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## RUPIAH STABILITY AMID GLOBAL ECONOMIC UNCERTAINTY

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**ABSTRACT:** The stability of the rupiah exchange rate has a crucial role in maintaining Indonesia's economic resilience, especially in the midst of uncertain global economic conditions. This study aims to identify domestic and global factors that affect rupiah fluctuations, as well as assess the effectiveness of policy measures taken by Bank Indonesia in maintaining exchange rate movements. This research uses a qualitative descriptive method through literature studies sourced from official reports of relevant agencies such as Bank Indonesia, BPS, Ministry of Finance, and publications of international institutions. The findings of the study show that external turmoil such as the increase in the benchmark interest rate in the United States and world geopolitical conflicts are the main causes of pressure on the rupiah. However, the implementation of *the Triple Intervention* policy, strengthening foreign exchange reserves, and coordination between fiscal and monetary policies have proven effective in maintaining its stability. Thus, optimal exchange rate management requires cross-sector collaboration and sustainable strengthening of economic fundamentals.

**Keywords:** *Rupiah Stability, Global Economic Uncertainty, Monetary Policy*

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## INTRODUCTION

The stability of the rupiah value has a very vital role in encouraging Indonesia's economic growth, especially in the midst of increasing complex and unpredictable global economic uncertainty. In the current era of globalization, exchange rate movements are an important indicator that reflects the strength and economic condition of a country. As Indonesia's official currency, the rupiah often faces pressure from various external factors such as changes in monetary policy in developed countries, such as the United States and the European region, geopolitical conflicts that disrupt global supply chains, and fluctuations in international trade (Santoso, 2023). This uncertainty makes the exchange rate very volatile, which has the potential to trigger inflation, disrupt price stability, and reduce people's purchasing power.

In addition, global economic challenges including slowing growth in major countries, rising international interest rates, and high inflationary pressures have also put pressure on the rupiah. Significant changes in exchange rates can have a negative impact on the business world, reduce investment interest, and slow down the pace of national economic growth (Wibowo, 2022). Therefore, maintaining the stability of the rupiah is a top priority for the government and Bank Indonesia to create certainty in economic and business activities.

More than just maintaining the exchange rate, the stability of the rupiah also plays a role in building international confidence in the Indonesian economy, which can ultimately increase foreign investment and capital inflows into the country. The positive impact can be seen in increasing job opportunities, infrastructure development, and improving community welfare (Hidayat, 2024). Monetary policy that is adaptive and responsive to global dynamics is an important basis for strengthening rupiah resilience.

In addition, rupiah stability must also be strengthened through domestic economic resilience, such as prudent fiscal management, export diversification, and strengthening the real sector so that it is not too dependent on imports. Synergy is needed between Bank Indonesia, the government, and market participants in formulating effective and integrated policies to deal with global economic turmoil (Susanto, 2023).

This article will comprehensively review the factors that affect the stability of the rupiah value, the policies taken to reduce risks, and the importance of collaboration between parties in dealing with global economic uncertainty. This holistic approach is expected to be able to keep the value of the rupiah stable in the midst of various shocks, both from abroad and from within the country.

## LITERATURE REVIEW

The stability of the rupiah exchange rate is a crucial component in maintaining the stability of the Indonesian economy which is influenced by various factors, both internal and external. One of the main functions of Bank Indonesia is to carry out monetary policy by setting interest rates and intervening in the foreign exchange market to prevent excessive rupiah fluctuations (ANTARA, 2025). On the other hand, the level of investor confidence is also highly dependent on domestic economic conditions, especially when economic growth shows signs of slowing down (ANTARA, 2025).

Pressure on the rupiah also comes from external factors such as the strengthening of the US dollar, global trade tensions, and fiscal uncertainty in the United States. For example, rising US bond yields make dollar-denominated assets more attractive, thereby encouraging capital flows out of Indonesia and causing the rupiah to weaken (ANTARA, 2025). A number of previous studies have shown a close relationship between monetary policy, exchange rate stability, and national economic growth (Azu et al., 2015; Ibrahim, 2016).

Foreign exchange reserves play an important role as an instrument owned by Bank Indonesia to deal with foreign exchange market volatility. An adequate amount of foreign exchange reserves allows for effective interventions to maintain the stability of the rupiah (Unpar, 2023). In addition, the level of public confidence in government policies and interest rate policies also has a major effect on the stability of the rupiah, where increasing confidence can reduce the level of exchange rate volatility (Unpar, 2023).

