

The Republic of Indonesia

Recent Economic Developments



January 2013

About Investor Relations Unit (IRU)



ABOUT THE REPUBLIC OF INDONESIA INVESTOR RELATIONS UNIT

The Republic of Indonesia Investor Relations Unit (IRU) has been established as the joint effort between the Coordinating Ministry of Economic Affairs, Ministry of Finance and Bank Indonesia in 2005. The main objective of IRU is to actively communicate Indonesian economic policy and address concerns of investors, especially financial market investors. IRU is expected to serve as a single point of contact for the financial market participants.

As an important part of its communication measures IRU maintains a website under Bank Indonesia website which is being administered by the International Department of Bank Indonesia. However, investor relations activities involve a coordinated effort which is supported by all relevant government agencies, namely Bank Indonesia, the Ministry of Finance, the Coordinating Ministry for Economic Affairs, Investment Coordinating Board, Ministry of Trade, Ministry of Industry, State Ministry of State Owned Enterprises, Asset of State Management Company and the Central Bureau of Statistics.

IRU also holds an investor conference call on a quarterly basis, answers questions through email, telephone and may arrange direct visits of banks/financial institutions to Bank Indonesia and other relevant government offices.

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Contact: Bimo Epyanto (International Department - Bank Indonesia, Phone: +6221 381 8316)
Hendryati Meitaria (International Department - Bank Indonesia, Phone: +6221 381 8263)
Siska Indirawati (Fiscal Policy Office – Ministry of Finance, Phone: +6221 351 0580)
Singgih Gunarsa (Debt Management Office - Ministry of Finance, Phone: +6221 381 0175)
E-mail: contactIRU-DL@bi.go.id

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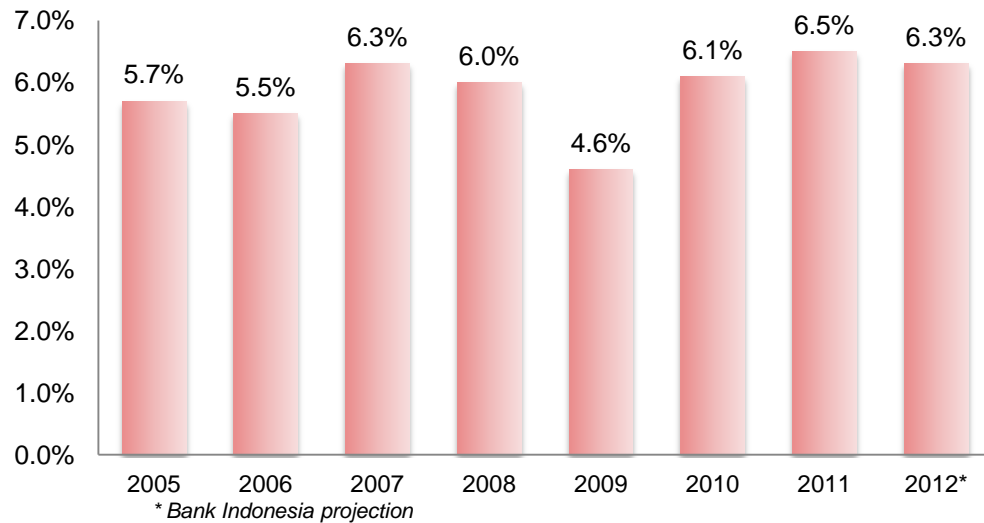


- **Amidst global economic slowdown and uncertainty in the global financial market, Indonesia's economic growth in 2012 remains robust** driven by buoyant domestic demand mainly came from private consumptions and investment. Indonesian economic for year of 2012 is expected to grow by around 6.3% and forecasted to even higher in 2013 and 2014.
- **Investment realization in the 3rd quarter (July - September 2012) keep increased** for both Domestic Direct Investment (DDI) and Foreign Direct Investment (FDI). Despite increasing in number of investments, the distribution of investment activities outside Java was also increased that create more added values of domestic goods/services in order to accelerate the quality of national economic growth.
- **In 2012, balance of payments charted a surplus despite continuing pressures on current account deficit.** This surplus was supported by increasing on direct and portfolio investment. As a result, at the end of December 2012 international reserves reached USD112.8 billion or equivalent to 6.1 months of imports and government's external debt services.
- **Inflation for 2012 remained subdued and arrive at 4.3% which is within target range of 4.5%±1%.** This inflation supported by the implementation of monetary and macroprudential policy mix, as well as policy coordination with the Government through national inflation control team (TPI) and regional inflation control team (TPID).
- **On the fiscal front, Indonesia continues to perform prudent fiscal management in 2012** with strong commitment to fiscal consolidation, aiming on continue declining in debt-to-GDP ratio, diversifying government debt profile, and reducing funding reliance on international capital market. 2012 budget deficit realization is maintained at a safe level of 1.77% of GDP (unaudited).
- **Financial system stability remained solid with intermediation function is improving within prudential manner** as indicated by secure level of capital adequacy ratio (CAR) is well above minimum level of 8% and gross non-performing loan (NPL) below 5%. In November 2012, credit growth charted 22.3% (yoy) and estimated to be around 23% (yoy) at the end of 2012. Considering the type of loan, investment loan recorded the highest growth of 29.8% (yoy), in line with the increased in investment.
- **In the Board of Governors' Meeting convened on 10 January 2013, Bank Indonesia decided to hold the BI rate steady at 5.75%** in which considered consistent with low inflation forecast and contained within its target range of 4.5%±1% in 2013 and 2014. Bank Indonesia believes that the implementation of policy mix together with strengthen coordination with the Government will be able to maintain macroeconomic stability and sustainable economic growth.

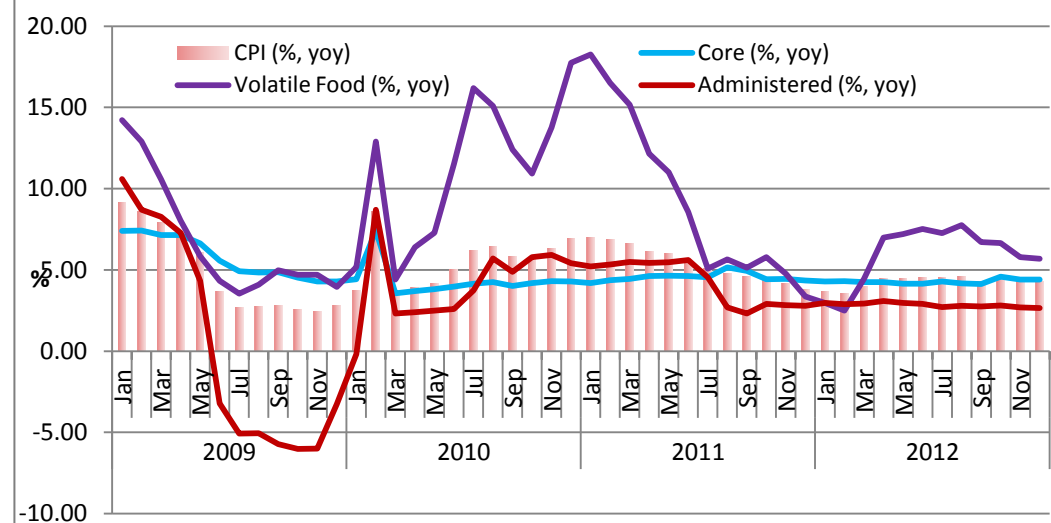
Executive Summary



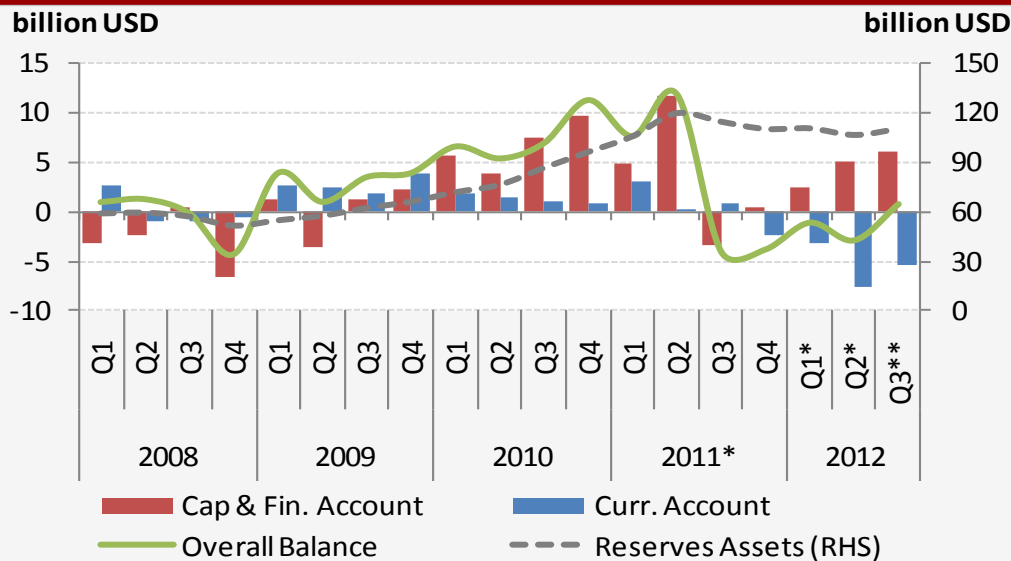
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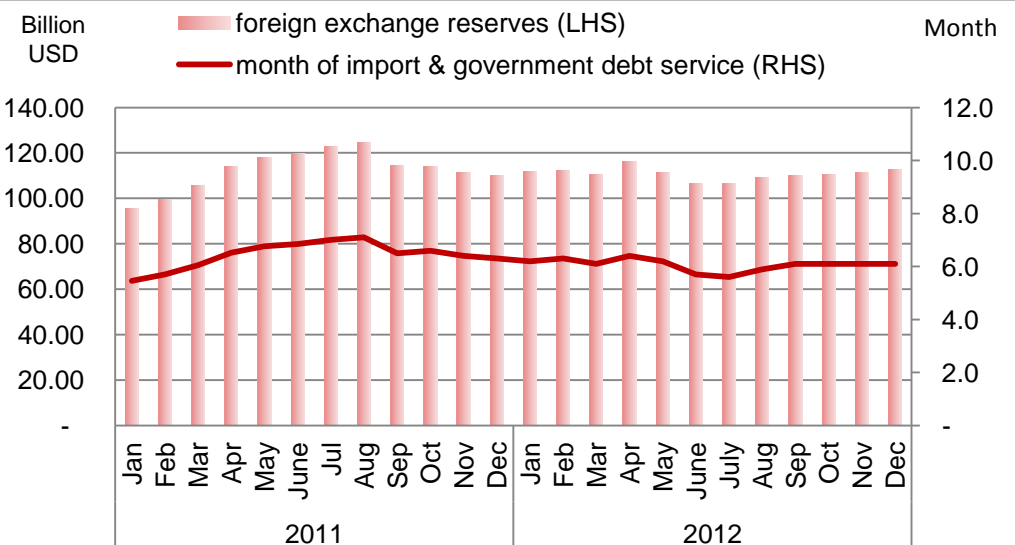
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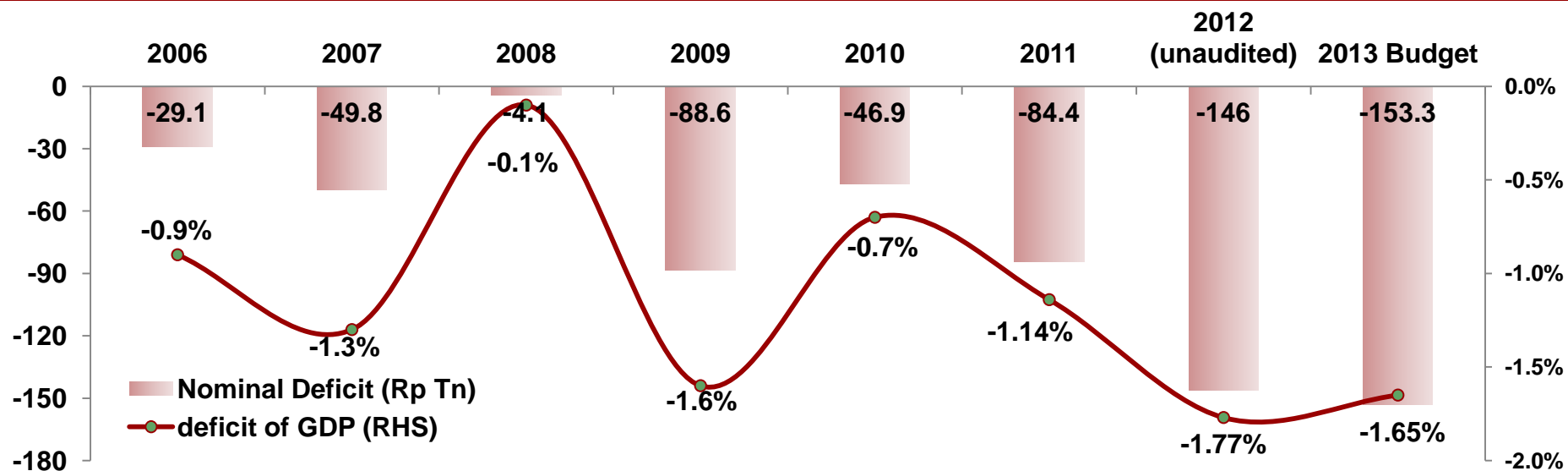
Foreign Exchange Reserves



