Economic Research

KDN No.: PP14787/11/2011(026546)

MALAYSIAN RATING CORPORATION BERHAD
(364803-V)

Country Outlook: Indonesia

Vol.: ER/014/2011

Economics Team

Nor Zahidi Alias
Chief Economist
+603 2082 2200
zahidi@marc.com.my

Mohd Afzanizam Abd Rashid
Economist
+603 2082 2200
afzanizam@marc.com.my

James Foo Kok Chye
Economic Analyst
+603 2082 2200
jamesfoo@marc.com.my

Please read the disclaimer on the last page of this report

In a nutshell

- The Indonesian economy has performed relatively well in recent years, posting a positive growth of 4.6% in 2009 when the global economy was in recession. In 2010, the economy continued to expand at a healthy clip of 6.1%, underpinned by a strong increase in investment which rose 8.5% during the year. Domestic demand was the main engine of growth, propelled by household and government consumption expenditure as well as investment.

- In 2Q2011, the economy continued to chart a healthy growth of 6.49% year-on-year (y-o-y), albeit slower than the revised 6.47% expansion registered in the preceding quarter. This came on the back of a sustained growth in private consumption which expanded by 4.6% (1Q2011: 4.5%) and accounted for 55% of GDP.

- In 2010, the consumer price index (CPI) grew at an average rate of 5.1% after rising by 4.9% in the preceding year, led by the foodstuff sub-index which climbed by 9.4%. The surge in food prices was largely the result of weather-related events such as heavy rain that led to lower food production as well as disruption in distribution channels. To effectively deal with inflationary pressure, the government is putting more effort in reducing food price inflation by tackling the problem from the supply side.

- The Bank of Indonesia (BI) was unperturbed by the recent surge in inflation. Thus far, the BI has raised its policy rate by 25 basis points (bps) as at February this year to 6.75% despite numerous calls for multiple rate hikes by private economists. However, the government is very keen to maintain the current rate as aggressive rate hikes will only exacerbate capital inflows which will complicate liquidity management. As a step to discourage the inflows of "hot money", on April 12 this year, the BI decided to replace the one-month holding period of SBI with a six-month holding period, which took effect on May 13.

- Following the government's aggressive efforts to rein in the deficits, the negative budget gap shrank to 0.6% of gross domestic product (GDP) in 2010 from 1.6% registered in the preceding year. Similarly, government debt as a percentage of GDP declined to 26.1% in 2010 from 28.3% in the earlier year while the debt service-to-GDP ratio also continued to drop, signaling greater ability in making debt repayment.

- Consequently, Indonesia's sovereign rating was upgraded several times in the past few months, pushing its status closer to investment grade. The reasons commonly cited for the upgrades include the resilient economy, sustained macroeconomic balance, continuous improvement in the government balance sheet and prudent fiscal management.

- A comparison of a five-year median macroeconomic matrix shows that Indonesia is in a favourable position for variables such as the government debt, fiscal balance and GDP growth. Its ranking in the Corruption Perception Index has also improved in recent years. Nevertheless, there is room for improvement in the areas of managing inflation, raising per capita income, boosting revenue and current account performance.

- Indonesia's upside risk is associated with its sovereign rating due to the favourable economic condition as well as stable macro balances. Downside risks are largely related to rising oil prices which affect the government subsidy bill, inflows of hot money which complicate liquidity management, potential outflows of capital as well as the fate of future policy reforms following the departure of the former finance minister, Dr. Sri Mulyani Indrawati, in June 2010.

Introduction

Indonesia, an archipelago measuring 1,904,569 sq km, is the world's 16th largest nation and South-East Asia's largest country. Situated between the Indian Ocean and the Pacific Ocean, Indonesia comprises 17,508 islands, the largest being Sumatra, Jawa, Bali, Kalimantan, Sulawesi, the Nusa Tenggara islands, the Moluccas islands, and Irian Jaya. Spread over such a wide expanse, the world's third most populous democracy has Malaysia, Papua New Guinea and Timor-Leste as neighbours, and is a rich mining field for natural resources such as petroleum, tin, natural gas, nickel, timber, bauxite, copper, coal, gold and silver. However, being part of the "ring of fire", Indonesia also has the largest number of active volcanoes in the world. As such, earthquakes and tsunamis are among the hazards faced by the country. Indonesia's population is estimated at 245,613,043 people as at July 2011.

Indonesia's history stretches as far back as the first and second centuries, when Hindu priests and traders settled in the country's myriad islands. The beginning of the 13th century saw the arrival of Muslim traders, which eventually led to the rise of Islam as the dominant religion by the 15th century. The following century was significant as it marked a significant increase in European presence: Portuguese traders arrived early in the century but had to flee from the Dutch, who aspired to control the booming spice trade via the Dutch United East India Company.

Indonesia came under British rule briefly in 1811, when the Netherlands was occupied by the French during the Napoleonic war, and was returned to the Dutch in 1816. The Dutch made Indonesia an integral part of the Dutch Kingdom in 1922. Japan took control of the islands during World War II, primarily for Indonesia's oil which was crucial to driving the war efforts. Upon Japan's defeat by the United States and its subsequent surrender of Indonesia, nationalists Sukarno and Mohammed Hatta declared the country independent on 17 August 1945, but four years of intermittent negotiations, recurring hostilities and UN mediation transpired before the Netherlands conceded to transfer sovereignty in 1949.

