 billion (March 2026)

Exchange Rate Theory and Monetary Policy

In the economic literature, there are two classical approaches to understanding what determines the exchange rate. The Purchasing Power Parity (PPP) theory developed by Alsmadi et al. (2022) argued that in the long run, exchange rates reflect differences in price levels between countries. While the Interest Rate Parity Theory (IRP) – which has its roots in Keynes – links exchange rates to the difference in interest rates: the currencies of high-interest countries tend to weaken to compensate for their yield advantage.

Bank Indonesia has adopted the Inflation Targeting Framework (ITF) since 2005 (Irawan, 2020; Nurfalah & Fatoni, 2023; Saputra, 2024; Sukardi, 2023; Warjiyo & Juhro, 2019b). In this framework, the exchange rate is not the main target - BI does not promise to maintain the Rupiah at a certain level. But that doesn't mean the exchange rate is ignored(Warjiyo & Juhro, 2019a) explained that in Indonesia, the transmission of exchange rate movements to inflation is quite strong, so that maintaining the stability of the Rupiah is an integral part of BI's overall monetary policy framework.

(Rey, 2015) adds another crucial dimension. In the era of global financial integration, there is a so-called 'global financial cycle' - a global financial cycle whose movement is dominated by the policies of the US Federal Reserve. The impact spreads throughout the world through capital flows and asset prices. This means that for Indonesia, exchange rate stability is not only a matter of domestic conditions. Global sentiment and central bank decisions in developed countries have an equally great influence.

Exchange Rate Regime and Managed Float Approach

Indonesia adheres to a controlled floating exchange rate regime. The rupiah is allowed to move according to market mechanisms, but BI may intervene when volatility is considered excessive. This choice of regime makes sense: it is flexible enough to adapt to external shocks, but still has room to maintain market order.

The critical historical precedents of 1997–1998 were never far from the minds of policymakers at BI. When the rupiah collapsed more than 80% against the US dollar, the entire foundation of the Indonesian economy faltered. (money et al., n.d.) warned in his 'speculative attack' model: exchange rate regimes with inadequate foreign exchange reserves are particularly vulnerable to speculative attacks that could force a sudden devaluation. The 1997 experience is the most brutal confirmation of that theory.

Introduced the concept of 'fear of floating' to describe a widely practiced but rarely recognized reality: developing countries that formally adopt free-floating regimes in practice still often intervene in the market. The reason is reasonable - exchange rate volatility in developing countries is a more costly consequence, due to the large amount of debt in dollars (dollarization of liabilities), high dependence on raw material imports, and market confidence in more fragile domestic policies. This phenomenon is very apt to illustrate BI's approach.

Monetary Policy Instruments in Exchange Rate Management

Central banks have several tools to influence the exchange rate. First, interest rate policy – works through the interest rate parity channel by influencing capital inflows and outflows. Second, direct intervention in the forex market, both sterile (does not change the money supply) and non-sterile ones. Third, derivative instruments such as forwards and swaps to manage expectations without having to use foreign exchange reserves directly. Fourth, policy communication – which is often underestimated, even though the formation of market expectations can be just as powerful as real intervention.

Frankel, (2010) reminds that forex market interventions are not always effective. The outcome depends largely on whether the intervention is sterile or not, how much foreign exchange reserves are available, and how credible the central bank's commitment is in the eyes of the market. Interventions that are not supported by solid economic fundamentals and sufficient reserves usually do not last long – they could even exacerbate the pressure if market participants began calculating how long BI’s available intervention capacity could be sustained.

Previous research

This instrument has proven its effectiveness in several episodes of rupiah pressure, including during the US-China trade war in 2025.

METHOD

Approaches and Types of Research

This study uses a descriptive qualitative approach with a document study method (J. W. Creswell & Creswell, 2023). Specifically, it adopts a single-case research design in which Bank

Indonesia's monetary policy response during 2024–2025 constitutes the bounded case unit of analysis (*Yin, R. K. (2016). Qualitative Research from Start... - Google Scholar*, n.d.) Monetary policy is a domain in which logic, context, and considerations that are not always quantifiable play a decisive role. As (J. Creswell & Poth, 2016) observe, qualitative approaches are particularly appropriate when the research question requires an in-depth understanding of a complex phenomenon within its real-world context. A linear quantitative analysis would be insufficient to capture why BI chose to reduce interest rates simultaneously with aggressive foreign exchange market intervention—two moves that, at first glance, appear contradictory. The qualitative approach allows for the exploration of policy nuances, internal tensions, and strategic dynamics that develop chronologically within the official documentary record.