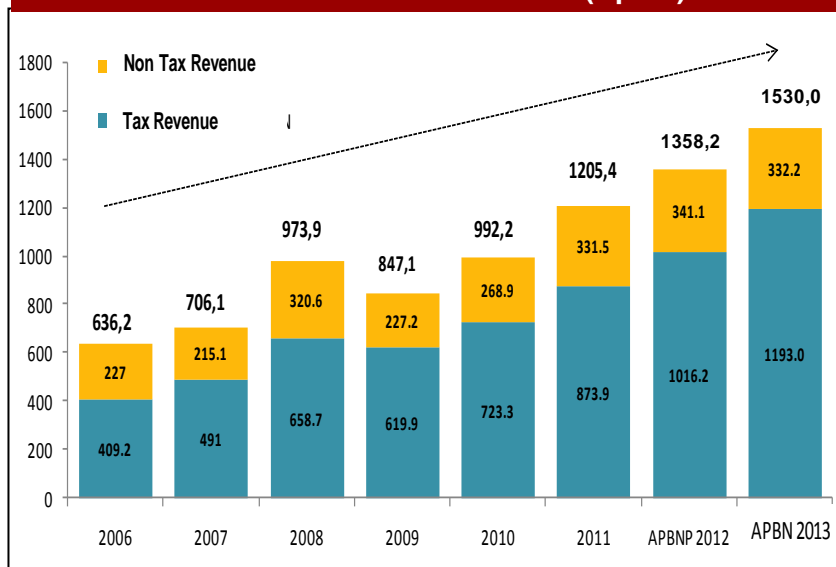
Executive Summary



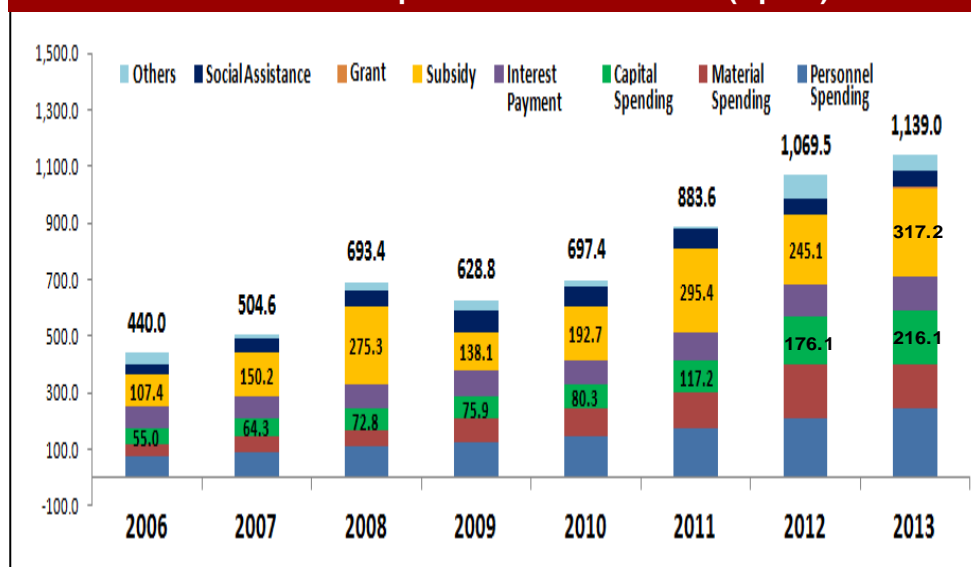
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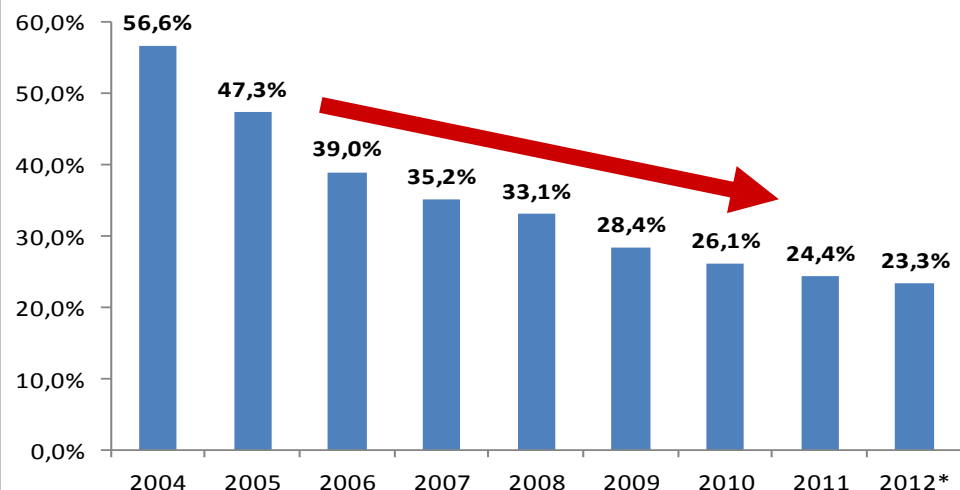
Central Gov't Expenditures 2006 – 2013 (Rp Tn)



Executive Summary



Debt to GDP Ratio (% of GDP)



Debt Composition

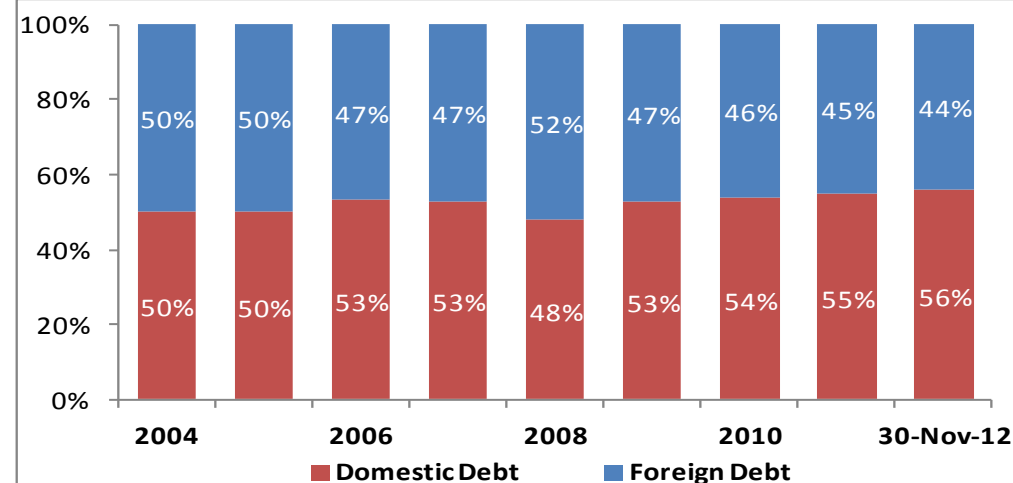


Table of Debt to GDP Ratio

	End of Year						
	2006	2007	2008	2009	2010	2011	2012 *
GDP	3.339.217,0	3.950.894,0	4.948.689,0	5.603.870,8	6.422.918,2	7.427.086,1	8.542.634,4
Debt Outstanding (billion IDR)	1.302.159,0	1.389.415,0	1.636.740,7	1.590.386,0	1.676.852,1	1.808.946,8	1.991.161,9
- Domestic Debt (Loan+Securit)	693.118,0	737.125,5	783.855,1	836.318,0	902.599,8	993.038,2	1.097.650,0
- Foreign Debt (Loan+Securitie)	609.041,0	652.289,5	852.885,6	754.068,0	774.252,4	815.908,6	893.511,8
Debt to GDP Ratio	39,0%	35,2%	33,1%	28,4%	26,1%	24,4%	23,3%
- Domestic Debt to GDP Ratio	20,8%	18,7%	15,8%	14,9%	14,1%	13,4%	12,8%
- Foreign Debt to GDP Ratio	18,2%	16,5%	17,2%	13,5%	12,1%	11,0%	10,5%

*: realization Des 31,2011 (unaudited)

**: projection realization 2012

Source: Ministry of Finance

2013 Policy Summary



Government coordinates policy tools to maximize growth with macroeconomic management

Revenue and tax policy

- An Increase of non-taxable income threshold by 54%, from Rp15.8 million to Rp24.3 million.
- Extend and widen tax base through tax extensification.
- VAT tariff adjustment for a number of luxury goods.
- Improve monitoring and service in custom & excise.
- Excise tax extensification and intensification.
- Fiscal incentives provision for strategic economic activities i.e. Hybrid and low carbon emission motor vehicles.