Indonesia has a relatively young population; its median age stands at 28.2 years this year. An estimated 66.5% of the population will be in the 15-64 years age group, and 44% of the people are urbanites who have better access to technology and infrastructure than their rural counterparts. Jakarta, the capital of the nation, housed 9.121 million people in 2009, followed by Surabaya (2.509 million), Bandung (2.412 million), Medan (2.131 million), and Semarang (1.296 million). The population is predominantly Muslim with Protestant, Roman Catholic and Hindu minorities. Bahasa Indonesia is the official language, while English, Dutch and local dialects are also widely spoken by the population. The literacy rate stands at an estimated 90.4% as at 2004.

Chart 1: The map of Indonesia

Source: US Department of State

The government and legal system

Known as "Republik Indonesia" in the local long form, the country is a republic with 30 provinces, two special regions and one special capital city district. Indonesia's constitution was created in the same month of its independence but was abrogated by the Federal Constitution of 1949 and subsequently the Provisional Constitution of 1950. On 5 July 1959, the original constitution was restored and was subjected to a series of amendments that concluded in 2002.

Thanks to its colonial past, the nation's legal system has its roots in Roman-Dutch law but has received generous modifications in recognition of indigenous concepts and new criminal procedures as well as election codes. The executive branch is headed by chief of state and head of government President Susilo Bambang Yudhoyono and Vice President Boediono. The power to elect Cabinet members is vested in the President, who, along with the Vice President, is elected for five-year terms (eligible for a second term) by the citizenry's direct vote. The most recent election was held on 8 July 2009, and the next election will be held in 2014.

The People's Consultative Assembly (called Majelis Permusyawaratan Rakyat) is the upper house of the legislative branch, comprising members of the House of Representatives (Dewan Perwakilan Rakyat) and the House of Regional Representatives (Dewan Perwakilan Daerah), who together hold the power to inaugurate and impeach the president as well as to amend the constitution. The former house formulates and passes legislation at the national level, while the latter has a mandated role that includes providing legislative input to the House of Representatives on regional issues. This assembly, however, does not formulate national policy.

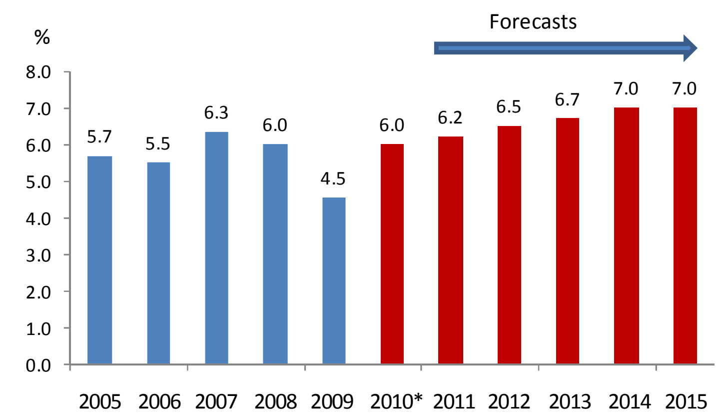
The judicial branch of the government consists of the Supreme Court (Mahkamah Agung), the Constitutional Court (Mahkamah Konstitusi), the Labor Court, as well as the Anti-Corruption Court. The Supreme Court is the final court of appeal, but it has no power to perform judicial reviews. Judges are appointed by the president from a list of candidates proposed by the legislature. Administrative and financial responsibilities for the lower courts were transferred to the Supreme Court in March 2004 from the Ministry of Justice and Human Rights. The Constitution Court performs judicial reviews, reviews actions to remove presidents from office, and possesses jurisdiction over the results of general elections, while the Labor Court oversees cases pertaining to labour disputes. The Anti-Corruption Court was the result of the government's desire to improve transparency and accountability, and has jurisdiction over corruption cases brought forth by the Independent Corruption Eradication Commission.

The economy

Being a developing market economy, Indonesia's economy features strong governmental influence, with over 160 state-owned enterprises in operation and regulation of the prices of basic goods such as rice, electricity and fuel. By virtue of its large population, domestic demand has been one of the major driving forces of the archipelago's economic growth. Notably, the country, like China and India, registered higher growth during the global financial crisis of 2009 than its Group of 20 counterparts due the demand buffer afforded by its sizable population. Manufacturing formed the backbone of the economy, constituting approximately half of GDP, whilst services and agriculture comprised the rest.

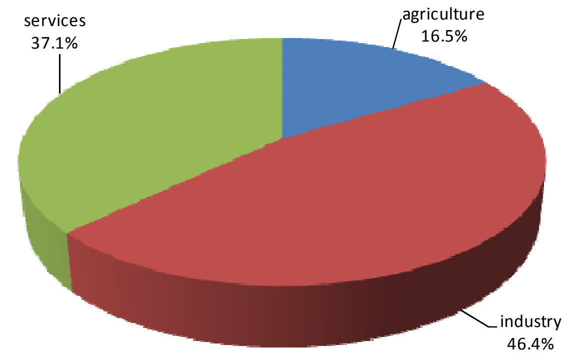
The economy, after facing immense turmoil from the political and social unrest that characterised the country in the years leading up to the 21st century, was given a significant boost when President Yudhoyono took office in October 2004, whence he implemented the "pro-growth, pro-poor, pro-employment" economic programme that is now continuing into his second term. Indeed, the State Ministry of National Development Planning had announced its Medium-Term Development Plan for 2010-2014 that targets an average economic growth of 6.3% to 6.8% for the period, hitting 7% or more by 2014, an unemployment rate of between 5% and 6% by the end of 2014, and a poverty rate of 8% to 10% by the end of the period. To achieve these goals, the government has repeatedly stated their intention to improve the private-sector investment climate by reducing general corruption and legal uncertainty.

