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Global Rate Rises, Local Resilience: A Critical Examination of Indonesia's Investment Dynamics Under The Fed's Monetary Policy and Domestic Safeguards

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Abstract	Changes in interest rate policy by the United States Federal Reserve (The Fed) have a significant impact on the economic stability of developing countries, including Indonesia. The Fed's interest rate hike prompted global investors to withdraw funds from emerging markets and switch to US dollar assets, which could depress the rupiah exchange rate and affect capital inflows. The purpose of this study is to understand how the Federal Reserve's interest rate policy impacts investment flows in Indonesia, with a particular emphasis on how this policy relates to Bank Indonesia's interest rate policy and national regulations such as the Job Creation Law. The method used is a descriptive quantitative approach, with data analysis from quarterly 2016–2023. This data includes the Federal Funds rate, the BI 7 Days Reverse Repo rate, the rupiah exchange rate, and foreign capital flows consisting of foreign portfolio and foreign direct investment. The conclusion is that portfolio investment is reduced by the Federal Reserve's interest rate increase. On the other hand, FDI remains stable due to structural factors and Bank Indonesia's responsive policies, which make Indonesia attractive for long-term investment. Therefore, the Job Creation Law was considered to accelerating the licensing process, facilitate business and provide foreign investors because it still depends on consistent implementation and cooperation in creating a progressive investment climate.
Keywords	Emerging markets, interest rates, investment flows, the fed

INTRODUCTION

In recent years, there has been significant turmoil in the dynamics of the global economy. One of the factors causing this turmoil is the monetary policy of the United States Central Bank, also known as the Federal Reserve or Fed, which raised its benchmark interest rate with the aim of controlling US domestic inflation, but also had an impact on the global economy as a whole, especially in developing countries such as Indonesia. With the increase in interest rates, investors tend to withdraw their funds from developing countries and shift them to more promising US financial instruments in high interest rate conditions. This can increase pressure on Indonesia's macroeconomic stability, especially in terms of investment and exchange rates. From an economic law perspective, domestic policies to increase national investment are closely related to global monetary policy. Law Number 11 of 2020 concerning Job Creation is one of the important laws that is relevant in this regard because it aims to increase the ease of doing business and attract investment. However, the Federal Reserve's policies and Bank Indonesia's actions on domestic monetary policy greatly affect the performance of these regulations in maintaining domestic investment flows.

The formulation of the problem in this study is the role of Indonesia's domestic policies especially Bank Indonesia's policies and the implementation of the Job Creation Law in mitigating global monetary policy pressure, also the role of international financial institutions including Indonesia to overcome the impacts of the Federal Reserve's monetary policy. Previous research by (Saadaoui Jamel, Joshua Aizenman, Donghyun Park, Irfan A. Qureshi, 2016) showed that global interest rate policy, especially the Federal Reserve's policy, affects capital flows in emerging economies. The study looked at how emerging markets performed during five US monetary policy tightening and easing cycles, spanning from 2004 to 2023. The results showed that a country's macroeconomic and institutional conditions, such as its current account balance, foreign exchange reserves, and inflation, were critical in determining its resilience to changes in US monetary policy. These findings confirm that countries with strong economic fundamentals tend to be better able to withstand pressures from global monetary policy. Meanwhile, an article by Kinanti, Aulia, Dewi, Alyatunnisa, & Suherman (2023) discusses how investment behavior in the Indonesian capital market is influenced by monetary policy, especially changes in interest rates made by Bank Indonesia.[1] This study emphasizes the important role of Bank Indonesia in maintaining the stability and attractiveness of domestic financial assets amidst global and local economic changes. On the other hand, research by Prasetyo, Abdul Rachmad Budiono, & Shinta Hadiyantina (2022) emphasizes how the Job Creation Law simplifies licensing and provides fiscal incentives to create a good investment climate.[2] This

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[1] Ajeng Kinanti, et al. (2023). Dampak Kebijakan Moneter terhadap Investasi di Pasar Modal Indonesia. *Jurnal Pijar, 2 (1).* 108-124.

[2] Angga Dwi Prasetyo, et al. (2022). Politik Hukum Perubahan Norma Perizinan dan Iklim Investasi dalam Undang - Undang Cipta Kerja Menggunakan Metode Omnibus Law. *Media Iuris, 5 (2)*, 159-188. https://doi.org/10.20473/mi.v5i2.36165.

study focuses on domestic legal reform and does not look at global monetary policy. This regulation is considered important to support investment, but is not directly related to global monetary.