Expenditure policy

- Prioritize capital expenditure allocation to support infrastructure development.
- Reallocate consumptive spending to more productive activities.
- Increase infrastructure spending to support energy and food security, domestic connectivity, and tourism.
- Redesign subsidy policy from price subsidy to targeted subsidy.
- Improve budget disbursement

Monetary policy

- Keep policy rate unchanged at 5.75% since March 2012, this level considered to be consistent with inflation target
- Maintain IDR exchange rate stability
- Strengthen monetary policy by implementing monetary and macroprudential policy mix
- Deepening of the foreign exchange market

Financing and debt management policy

- Assuring the fulfillment of budget financing needs
- Effective utilisation of foreign loans
- Developing the domestic bond market
- Main financing instruments:
 - ✓ Government debt securities: IDR denominated, global bonds, samurai bonds
 - ✓ Government Islamic securities: IDR denominated, global sukuk



Improved International Perception and Rising Investment

Improving International Perception: Acknowledged by Rating Agencies



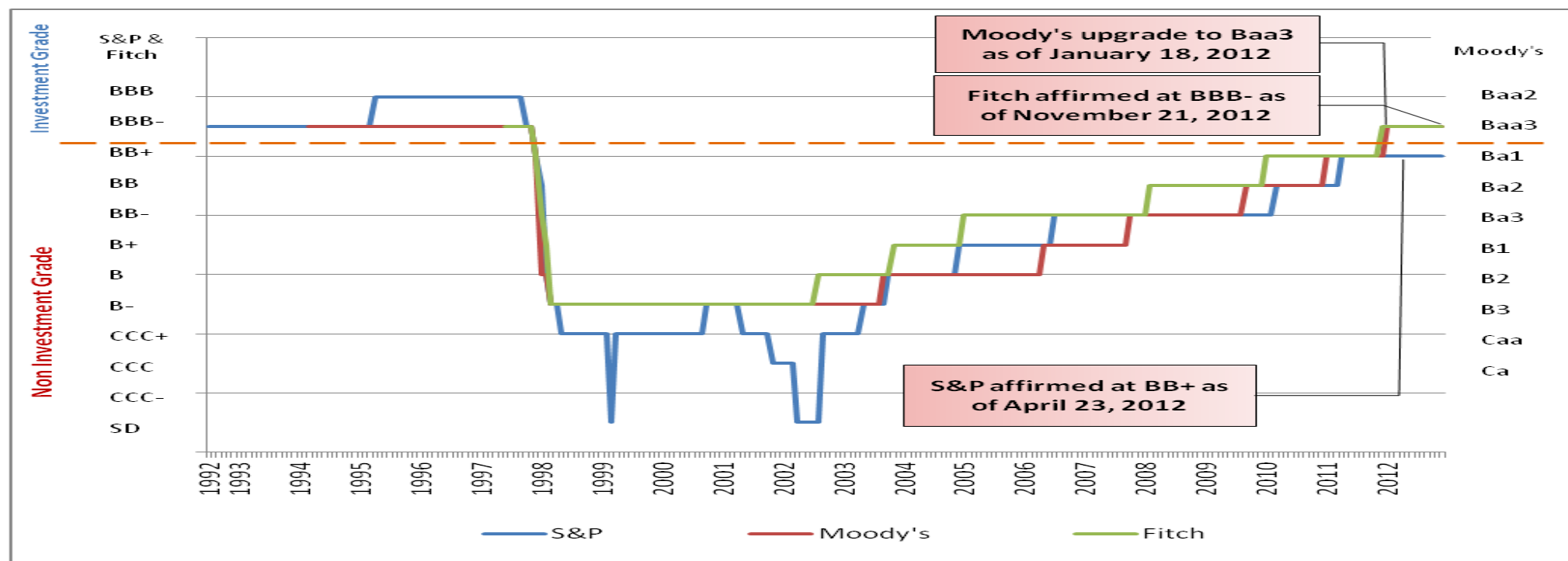
Resilient economy, which impressively navigates through the global crisis and continued confidence in economic outlook, the Republic continued to receive good reviews.

- **Fitch Ratings (November 21, 2012): affirmed Indonesia's sovereign credit rating at BBB- level with stable outlook.** The key factors supporting the decision of affirming Indonesia's sovereign credit rating are the relatively high economic growth that is resilient to the declining global condition, high investment rate, low and declining public debt ratios and the strong overall macroeconomic policy framework.
- **Japan Credit Rating Agency, Ltd (November 13, 2012): affirmed Indonesia's foreign currency long-term senior debt at BBB- and local currency long term senior debt BBB with stable outlook.** JCR stated that key factors supporting the decision of affirmation the sovereign credit rating of Indonesia (1) the country's sustainable economic growth outlook underpinned by solid domestic demand, (2) low level of public debt burden brought by prudent fiscal management, (3) reinforced resilience to external shocks by its accumulated foreign exchange reserves.
- **Rating and Investment Information, Inc (October 18, 2012): upgraded Sovereign Credit Rating of the Republic of Indonesia to BBB-/stable outlook.** R&I stated key factors supporting the decision of upgrading the sovereign credit rating of Indonesia: (1) Indonesian economic resilience in achieving high growth amid the global economic downturn (2) conservative fiscal management (3) Government's debt burden is kept low and (4) financial system has become more stable.
- **S&P (April 23, 2012): affirmed Indonesia's sovereign credit rating, at BB+ level for long-term and B level for short-term with positive outlook.** S&P stated that the rating on Indonesia balances institutional and economic constraints with a moderately strong fiscal, external, and monetary profile. The positive outlook signals the potential for an upgrade if the country's growth prospects improve further and financial markets deepen with steadier policy implementation.
- **Moody's Investors Service (January 18, 2012): upgraded Republic of Indonesia's foreign and local-currency bond ratings to Baa3 with stable outlook.** Moody's stated the key factors supporting this action were (1) Moody's anticipation that government financial metrics will remain in line with Baa peers (2) The demonstrated resilience of Indonesia's economic growth to large external shocks (3) The presence of policy buffers and tools that address financial vulnerabilities and (4) A healthier banking system capable of withstanding stress.

Sovereign Rating History



Solid economic fundamentals supported the improvement of Indonesia's sovereign credit rating since 2001



Baa3/ Stable

Moody's – 18 January 2012

"Indonesia's cyclical resilience to large external shocks points to sustainably high trend growth over the medium term. A more favorable assessment of Indonesia's economic strength is underpinned by gains in investment spending, improved prospects for infrastructure development following key policy reforms, and a well-managed financial system."

BB+ / Positive

S&P – 23 April 2012

"The rating on Indonesia balances institutional and economic constraints with a moderately strong fiscal, external, and monetary profile. The positive outlook signals the potential for an upgrade if the country's growth prospects improve further and financial markets deepen with steadier policy implementation."

BBB- / Stable

Fitch – 21 November 2012

"The key factors supporting the decision of affirming Indonesia's sovereign credit rating are the relatively high economic growth that is resilient to the declining global condition, high investment rate, low and declining public debt ratios and the strong overall macroeconomic policy framework."

Rating agencies comments

Positive Perceptions from International Institutions



▪ **McKinsey Report (The Archipelago Economy: Unleashing Indonesia's Potential), September 2012**

- Indonesia will be the 7th largest economy in the world in 2030, and additional 90 million Indonesians could join the global consuming class (individuals with net income of more than US\$ 3,600 per annum in PPP).
- Over the past decade, compared with any advanced countries in OECD and BRIC plus South Africa, Indonesia has had the lowest volatility in economic growth, fallen debt to GDP ratio (5th lowest), and third strongest economic growth after China and India.
- To achieve growth target, Indonesia needs to push labor productivity, address social gap issue and manage increasing demand.

▪ **IMF (Article IV Consultation), September 2012**

- Indonesian economic growth will remain solid, at 6 percent in 2012, but strong domestic demand may push inflation to 5 percent by end year.
- The main risks to the outlook stem from a sharper-than-envisaged slowdown in external demand and risk aversion spikes, stemming either from an intensification of the Euro area crisis or a hard landing in China.
- Overall, though, the economy's strong fundamentals and ample fiscal and reserve buffers should enable Indonesia to manage these risks.
- Fiscal reforms must become a priority by speed up budget implementation, and replace energy subsidies with direct cash assistance, to create infrastructure, health and education improvement.

▪ **OECD Economic Survey Indonesia, September 2012**

- The real GDP is projected to grow at 6,0% in 2012 and 6,2% in 2013, while the current account is projected to contract 0,8% in 2012 due to the imports growth especially for capital goods.
- The main risks to the short-term outlook are external. Increased global risk aversion, could reverse the capital inflows of the past few years, endangering the financing conditions for government and banks alike and cutting growth.
- The key challenges to achieving growth targets is raising infrastructure fund, social spending and tax revenue, also lowering energy subsidies. Further institutional and policy reform would boost productivity growth and help the government reach its objective of becoming one of the 10 largest economies in the world by 2025.

Improving International Perception: Significant Raise in Perception Indices



- **Transparency International – Corruption Perception Index 2012 (December 2012):** reported that Indonesia ranks 118th (2012) from 176 countries surveyed.
- **IFC and World Bank – Doing Business 2013 (October 2012):** reported that in the year from June 2011 to June 2012 Indonesia improved its regulatory environment through a reform making it easier for local entrepreneurs to obtain an electricity connection. Indonesia ranks 128th of 185 economies globally.
- **World Economic Forum (WEF) – The Global Competitiveness Report (September 2012):** reported that Indonesia ranks 50th of 144 countries surveyed and remains one of the best performing countries within the developing Asia region, behind Malaysia, China and Thailand yet ahead of Philippines, Vietnam and all South Asian nations.
- **The Logistics Performance Index (LPI):** With 2.94 points of LPI, Indonesia is now in Consistent Performers category, which means Indonesia logistic performance is better than many other income group peer countries (lower middle income economy). From 155 countries surveyed, Indonesia is in rank 59, much better than previous ranking 2010 (75).
- **The Wiggly Room Index by The Economist.** This index offers a rough ranking of which economies are best placed to withstand another global downturn. The index suggests that China, Indonesia and Saudi Arabia have the greatest room to support growth.
- **The Foreign Direct Investment Confidence Index by A. T. Kearney.** This index gives unique picture of prospects for international investment flows. The 2012 FDI Confidence Index based on a survey of more than 200 executives from 27 countries and 17 industry sectors. Indonesia made significant gains as a destination for foreign direct investment (FDI), moving from 20th place in 2010 to 9th place in its recent survey.
- **The IMD Competitive Center (May 2012):** reported that Indonesia ranks 42 from 59 major nations surveyed worldwide. With this achievement, Indonesia is now above Philippines, Peru, Brazil, Russia and South Africa.
- **OECD (March 30, 2012): Indonesia's Credit Risk Classification (CRC) upgraded to category 3.** In level 3 of CRC, Indonesia is now within the same group with countries such as Thailand, Uruguay, South Africa, Russian Federation, India, Brazil and Peru. Previously, Indonesia was at level 4 since April 2010, together with, among others, Turkey, Philippines, Romania and Colombia.



Preserved Macroeconomic Stability

Robust and Stable Economy Continues to Chart Strong Growth



- The Indonesia's economic in Q4-2012 is expected to grow by around 6.2% and for full-year of 2012 will arrive at around 6.3%, driven by buoyant domestic demand, mainly came from private consumptions and investment, while a slowdown in exports continues.
- On the production side, economic growth in Q4 - 2012 is projected to remain strong contributed by three main sectors – manufacturing sector trade, hotel, and restaurant; and transportation and communication sector.
- Going forward, Indonesia's economic growth in 2013 is expected to pick up will be supported by strong domestic demand and better exports performance, and higher domestic economic activity related to the preparation of General Election.

Forecast of Economic Growth - Demand Side

Sector	2011	2012				2012*	2013	2013*	2014*
		I	II	III	IV*		I*		
Private Consumption	4.7	4.9	5.2	5.7	5.6	5.4	5.6	5.8 - 6.3	7.0 - 7.5
Government Consumption	3.2	5.9	7.4	-3.2	12.9	6.4	7.2	10.1 - 10.6	6.9 - 7.4
Gross Fixed Capital Formation	8.8	10.0	12.3	10.0	10.5	10.7	10.2	10.2 - 10.7	12.4 - 12.9
Exports of Goods and Services	13.6	7.9	2.2	-2.8	-1.8	1.1	-0.6	3.2 - 3.7	6.9 - 7.4
Imports of Goods and Services	13.3	8.0	10.9	-0.5	1.9	4.9	3.7	4.9 - 5.4	8.4 - 8.9
GDP	6.5	6.3	6.4	6.2	6.2	6.3	6.2	6.3 - 6.8	6.7 - 7.2

Forecast of Economic Growth - Supply Side

Sector	2011	2012				2012*	2013	2013*	2014*
		I	II	III	IV*		I*		
Agriculture	3.0	4.3	3.6	4.8	3.1	4.0	3.8	3.7 - 4.2	3.6 - 4.1
Mining and Quarrying	1.4	2.8	2.9	-0.1	-0.6	1.2	-0.8	0.7 - 1.2	1.3 - 1.8
Manufacturing	6.2	5.7	5.5	6.4	6.4	6.0	6.6	6.4 - 6.9	6.3 - 6.8
Electricity, Gas, and Water Supply	4.8	5.2	5.9	5.6	5.2	5.5	5.0	5.2 - 5.7	5.5 - 6.0
Construction	6.7	7.2	7.1	8.0	8.2	7.6	8.0	7.7 - 8.2	7.8 - 8.3
Trade, Hotels, and Water Supply	9.2	8.3	8.9	6.9	6.9	7.7	7.2	7.7 - 8.2	8.6 - 9.1
Transportation and Communication	10.7	10.3	10.1	10.5	10.7	10.4	10.5	10.2 - 10.7	10.4 - 10.9
Financial, Rental, and Business Services	6.8	6.3	7.0	7.4	7.5	7.1	7.2	7.1 - 7.6	7.3 - 7.8
Services	6.7	5.5	5.7	4.4	5.6	5.3	5.6	5.9 - 6.4	6.6 - 7.1
GDP	6.5	6.3	6.4	6.2	6.2	6.3	6.2	6.3 - 6.8	6.7 - 7.2