Chart 2: GDP growth (%)



Source: IMF
*Note: * = estimate*

Chart 3: Indonesia's economic structure 2010



Source: CIA - The World Factbook

The economy: latest updates

The Indonesian economy has performed relatively well in recent years when compared with other neighbouring countries such as Malaysia and Singapore. The country was able to sustain a positive growth of 4.6% in 2009 when the global economy was in recession. The economy appears to be somewhat insulated from the global growth gyrations as the composition of total external trade is less than 100% of its economy. In view of this, domestic demand is the main engine of growth, propelled by household and government consumption expenditure as well as investment.

In 2010, the economy continued to expand at a healthy clip of 6.1%, underpinned by a strong increase in investment which rose 8.5% during the year. On further scrutiny, investments in machinery and equipment as well as transportation tools made a positive turnaround after experiencing a deep contraction in 2009 while investment in buildings was sustained at 7.0% growth in 2010. Consumption activities were largely dominated by the household sector as the government actively reduced its expenditure in a bid to control its fiscal position. Expenditure by the household sector remained steady at 4.6% in 2010 following the strengthening of the labour market and rising commodity prices. Real exports came in higher, expanding by 14.9% in 2010 following an improvement in the global demand. Nonetheless, net exports grew at single digit pace due to a strong expansion in real imports of 17.3%.

On the supply side, growth catalysts came largely on the back of the services sector which climbed at a robust rate of 8.4% (2009: 5.7%) and contributed a total 3.8 percentage points to the overall GDP growth. In the same vein, manufacturing industries rose 4.5% in 2010 after decelerating sharply by 2.2% in the preceding year. However, the agriculture and mining sectors which were badly affected by weather conditions, moderating to 2.9% and 3.5% respectively (2009: 4.0% and 4.4%).

In 2Q2011, the economy continued to chart a healthy growth of 6.5% y-o-y, the same pace as that of the preceding quarter. The strong performance was attributed to a sustained growth in private consumption which saw consumer spending expanding by 4.6% (1Q2011: 4.5%) and accounted for 55% of GDP. On the supply side, sources of growth came primarily from the manufacturing; trade, hotels & restaurants and transport & communication sectors which contributed a total of 4.20 percentage points to the total headline growth. Clearly, there is an upside bias to economic growth, with GDP likely to remain above its 10-year average of 5.3%.

Table 1: Real Gross Domestic Product

Growth %	Y06	Y07	Y08	Y09	Y10
Gross Domestic Product	5.5%	6.3%	6.0%	4.6%	6.1%
By expenditure					
Consumption Expenditures	3.9%	4.9%	5.9%	6.2%	4.0%
-Private Consumption Expenditures	3.2%	5.0%	5.3%	4.9%	4.6%
-Government	9.6%	3.9%	10.4%	15.7%	0.3%
Gross Fixed Capital Formation	2.6%	9.3%	11.9%	3.3%	8.5%
Export of Goods and Services	9.4%	8.5%	9.5%	-9.7%	14.9%
Import of Goods and Services	8.6%	9.1%	10.0%	-15.0%	17.3%
Net exports	12.8%	6.5%	7.6%	12.5%	7.5%
By industry					
Agriculture, Livestock, Forestry and Fisheries	3.4%	3.5%	4.8%	4.0%	2.9%
Mining and Quarrying	1.7%	1.9%	0.7%	4.4%	3.5%
Manufacturing Industries	4.6%	4.7%	3.7%	2.2%	4.5%
Construction	8.3%	8.5%	7.6%	7.1%	7.0%
Services	7.3%	9.0%	8.7%	5.7%	8.4%