Federal Reserve policy affects developing countries around the world, not just Indonesia. This phenomenon shows that understanding how different developing countries respond to the same global monetary pressure with different outcomes is important. For example, Brazil took a very aggressive action by raising its policy rate to 13.75% in early 2023 to anticipate exchange rate pressures and capital outflows.[3] In contrast, even though South Africa has raised its policy rate to 8.25%, the rand has still depreciated significantly due to limited foreign exchange reserves and heavy reliance on external financing.[4] These variations in responses and findings suggest that domestic economic fundamentals, financing structures, and policy quality are determinants of a country's resilience to global monetary shocks.

The complexity of the impact of the Fed's policies also requires an active role from international financial institutions (IFIs) and global coordination in maintaining the stability of the world financial system. The strategic mandate of the International Monetary Fund (IMF), the World Bank, and the Asian Development Bank (ADB) is to offer policy and financial assistance to countries vulnerable to external shocks. Emergency financing lines such as Stand-by Arrangements (SBA) and Rapid Financing Instrument (RFI) are important instruments to address the balance of payments crisis, while the IMF emphasizes the importance of coordinating monetary, capital flow, exchange rate, and macroprudential policies in responding to external shocks through the Integrated Policy Framework approach. In addition to multilateral support, global coordination among central banks and the establishment of international financial safety nets (IFSNs), such as the Chiang Mai Initiative Multilateralization (CMIM) and bilateral currency swap arrangements, allow countries to access regional emergency liquidity without relying entirely on the IMF.[5] [6]The experience during the COVID-19 pandemic shows how effective the Federal Reserve's swap lines have been in alleviating the global dollar shortage, underscoring the importance of this coordination mechanism in maintaining the stability of the international financial system.

In this regard, Indonesia is exceptionally well-positioned as one of the largest economies in Southeast Asia because it has a combination of emerging market characteristics with relatively stable economic fundamentals. To address global pressures, responsive domestic policies, investment-friendly regulations such as the Job Creation Law,

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[3] South African Reserve Bank. (2023). *SARB Monetary Policy Review 2022*. South African Reserve Bank Publisher.
[4] *Ibid*.
[5] Binici, M., Hutchison, M., & Schindler, M. (2010). Controlling capital? Legal Restrictions and The Asset Composition of International Financial Flows. *Journal of International Money and Finance* , *29* (4), 666–684. https://doi.org/10.1016/j.jimonfin.2010.01.001
[6] Myoda, Y., Lanzafame, M., & Qureshi, I. A. (2023). Fed Tightening and Capital Flow Reversals in Emerging Markets: What Do We Know? *Adb Briefs*, *4* (242), 1–10.

and cooperation with international organizations are essential. However, experience with other developing countries suggests that there is no one-size-fits-all solution to address the spillover effects of US monetary policy, requiring strategies tailored to the unique conditions of each country while maintaining available international collaboration. Therefore, it is important for this study to comprehensively analyze how Indonesia can optimize its domestic and international strategies to address changing global monetary policy dynamics.

The uniqueness and urgency of this study lies in its approach that combines aspects of the global economy and national legal policies simultaneously to analyze investment stability in Indonesia. This study is very important to understand how Indonesia can avoid external impacts in the context of increasing global uncertainty. The purpose of this study is to analyze how the Federal Reserve's interest rate affects investment flows in Indonesia and to evaluate how effective domestic policy responses, both monetary and regulatory, are in maintaining investment flow stability.

RESEARCH METHODS

The research method used in this study is a quantitative descriptive method with a normative legal approach. This study utilizes secondary data in the form of quarterly data for 2016–2023 covering the rupiah exchange rate, Federal Funds interest rate, BI 7 Days Reverse Repo interest rate, and foreign capital flow data such as portfolio investment and foreign direct investment (FDI). The main legal materials used are Law Number 11 of 2020 concerning Job Creation and regulations relating to Bank Indonesia's monetary policy. To investigate the relationship between global monetary policy and domestic policy in maintaining the investment climate in Indonesia, this study uses a statutory regulatory approach and a contextual approach. Data collection techniques are carried out through literature studies, statistical data documentation from Bank Indonesia, the Financial Services Authority, and official government publications related to investment and monetary policy. Data analysis is carried out descriptively quantitatively to see the relationship between economic variables and regulations. In addition, normative analysis is carried out to see how effective domestic regulations are amidst changes in global monetary policy. The research location is national with the scope of data and policies applicable in Indonesia. Because all data in this study are document-based and secondary, this study does not involve informants or respondents.