* Bank Indonesia Projection

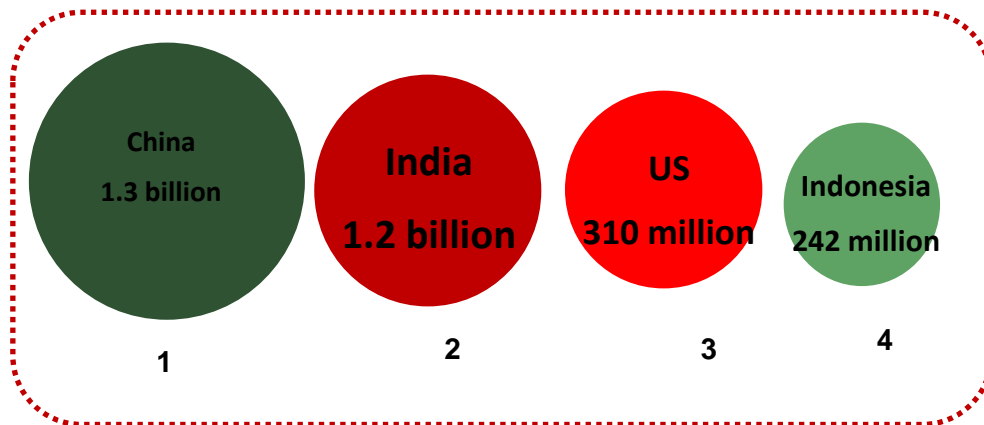
Source: Bank Indonesia

Young and Dynamic Population

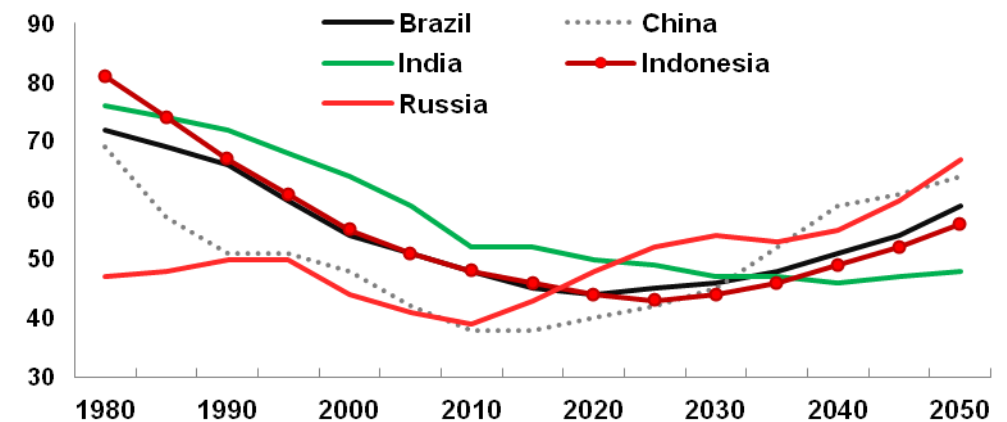


- Rising young and dynamic population marked by decreasing dependency ratio that will continue on until 2025.
- Rising income per capita and growing ranks of the 'middle income class'.
- Labor force participation rate is nearly 70% and open unemployment rate only 6.3% (February 2012), -0.5% yoy.

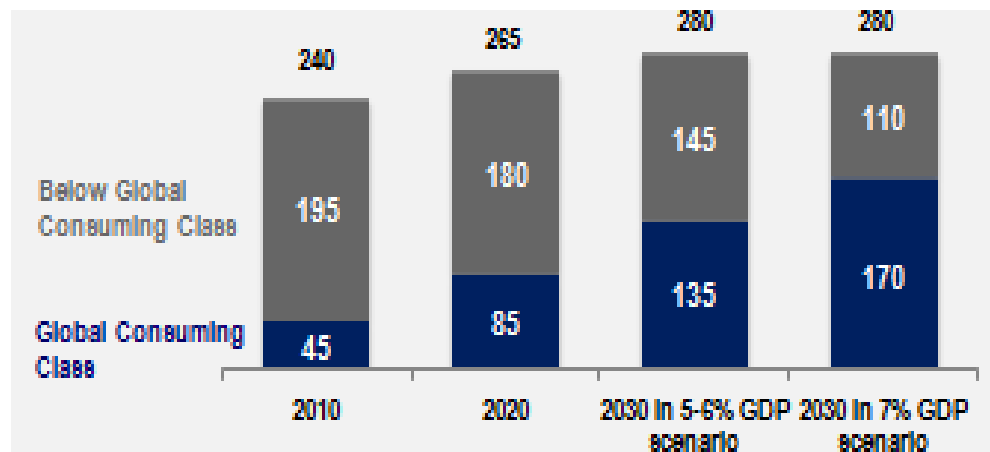
Fourth Largest Population in the World



Dependency Ratio Keeps Falling Until 2025

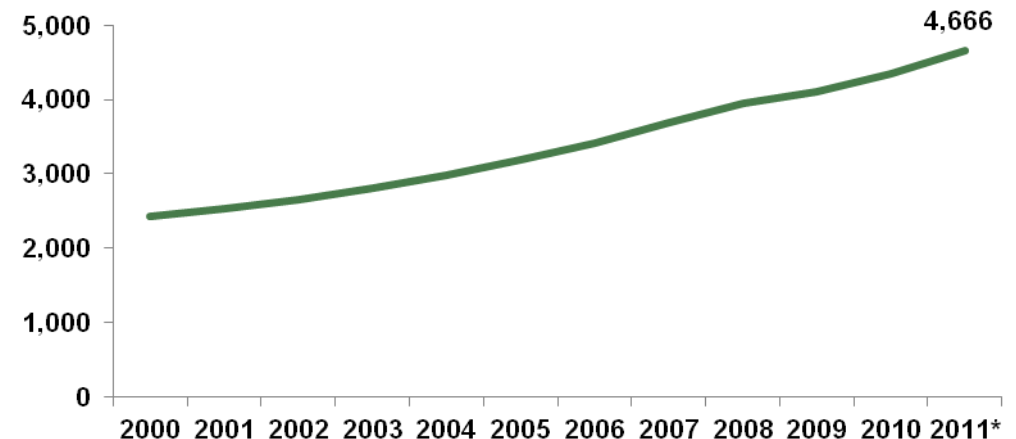


Increasing Middle Income Class Population



Source: BPS, Bappenas, UNPP, McKinsey

Rising GDP per capita (USD)



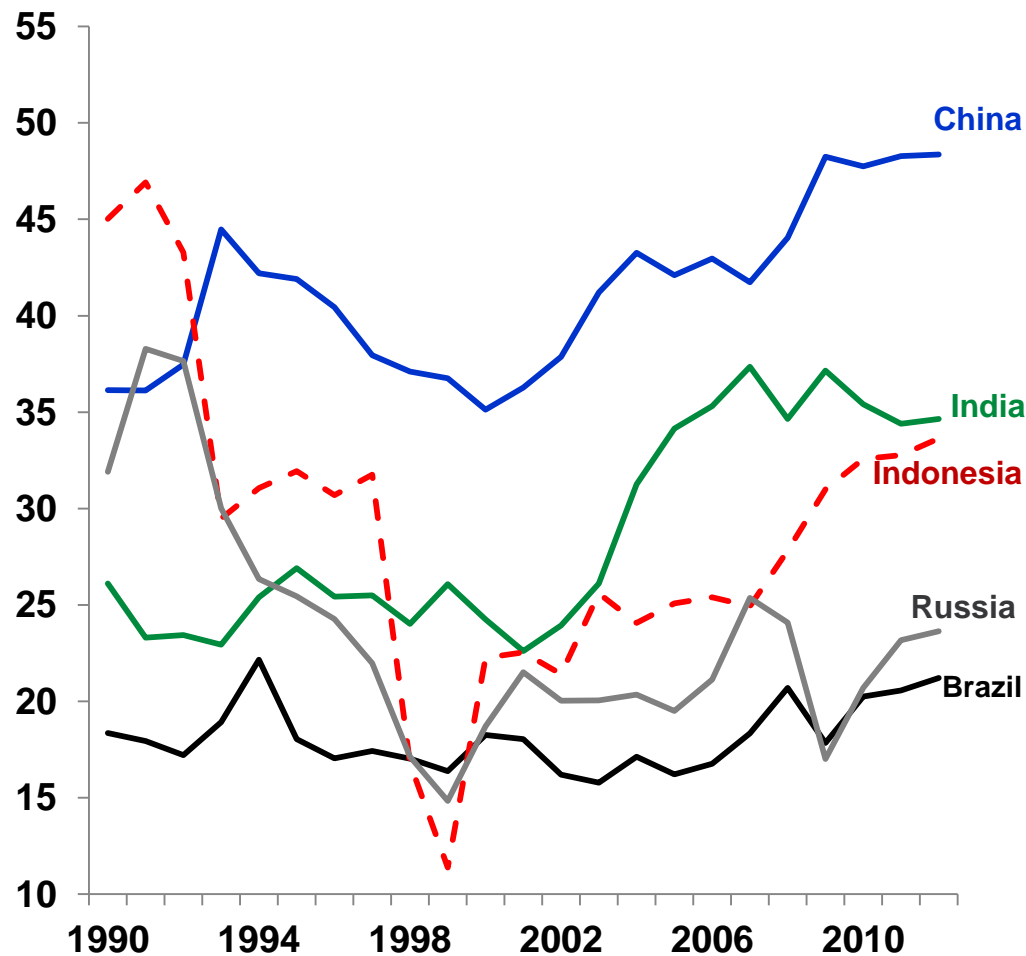
Notes: Based on purchasing power parity per capita GDP, * Estimate

Investment is Becoming the New Engine of Growth



Investment both by domestic and foreign direct investors continues on the expanding trend, supporting economic growth at a time of slowing down exports

Investment of GDP (%)



Direct investment growth (% , yoy)