Source: CEIC

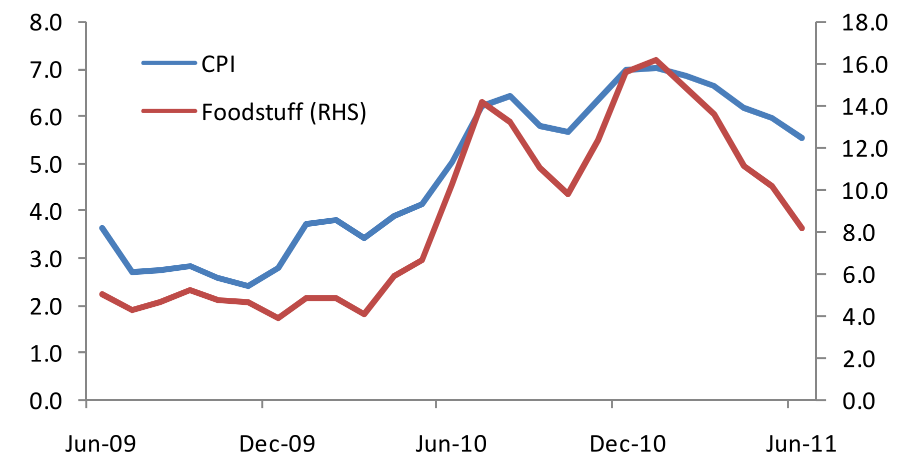
Inflation is elevated

In 2010, the consumer price index (CPI) grew at an average rate of 5.1% after rising by 4.9% in the preceding year. Higher prices were largely attributed to the foodstuff sub-index which rose 9.4% during the year. The surge in food prices was largely the result of weather-related events such as heavy rain that led to lower food production as well as disruption in distribution channels. This was particularly true in the case of grain consumer prices which have risen by 26.9% at the end of 2010 as wet weather disrupted inter-city and inter-island distribution channels.

In June 2011, the headline CPI continued to moderate to 5.5% y-o-y after rising by as much as 7.0% in January this year. Food prices were responsible for the decline in the inflation rate as they moderated to 8.2% during the month after remaining at a double-digit pace since June last year. Nonetheless, the core inflation rate remained elevated, hovering around 4.6% in recent months, up from 4.2% in January this year. Despite that, the recent decline in the global food prices as well as the delay in fuel subsidy reduction should cap the headline number from surging further.

To effectively deal with inflationary pressure, the government is putting more effort to reduce food price inflation by tackling the problem from the supply side. To alleviate the problem of food shortages, the government has instructed its rice procurement agency, Biro Urusan Logistik (BULOG), to intervene in the rice market in order to ensure adequate supplies. Apart from that, the government has also expanded its rice distribution program to 15 kilogrammes each month to 17.5 million poor households.

Chart 4: Consumer price index (CPI) y-o-y%



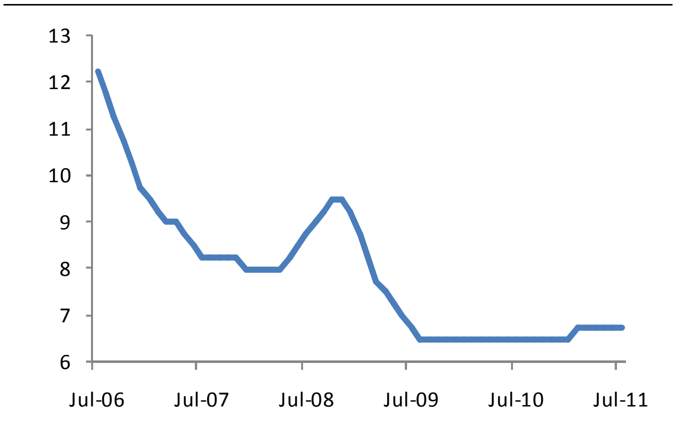
Source: Bloomberg

Monetary policy – supply versus demand

The BI was unperturbed by the recent surge in inflation. Thus far, the BI has raised its policy rate by 25bps as at February this year to 6.75% despite numerous calls for multiple rate hikes by private economists. There are indeed indications that demand-led inflation has emerged as reflected in the strong growth of credit in the banking system as well as a continuous expansion in private consumption which suggests that inflationary risk should not be underestimated. However, the government is very keen to maintain the current rate as aggressive rate hikes will only exacerbate capital inflows which will complicate the liquidity management.

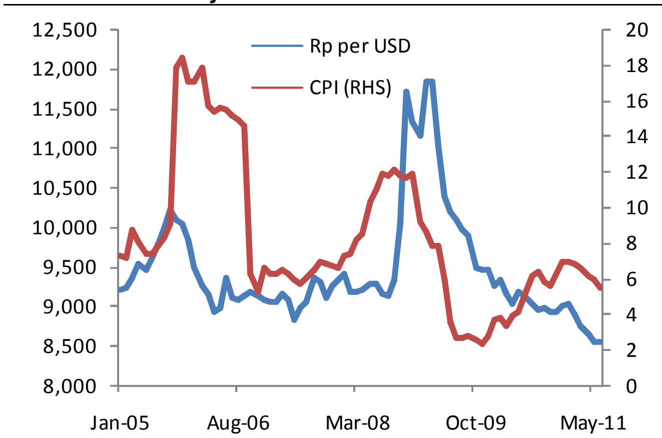
The BI remains mindful about the potential threat stemming from more capital inflows. As a step to discourage the inflows of “hot money”, on April 12 this year, the BI decided to replace the one-month holding period of SBI with a six-month holding period, which took effect on May 13. On that score, we think that further rate hikes will be done more gradually and at a measured pace as the BI needs to balance the risks of sudden capital outflows and price stability. Notwithstanding, the expectation of further rate hikes has led to a continuous appreciation of the rupiah, which by the third week of July 2011 had appreciated by about 5.6% against the US dollar since the beginning of the year and is the third-best performing currency in the Asian region.

