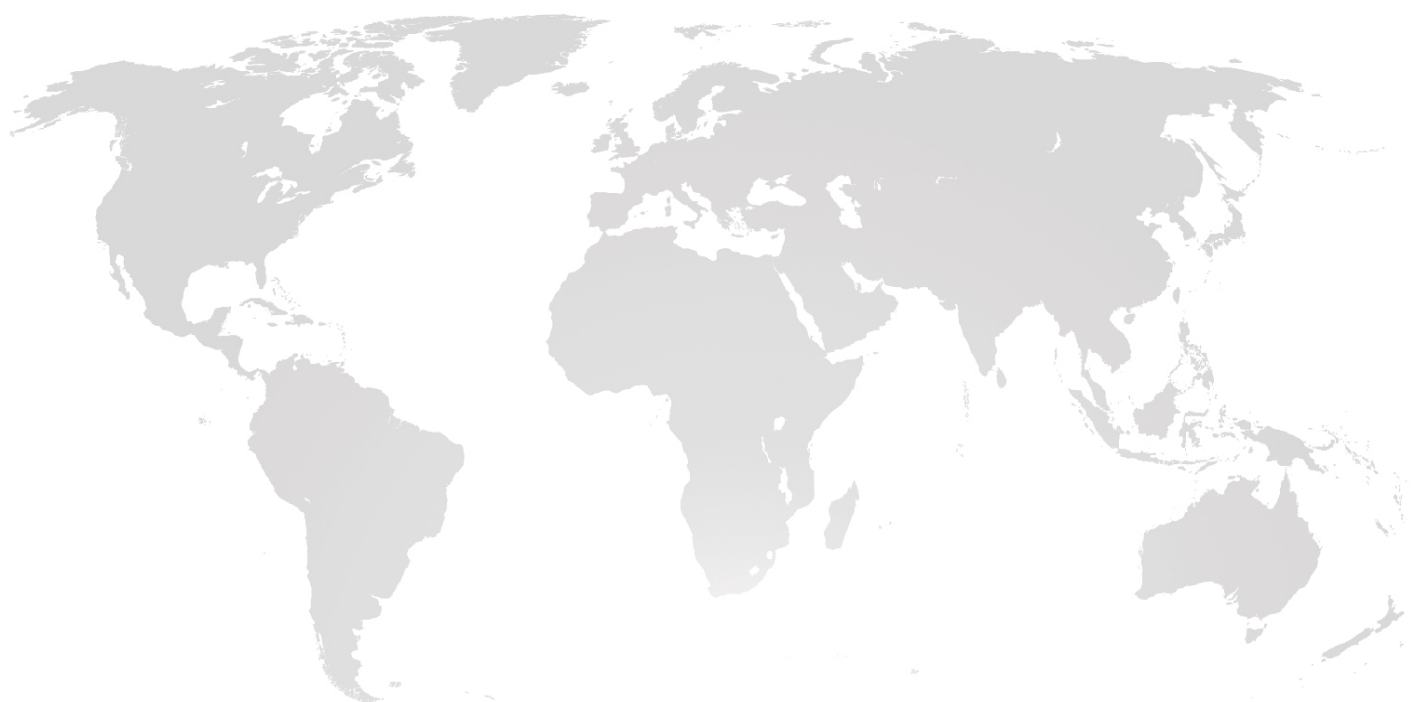




# D&B Country Insight Snapshot: Indonesia

*April 2015*





## Overview

**Overall Country Risk Rating : DB4a**



**Moderate risk:** Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

**Rating Outlook:** Stable →

## Core Outlook

- + Indonesia is one of the world's most renowned markets for resource extraction.
- + The government is supporting and incentivising infrastructure development.
- Currently poor infrastructure constrains Indonesia from realising its economic potential.
- Indonesia's overall business environment is poor by global standards.

## Key Development

Imminent US policy rate hikes are a key risk factor that will heighten the risk of capital outflows and exchange rate volatility.

### Credit Environment Outlook



Key Development has had a negative impact on the outlook.

### Supply Environment Outlook



Key Development has had a neutral impact on the outlook.

### Market Environment Outlook



Key Development has had a negative impact on the outlook.

