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International

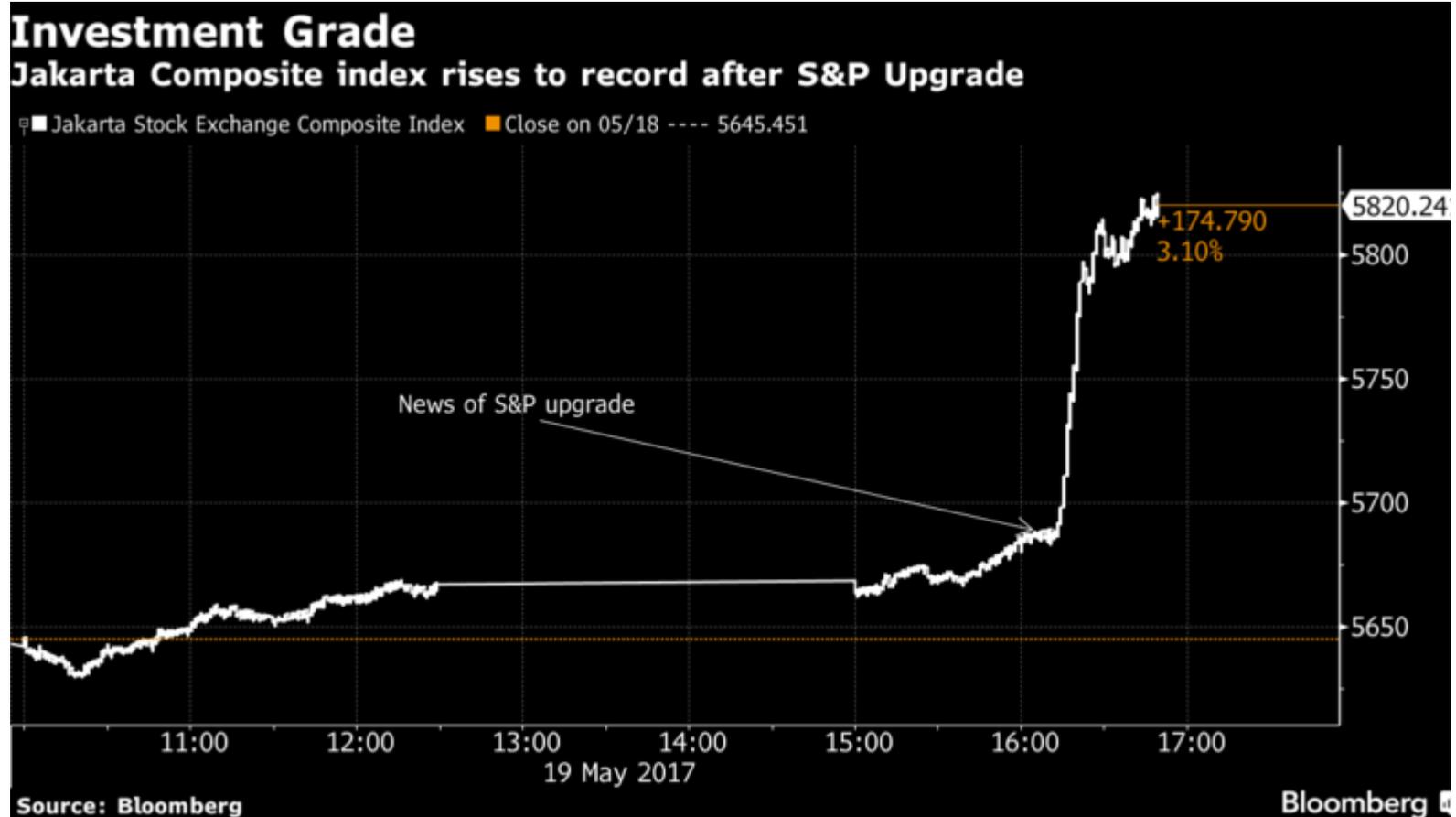
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Economic Alert: Indonesia Raised to Investment Grade by S&P

- S&P raised Indonesia's credit rating to investment grade, bringing it in line with the other two main rating companies and paving the way for more fund inflows into Asia's largest economy.
- The rating agency cited lifted the country's rating to BBB- from BB+ with a "Stable" outlook, on the backdrop of an improvement in the budget.
- Currently, both Moody's Investors Service and Fitch Ratings have a "Positive" outlook on their assessments of the nation's debt.
- Moreover, S&P saw encouraging signs of a reduction in structural constraints on Indonesia's rating, including its execution of effective fiscal management:
 - 1) *The government's new focus on realistic budgeting has lowered the risks that budget deficits will widen significantly when government revenue disappoints*
 - 2) *The S&P upgrade comes on the back of a successful tax amnesty that earned the government more than USD\$11 billion in revenue, helping to ease pressure on the budget and pay for much-needed infrastructure projects. The economy is also being buoyed by a rebound in exports and strong consumer spending.*
 - 3) *The government has built a political coalition with a parliamentary majority. Despite the government having a greater number of political parties, it has managed to appoint individuals who are generally viewed as competent to the key economic ministerial positions*
- S&P estimates that with controls on spending will probably help to keep the deficit under 2.5% of GDP over the next three to four years.
- Net government debt will likely be contained well below 30% of GDP.

- Initial news of the upgrade saw stocks surging to a record and the country's rupiah advanced.



- At the time of writing, early morning trading saw the Jakarta Composite Index jumped as much as 3.2% to a record 5,825.2, extending gains this year to almost 10%. The rupiah rose as much as 0.3%, taking gains this year to 1% according to Bloomberg estimates.
- Indonesia is rated Baa3 (*Positive*) by S&P and BBB- (*Positive*) by Fitch.



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