Data Sources

All data is sourced from official documents of BI and related institutions that can be accessed by the public through bi.go.id, covering the period 2024-2025.

Table 1. Official Data Sources Used in the Analysis

No.	Document Type	Period/Edition	Relevance
1.	Monetary Policy Report (MFI)	Quarter I-III 2025	Exchange rate strategy narrative, instruments, & data
2.	Indonesian Economic Report	2023 & 2024	Macroeconomic context & medium-term policy direction
3.	Monthly RDG Press Release	Jan 2024 - Dec 2025	Interest rate decisions & exchange rate policy statements
4.	BI Regulation No. 5 of 2025	March 2025	Legal framework of monetary policy & BI instruments
5.	KSSK Press Release 2025	Quarter I-IV 2025	Coordination of financial system stability & exchange rates
6.	Official Statement of BI Officials	2025	Keynote speech, seminar, and statement by the Deputy Governor
7.	BI & BPS Foreign Exchange Proposal Data	2024-2026	Quantitative data supporting policy analysis

Source: Data Processed

Data Collection and Analysis Techniques

Data collection was carried out through a systematic search of all official BI documents on the bi.go.id portal, complemented by data from relevant international institutions (IMF, BIS). The selection of documents was purposive (Miles & Huberman, 1994)): documents were included if they were produced by an authoritative institutional source, contained substantive information regarding monetary policy decisions or exchange rate conditions, and were publicly accessible; documents from commercial data aggregators or unofficial secondary sources were excluded as primary evidence. The analysis proceeded through four stages informed by thematic analysis principles (Braun et al., 2006): (1) holistic reading of each document to understand its general context; (2) inductive thematic coding to identify recurring policy patterns and instrument categories; (3) chronological analysis to trace strategic changes over time; and (4) document triangulation to verify the consistency of interpretation across different source types.

Research Subject and Scope

The subjects of this study are official policy documents produced by Bank Indonesia and related government and international institutions during the period January 2024 to March 2026. Document selection was purposive (Miles & Huberman, 1994) documents were included if they (a) were produced by an authoritative institutional source (BI, KSSK, IMF, BIS); (b) contained substantive information regarding monetary policy decisions, instruments, or exchange rate conditions; and (c) were publicly accessible. The geographical scope of this study is limited to Indonesia's monetary policy context, and the temporal scope is bounded to the 2024–2025 period, with limited extension to early 2026 where data on the consequences of 2025 policy decisions were directly relevant to assessing outcomes.

Research Instrument

In qualitative document analysis, the primary research instrument is the researchers themselves (*Lincoln, Y. S., & Guba, E. G. (1985). Naturalistic... - Google Scholar*, n.d.) The researchers served as the principal instrument of data selection, interpretation, and synthesis, guided by a structured thematic coding framework developed prior to data collection. This framework operationalised four thematic categories derived from the theoretical background: (1) interest rate policy decisions and their stated rationale; (2) foreign exchange intervention mechanisms and channels; (3) liquidity management instruments (SRBI, SVBI); and (4) structural and macroprudential measures (DHE SDA, LCT). The consistent application of this framework across all documents ensured systematic and comparable interpretation of policy decisions throughout the study period.

Data Validity and Credibility

To ensure the credibility and trustworthiness of the findings, this study employed three validity strategies consistent with qualitative research standards. First, source triangulation was conducted by cross-referencing findings across multiple document types (quarterly monetary policy reports, press releases, regulatory documents, and international institutional data from the IMF and BIS) to verify interpretive consistency. Second, confirmability was enhanced through verbatim citation of key official document passages in the results section, enabling readers to assess the evidentiary basis of interpretive claims independently. Third, audit transparency was maintained by documenting all primary data sources in Table 1 (Section 3.2), enabling independent verification of the documentary basis of the analysis.