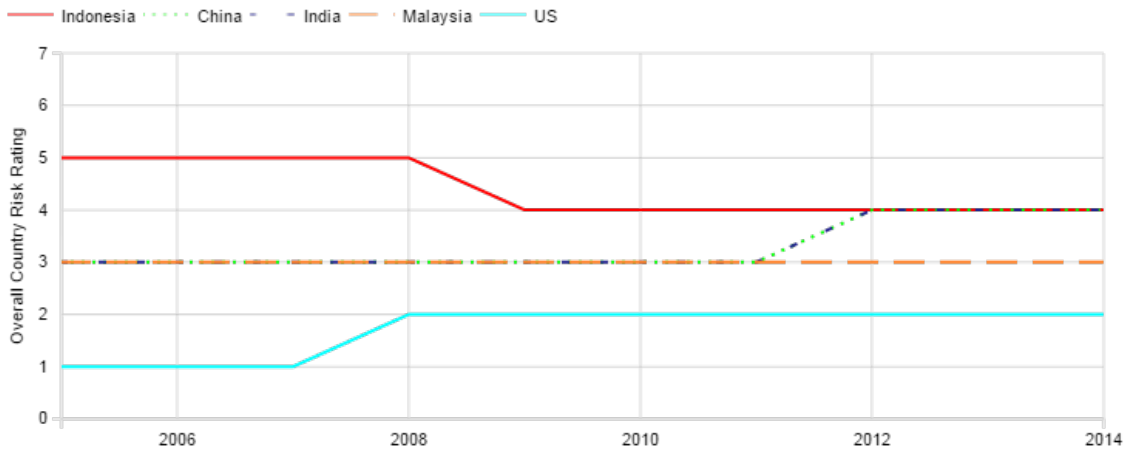
### Political Environment Outlook



Key Development has had a neutral impact on the outlook.

