

Highlights of the Sovereign Rating on the Republic of Indonesia

Updated Rating

Long-term Local Currency: A_i+

Long-term Foreign Currency: A_i+

Outlook: Stable

Previous Rating

Long-term Local Currency: A_i+

Long-term Foreign Currency: A_i+

Outlook: Stable

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Rating Opinions

United Ratings has decided to maintain the long-term local and foreign currency ratings of the Republic of Indonesia (hereinafter, “Indonesia”) at A_i+, with Stable outlook.

President Joko has stable reign on the country and reform has achieved reasonable progress. In the near term, the economy will maintain its present strong growth momentum. Loose monetary policy will continue; policy instruments will be subject to certain adjustment; and the banking sector’s fundamentals show tendency of improvements. Fiscal deficit will maintain its current level and government debt will remain at a lower level. Current account deficit will continue, so will the relatively high external financing pressure. To conclude, no significant changes have been observed in the local and foreign currency debt servicing abilities of Indonesia’s central government.

Reasons for Maintaining Ratings

- President Joko has stable reign on the country and the country’s reform efforts have yielded decent progress.
- In the short term, the country’s economy will continue its present strong growth momentum and long-term growth potential will ride on the results of structural reform.
- Fiscal deficit will remain its current level, and government debt will maintain its current low level.
- Banks’ capital adequacy rate and profitability are both on the higher end, but quality of asset deteriorates due to the economic slowdown.
- Current account deficit will continue, with relatively high external financing pressures.

Outlook

In the near term, Indonesia's politics are likely to remain stable, with a range of reform initiatives being rolled out to varying extent, though the effects of such policies remain subject to further observations. Provided that no major external impact takes place, the country's economy will maintain robust growth, financial risks will generally stay under control, fiscal deficit is unlikely to increase by large

margins, and government liabilities tend to remain stable. Current account deficit will continue and the country will struggle to visibly alleviate its high external financing pressure. As such, United Ratings has decided to maintain the outlook on Indonesia's local and foreign currency ratings for the coming 1-2 years. .

Key Indicators of the Sovereign Rating on the Republic of Indonesia

	2011	2012	2013	2014	2015	2016 ^f
Nominal GDP (billion USD)	892.9	917.7	912.1	890.3	861.8	944.8
GDP per capita (USD)	3,635.4	3,697.3	3,637.3	3,514.7	3,369.5	3,660.0
Real GDP growth (%)	6.20	6.0	5.6	5.0	4.8	5.3
Inflation rate (%)	5.30	4.0	6.4	6.4	6.4	4.8
Total lending/GDP (%)	37.10	41.0	54.5	57.1	57.6	56.9
Domestic credit growth (%)	21.90	21.7	18.6	11.5	9.1	13.6
M2 growth (%)	16.40	15.0	12.8	11.9	8.9	13.7
Budget balance of governments/GDP (%)	-1.10	-1.8	-2.2	-2.1	-2.0	-2.0
Primary balance of governments/GDP (%)	0.10	-0.6	-1.0	-0.8	-0.7	-0.7
Public debt/GDP (%)	21.40	22.0	22.8	25.9	27.8	27.8
Current-account balance/GDP (%)	0.20	-2.7	-3.2	-3.1	-2.1	-2.1
Total foreign debt/GDP (%)	24.60	27.5	29.2	33.0	36.7	36.5
Total external debt/Current-account credit (%)	89.50	106.7	116.2	132.2	162.1	183.9
Short-term foreign debt/Total foreign debt (%)	17.40	17.5	17.3	15.9	15.8	15.3
International reserves/Total foreign debt (%)	50.10	44.7	37.3	38.1	33.5	31.3
Gross external financing requirement/GDP (%)	6.30	10.0	11.6	12.5	11.1	11.0

Source: Sovereign Rating Database of United Ratings.

Note: "f" stands for forecasts.