Chart 5: BI rate



Source: Bloomberg

Chart 6: Currency movement vs. CPI



Source: Bloomberg

Sovereign rating upgrades – testament of prudent fiscal management

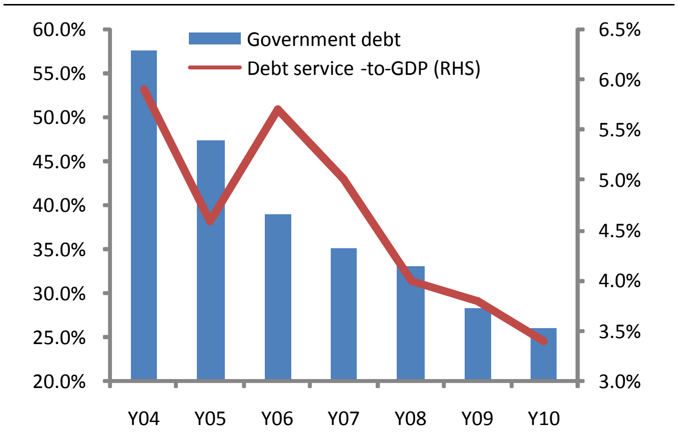
Indonesia's sovereign rating was upgraded several times in the past few months, pushing its status closer to investment grade. The reasons commonly cited for the upgrades include the resilient economy, sustained macroeconomic balance, continuous improvement in the government balance sheet and prudent fiscal management. The government of Indonesia has been forthcoming in controlling its expenditure, especially on subsidies. In 2005, the government took a major step in reducing its fuel subsidy bill following a sustained rise in global oil prices. As a result, prices of regulated fuel for households were more than doubled and subsidies for industrial users were completely eliminated.

In 2007, a further adjustment was made to the fuel subsidy system when the government launched the kerosene-to-liquefied petroleum gas (LPG) conversion and a temporary hike in fuel prices in 2008. Savings from the policy reforms were used to finance spending on education, health and rice subsidies for the poor as well as provide temporary but unconditional cash transfers to the needy. These measures were aimed at optimising the government's resources as well as mitigating the impact of price shock on poor citizens. Thus far, the direct cash transfers or BLT (Bantuan Langsung Tunai) has successfully helped to protect 19 million poor and near-poor households from the adverse effect of fuel price adjustments.

Following the government's aggressive effort to rein in the deficits, the negative budget gap shrank to 0.6% of GDP in 2010 from 1.6% registered in the preceding year. Similarly, the government debt as a percentage of GDP declined to 26.1% in 2010 from 28.3% in the earlier year while the debt service-to-GDP ratio also continued to drop, signaling greater ability in making debt repayment. All in all, the country's fiscal position continued to remain on firmer footing, making it easier for the government to promote investment activities, especially from the private sector.

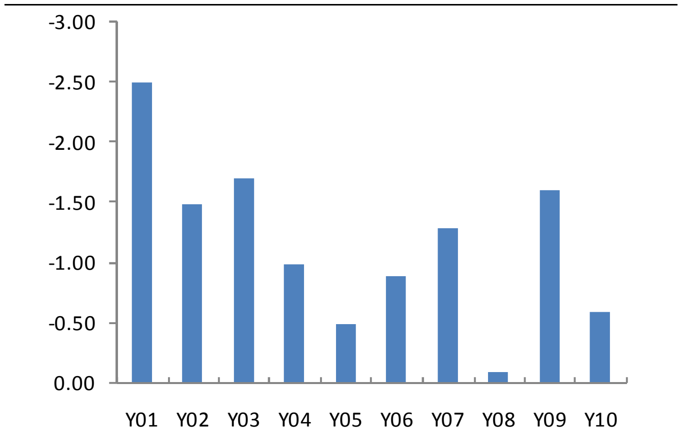
The recent news flow, however, indicated that the government budget deficits would be revised slightly to 2.1% of GDP in 2011 from the previous estimate of 1.8%. The revision was done following the adjustment of the fuel subsidy bill to 120.8 trillion rupiah from the previous allocation of 95.9 trillion rupiah on account of higher fuel prices. This implies that the government remains committed to ensuring that the people's purchasing power will not be severely eroded by the increase in oil prices.

Chart 7: Government debt % of GDP and debt service as % of GDP



Source: Ministry of Finance (MOF)

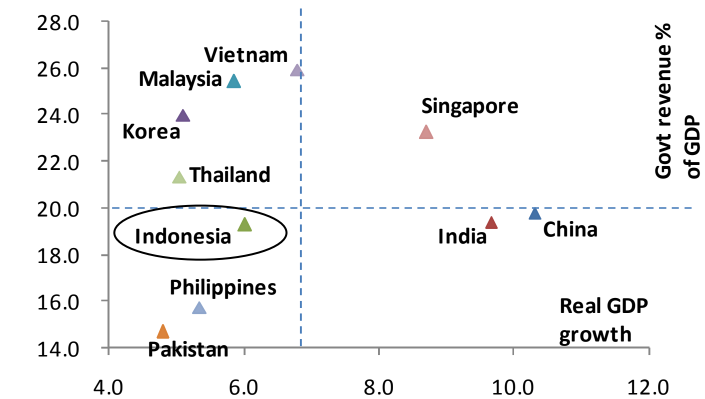
Chart 8: Fiscal balance as % of GDP (in reverse order)



Source: Ministry of Finance (MOF)