RESULTS AND DISCUSSION

The Impact of The Fed's Policy on Investment Flows

The US Federal Reserve's (The Fed) interest rate policy has a significant effect on global capital flows. The Fed's interest rate hikes since 2022 have encouraged investors to withdraw funds from developing countries and move to high-yielding US assets. For example, noted that the pressure of rising US interest rates has put pressure on Indonesia's macroeconomic stability by weakening the rupiah exchange rate and suppressing domestic investment activity.[7] This impact is clearly visible in portfolio flows (stocks and bonds), which are more reactive to changes in global interest rates than long-term investments. Based on 2016–2023 data in Indonesia, the increase in the Fed's interest rate did reduce portfolio investment flows, while FDI flows were relatively stable thanks to structural factors and Bank Indonesia's adaptive policies.

Portfolio investment is short-term and sensitive to interest rate differentials across countries. Several studies and data show a general pattern when the Fed raises interest rates, there is an outflow of portfolio capital from emerging markets, including Indonesia. Bank Indonesia reported a net portfolio inflow of around US$4.7 billion until mid-2023, a rebound period after the outflow in late 2022. The OECD also noted that after a large-scale portfolio sale in 2022 due to declining global risk appetite, Indonesia's portfolio investment increased again in 2023. Meanwhile, FDI (Foreign Direct Investment) flows are long-term and tend to be less sensitive to short- term monetary fluctuations show that expansionary monetary policy (low interest rates) encourages FDI to emerging countries, while a transition to contractionary policy (high interest rates) can limit overall FDI flows.[8] However, the reality of Indonesia in 2023 shows the opposite of negative expectations: FDI actually grew strongly, reaching US$47.3 billion (up 13.7% yoy). The nickel processing (US$11.8 billion) and mining (US$4.7 billion) sectors were the largest contributors of FDI, illustrating that commodity factors and strategic infrastructure investment supported long-term capital inflows. Overall, the OECD reported that Indonesia’s FDI flows “remained strong” in 2023, consistent with findings that domestic structural factors and BI’s macroprudential policies maintained long-term investor confidence.

Based on Bank Indonesia (BI) has taken various steps in response to external pressures to maintain domestic economic stability. Although there were suggestions to cut interest rates after inflation fell, BI preferred to be cautious so that capital would not flow out. In August 2023, BI maintained its benchmark interest rate at 5.75% while launching a new instrument (BI securities based on government bonds) to attract foreign portfolio capital back. BI Governor Perry Warjiyo emphasized that the main focus is to stabilize the rupiah exchange rate “as a way to protect the domestic economy from global spillovers”. This step includes intervention in the foreign exchange market and the NDF market to contain rupiah depreciation. With domestic policy maneuverability (e.g. adjustments to the BI7DRR and new instruments), BI seeks to offset the effects of global monetary tightening. In short, BI's approach can be summarized as keeping interest rates tight enough to contain capital outflows (risk-on), while still controlling inflation, issuing new financial instruments

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[7] Wahid, MRJ, & Chaidir, T. (2025). *The Effect of Federal Reserve System Interest Rates and Exchange Rates on Inflation in Indonesia* . *7* (1). https://doi.org/10.32877/ef.v7i1.2157.

[8] Karahan, Ö., & Bayır, M. (2022). The Effects of Monetary Policies on Foreign Direct Investment Inflows in Emerging Economies: Some Policy Implications for Post-COVID-19. *Future Business Journal*, *8* (1). https://doi.org/10.1186/s43093-022- 00152-6.

to deepen the rupiah financial market and attract foreign investment back, and exchange rate inversion to reduce rupiah volatility and avoid sharp exchange rate declines.

Domestic factors are also important in shaping investment flows. In the regulatory field, the Job Creation Law (Law 11/2020) is designed to simplify licensing and attract foreign investors. For example, concluded that simplifying licensing through the Job Creation Law will attract new foreign investors. However, its effectiveness depends on macro conditions and the global investment climate: The Fed's policies and BI's decisions continue to influence investment realization. Based on macroeconomic perspective, Indonesia's fundamentals are relatively solid. According to the economy grew by around 5.3% in 2022 with peak inflation of ~6% and is expected to return to BI's target range (3±1%) by the end of 2023. The current account balance recorded a small surplus (1% of GDP in 2022) which then turned into a mild deficit in 2023.[9] Indonesia's foreign exchange reserves also strengthened from US$137 billion (end of 2022) to US$146 billion (end of 2023), around 5.8 months of imports. These factors (strong reserves, small deficit) together with the government's fiscal stability increase Indonesia's long-term resilience to global turmoil. Ultimately, investor confidence is seen from the increase in the confidence index and the entry of large projects, although sensitive to global sentiment. Overall, it can be concluded that the combination of domestic reform policies (example the Job Creation Law) and maintained macro conditions strengthen Indonesia's position as an investment destination, even though foreign interest rate pressures remain.

