



Decide with Confidence

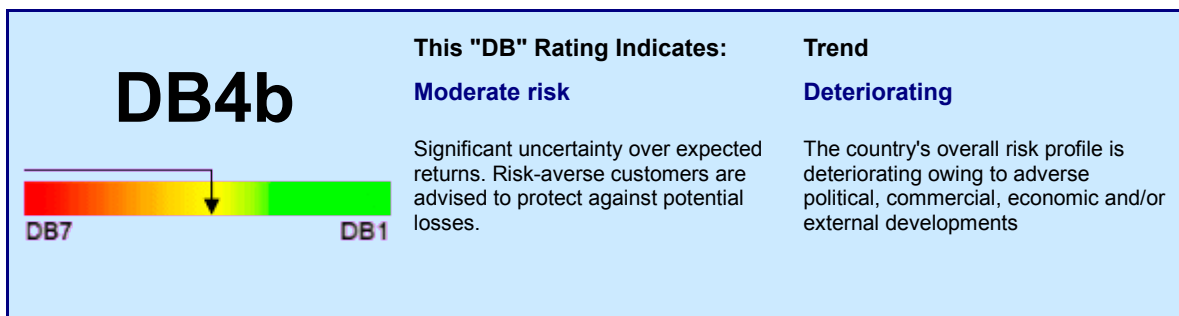
D&B Country RiskLine Report

INDONESIA

Region : Asia Pacific

Edition : May 2014

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	249.9m
Surface area (sq km):	1,904,570
Capital:	Jakarta
Timezone:	GMT +08:00 (Central Indonesian Time)
Official language:	Bahasa Indonesia
Head of state:	President Susilo Bambang YUDHOYONO
GDP (USD):	763.0bn
GDP per capita (USD):	3,054
Life expectancy (years):	70
Literacy (% of adult pop.):	90.4

Country 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.

Trade & Commercial Environment

Trade Terms

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.

Transfer Situation

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.

Trade & Commercial Environment

Indonesia's reserves stood at USD102.6bn on 28 March 2014, down from USD110.7bn at end-January 2014. D&B estimates this is sufficient to cover 5.8 months' worth of imports. The rupiah has exhibited a welcome degree of stability to date in 2014 following the sizeable depreciation in the previous year. Going forward, however, further exchange rate depreciation remains possible, due in large part to the US Federal Reserve's tapering of its QE programme which effectively reduces the relative attractiveness of Indonesian assets by increasing US bond yields. Declining export receipts owing to the curtailment of commodity exports following the recent raw mineral exports ban constitutes another significant risk factor for the currency.

Export Credit Agencies

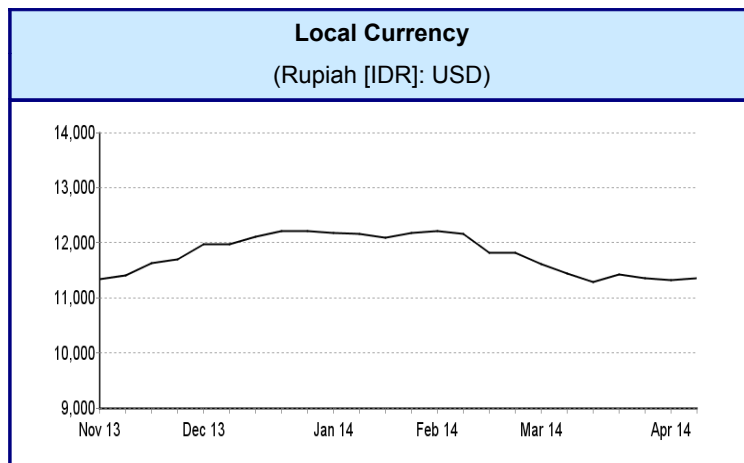
US Eximbank	Full public and limited private sector cover
Atradius	ST cover available subject to approved LC, no discretionary limits
ECGD	ST cover subject to CLC, MT cover available
Euler Hermes UK	ST cover available, restrictions may apply

Economic Indicators

	2011	2012	2013	2014f	2015f
Real GDP growth, %	6.5	6.1	5.7	5.9	5.8
Inflation, annual ave, %	5.4	4.3	7.0	5.1	4.9
Govt balance, % GDP	-1.1	-3.3	-1.9	-2.4	-1.6
Debt service ratio, %	15.9	15.5	15.0	16.7	15.9
C/A balance, % GDP	0.2	-2.9	-4.6	-1.1	0.4