Comparison of five-year median macroeconomic matrices

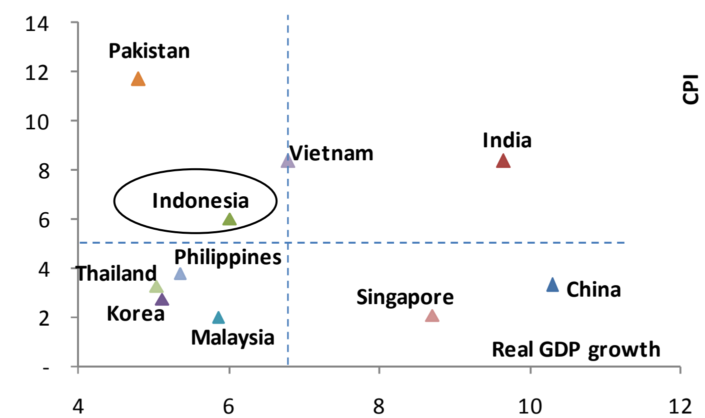
Chart 9: Government revenue vs. real GDP growth



Sources: IMF & MARC Economic Research

- In comparison with other economies, Indonesia's position is not in the best quadrant as the government revenue is lower than the region's average of the 5-year median, although its real GDP growth is somewhat in line with many Asian countries.
- The country is in the same group with Philippines and Pakistan and is in a less favourable position when compared with Singapore, China and India.
- The government will likely continue to pursue a pro-growth policy as this can translate into stronger revenue stream to maintain a healthy fiscal balance.

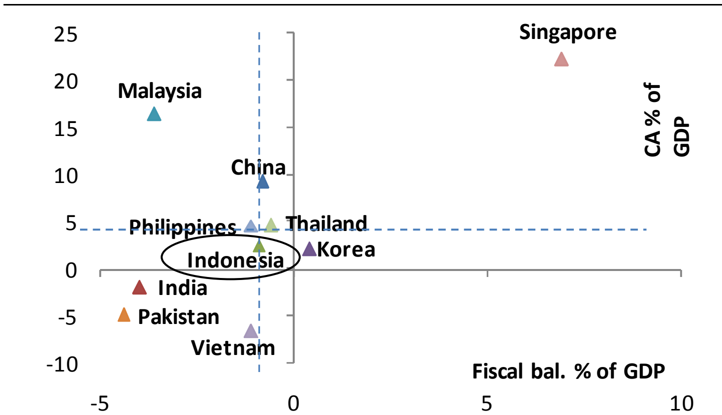
Chart 10: CPI & GDP growth



Sources: IMF & MARC Economic Research

- The economy is characterised by higher inflation when compared with the regional economies. Its CPI growth is slightly higher than the region's 5-year average of its median.
- China and Singapore are in the best quadrant as their strong economic growth was accompanied by relatively low inflationary pressure.
- The main reason for Indonesia's relatively high inflation is related to the government's serious effort in reducing subsidies which resulted in a series of fuel hikes in the past years. Once the subsidy removal program is completed, there is a greater chance for Indonesia to move to the lower quadrant.

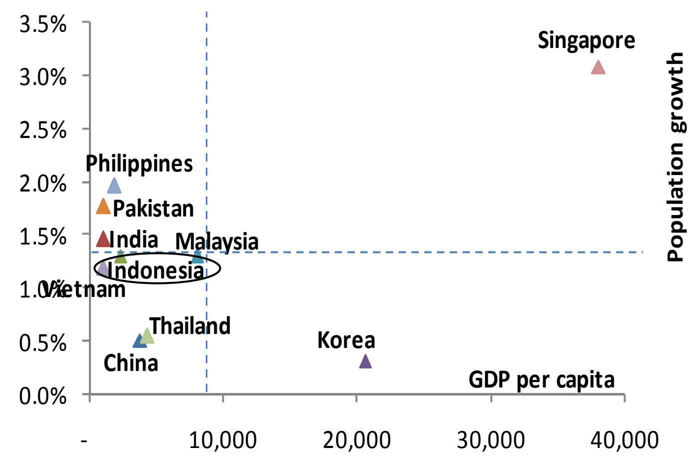
Chart 11: Current account % of GDP vs. fiscal balance % of GDP



Sources: IMF & MARC Economic Research

- Indonesia's fiscal position is relatively favourable with the budget gap almost at par with the region's 5-year average of its median.
- However, the current account balance is a tad lower than the region's standard. A lower current account balance implies lower savings and investment gap. This is largely attributed to higher investments evidenced by the continuous rise in the share of gross fixed capital formation (GFCF) to GDP from 20% in 2000 to 24.0% in 2010.
- Investment in infrastructures will likely be the key area of focus as the government is aiming to sustain decent economic growth in the medium and long term.