The trend in Indonesia is largely in line with the pattern in other developing countries. Research for example shows that developing countries with strong macro fundamentals (large reserves, controlled inflation) are more resilient to global monetary tightening.[10] In the period 2022–2023, many Emerging Markets experienced capital outflows due to the Fed's interest rate hikes, and several other central banks also responded with tightening. However, ASEAN as a region showed relative resilience, with FDI growing rapidly: ASEAN's share of global FDI jumped to 17% in 2023, well above the historical average of 6%. This indicates that even though the Fed is setting the global tone, countries such as Indonesia, Malaysia, Thailand, and Vietnam are still attracting large investments, supported by regional integration and an improving business climate. International capital flows are directly reflected in domestic financial markets. Foreign funds entering government bonds affect domestic interest rate dynamics and yields, while investment in the stock market affects the movement of the JCI. As a result, portfolio flow volatility often causes the JCI to move significantly: for example, when capital flows out,

[9] IMF. (2023). IMF Executive Board Concludes 2023 Article IV Consultation with Indonesia. *IMF*, 6–11. Retrieved from https://www.imf.org/en/News/Articles/2024/02/06/pr2441-azerbaijan-imf- executive-board-concludes-2023-article-iv-consultation#:~:text=In concluding the AIV consultation, while non-hydrocarbon growth moderated.

[10] Joshua Aizenman, et al. (2024). The Performance of Emerging Markets during the Fed's Easing and Tightening Cycles: A Cross-Country Resilience Analysis. Journal of International Money and Finance, Vol. 148. https://doi.org/10.1016/j.jimonfin.2024.103169.

the stock index tends to be depressed . Meanwhile, the rupiah exchange rate is very sensitive to the difference between US and domestic interest rates. As noted by the BIS, global financial capital flows have a "profound impact" on the exchange rate, bond yields, and stock prices in Indonesia. BI actively restrains rupiah depreciation through intervention so that currency fluctuations do not disrupt price stability and market confidence. Overall, although the Fed's policy has driven a temporary correction in portfolio flows and financial market volatility, the combination of domestic policies (BI and regulations) and strong fundamental conditions have made Indonesia relatively able to absorb these shocks. More durable FDI flows and structural reforms (Job Creation Law) have also strengthened the attractiveness of long-term investment in Indonesia.

Comparison of the Impact of the Fed's Interest Rate Hike in Several Developing Countries

The monetary tightening policy by the United States Federal Reserve (The Fed) since 2022, which raised the benchmark interest rate to 5.25%–5.5%, has had major consequences for developing countries that are members of emerging markets. The impact of this policy is not uniform, but rather highly dependent on the resilience of the domestic economy, the speed of monetary policy response, and the structure of capital flows in each country. A report from the Federal Reserve Bank of Kansas City stated that "high federal funds rates encouraged international investors to withdraw capital from developing countries as yields in the US became more attractive," and as a result, "the growth of external debt held by non-resident investors declined significantly".[11]

Brazil was among the most responsive countries to global pressures. Its central bank, Banco Central do Brasil, raised its policy interest rate to 13.75% in early 2023 in anticipation of exchange rate pressures and capital outflows. This policy succeeded in maintaining the stability of the Brazilian real, but at the same time slowed domestic consumption and short-term investment.

India has taken a more moderate approach. The Reserve Bank of India (RBI) has only raised its policy rate to 6.5%, but has managed to maintain investor confidence through macroeconomic stability and growth in the technology sector. According to IMF data, FDI inflows into India remain strong, driven by the manufacturing sector and the Make in India policy. This resilience is also evident in the IMF report, which states that "foreign investors did not make a large-scale withdrawal from India's bond market as they did in some other countries in 2022".[12] South Africa faces greater pressure. Despite the Reserve Bank of South Africa raising its benchmark interest rate to 8.25%, the rand continues to depreciate

[11] Matschke, J., von Ende-Becker, A., & Sattiraju, S. A. (2023). Capital Flows and Monetary Policy in Emerging Markets around Fed Tightening Cycles. *The Federal Reserve Bank of Kansas City Economic Review*, 35–47. https://doi.org/10.18651/er/v108n4matschkevonendebeckersattiraju.