RESULT AND DISCUSSION

Rupiah Exchange Rate Dynamics 2024-2025: Between Pressure and Resilience

The rupiah has never been stable in the true sense throughout 2024-2025. It moves under pressure that comes one after another, with varying intensity. The end of 2024 is already tough: the strengthening of the US dollar after the Fed's policy is pressuring almost all emerging market currencies, including the Rupiah. Entering 2025, the pressure is mounting as the U.S. imposes an

additional 100% tariff on Chinese products — a move that sparked a wave of risk-off sentiment in global financial markets and exacerbated capital outflows from developing countries.
On October 21, 2025, the rupiah was recorded at Rp16,585 per US dollar, up 0.45% from the end of September 2025 - partly reflecting the effectiveness of BI's intervention. But in January 2026, the rupiah was depressed again to Rp16,815 per US dollar, weakening 0.83% from December 2025, driven by increased capital outflows and rising foreign exchange demand from domestic banks and corporations.

Table 2. Rupiah Exchange Rate Dynamics During 2024–2026

Period	Exchange Rate (Rp/USD)	Key Conditions & Factors
End 2024	~Rp15,900-16,200	Strengthening the US dollar, anticipating the Fed's policy
March 2025	~Rp16,300-16,500	Early U.S. tariff pressures, global financial market volatility
Sept 2025	~Rp16,600 (down 1.05%)	Escalation of US tariffs, Middle East geopolitical uncertainty
Oct 2025	IDR 16,585 (up 0.45%)	BI intervention, DHE policy strengthening, positive sentiment
Jan 2026	Rp16,815 (down 0.83%)	Capital outflow, demand for corporate forex increases
Mar 2026	~Rp17.000+	The pressure continues, foreign exchange reserves fall to USD148.2 billion

Source: Data Processed

BI's Monetary Policy Mix Strategy: Layered and Adaptive

When pressure comes from many directions at once, no one instrument can handle them all. BI understands this and responds with a multi-layered strategy – simultaneously blending interest rate policy, intervention in different segments of the forex market, liquidity management, and macroprudential policy. BI Senior Deputy Governor Destry Damayanti explicitly called this approach a 'consistent, pre-emptive, and measurable' response to conditions that she herself described as 'unusual.'

a. BI-Rate Management: Between Easing and Stability

The most controversial – as well as the most analytically interesting – decision was the gradual reduction of the BI-Rate by a total of 150 basis points, from 6.25% in September 2024 to 4.75% in October 2025. This is the lowest level since 2022. The interest rate for Deposit Facility also fell to 3.75% and Lending Facility to 5.50%.

Theoretically, cutting interest rates amid exchange rate pressures is a risky move. Falling rupiah asset yields could drive capital outflows and weaken the exchange rate further. BI is aware of this risk, but made the decision with three considerations: controlled CPI inflation at 2.65% (yoy) in September 2025 provides room for easing; the reduction in interest rates needs to be balanced by active intervention in the forex market; and credit growth, which is still below the potential, needs a boost.

"This decision is consistent with the inflation forecast for 2025 and 2026 which remains low at the target of 2.5+/-1%, efforts to maintain the stability of the rupiah exchange rate in line with fundamentals amid still high global uncertainty, as well as synergy to help strengthen economic growth." (MFI Quarter III 2025, Bank Indonesia)

This is not an ordinary monetary easing. BI basically chose to run two opposite strategies simultaneously: easing interest rates while tightening foreign exchange market interventions. The success of this strategy depends entirely on how effectively the intervention can offset the impact of lower interest rates on the Rupiah.

b. Layered Foreign Exchange Interventions: Spot, NDF, and DNDF

BI operates three intervention channels simultaneously, each targeting a different market segment.

The spot market is the most direct intervention: BI buys or sells US dollars in the domestic market to influence forex supply in real-time. The impact is felt most quickly by the market, but it is also the most direct to deplete foreign exchange reserves. The off-shore NDF intervention targets the derivatives market in Singapore and Hong Kong, where Rupiah exchange rate expectations are formed without involving the physical delivery of the Rupiah. BI entered this market to influence sentiment before the pressure had spread to the domestic market - a pre-emptive approach that breaks the chain of transmission of external pressures. DNDF (Domestic Non-Deliverable Forward) is the most innovative of the three. BI intervened in the domestic derivatives market using the Rupiah as the settlement currency, not the US dollar. The consequence: BI can stabilize the exchange rate without directly using foreign exchange reserves. Through the DNDF auction to banks, BI sets short-term exchange rate expectations (1-3 months) as well as provides hedging instruments for domestic business actors.

