NEWS RELEASE

Sep 30, 2024

Rating and Investment Information, Inc. (R&I) has announced the following:

Republic of Indonesia (Sec. Code: -)

[Assigned]

Foreign Currency Issuer Rating: BBB+, Positive

RATIONALE:

Indonesia's per capita gross domestic product (GDP) has risen to around US$5,000. The population of over 200 million, the abundant natural resources, and the growing manufacturing sectors support the country's economic fundamentals. The fiscal deficit has been kept in check, and the government debt ratio remains at a low level. Taking also into account the resilience against external shocks, R&I has assigned the Foreign Currency Issuer Rating at BBB+. Both inflation and exchange rates are stabilizing. The favorable economic condition is expected to continue. On 20th of October 2024, Mr. Prabowo Subianto, Indonesia's president-elect, will be sworn in to form a new administration. The Rating Outlook is Positive, based on the recognition that it is necessary to see the course of economic and fiscal policies that will be pursued by the new administration led by Mr. Prabowo. R&I retains a high opinion of the Joko Widodo administration's prudent fiscal and monetary policies as well as the course of action it has taken to tackle the challenge coming from the structural issues facing the economy. The rating will be upgraded if R&I sees a sure sign that the new president will inherit the policy stance sought by the current administration and that the firm performance of the Indonesian economy and the improvement in fiscal position will be sustained under the new administration.

In 2022, the real GDP grew by 5.3%, backed by the tailwind of global natural resource price surges. Although the resource effect waned in 2023 and the pace of growth slowed down from the previous year's level, it remained above 5%. In the first half of 2024, private consumption and government spending increased, as the country was heading to the general election in February, and thereby, the economy maintained a solid growth. R&I expects the growth rate to remain at around 5%, while there may be some slowdown in the latter half. The government projects the full-year GDP growth of 5.1%.

The inflation rate has remained within the target range of Bank Indonesia (central bank). The central bank started to issue Bank Indonesia Rupiah Securities (SRBI) in the second half of 2023, aiming at supporting Rupiah stabilization by encouraging foreign capital inflows as well as strengthening money market deepening. The pressure on the Indonesian Rupiah against the U.S. dollar has been receding since the middle of 2024. The central bank has decided to lower the policy rate in September 2024. The current account deficit, which remains at a low level, will likely hover at roughly 1% of GDP. The foreign exchange reserve, which stays on an increasing trend, reached US$150.2 billion at end-August 2024, standing at a level equivalent to roughly 6.5 months of imports and servicing government's external debt, or way above the level of total external debts that will mature within a year. There is little concern about foreign currency liquidity.

Initially, the government projected the fiscal deficit at 2.3% of GDP in the 2024 budget. However, due to higher-than-expected oil prices and exchange rate fluctuations, subsidy expenditures exceeded the budget plan, prompting the government to revise the fiscal deficit outlook to 2.7%. While the projected deficit surpasses the original budget plan, there remains a substantial margin in comparison with the threshold of 3% imposed under the government fiscal rule. The 2025 budget incorporates the key policies of the president elect Prabowo, allocating fiscal resources in favor of social expenditure such as education and poverty reduction. The government projects the 2025 fiscal deficit at 2.5% of GDP, lower than the 2024 outlook, maintaining firm commitment to fiscal discipline at the outset of the new administration.

The government debt ratio to GDP stands at a low level, or 39% as of the 2023 year end. Going forward, the debt ratio is expected to remain stable in coming years. The key to enhancing creditworthiness is whether the new administration will implement its prioritized policies while maintaining fiscal health and macroeconomic stability with the low tax revenue as a share of GDP

■Contact : Sales and Marketing Division, Customer Service Dept. TEL.+81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp
■Media Contact : Corporate Planning Dept. (Public Relations) TEL.+81-(0)3-6273-7273
Rating and Investment Information, Inc. TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan https://www.r-i.co.jp

constraining fiscal space. In addition, R&I believes that continuation of efforts to improve the business environment and develop infrastructure initiated under the Joko Widodo administration will be crucial for achieving the government's medium-term growth path. R&I will keep a close eye on the new administration's policy direction as well as its economic and fiscal management.

R&I RATINGS:
ISSUER: Republic of Indonesia

[Assigned]

	Rating	Rating Outlook
Foreign Currency Issuer Rating	BBB+	Positive

Primary rating methodologies applied:
R&I's Analytical Approach to Sovereigns [Jul 23, 2024]