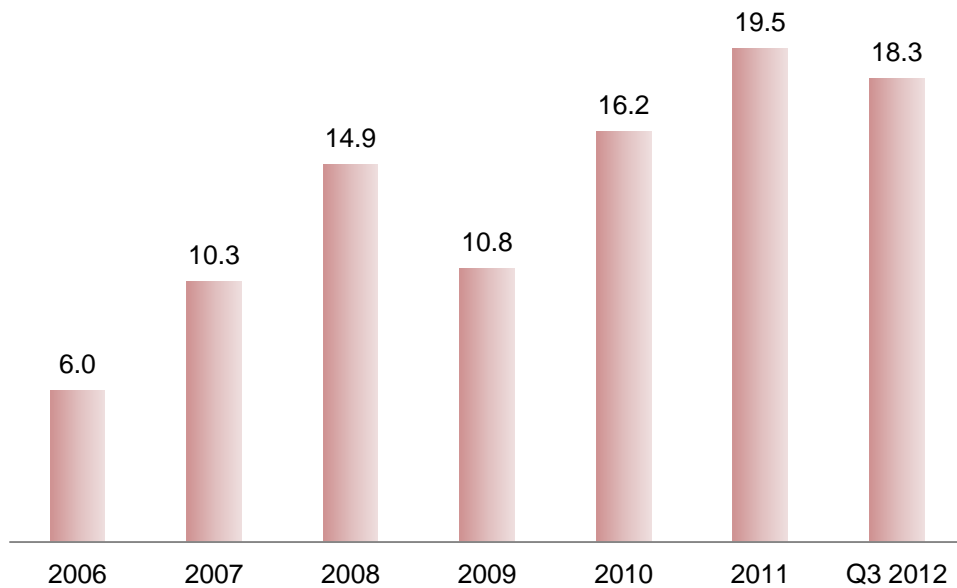


Strong investment underpinned by competitiveness and stability



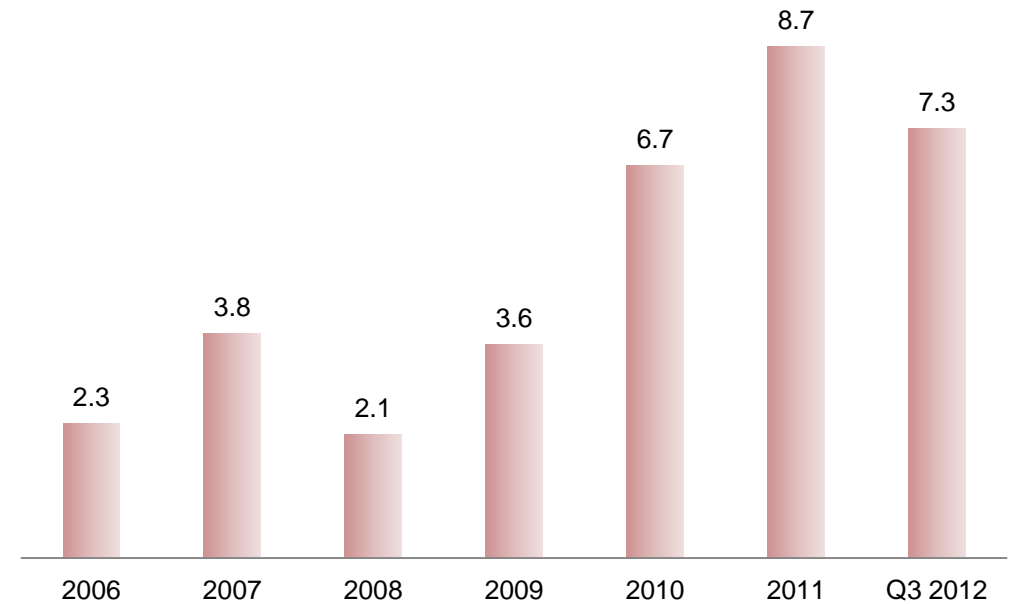
- The investment realization on Quarter III (July - September) of 2012 is Rp 81.8 trillion consisted of Rp 25.2 trillion of Domestic Direct Investment (PMDN) and Rp 56.6 trillion of Foreign Direct Investment (FDI). It increases 25.1% compared to the same period in 2011.
- The Distribution of project location in Quarter III of 2012 outside of Java is Rp 38.7 trillion (47.3%). Compared to the same period in 2011, the realized investment in outside Java increases 59.3%.

Realized foreign direct investment (USD billion)



Source: BKPM

Realized domestic direct investment (USD billion)

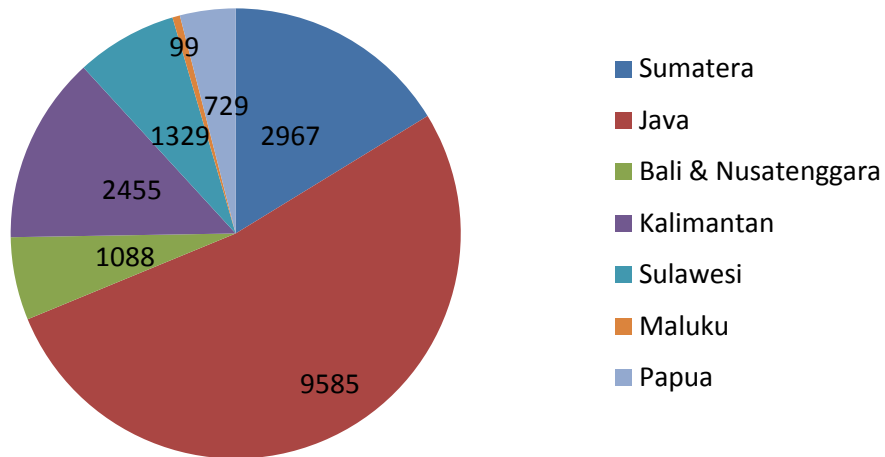


Source: BKPM

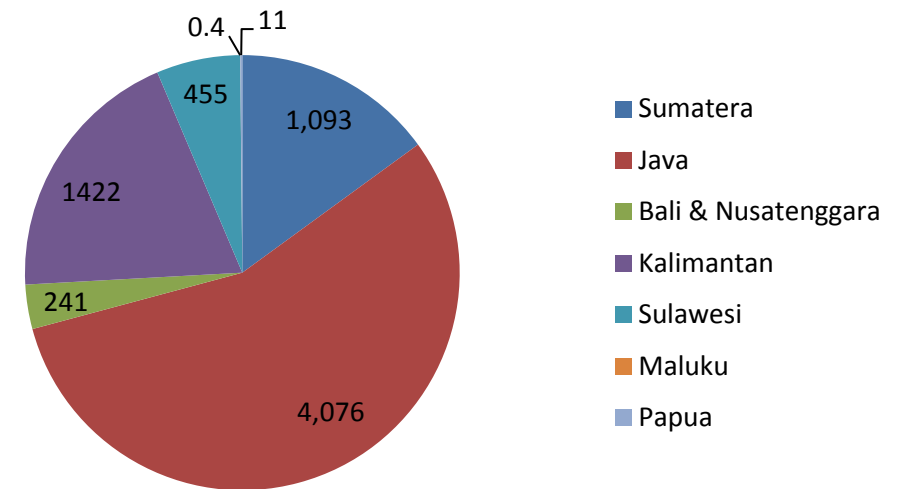
Strong investment underpinned by competitiveness and stability



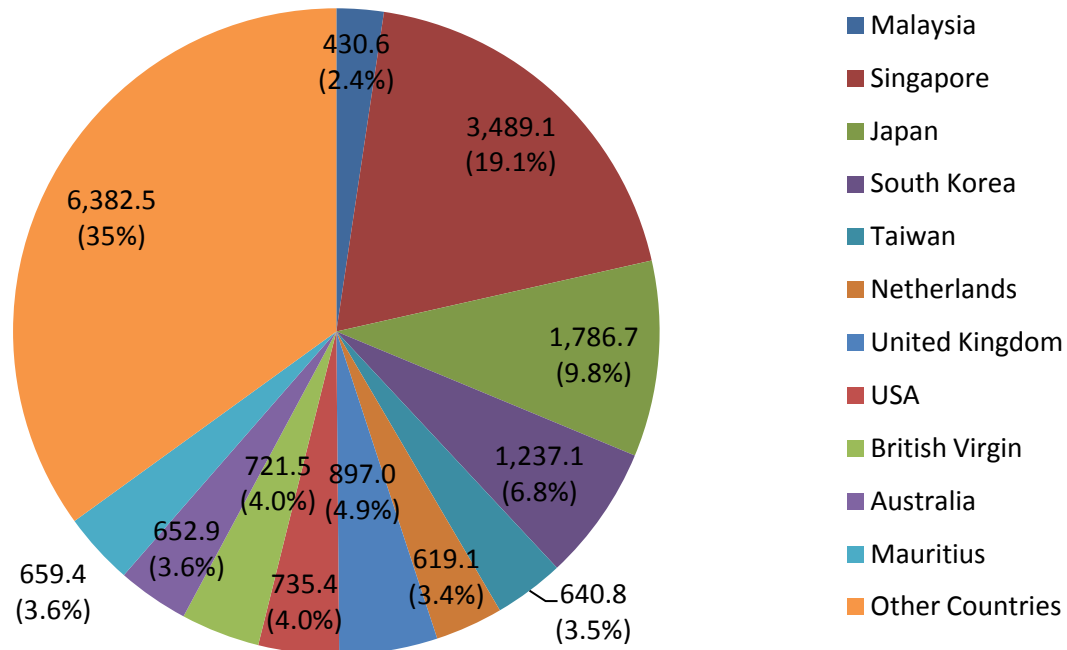
FDI Realization by Location Up to Q3 2012 (USD Million)



DDI Realization by Location Up to Q3 2012 (USD Million)



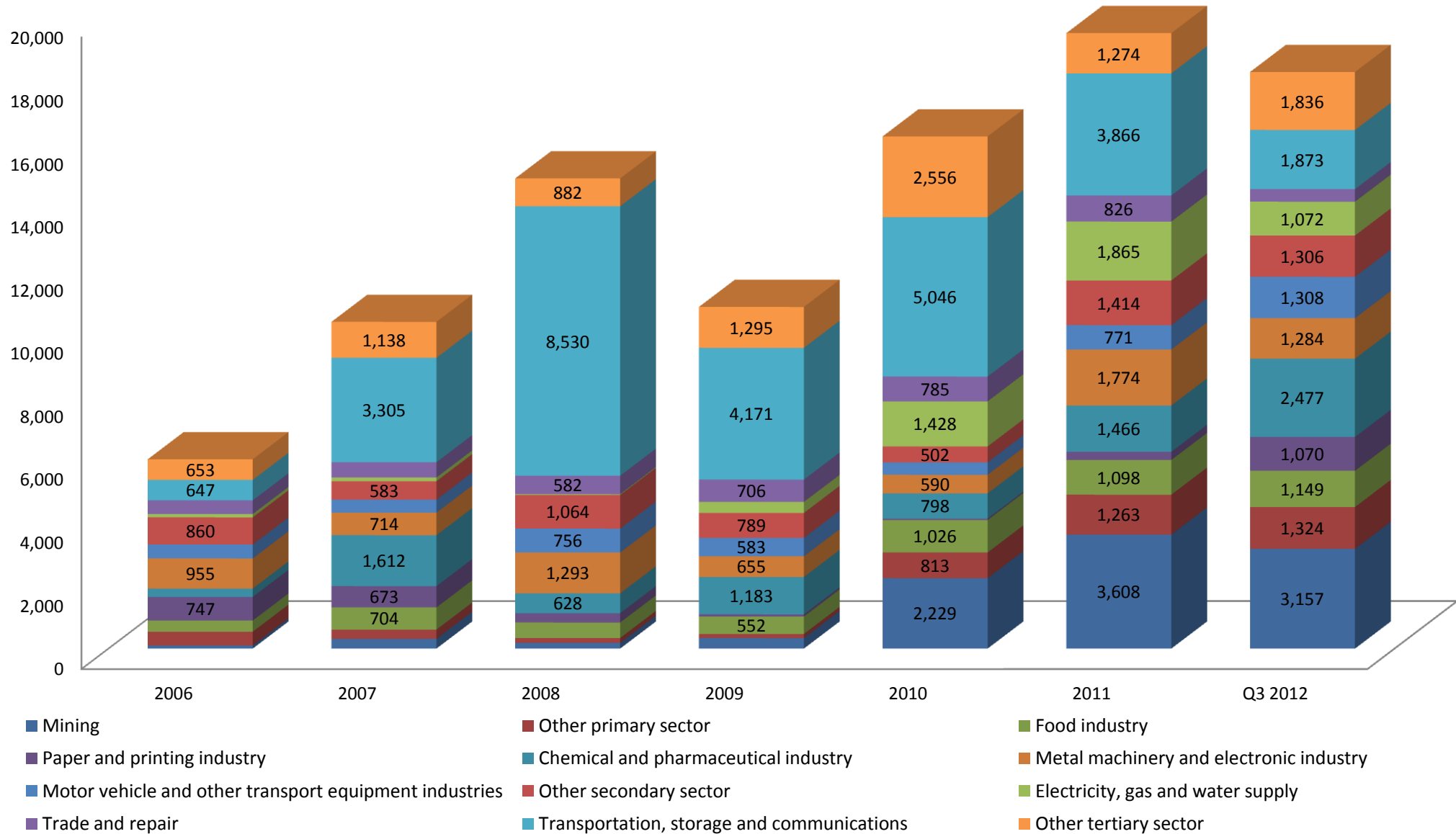
FDI by Countries Up to Q3 2012 (USD Million)