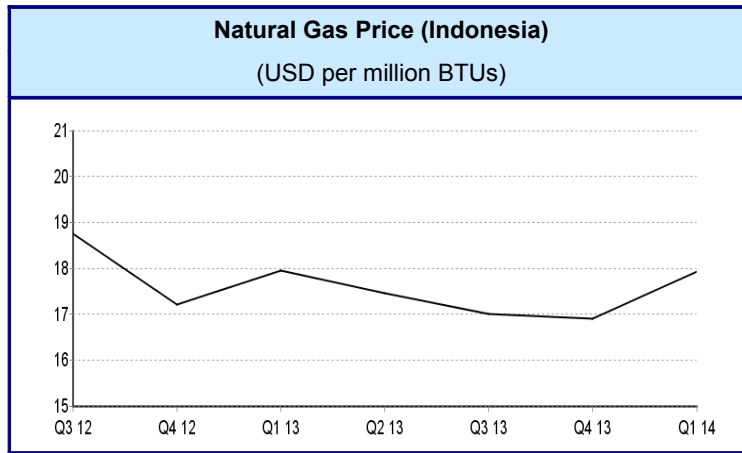
Currency Information

Exchange Rates	
(London, 10 Apr 14)	
EUR	15760.5
GBP	19046.9
JPY*	11184.0
USD	11354.0
*(x 100)	



Local Currency						
(Rupiah [IDR]: USD)						
	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14
Week 1	11332.500	11962.500	12170.000	12210.000	11609.000	11316.500
Week 2	11410.000	11962.500	12161.500	12160.000	11439.500	11354.000
Week 3	11620.000	12115.000	12090.000	11825.000	11292.500	
Week 4	11695.000	12212.500	12180.000	11812.500	11422.500	
Week 5		12210.000			11360.000	

Natural Gas Price (Indonesia)



Data Table						
Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14
18.75	17.21	17.94	17.45	17.0	16.91	17.92

Risk Factor

Indonesia's parliamentary election took place on 9 April. Although full results and the final outcome of the election is not due to be released by the Electoral Commission until 9 May, various 'quick counts' (which have proved reliable guides in past elections) provide a strong indication of the eventual outcome. According to these preliminary counts, the Democratic Party of Struggle (PDI-P) won the election with 19% of the total vote, followed by the Golkar party and the Gerindra party with 14% and 12% respectively. The PDI-P had recently announced that Joko Widodo (the governor of Jakarta) would be its presidential candidate in the upcoming July presidential election. The popularity of Widodo had led many observers to expect that the PDI would be able to achieve the minimum 25% of the popular vote or 20% of parliamentary seats needed to field a presidential candidate by itself. However, its apparent failure to do this means that the PDI-P will likely need to ally itself with one of the smaller parties in order to field its presidential candidate. Financial markets which had been anticipating a single party-backed presidential nomination for Widodo were disappointed by the election outcome, with the Jakarta Composite Index falling by over 3% on 10 April.

In D&B's view, while the increased likelihood of a bigger coalition government is moderately negative from the policy implementation perspective, the PDI-P's Widodo remains in a strong position to become the next president of Indonesia following July's election. As noted before, we continue to believe that a Widodo presidency would be positive development for Indonesia's overall risk outlook and could potentially lead to an upgrade in the country's risk rating.

On the economic front, D&B expects Indonesia's real GDP to grow by a robust 5.9% in 2014. The main driver of this should be strong private consumption growth on the back of employment growth and rising real incomes. In line with this, a Bank Indonesia survey showed that Indonesian retail sales expanded by an impressively brisk 21.2% year on year in February, albeit moderating from 24.8% in January. Meanwhile data from the auto industry association Gaikindo showed that auto sales grew by a 17.8% year on year in March, with many industry observers now believing that Indonesia is on the cusp of becoming Southeast Asia's largest car market by overtaking Thailand where sales have slumped. On the external front, Indonesia's recent export performance continues to be adversely affected by the government's recent ban on raw mineral exports and its controversial efforts to increase duties on exports of various mineral concentrates (including copper concentrates). In response, leading international mining firms Freeport and Newmont have significantly curtailed their exports of copper concentrates.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

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:

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:

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

Local Delays:

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

F/X Bank Delays:

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.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

© Copyright 2012-13 Dun & Bradstreet - Provided subject to the terms and conditions of your contract.

D&B Country Risk Services

For information relating to D&B's Country Risk Services.

UK

Telephone: 01628 492700

Fax: 01628 492929

Email: CountryRisk@dnb.com

USA Inquiry

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CountryRiskServices@dnb.com

Rest of World

Telephone: +44 1628 492700

Email: CountryRisk@dnb.com

D&B Customer Services

For all other information or queries relating to D&B products and services.

UK

Telephone: 0870 243 2344 (UK) / 1 890 923296 (IR)

Email: CustomerHelp@dnb.com

USA

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CustomerService@dnb.com

Rest of World

You can contact your local D&B Customer Services departments by clicking [here](#).

Whilst D&B attempts to ensure that the information provided is accurate and complete, by reason of the immense quantity of

detailed matter dealt with in compiling the information and the fact that some of the data are supplied from sources not controlled by D&B which cannot always be verified, including information provided direct from the subject of enquiry as well as the possibility of negligence and mistake, D&B does not guarantee the correctness or the effective delivery of the information and will not be held responsible for any errors therein or omissions therefrom.

© Dun & Bradstreet Inc., 2012-13.



Decide with Confidence