BI's Three Exchange Rate Intervention Channels and Their Characteristics
Spot Market: direct intervention to buy/sell forex - quick impact, using foreign exchange reserves
Off-shore NDFs: expectation intervention in the overseas derivatives market - pre-emptive, preventing pressure to enter the domestic market
DNDF On-shore: domestic derivatives intervention using Rupiah - does not deplete foreign exchange reserves, shapes short-term expectations

c. Optimization of Monetary Instruments: SRBI and SVBI

Outside of direct foreign exchange intervention, BI uses two securities-based instruments. Bank Indonesia Rupiah Securities (SRBI) is an instrument to absorb excess Rupiah liquidity in banks, with competitive enough yields to attract placements. Its position fell from IDR 916.97

trillion in early 2025 to IDR 707.05 trillion as of October 21, 2025, reflecting a deliberate liquidity expansion to drive growth.

Bank Indonesia's Foreign Exchange Securities (SVBI) works the other way: attracting foreign exchange funds from banks and investors to the domestic financial system. By increasing the supply of foreign exchange in the domestic market, SVBI helps reduce the pressure on the rupiah depreciation from the demand side.

d. Foreign Exchange Export Proceeds (DHE) and Local Currency Transaction (LCT) Policy

These two policies work in a more structural layer. The DHE SDA policy requires exporters of natural resources to place a portion of their foreign exchange proceeds in BI placement instruments an organic way to increase domestic foreign exchange supplies without having to rely on reactive interventions whenever pressure comes.

The expansion of LCT with trading partners recorded a transaction value of USD25.72 billion by the end of 2025 - double that of 2024. This figure is not just a statistic: it reflects the reduced dependence on the US dollar in Indonesia's bilateral transactions. When trades with major partners can be completed in their respective local currencies, the demand for dollars in the domestic market decreases, and that provides structural support for the Rupiah.

The Role of Foreign Exchange Reserves as a Policy Cushion

All of the instruments discussed can only work effectively if there is one solid foundation: adequate foreign exchange reserves. Without it, BI's commitment to maintaining the Rupiah will not be trusted by the market – and a disbelieving market could create a self-fulfilling speculative attack.

The position of Indonesia's foreign exchange reserves moves in an attractive range throughout 2025-early 2026. After reaching USD156.5 billion by the end of 2025, reserves gradually fell to USD151.9 billion (February 2026) and USD148.3 billion (March 2026). This average decline of about USD3 billion per month mainly reflects the cost of intervention and the payment of the government's external debt. But even at the lowest, this position still equates to 5.8 months of imports – well above the 3-month international adequacy standard.

Table 3. Indonesia's Foreign Exchange Reserves and Import Adequacy (2025–2026)

Period	Foreign Exchange Reserves (USD billion)	Import Equivalent (month)	Remarks
Sept 2025	148,7	~5.0	Lowest in 2025 due to intensive intervention
From 2025	156,5	~6.2	Rebound - DHE policy & market sentiment improving
Jan 2026	154,6	~6.0	Starting to decline - capital outflow increases

Period	Foreign Exchange Reserves (USD billion)	Import Equivalent (month)	Remarks
Feb 2026	151,9	~5.9	Lowest since Nov 2025
Mar 2026	148,2	~5.8	The pressure continues - still above international standards

Source: Data Processed

Evaluation of Effectiveness: Successes, Limitations, and Structural Challenges

Overall, BI's policy mix is working. The rupiah did not experience uncontrolled depreciation amid heavy global pressure. Layered interventions through spot, NDF, and DNDF have succeeded in reducing episodic volatility - reflected in the strengthening of the Rupiah back to Rp16,585/USD after being depressed in September 2025. The doubling of LCT and strengthening of DHE also show real progress in building structural resilience.

But there are limitations that need to be looked at honestly. Dependence on foreign capital flows remains a major weak point. Significant foreign ownership of domestic financial instruments means that changes in global sentiment could trigger large and rapid capital outflows – exactly what happened in January 2026 when the Rupiah briefly touched Rp16,815/USD. BI can mitigate, but not eliminate, these vulnerabilities.