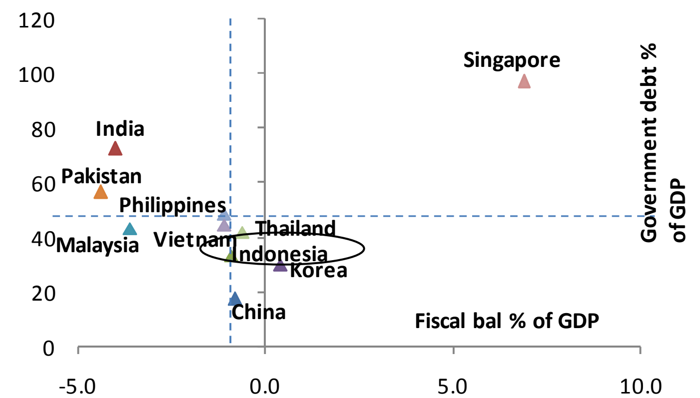
Chart 12: Population growth vs. GDP per capita



Sources: IMF & MARC Economic Research

- The country's per capita income is far lower than the region's 5-year average of its median (USD8,199) while its population growth is at par with Asian region's standard of 1.3%.
- The government's key agenda continues to focus on poverty reduction as well as distributional issues. After seeing its poverty rate surging to 24.2% in 1998 from 17.7% in 1996 following the Asian Financial Crisis, various government reform programs have been implemented and pushed the poverty rate down to 13.3% in the 1Q2010.
- We expect economic reforms to continue given the widening of income inequality in the country. According to World Bank estimate, the Gini Coefficient has risen to 0.38 in 2010 from 0.32 in 2003.

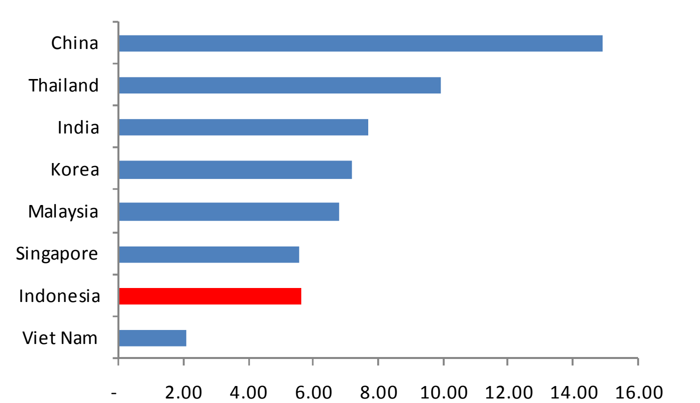
Chart 13: Govt. debt % of GDP vs. fiscal balance % of GDP



Sources: IMF & MARC Economic Research

- Indonesia has done well in this matrix. With a combination of low fiscal deficits and government debt as percentage of GDP, the country is ranked almost equally with countries such as Thailand, Korea and China.
- This has resulted in a slew of sovereign rating upgrades by international rating agencies which have pushed the country's rating to one notch below the investment grade status.
- The rating upgrades have induced FDI inflows following stronger confidence among foreign investors. This was evidenced by the sharp increase in the FDIs in 2010 – the highest since the 1997/98 Asian Financial Crisis.

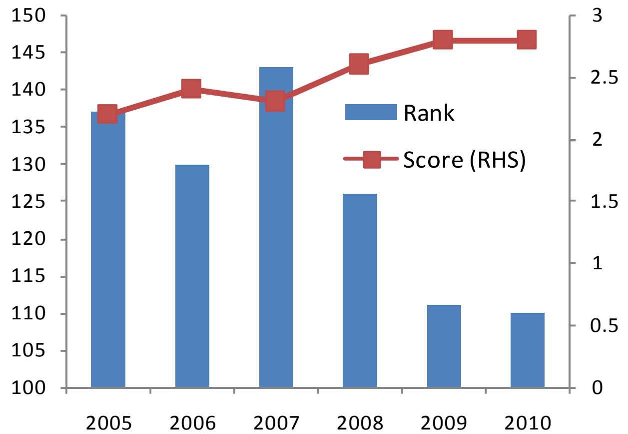
Chart 14: Reserve-to-import ratio (months)



Sources: IMF & MARC Economic Research

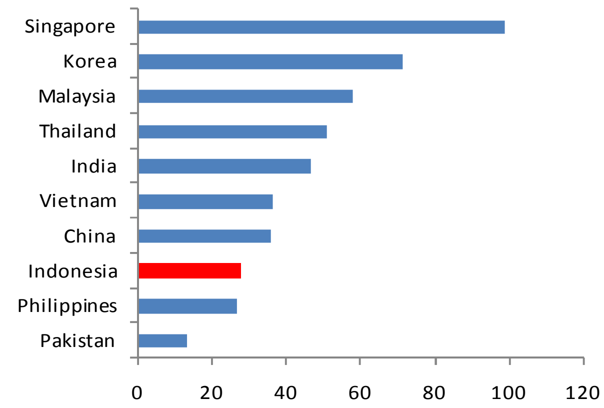
- Indonesia's external sector is somewhat less favourable compared with the region's standard. The reserve-to-import ratio of 5.6 months is among the lowest in the Asian region.
- On a relative basis, the country is susceptible to capital outflows as there are fewer buffers to offset any massive outflows.
- This explains the recent moves by the BI to introduce macro-prudential measures aimed at limiting the impact of a sudden capital outflows.

Chart 15: Corruption Perception Index (Indonesia)



Source: Transparency International

Chart 16: World Governance Indicators (Control of Corruption)



Source: World Bank

The country continued to show further improvement in combating corruption. This is reflected in the latest corruption perception index (CPI) in 2010 issued by the Transparency International which ranked Indonesia at 110th from 143rd position in 2007, signaling better perception of corruption incidence in the country. Nonetheless, in comparison with other countries, Indonesia has to show further improvement as the country remained at the bottom range in comparison with other economies in the Asian region.