Strong investment underpinned by competitiveness and stability



FDI – By Sector (USD million)

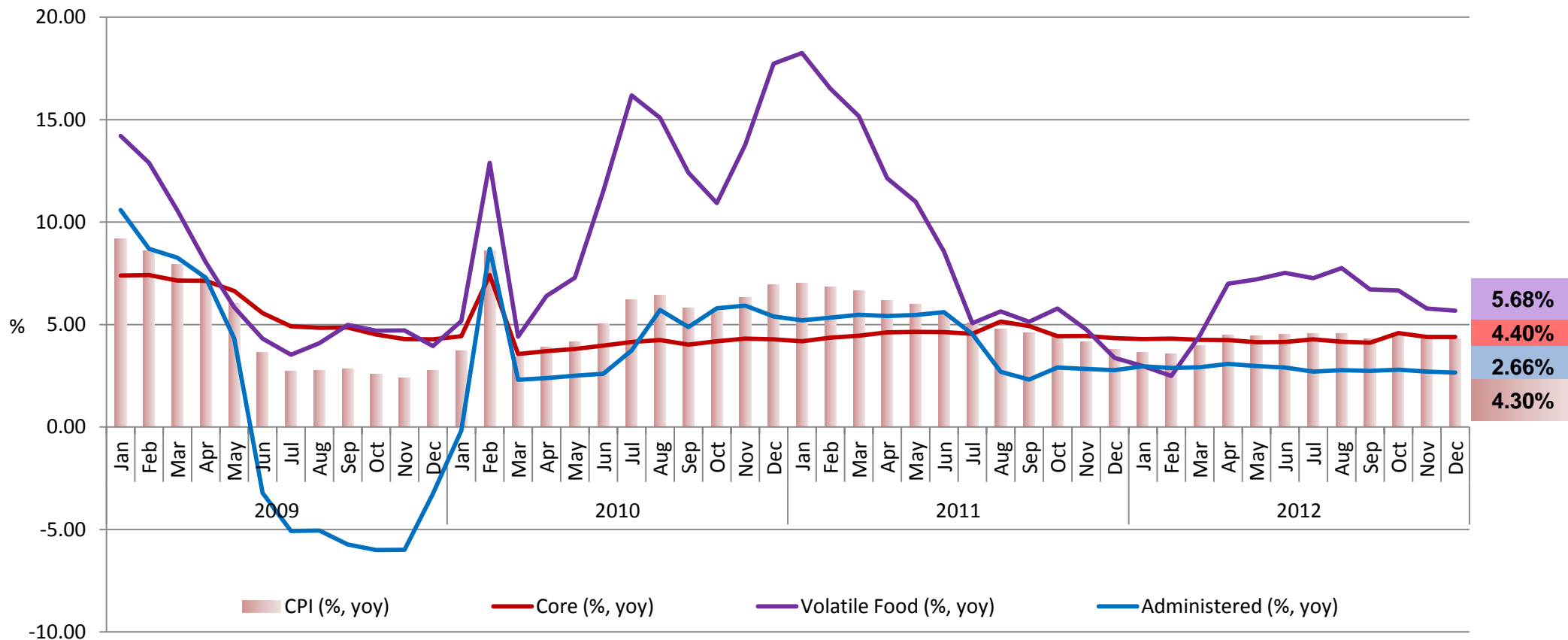


The Inflation Remains Under Control



- Inflation for year of 2012 remained subdued and arrive at target range of $4.5\% \pm 1\%$, that is 4.3%. CPI inflation in December 2012 was recorded at 0.54% (mtm).
- In addition to low inflation in volatile food and administered prices, core inflation was also contained driven by the implementation of monetary and macro prudential policy mix directed toward managing the inflation pressures from the demand side, imported inflation as well as inflation expectation. And also strengthen policy coordination with the Government through national inflation control team (TPI) and regional inflation control team (TPID).
- Going forward, inflation will remain contained within its target range of $4.5\% \pm 1\%$ in 2013 and 2014.

Inflation – by component

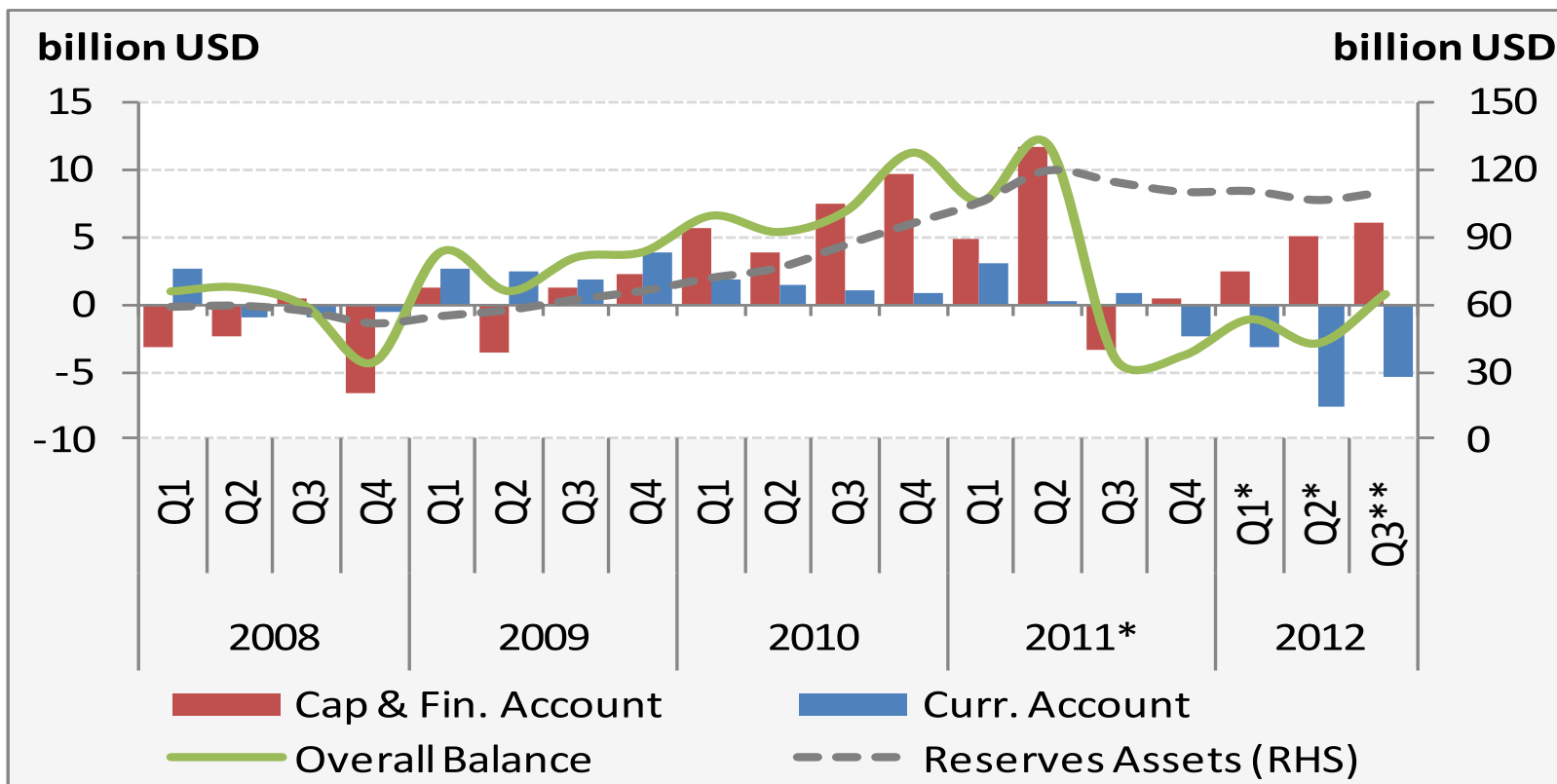


Balance of Payments Q3/2012



- In year of 2012, balance of payments charted a surplus despite continuing pressures on current account deficit. This surplus was supported by increasing on direct and portfolio investment.
- Pressures in current account deficit tends to continue due to the widening deficits of oil and natural gas trade balance. However, the current account deficit can be offset by a higher surplus on the capital and financial accounts, supported by inflows in FDI and portfolio investments that is much higher compared to the previous year.
- Going forward, Bank Indonesia will continue to monitor the development of current account deficit through close policy coordination with the Government and make sure that the deficit is narrowing towards its sustainable level to maintain the external stability.