The decline in foreign exchange reserves of around USD3 billion per month since the end of 2025 also needs to be observed. The position is still safe for now, but if global pressure is prolonged and intervention must continue to take place at the same intensity, BI's policy space will narrow. Backups are not unlimited resources.

And there is a factor that BI cannot control: commodity prices. Coal, palm oil, and nickel are Indonesia's main sources of foreign exchange. When prices fall sharply due to weakening global demand, the supply of foreign exchange from exports decreases – and BI has to bear the brunt of the intervention side. It's a structural vulnerability that is much more difficult to overcome with monetary instruments.

Brief Evaluation of BI's Exchange Rate Policy Mix 2024-2025
Powers: Layered interventions (spot+NDF+DNDF) effectively dampen episodic volatility without completely draining reserves
Strengths: DNDF as an innovative instrument that allows intervention without using foreign exchange reserves directly
Strength: LCT USD25.72 billion – double from 2024 – builds medium-term structural resilience
Limitations: Dependence on foreign capital flows creates vulnerability to changes in global sentiment
Limitations: A decline in foreign exchange reserves of ~USD3 billion/month since the end of 2025 narrows policy space
Challenge: Volatility of export commodity prices as an exogenous factor that monetary instruments cannot control

CONCLUSION

Bank Indonesia has a path that is characterised by significant policy trade-offs throughout 2024-2025. Monetary policy is layered and responsive: BI-Rate is cut by 150 bps to 4.75%, foreign exchange intervention is carried out through three simultaneous channels, SRBI and SVBI instruments are optimized, SDA DHE is strengthened, and LCT is expanded until the transaction value doubles in a year.

The aggregate outcomes of BI's policy mix were broadly satisfactory relative to the severity of external pressures encountered. The rupiah did not fall freely, foreign exchange reserves remained at adequate levels, and several indicators of structural resilience showed improvement. At the same time, this study confirms that structural dependence on foreign capital flows remains the upper limit of the effectiveness of BI's monetary policy. As long as these vulnerabilities have not been fundamentally addressed, episodic pressures will continue to come.

Theoretically, BI's 2024-2025 experience confirms two things. First, the concept of 'fear of floating' by (Calvo et al., n.d.) remains relevant and alive in Indonesian policy practice – active intervention is not an exception, but a necessity. Second, instrument innovations such as DNDF can shift the traditional limitations of exchange rate interventions, giving BI more flexibility without having to risk its entire foreign exchange reserves.

This study acknowledges several methodological and scope limitations. First, as a document-based qualitative study, it cannot establish causal relationships between specific policy instruments and observed exchange rate outcomes; counterfactual analysis would require quantitative modelling beyond the scope of this work. Second, the temporal boundary of the study (January 2024–March 2026) limits the assessment of longer-term structural outcomes; the full impact of BI's LCT expansion and DHE SDA policy may only materialise over a multi-year horizon. Third, the study relies exclusively on publicly available official documents, which may not fully capture internal deliberation processes, risk assessments, or policy trade-offs that informed the decisions analysed. These limitations qualify the scope within which the conclusions may be generalised, but do not undermine the validity of the analytical findings within their stated boundaries.

Future research should address these limitations by employing mixed-method designs that integrate the qualitative policy logic documented here with quantitative analysis of exchange rate volatility, capital flow dynamics, and the counterfactual effectiveness of specific instruments such as DNDF. In particular, comparative studies examining BI's policy response alongside peer central banks in Thailand (Bank of Thailand), Malaysia (Bank Negara Malaysia), and the Philippines (Bangko Sentral ng Pilipinas) during 2024–2025 would contribute significantly to the emerging market monetary policy effectiveness literature. From a policy perspective, this study recommends that Bank Indonesia: (a) continue to develop and expand the DNDF market as a structural hedge against speculative pressure that does not deplete reserves; (b) accelerate the diversification of Indonesia's export base and investor profile to reduce structural dependence on commodity revenues and portfolio inflows; and (c) strengthen macroprudential coordination under the KSSK framework to integrate exchange rate resilience considerations more explicitly into financial system stability assessments.

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