## Key Indicators

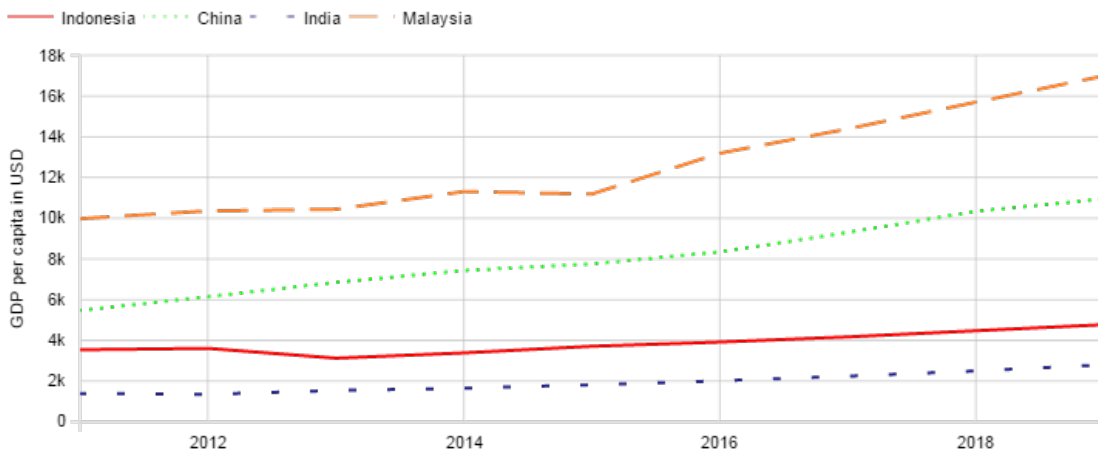
### Rating History and Comparison



Source : D&B

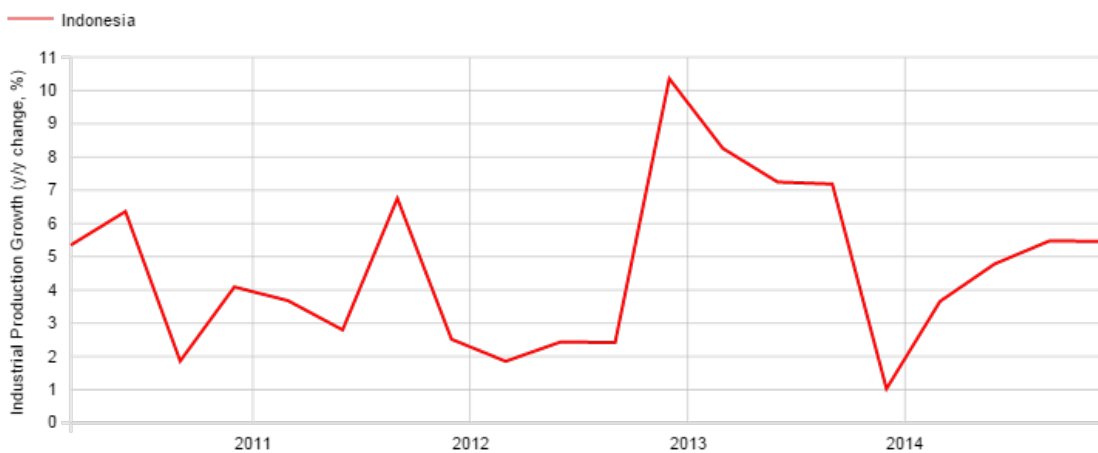
Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source : D&B

### Chart of the Month



Source : National Statistical Offices / Haver Analytics

## Economic Indicators

Indicator	2012	2013	2014e	2015f	2016f	2017f	2018f	2019f
C/A balance % GDP	-2.7	-3.2	-3.0	-2.4	-1.4	-1.5	-1.8	-1.9
Debt Service Ratio, %	15.5	15.0	16.7	15.9	16.1	16.9	17.0	17.0
Govt balance, % GDP	-1.3	-1.6	-2.4	-1.4	-1.2	-1.1	-1.1	-1.1
Inflation, annual avge %	4.0	6.4	6.5	5.5	5.1	5.1	5.0	5.0
Real GDP Growth, %	6.0	5.6	5.0	5.0	6.0	6.1	6.2	6.2

Source : Haver Analytics/D&B

## Trade and Commercial Environment

Indonesia's FX reserves as of end-March 2015 stood at \$115.5bn, up from \$114.2bn at the end of February 2014. According to the central bank, this increase in reserves was attributable to improved oil and gas export revenues which exceeded external debt related payments. The current reserve level is sufficient to cover an estimated 6.8 months of imports plus servicing of government external debt repayments. In terms of the currency, the rupiah has depreciated by more than 5.0% against the US dollar since the start of the year and we anticipate continued heightened volatility and possible downside risks ahead of the first US policy rate increase currently expected in H2.

## Trade Terms and Transfer Situation

### Minimum Terms: LC

*The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.*

### Recommended Terms: LC

*D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.*

### Usual Terms: 30 days

*Normal period of credit associated with transactions with companies in the stated country.*

### Local Delays: 0-1 month

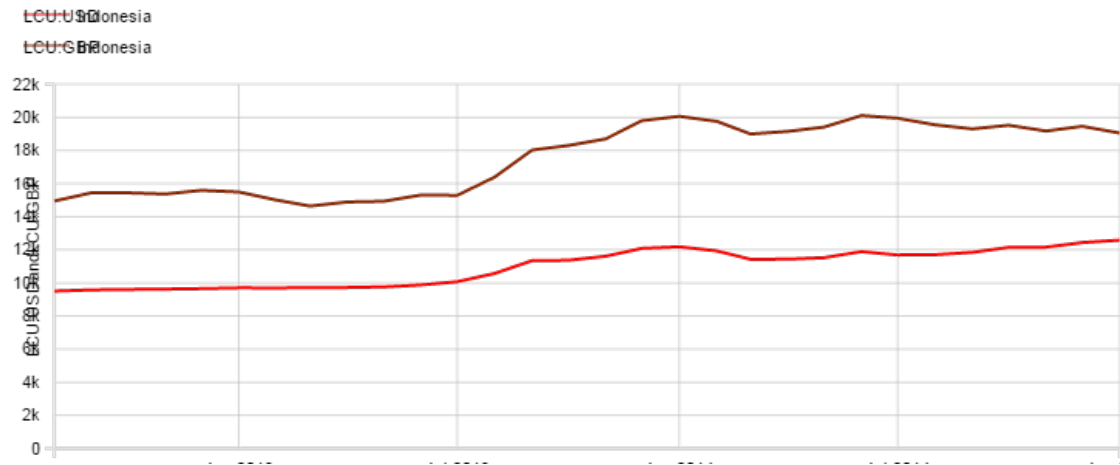
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### FX/Bank Delays: 0-2 months

