



Decide with Confidence

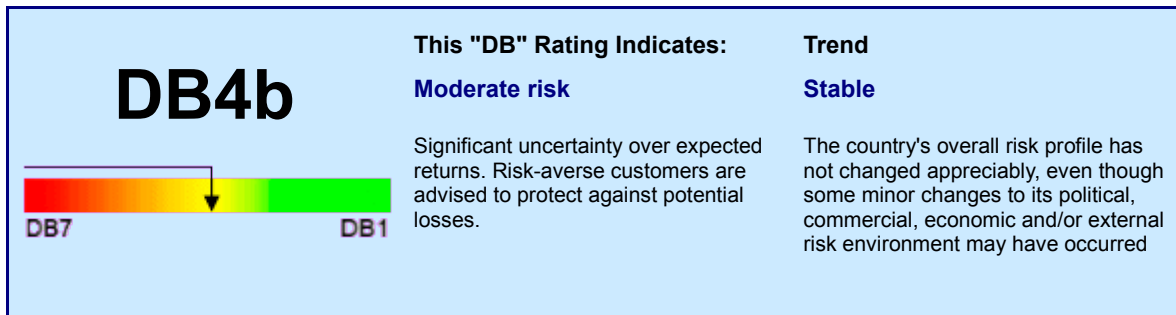
D&B Country RiskLine Report

INDONESIA

Region : Asia Pacific

Edition : May 2012

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:	236.5m
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):	848.3bn
GDP per capita (USD):	3,587
Life expectancy (years):	68
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 a Dutch colony, Indonesia declared independence in 1945 while under Japanese occupation. When the Dutch failed to regain control in 1949, Indonesia gained international recognition.

In 1965 the 'New Order' regime killed most Communist Party of Indonesia (PKI) cadres and hundreds of thousands of associated persons. Indonesia's 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 democratic rule while 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

The WTO has ruled in favour of Indonesia in its dispute with the US, first registered in 2010, agreeing that a 2009 US law barring the sale of clove-flavoured cigarettes to discourage children from smoking was unfair to Indonesia because menthol cigarettes can still be sold in the US. The US Congress passed legislation in 2009 banning the production and sale of cigarettes with flavours such as clove, cinnamon, strawberry or cherry, but not regular or menthol cigarettes. As Indonesia is the world's top producer of clove cigarettes and the source of the vast majority of those smoked in the US, the ruling will have positive effects on the whole sector. Elsewhere D&B continues to recommend the use of LCs when trading with Indonesian entities.

Export Credit Agencies

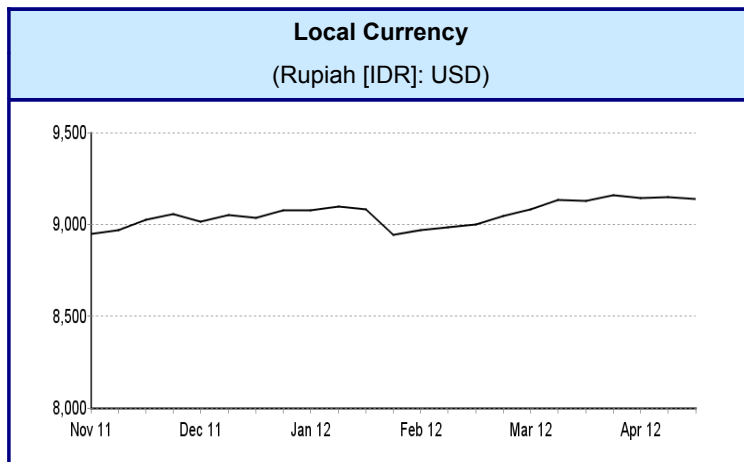
US Eximbank	Full public and limited private sector cover
Atradius	ST cover available subject to approved LC, no discretionary limits
ECGD	ST cover subject to CLC, MT cover available
Euler Hermes UK	ST cover available, restrictions may apply

Economic Indicators

	2009	2010	2011	2012f	2013f
Real GDP growth, %	5.9	5.9	6.5	5.2	6.2
Inflation, annual ave, %	5.1	5.4	6.2	5.9	5.8
Govt balance, % GDP	-1.6	-0.7	-2.1	-3.3	-1.9
Debt service ratio, %	15.0	14.5	14.0	15.5	15.0
C/A balance, % GDP	1.9	0.8	0.1	-0.6	-0.5