Balance of Payments

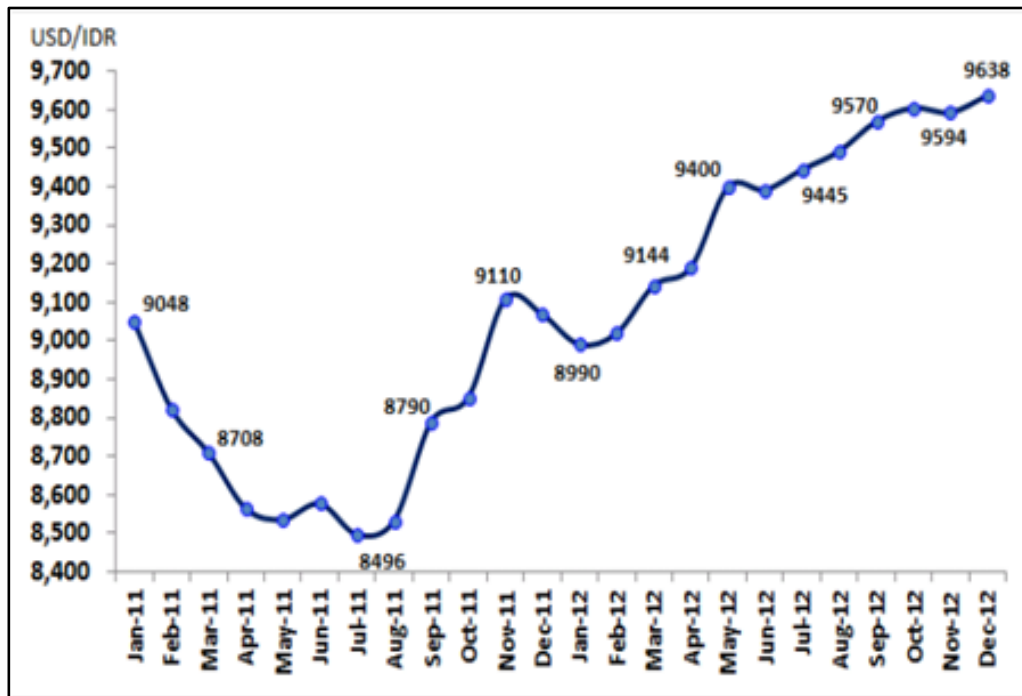


Exchange Rate



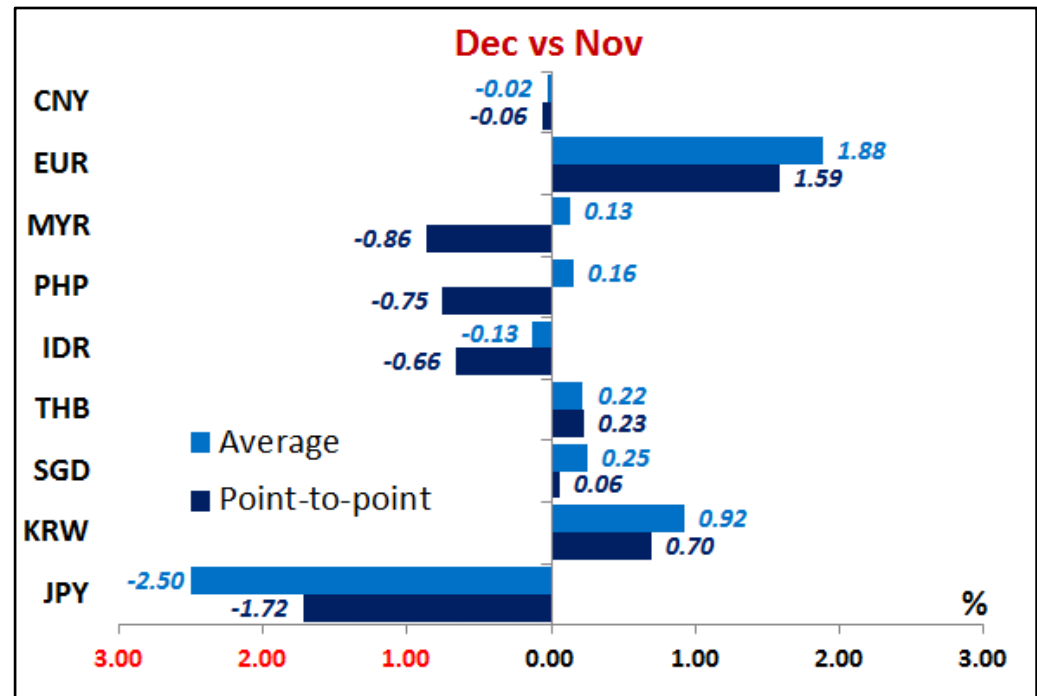
- Rupiah which is depreciated in Q2 and Q3-2012, had turned to stabilize in the Q4-2012.
- In Q4-2012 the depreciation intensity tends to decrease which brings back the Rupiah movement in line with Bank Indonesia's policy to stabilize rupiah, as suggested by its fundamental.

Rupiah Exchange Rate



Source: Bank Indonesia

Monthly Appre/Depr.

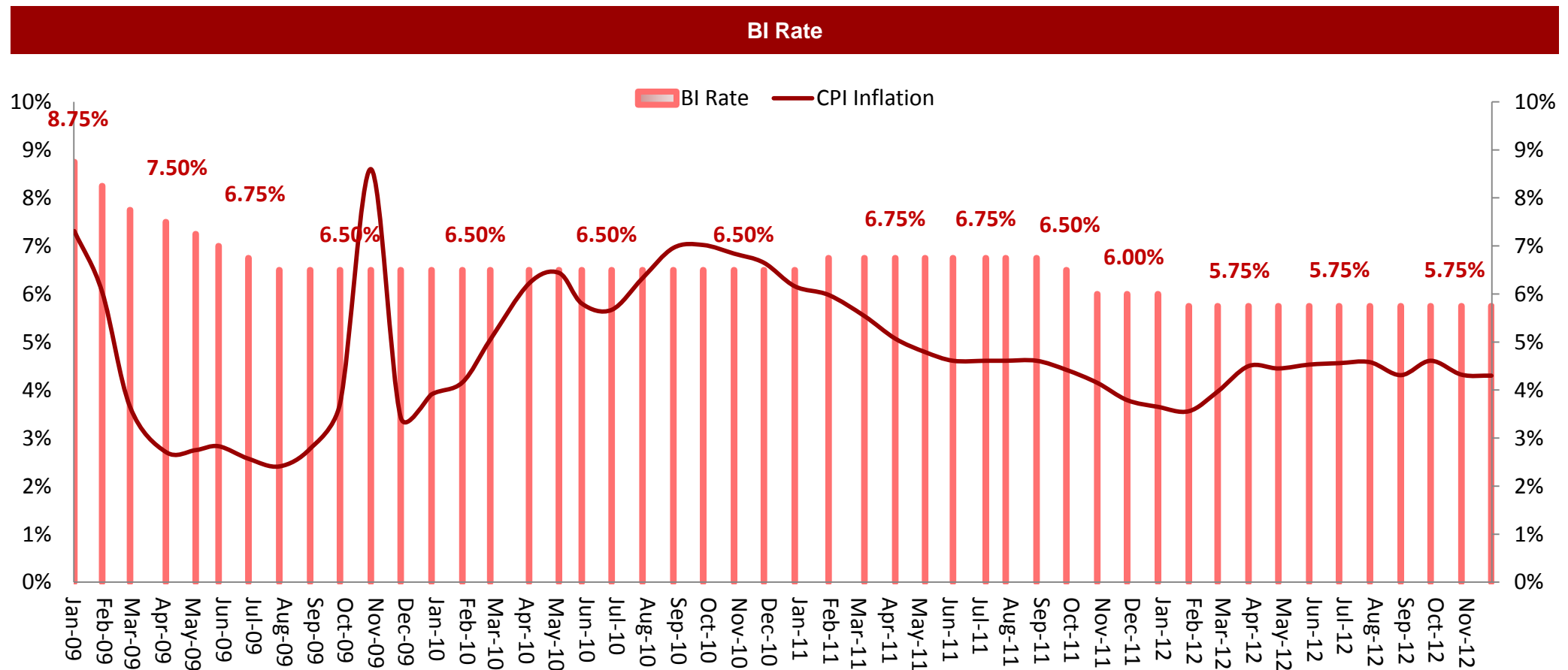


Source: Bank Indonesia

Monetary Policy Stance



- In the Board of Governors' Meeting convened on 10 January 2013, Bank Indonesia decided to hold the BI rate steady at 5.75%.
- The current policy rate is considered consistent with inflation forecast, which is expected to remain low and contained within its target range of 4.5%±1% in 2013 and 2014.
- Going forward, Bank Indonesia remains vigilant on some risk factors from the global economy, and will strengthen policies to manage external balance to a sustainable level while also providing support for economic growth.

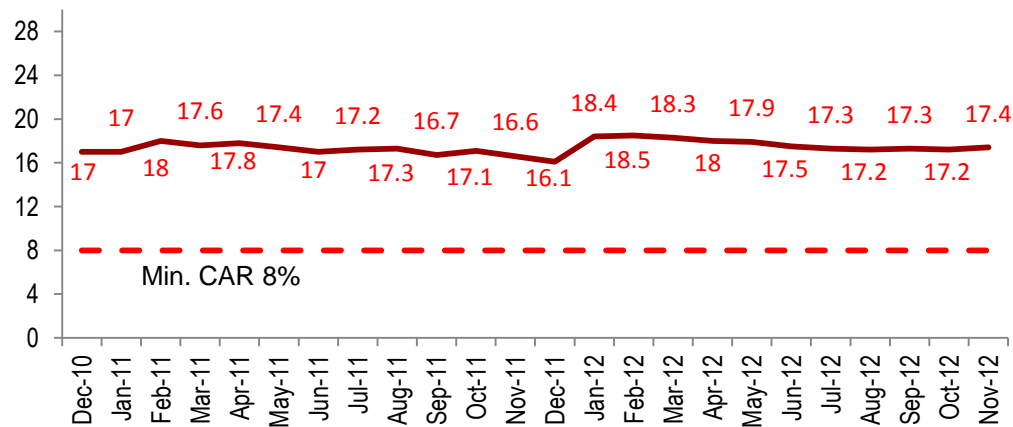


Sound Financial Sector

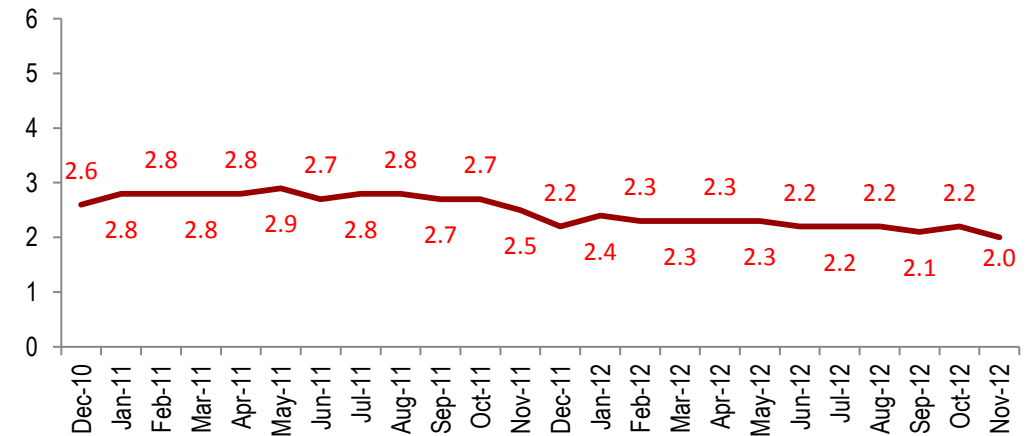


- Supported by various policies implemented by Bank Indonesia, banking industry has been more resilient, as indicated by secure level of CAR above the minimum level of 8% (17.4% at the end of November 2012) and gross NPLs managed at comfortably safe level below 5% (2.0% at the end of November 2012).
- Further improvement in banking intermediation is also reflected in progressively improving credit growth, recorded in November 2012 at 22.3% (yoy), in which investment credit, working capital credit, and consumption credit grew by 29.8% (yoy), 26.1% (yoy), and 12.1% (yoy), respectively.

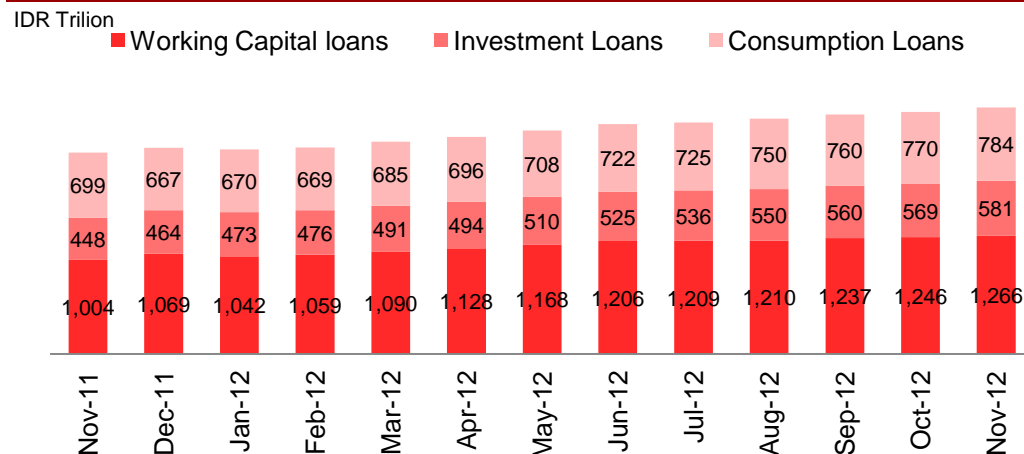
Capital Adequacy Ratio (CAR) Comfortably High