[12] Adrian, T., Natalucci, F., & Wu, J. (2024). *Financial Stability Implications of Emerging Market Currency Developments* . Retrieved from https://www.imf.org/en/Blogs/Articles/2024/07/22/financial-stability-implications-of-emerging-market-currency- developments?utm_medium=email&utm_source=govdelivery.

significantly. Limited foreign exchange reserves and high dependence on external financing make the country more vulnerable to global volatility. The IMF report states that “emerging markets with high dependence on external debt and portfolio markets exhibit weaker performance during periods of global volatility”. Regionally, countries in Asia have shown stronger resilience. This is indicated by a decrease in the sensitivity of the 10-year bond yield to changes in the Fed's interest rate by two-fifths compared to the 2013 taper tantrum crisis. This is the result of long-term policies that strengthen central bank credibility, increase exchange rate flexibility, and accumulate foreign exchange reserves. "Monetary policy in Asia is now more independent and less reactive to external shocks than before," wrote.[13] Interestingly, not all developing countries raise interest rates only in response to external pressures. Historical data shows that most developing countries actually raise interest rates due to domestic inflationary pressures. In a study, it was stated that in the 2021–2023 tightening period, 73% of countries in their sample raised interest rates in response to domestic inflation, not solely because of capital outflows or exchange rate depreciation.[14] This indicates that price stability remains the main mandate of monetary policy in many developing countries.

This cross-country comparison shows that while Fed rate hikes have a significant impact on the stability of capital flows in developing countries, the final outcome is largely influenced by the quality of domestic policy responses. Countries with strong economic fundamentals, high central bank credibility, and financing structures dominated by domestic investors tend to be more resilient to global shocks. In contrast, countries with high exposure to external debt and portfolio markets are more vulnerable to capital outflows and exchange rate depreciation.

The Role of International Financial Institutions and Global Coordination in Addressing The Fed's Policy Impact

The increase in the benchmark interest rate by the Federal Reserve (The Fed), especially since 2022, has created a wave of turmoil in the global financial system, especially for developing countries and emerging markets (EMDEs). The impact is not only felt in the form of exchange rate depreciation and increased risk premiums, but also has the potential to cause capital flow reversals and balance of payments crises. In this context, the role of international financial institutions (IFIs) and global coordination is very important to stabilize the financial system and support the economic resilience of affected countries. Research by Arteta, Kamin, and Ruch (2023) from the World Bank shows that reaction shocks, namely market expectations of a more aggressive monetary policy response from the Fed, has been the main cause of the recent US interest rate hikes. Unlike real shocks

[13] *Ibid*

[14] Matschke, J., von Ende-Becker, A., & Sattiraju, S. A. (2023). Capital Flows and Monetary Policy in Emerging Markets around Fed Tightening Cycles. *The Federal Reserve Bank of Kansas City Economic Review* , 35–47. https://doi.org/10.18651/er/v108n4matschkevonendebeckersattiraju.

that reflect the strengthening of the US real economy, reaction shocks tend to cause panic and capital flight from EMDEs. The impacts of this type of shock include a spike in domestic bond yields, a widening of the country risk spread (EMBI+), exchange rate depreciation, and a sharp decline in private investment and consumption in EMDEs. Currency depreciation that occurs due to the narrowing of the interest rate differential between the US and EMDEs does not always reflect economic fundamentals. In many cases, this depreciation actually triggers financial stability risks, especially for countries with high exposure to external debt in US dollars.[15] When the exchange rate is depressed, the value of external debt increases in local terms, burdening payments and increasing the risk of default.

Institutions such as the IMF, the World Bank, and the Asian Development Bank (ADB) have a mandate to maintain global financial stability and provide policy and financial support to vulnerable countries. The IMF, through its Integrated Policy Framework approach, emphasizes the importance of coordinating monetary, exchange rate, capital flow, and macroprudential policies in responding to external shocks.[16] In practice, the IMF provides emergency financing channels through various facilities such as Stand-by Arrangements (SBA) and Rapid Financing Instrument (RFI). This institution also encourages the implementation of macroprudential measures to reduce systemic risk, including the management of foreign exchange exposure in the domestic financial sector. When capital outflows are massive and cause pressure on the balance of payments, the IMF recommends the use of temporary capital flow management measures, which have proven effective in containing volatility, especially in the context of volatile portfolio flows.[17] The World Bank and ADB, on the other hand, have a more strategic role in strengthening the long-term resilience of developing countries through development financing, strengthening fiscal institutions, and increasing policy capacity. The ADB in its 2023 report emphasized that countries with high dependence on external debt, especially short-term and in US dollars, are highly vulnerable to capital flow reversals when the Fed raises interest rates.[18]