Currency Information

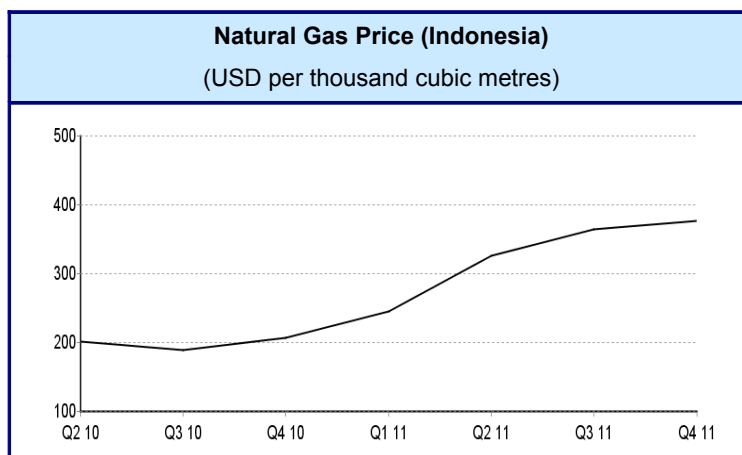
Exchange Rates	
(London, 16 Apr 12)	
EUR	11957.9
GBP	14518.9
JPY*	11287.4
USD	9140.0
*(x 100)	



Local Currency
(Rupiah [IDR]: USD)

	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12
Week 1	8950.000	9015.000	9075.000	8970.000	9080.000	9144.000
Week 2	8968.000	9050.000	9095.000	8985.000	9132.500	9150.000
Week 3	9025.000	9035.000	9080.000	9000.000	9130.000	9140.000
Week 4	9055.000	9075.000	8945.000	9045.000	9157.500	
Week 5						

Natural Gas Price (Indonesia)



Data Table

Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11
201.0	188.8	206.7	244.63	325.77	363.08	375.49

Risk Factor

In late March Indonesia's parliament finally voted to give the government the authority to raise subsidised fuel prices under certain conditions. However, the administration of President Susilo Bambang Yudhoyono did not get the 33% price rise it had requested to begin from 1 April, from IDR4,500 (the cheapest in southeast Asia) to IDR6,000 per litre. Instead, against a backdrop of street demonstrations, parliament only granted permission for fuel prices to be raised if oil prices rise 15% on average for six months from the Indonesia Crude Price forecast of USD105 per barrel; in short, against the likely channel for oil prices ahead this means that there is little likelihood of such a rise being introduced in 2012. While the passage of reform legislation is welcome, given previous government retreats, in the near term the fiscal deficit will therefore continue to bear the burden of a rising fuel subsidy bill, which will not go unnoticed by market-watchers. Indeed, D&B are revising up the forecast for the 2012 fiscal deficit from 2.5% of GDP to 3.3%, above the constitution's mandated 3.0% limit, even though inflation should conversely be lower, at 5.9% (rather than 7.0% with higher fuel prices).

Elsewhere, the government is also failing to win over investors with its policies aimed at limiting the fiscal fallout from the failure to deal with fuel subsidies. In particular, Indonesian mining companies are vehemently opposing the proposed plan to impose a 25% export tax on mineral ores and coal, which will be in addition to existing business taxes; some government officials have stated that this tax is not yet confirmed, but the message from the administration is far more unanimous. Moreover, foreign investors, who are extremely interested in Indonesia, are also still of the view that excess bureaucracy, corruption and protectionism is deterring much potential FDI. As an indication of the latter, the government is under huge pressure from the local telecom industry not to reverse its 2010 ban on foreign firms entering the domestic telecommunication towers market. For now the economy is still continuing to perform well, with growth in Q1 2012 expected to print at around 6.5% year on year, in line with the performance in 2011. Nonetheless, the longer that the authorities continue to put off vital reforms, the more Indonesia will continue to fall short of its substantial economic promise.

Elsewhere, Bank Indonesia left its benchmark interest rate on hold at 5.75% in April, but continues to take other administrative measures to cool sectors of the economy that are overheating (such as consumer lending); it has stated that it will take a similar stance, rather than simply raising rates, if the government does raise fuel prices in 2012. D&B applauds this pro-active stance, which is in marked contrast to general government policy.

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 2011 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., 2011.