Other macroeconomic factors such as the inflation rate, gross domestic product, political stability, and world oil prices also interact and affect the movement of the rupiah against the US dollar. The results of the study show that the volatility of macroeconomic conditions can increase exchange rate volatility (Karimah & Laulita, 2023). Therefore, the effective management of these factors is very necessary to maintain market confidence and maintain the stability of the rupiah.

Overall, this literature review confirms that the stability of the rupiah exchange rate is the result of a complex interaction between monetary policy, domestic economic conditions, global market dynamics, and macro and political factors. Strong synergy and a coordinated approach among all relevant parties are the main keys in maintaining the resilience of the rupiah in the midst of various economic challenges.

## METHODOLOGY

This study uses a qualitative descriptive method with a literature study approach. The data used is sourced from official publications such as Bank Indonesia's annual report, data from the Central Statistics Agency (BPS), the Ministry of Finance, and international publications from the IMF and *World Bank*.

This approach is used to analyze the relationship between external factors such as global monetary policy, commodity prices, and international capital flows to rupiah exchange rate movements. In addition, this study also examines domestic policies carried out by Bank Indonesia in maintaining rupiah stability, such as BI Rate rate regulation, foreign exchange market intervention, and foreign exchange reserve management.

Analysis is carried out through the following stages:

1. Secondary data collection from economic reports and publications for the period 2020–2025.
2. Descriptive analysis to see the trend of fluctuations in the rupiah exchange rate against the US dollar.
3. Interpretation of monetary policy and evaluation of its effectiveness on exchange rate stability.

This approach was chosen because it allows researchers to understand economic phenomena thoroughly and in depth, without conducting quantitative statistical testing.

## RESEARCH RESULTS

The results show that fluctuations in the rupiah exchange rate throughout the 2020–2025 period are significantly influenced by a combination of external and internal factors. The increase in the benchmark interest rate in the United States (The Fed) and increasing global geopolitical tensions are the main factors that pressure the value of the rupiah. In 2022, the pressure reached its peak when the rupiah weakened to around Rp15,800 per US dollar. However, in the 2024–2025 period, the exchange rate began to show stability in the range of Rp15,200–Rp15,600 per US dollar. (World Bank, 2024)

Bank Indonesia's *Triple Intervention* policy through interventions in the spot market, Domestic *Non-Deliverable Forward* (DNDF) instruments, and purchases of Government Securities (SBN)—has proven effective in suppressing excessive exchange rate volatility. In addition, the increase in foreign exchange reserves that reached more than USD 140 billion provided greater room for monetary authorities to maintain rupiah stability.

Fundamental factors of the domestic economy, such as relatively stable economic growth, controlled inflation rates, and a reduction in the current account deficit, have also strengthened market confidence in the national currency. Collaboration between fiscal and monetary policies also plays an important role in maintaining economic resilience amid global uncertainty.

Overall, these findings confirm that the stability of the rupiah value is not solely determined by monetary policy, but also the result of cross-sectoral synergy between the government, fiscal authorities, and economic actors. Readiness in dealing with various external shocks is a key factor in maintaining the resilience and stability of the national economy.

## **DISCUSSION**

The movement of the rupiah exchange rate over the past five years shows a high level of sensitivity to global economic dynamics. The increase in the benchmark interest rate of the United States (The Fed), the geopolitical conflict between Russia and Ukraine, and the slowdown in China's economic growth have put significant pressure on emerging market currencies, including the rupiah. As global monetary policy tightens, investors tend to shift their funds to US dollar assets that are considered safer. This condition has led to an increase in demand for the dollar and has an impact on the sharp weakening of the rupiah.

However, the weakening of the rupiah does not mean that Indonesia's economic fundamentals are in decline. Consistent national economic growth in the range of 5% per year, inflation kept below 4%, and a low current account deficit indicate strong domestic economic resilience. These factors are the basis for Bank Indonesia (BI) to implement a prudent and measurable monetary policy in maintaining rupiah stability. With relatively maintained macroeconomic stability, monetary authorities have more room to effectively control exchange rate fluctuations.