*The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.*



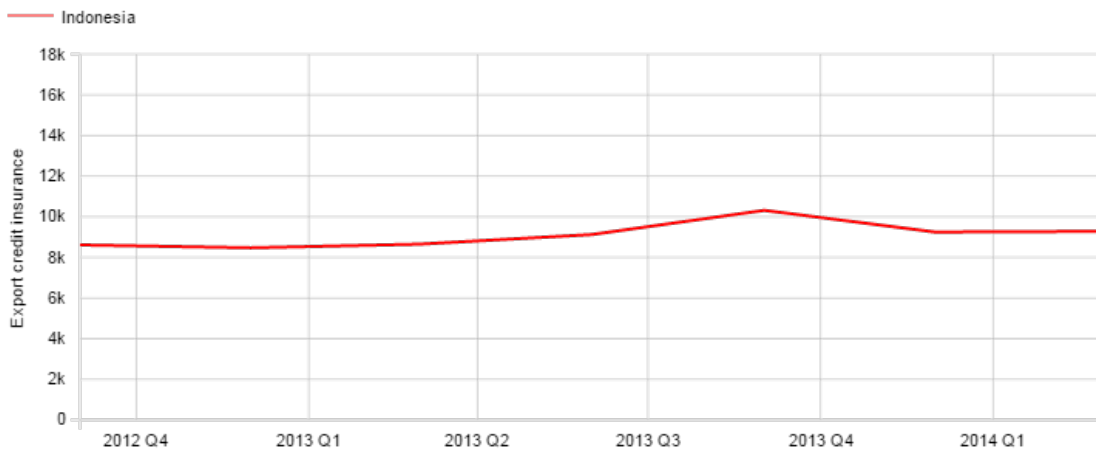
## Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

*LCU = Local Currency Unit*

## Credit Conditions



Source : Haver

*Insured export credit exposures, USDm*

## Risks and Opportunities

### Short-Term Economic Outlook

*Imminent US rate hikes are key risk factor*

In D&B's view the single most important risk factor for Indonesia's near term economic outlook is the growing prospect of rising US policy interest rates. This is a concern essentially because higher US rates will have a tightening impact on global liquidity conditions and make it more difficult for Indonesia to meet its significant external financing requirements. When the US Federal Reserve begins to raise rates (currently expected in H2 sometime) there is likely to be a significantly increased risk of capital outflows and rupiah volatility. As such, we continue to recommend that investors and trade counterparties with significant rupiah liabilities should consider hedging their foreign currency exposure wherever possible.

A key variable to monitor will be the evolution of Indonesia's current account; a widening deficit magnifies the risk of capital outflows and exchange rate depreciation. The opposite dynamic of a narrowing current deficit should be correspondingly positive. However past evidence shows that emerging markets like Indonesia can experience significant capital flows and exchange rate depreciation irrespective of reasonably stable fundamentals in times of surging global investor risk aversion; rising US rates could be a trigger for this. All this being said, it is nonetheless notable and favourable that Indonesia's external economic fundamentals have generally been strengthening in the past few months. Indeed according to the central bank, Indonesia recorded its third consecutive monthly trade surplus in February (USD0.7bn), with this month also being the first time in five years that both the oil and gas balance and the non-oil and gas balance have been in surplus. This improvement in the trade picture is attributed in large part to the collapse in global oil prices; indeed, Indonesia's oil and gas imports in February were less than half the size (-50.3%) of a year earlier at USD1.7bn.

### Market Potential

*Government plans to scrap tourist visa fees for some countries*

One area of significant medium-to-long term development potential which could also greatly help to improve Indonesia's external economic position is tourism. In terms of the sheer depth and variety of attractions, Indonesia should be capable of competing with nearby Malaysia and Thailand. However, these countries both received 27m and 25m visitors respectively in 2014, compared to just 9m for Indonesia. A key reason for the mismatch is Indonesia's comparatively weak transport infrastructure. However, positively, under the new President Joko Widodo, we expect infrastructure development to become a major priority for the government which will also facilitate greater tourist inflows. Notably in late March, it was announced that tourist visa fees for some 30 countries, including the UK, US and China, would soon be scrapped to this end.