In addition to support from multilateral institutions, global coordination among central banks and the establishment of international financial safety nets (IFSNs) are important mechanisms in maintaining the stability of the global financial system. Programs such as the Chiang Mai Initiative Multilateralization (CMIM) and bilateral currency swap arrangements allow countries in Asia to access emergency liquidity regionally without having to rely directly on the IMF. Such instruments have proven useful, such as during the COVID-19 pandemic, where swap lines from the Federal Reserve helped ease the global

[15] Alina Lancu, et al. (2023). Reserve Currencies in an Evolving International Monetary System. *Open Economies Review, 33*, 879-915. https://doi.org/10.1007/s11079-022-09699-x.

[16] Ismail Ismayilli. (2025). Implications of Diverging Monetary Policies on Exchange Rates and Capital Flows: A Policy Perspectives for CCA. *NBK Economic Review*. http://dx.doi.org/10.2139/ssrn.5252151.

[17] Binici, M., Hutchison, M., & Schindler, M. (2010). Controlling capital? Legal restrictions and the asset composition of international financial flows. *Journal of International Money and Finance* , *29* (4), 666–684. https://doi.org/10.1016/j.jimonfin.2010.01.001

[18] Myoda, Y., Lanzafame, M., & Qureshi, I. A. *Op. Cit.*

dollar shortage. Global coordination is also important in aligning market expectations and avoiding adverse policy spillovers. The Fed itself regularly participates in the G20 and BIS policy dialogues, where emerging market central banks can voice concerns about spillover effects from advanced country policies. With active engagement, EMDEs can demand greater transparency in the Fed's monetary policy communications to reduce market uncertainty.[19]

Given the complexity of the Fed's policy transmission channels to developing countries, ranging from bond markets, exchange rates, to banking sector stability a holistic approach is needed. EMDEs countries must strengthen their macroeconomic fundamentals through prudent debt management, diversifying the export base, and strengthening foreign exchange reserves. However, in emergency situations, support from IFIs in the form of financing, policy consultations, and technical assistance becomes very crucial. From a global perspective, efforts to strengthen the IFSN and create a more inclusive international financial system must continue to be encouraged. This includes increasing the representation of developing countries in the governance of the IMF and World Bank, as well as developing a multilateral framework for more equitable and sustainable management of capital flows.

CONCLUSION

First, it is proven that the Federal Reserve's interest rate policy has a major impact on portfolio investment in Indonesia. Investors from all over the world saw the increase in the Federal Reserve's benchmark interest rate since 2022 withdraw their funds from developing countries, including Indonesia, and switched to US financial instruments that offer higher yields. As a result, Indonesia experienced an outflow of portfolio capital and pressure on the rupiah exchange rate, especially at the end of 2022. However, in 2023, there was a return portfolio inflow of around US$4.7 billion. Although the nature of portfolio investment is very sensitive to changes in interest rates, this shows that Indonesia still has certain attractions that are able to withstand global pressures.The attractiveness of strategic sectors such as nickel and mining downstreaming, as well as the national infrastructure development program, largely contribute to this phenomenon. This shows that, compared to short-term changes caused by global monetary policy, structural components and long-term domestic economic prospects have greater strength in terms of FDI. Second, Indonesia's stability and investment attractiveness are heavily influenced by monetary and regulatory policies, such as the implementation of the Job Creation Law. Bank Indonesia responded to external pressure by maintaining its benchmark interest rate, issuing new instruments such as Bank Indonesia Securities (SRBI), and intervening in the foreign exchange market to maintain a stable exchange rate. This strategy maintains investor confidence and strengthens the rupiah's position amid global volatility. In contrast,

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[19] Rey, H. (2015). Dilemma not Trilemma: Global Financial Cycle and Monetary Policy. *NBER Working Paper*, 1–42. Retrieved from https://www.nber.org/papers/w21162.

the Job Creation Law is considered to speed up the licensing process, facilitate business, and provide foreign investors with greater legal security. However, the success of this regulation still depends on consistent implementation and cooperation between the central and regional governments in creating a good investment climate.

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