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International

Prepared by: Trevis Gangaya, Analyst (Research and Analytics)

trevis.gangaya@firstcitizenstt.com

S&P revises Indonesia's Credit Rating Outlook to Positive

- On 21st May 2015, Indonesia had its credit rating outlook raised to *positive* from *stable* by Standard and Poor's. Moreover, the agency affirmed the 'BB+' long-term and 'B' short-term sovereign credit rating.
- The outlook revision reflects S&P's confidence in the country's policy framework having enhanced its monetary and financial sector management.
- In addition, greater policy effectiveness and predictability have resulted in expanded fiscal and reserve buffers that improved Indonesia's external resilience.
- It is expected Indonesia will continue to show fiscal restraint in line with the central government's policy of keeping fiscal deficits and borrowings low. According to S&P, if the fuel subsidy reforms are enforced, it should create room for the government to raise social and capital spending, although lower oil and gas revenues associated with weaker oil prices will likely limit that.
- S&P estimates the fiscal deficit to result in net general government debt peaking at 23% of GDP in 2016 before declining gradually.
- Indonesia is rated Baa3 (Stable) by Moody and BBB- (Stable) by Fitch.

| Selected Indicators | 2013 | 2014 | 2015f | 2016f |
|--|-------------|-------------|--------------|--------------|
| Real GDP growth (%) | 5.6 | 5.0 | 5.5 | 5.7 |
| General government balance/GDP (%) | (2.2) | (2.2) | (2.3) | (2.1) |
| General government debt/GDP (%) | 25.0 | 24.8 | 24.7 | 24.8 |
| Net general government debt/GDP (%) | 23.1 | 22.8 | 23.0 | 23.2 |
| General government interest expenditure/revenues (%) | 7.9 | 8.7 | 8.3 | 7.9 |
| CPI growth (%) | 6.4 | 6.4 | 5.5 | 4.7 |
| Current account balance/CARs (%) | (13.5) | (12.5) | (10.4) | (8.2) |

Source: Standard & Poor's



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