## Country Profile and Statistics

### Overview

Indonesia is an archipelago of approximately 17,000 islands in Southeast Asia, partly traversed by the equator. It has three time zones. Java accounts for almost half of the population, while other major islands are Sumatra, Kalimantan (Borneo), Bali, Sulawesi and Maluku.

Formerly the Dutch Indies, Indonesia declared independence in 1945 under Japanese occupation. When the Dutch failed to regain control by 1949, Indonesia gained international recognition with US support. However, Indonesia became enmeshed at the heart of the cold war. In 1965, the 'New Order' regime seized control of the state and within months had killed most Communist Party of Indonesia (PKI) cadres and hundreds of thousands of associated persons.

The ethnic-Chinese business class was besieged by rioting mobs during the final weeks of President Suharto's autocratic rule (1967-98). Since 2001, the army has accepted democracy. Administrative decentralisation has let local elites grow rich. Indonesia is the most populous Muslim majority country; Protestantism, Catholicism, Buddhism and Hinduism have state protection.

### Key Facts

Key Fact	Detail
Head of state	President Joko WIDODO
Capital	Jakarta
Timezone	GMT +08-00 (Central Indonesian Time)
Official language	Bahasa Indonesia
Population (millions)	252.8
GDP (USD billions)	836.4
GDP per capita (USD)	3,309
Life expectancy (years)	70
Literacy (% of adult pop.)	90.4
Surface area (sq km)	1,904,570

Source : UN / Haver Analytics / D&B

### Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	6.39	6.18	6.03	5.58	5.03
Nominal GDP in USDbn	755.02	863.65	891.02	781.43	856.41
Nominal GDP in local currency (bn)	6,863,415	7,831,609	8,616,151	9,524,824	10,653,764
GDP per Capita in USD	3,137	3,542	3,609	3,127	3,388
Population (year-end, m)	240.68	243.8	246.86	249.87	252.81
Exchange rate (yr avge, USD-LCU)	9,090.43	9,068	9,670	12,189	12,440
Current Account in USDbn	5.15	1.67	-24.48	-29.18	-26.3
Current Account (% of GDP)	0.68	0.19	-2.66	-3.19	-2.95
FX reserves (year-end, USDbn)	92.91	103.38	105.34	92.87	105.5
Import Cover (months)	7.67	6.57	5.93	5.27	6.27
Inflation (annual avge, %)	5.1	5.3	4	6.4	6.5
Govt Balance (% GDP)	-0.5	-0.8	-1.3	-1.6	-2.4

Source : D&B

## Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	5	6	6.1	6.2	6.2
Nominal GDP in USDbn	949.5	1,013.5	1,090.4	1,182	1,273.4
Nominal GDP in local currency (bn)	11,963,278.72	13,276,739.53	14,829,195.86	16,547,422.31	18,464,735.88
GDP per Capita in USD	3,713	3,920	4,172	4,476	4,774
Population (year-end, m)	255.7	258.6	261.3	264.1	266.8
Exchange rate (yr avge, USD-LCU)	12,600	13,100	13,600	14,000	14,500
Current Account in USDbn	-22.8	-14.2	-16.4	-21.3	-24.2
Current Account (% of GDP)	-2.4	-1.4	-1.5	-1.8	-1.9
FX reserves (year-end, USDbn)	115.5	120	125	131	138
Import Cover (months)	6.54	6.49	6.44	6.1	6.4
Inflation (annual avge, %)	5.5	5.1	5.1	5	5
Govt Balance (% GDP)	-1.4	-1.2	-1.1	-1.1	-1.1

Source : D&amp;B

## Comparative Market Indicators

Indicator	Indonesia	China	India	Malaysia	US
Income per Capita (USD)	3,388	7,434	1,459	11,314	54,085
Country Population (m)	252.8	1,393.8	1,275.1	30.4	322.6
Internet users (% of population)	15.8	45.8	15.1	67	84.2
Real GDP Growth (% p.a., 2015 - 2024)	5.3 - 6	5.5 - 7	5 - 6.5	3.5 - 4.5	1.5 - 3

Source : D&amp;B



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