Table 3: Assessments of selected macroeconomic matrices – a summary

Quadrant	Verdict
Government revenue and GDP growth	Does not lie in the best quadrant as strong economic growth does not translate into higher government revenue
CPI & GDP growth	Inflation is still an issue although real growth is somewhat in line with many Asian countries
Current account and fiscal balance	Neutral – lies within the region's standard.
Population growth and GDP growth	Does not lie in the best quadrant evidenced by rising income inequality
Public debt and fiscal balance	Lies in the best quadrant due to prudent fiscal management
Reserve-to-import	Relatively weak when compared with regional economies and therefore is susceptible to capital outflows
Corruption	Despite further improvement, the country remains below the rankings of most Asian countries

Risk factors

Sovereign rating upgrade – an upside risk

We believe the country is well positioned to achieve investment-grade status in light of its strong fiscal balance, the relatively low government debt level and a sustained economic growth. Such a backdrop will put Indonesia in a favourable position for further upgrades by international rating agencies. This will subsequently lead to stronger confidence among foreign investors. As a result, the country will have greater financial flexibility in raising foreign currency borrowings should it decide to do so in the future.

Oil price & subsidy

Elevated oil prices will likely have an adverse effect on government finances as spending on fuel subsidy is expected to move in tandem with oil prices. In light of this, the need to reduce expenditure on subsidies is high on the government's list in order to ensure greater efficiencies in resource allocation. This is particularly true as the fuel subsidy bill is generally higher than capital investment and the cost of the targeted social safety net. For instance, spending on fuel subsidies was twice as much as the amount of capital investment in 2008 while spending on targeted social safety net programs was four times higher.

Capital flows

In 2010, portfolio investment as a percentage of GDP stood at 15.2%, higher than the 10.3% and 1.8% levels recorded in the year 2009 and 2008 respectively. Strong inflows, which to some extent are associated with speculative funds, present a challenging task for the monetary authority to manage its macroeconomic stability. The problems can be amplified if inflationary pressures become unsustainable and warrant a further tightening stance by the monetary authority as this could induce more inflows and complicate the liquidity management in the economy.

Perception issues – policy reforms

Since the departure of the former finance minister, Dr. Sri Mulyani Indrawati, in June 2010, much has been said about the future of policy reforms in Indonesia as she had been instrumental in driving the reforms in the economy. There is a vital need to continuously implement policy reforms, particularly when the country has achieved some degree of success on various fronts. For instance, the improvement in Indonesia's ranking in Corruption Perception Index (CPI) in 2010 is a vote of confidence for the ruling government. Hence, more measures are needed to ensure the positive momentum continues in the future.

Appendix

	Y06	Y07	Y08	Y09	Y10
National account (growth)					
GDP	**5.5%**	**6.3%**	**6.0%**	**4.6%**	**6.1%**
Demand side					
Consumption Expenditures	3.9%	4.9%	5.9%	6.2%	4.0%
Private Consumption Expenditures	3.2%	5.0%	5.3%	4.9%	4.6%
Government	9.6%	3.9%	10.4%	15.7%	0.3%
Gross Fixed Capital Formation	2.6%	9.3%	11.9%	3.3%	8.5%
Export of Goods and Services	9.4%	8.5%	9.5%	-9.7%	14.9%
Import of Goods and Services	8.6%	9.1%	10.0%	-15.0%	17.3%
Supply side					
Agriculture, Livestock, Forestry and Fisheries	3.4%	3.5%	4.8%	4.0%	2.9%
Mining and Quarrying	1.7%	1.9%	0.7%	4.4%	3.5%
Manufacturing Industries	4.6%	4.7%	3.7%	2.2%	4.5%
Construction	8.3%	8.5%	7.6%	7.1%	7.0%
Services	7.3%	9.0%	8.7%	5.7%	8.4%
Government finance					
Budget balance as % of GDP	-0.9	-1.3	-0.1	-1.6	-0.6
Government debt as % of GDP	39.0	35.2	33.1	28.3	26.1
Debt service to GDP	5.7	5.0	4.0	3.8	3.4
Balance of payments (USD Million)					
Current account	10,859	10,492	126	10,192	6,294
Capital & financial account	3,025	3,591	-1,832	5,002	26,218
Overall balance	14,510	12,715	-1,944	12,506	30,285
International reserve assets	42,586	56,920	51,639	66,105	96,207
% of GDP					
Current account	3.0%	2.4%	0.0%	1.9%	0.9%
Capital & financial account	0.8%	0.8%	-0.4%	0.9%	3.7%
Overall balance	4.0%	2.9%	-0.4%	2.3%	4.3%
Money and price levels					
M1	28.0%	29.7%	1.5%	12.9%	17.4%
M2	14.9%	19.3%	14.9%	13.0%	15.4%
Loan growth	14.0%	26.0%	30.8%	10.1%	23.3%
CPI	13.1%	6.0%	9.8%	4.8%	5.1%

Sources: Badan Pusat Statistik (BPS), Bank of Indonesia & CEIC

THIS PAGE IS INTENTIONALLY LEFT BLANK

Published and Printed by:

MALAYSIAN RATING CORPORATION BERHAD (Company No.: 364803-V)
5th Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, 50490 KUALA LUMPUR
Tel.: +603 2082 2200 Fax: +603 2094 9397 E-mail: marc@marc.com.my
Homepage: www.marc.com.my