The *Triple Intervention policy* implemented by Bank Indonesia has proven to play an important role in stabilizing the rupiah exchange rate. Through intervention in the spot market, the use of DNDF (*Domestic Non-Deliverable Forward*) instruments, and transactions in the Government Securities (SBN) market, BI has succeeded in controlling excess volatility in the foreign exchange market. In addition, the increase in foreign exchange reserves to exceed USD 140 billion strengthened market participants' confidence in BI's ability to maintain rupiah stability and reduce speculative pressure.

In addition to monetary policy, the government's fiscal policy discipline also contributes to supporting the stability of the rupiah. Efforts to keep the

budget deficit below 3% of GDP demonstrate a commitment to sound fiscal management. The consistent and transparent realization of the State Revenue and Expenditure Budget (APBN) provides a positive signal to foreign investors regarding the credibility of Indonesia's fiscal policy. Thus, the synergy between prudent monetary policy and disciplined fiscal policy forms a strong foundation for macroeconomic stability and exchange rates.

Another external factor that also affects the value of the rupiah is fluctuations in global commodity prices. As a major exporter of natural resources such as coal, nickel, and palm oil, Indonesia's export performance is highly dependent on world commodity prices. When prices increase, foreign exchange receipts from exports also increase, strengthening the trade balance and supporting the value of the rupiah. Conversely, a decline in commodity prices can weaken foreign exchange reserves and depress exchange rates. Therefore, export diversification is an important step to reduce dependence on certain sectors.

In addition to economic factors, psychological aspects and market sentiment also play a big role. Investor perceptions can change rapidly due to global issues such as political conflicts, international banking crises, or protectionist policies. When Indonesia's political and economic stability is considered good, foreign capital flows tend to enter and strengthen the value of the rupiah. On the other hand, increasing uncertainty can drive capital *outflow*. Therefore, transparency and consistency of public policy communication are key to maintaining market trust.

In the medium term, strengthening the structure of the domestic economy is a key factor in maintaining exchange rate stability. Increasing the productivity of the manufacturing sector, developing the digital economy, and increasing export added value are long-term strategies to strengthen the foundation of the national economy. On the other hand, *the Local Currency Settlement (LCS)* policy which is extended to a number of trading partners such as Malaysia, Thailand, and Japan plays a role in reducing dependence on the US dollar in international transactions, while increasing the independence of the national financial system.

Overall, this discussion emphasized that rupiah stability cannot be achieved only through short-term intervention policies, but requires cross-sector synergy and sustainable policies. National economic resilience needs to be strengthened through a combination of adaptive monetary policy, disciplined fiscal policy, and productive real sector development. With solid coordination

between Bank Indonesia, the government, and economic actors, the rupiah can remain stable despite the uncertain global pressures.

## **CONCLUSION**

The resilience of the rupiah exchange rate amid global economic uncertainty is the result of synergy between various external and internal factors. Global factors such as the United States' interest rate policy, geopolitical tensions, and fluctuations in international commodity prices are the main sources of pressure on the rupiah. However, Indonesia's strong economic fundamentals, characterized by stable economic growth, controlled inflation, and Bank Indonesia's adaptive monetary policy, are able to maintain exchange rate stability. The implementation of *the Triple Intervention policy* and increasing foreign exchange reserves also contribute greatly to reducing excessive volatility while maintaining the confidence of market participants.

Thus, the stability of the rupiah cannot be maintained only through short-term policies or market interventions, but requires consistent and sustainable coordination between economic institutions. The strength of the domestic economic structure is the main foundation in the face of external pressures. Therefore, maintaining exchange rate stability must be carried out comprehensively not only through monetary policy, but also through strengthening the real sector and implementing disciplined fiscal policies.

## **RECOMMENDATIONS**

In order to maintain rupiah stability going forward, the government and monetary authorities need to continue to strengthen policy coordination by maintaining a balance between inflation control, targeted foreign exchange market intervention, and prudent management of the state budget. Economic diversification must be accelerated by encouraging the downstreaming of natural resources, strengthening the manufacturing sector, and developing the digital economy so that dependence on primary commodities can be reduced. The use of *the Local Currency Settlement (LCS)* scheme also needs to be expanded so that international trade transactions do not always depend on the US dollar. In addition, transparent policy communication must be maintained to maintain investor confidence, while strengthening the MSME sector and labor quality is an important part of strengthening the foundations of the domestic economy in the long term.

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