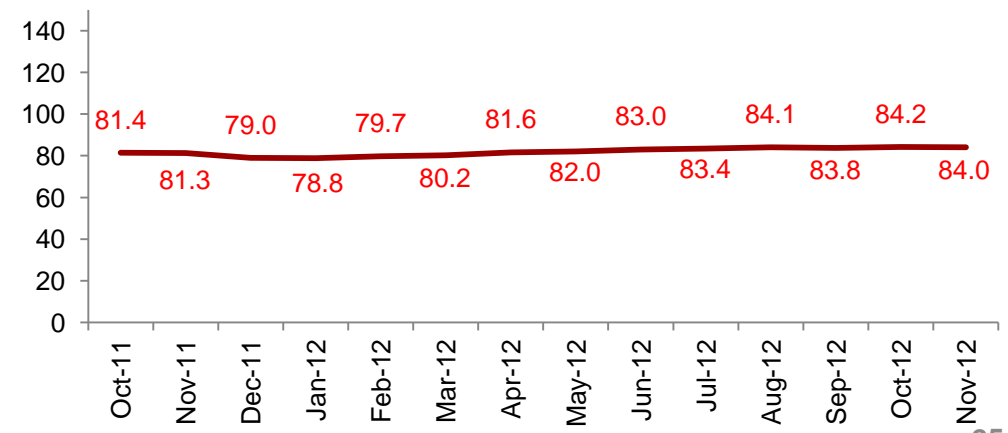
NPL (gross) Historically Low



Steady Loan Growth



Steady Loan-to-Deposit Ratio





Prudent Fiscal Management

Summary of Macroeconomic Assumptions 2012-2013



Items	2011	2012		2013
	Realization	Revised Budget	Realization	State Budget
Economic growth (%)	6.5	6.5	6.3*	6.8
Exchange rate (IDR/US\$)	8779	9000	9384	9300
Inflation (%)	3.8	6.8	4.3	4.9
SBI/SPN 3 months (%)	4.8	5.0	3.2	5.0
ICP (US\$/barrel)	111.5	105	112.7	100
Oil lifting (thousands barrel/day)	898	930	860	900
Gas lifting (thousands barrel oil equivalent/day)	-	-	-	1360

*) up to Q3 realization

Development Target

Indikator	Revised Budget (APBN-P) 2012	State Budget (APBN) 2013
Economic Growth (%)	6.5	6.8 – 7.2
Unemployment Rate (%)	6.4 – 6.6	5.8 – 6.1
Poverty Rate (%)	10.5 – 11.5	9.5 – 10.5



2013 Government Work Plan (RKP) Theme

Strengthening Domestic Economy for Social Welfare Improvement and Extension

4 Pillars of Development

Pro Growth

Pro Job

Pro Poor

Pro Environment

Fiscal Policy Direction

Encouraging Sustainable Economic Growth through Fiscal Restructuring

**Optimize
State Revenue**

**Improve spending
quality**

**Control budget
deficit**

**Reduce Debt Ratio
to GDP**

2012-2013 State Budget Summary



Item	2012			2013
	Revised Budget (APBNP)	Realization (unaudited)	Percentage	State Budget (APBN)
A. Total Revenues and Grants	1,358.2	1,335.7	98.3%	1,529.7
I. Domestic Revenue	1,357.4	1,331.7	98.1%	1,525.2
1 Tax Revenue	1,016.2	980.1	96.4%	1,193.0
Domestic Taxes	968.3	930.5	96.1%	1,134.3
i. Income Tax	513.7	464.7	90.5%	584.9
ii. Value Added Tax	336.1	337.6	100.5%	423.7
2 Non Tax Revenue	341.1	351.6	103.1%	332.2
Natural Resources	217.2	226.5	104.3%	197.2
i. Oil and Gas	198.3	205.8	103.8%	174.9
ii. Non Oil and Gas	18.8	20.6	109.3%	22.3
II. Grants	0.8	4.0	484.8%	4.5
B. Expenditures	1,548.3	1,481.7	95.7%	1,683.0
I Central Government Expenditures	1,069.5	1,001.3	93.6%	1,154.4
1 Personnel Expenditure	212.3	197.7	93.1%	241.1
2 Material Expenditure	162.0	129.8	80.1%	167.0
3 Capital Expenditure	176.1	139.7	79.3%	216.1
4 Interest Payments	117.8	100.5	85.3%	113.2
5 Subsidy	245.1	346.4	141.3%	317.2
a. Energy Subsidy	202.4	306.5	151.5%	274.7
b. Non Energy Subsidy	42.7	39.9	93.4%	42.5
6 Grants	1.8	0.1	5.6%	3.6
7 Social Assistance	86.0	75.3	87.6%	63.4
8 Other Expenditure	68.5	3.9	5.7%	20.0
II. Transfer to Region	478.8	480.4	100.3%	528.6
C. Primary Balance	(72.3)	(45.5)	62.9%	(40.1)
D. Surplus/(Deficit)	(190.1)	(146.0)	76.8%	(153.3)
% Deficit to GDP	(2.23)	(1.77)	79.4%	(1.65)
E. Financing	190.1	180.0	94.7%	153.3
I. Domestic Financing	194.5	199.2	102.4%	172.8
II. Foreign Financing	(4.4)	(19.1)	431.6%	(19.5)
SURPLUS/(DEFICIT) FINANCING	0.0	34.0	-	-

Revenue and expenditure policies

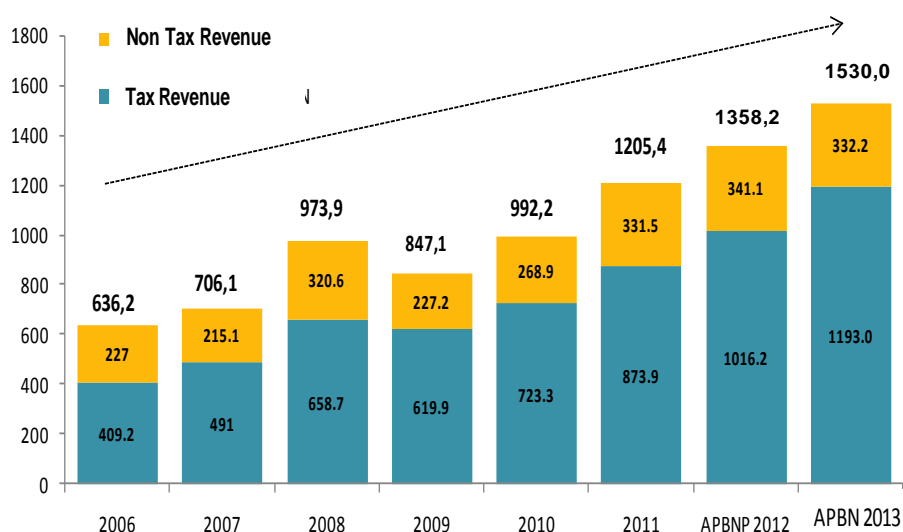


Broad yet fair taxation

2013 Fiscal revenue policy highlights

- An Increase of non-taxable income threshold by 54%, from Rp15.8 million to Rp24.3 million.
- Extend and widen tax base through tax extensification.
- VAT tariff adjustment for a number of luxury goods.
- Improve monitoring and service in custom & excise.
- Excise tax extensification and intensification.
- Fiscal incentives provision for strategic economic activities i.e. Hybrid and low carbon emission motor vehicles.

Fiscal Revenues 2006 – 2013 (Rp Tn)

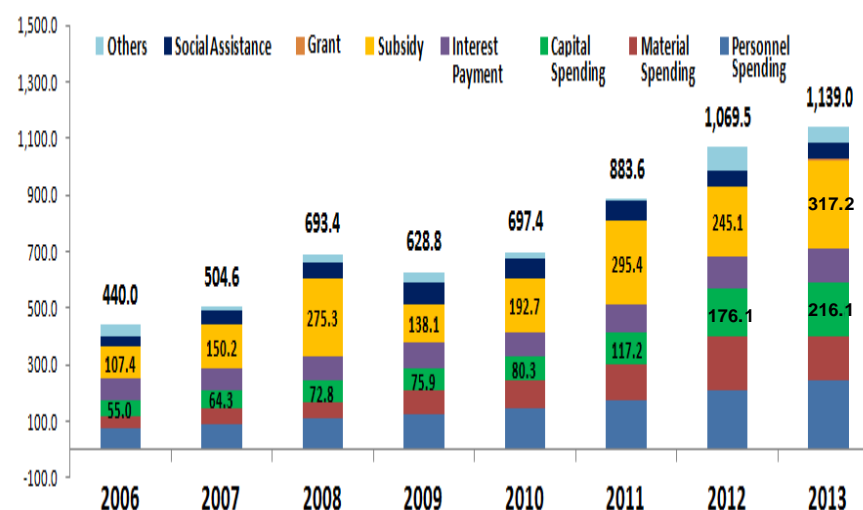


Efficient 'quality' spending

2013 Fiscal expenditure policy highlights

- Prioritize capital expenditure allocation to support infrastructure development.
- Reallocate consumptive spending to more productive activities.
- Increase infrastructure spending to support energy and food security, domestic connectivity, and tourism.
- Redesign subsidy policy from price subsidy to targeted subsidy.
- Improve budget disbursement

Central Gov't Expenditures 2006 – 2013 (Rp Tn)

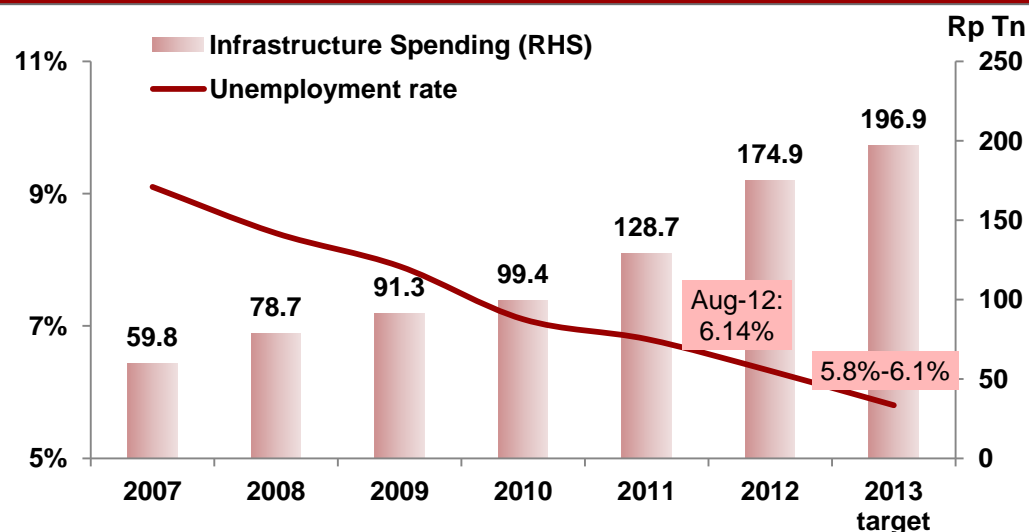


2013 Budget...

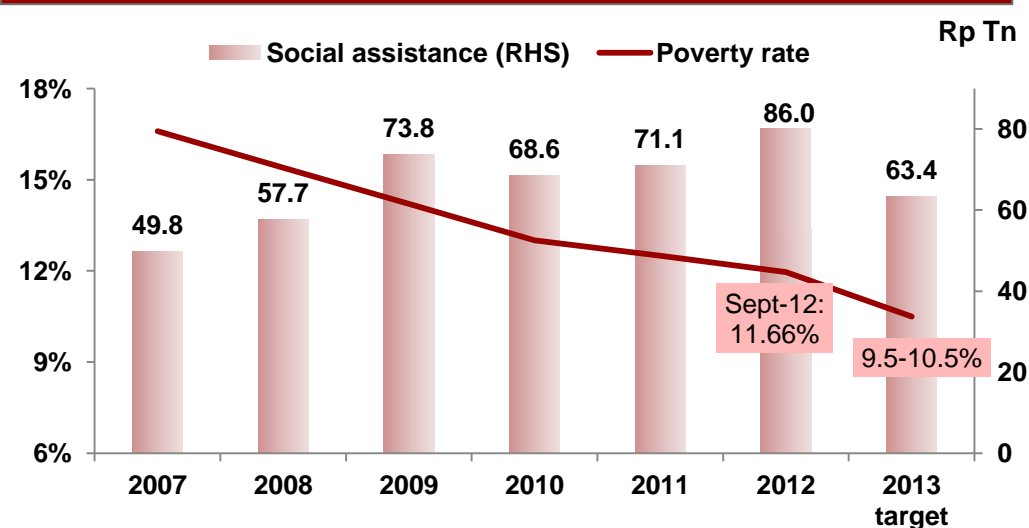
... matches well balanced revenues with increasing capital spending



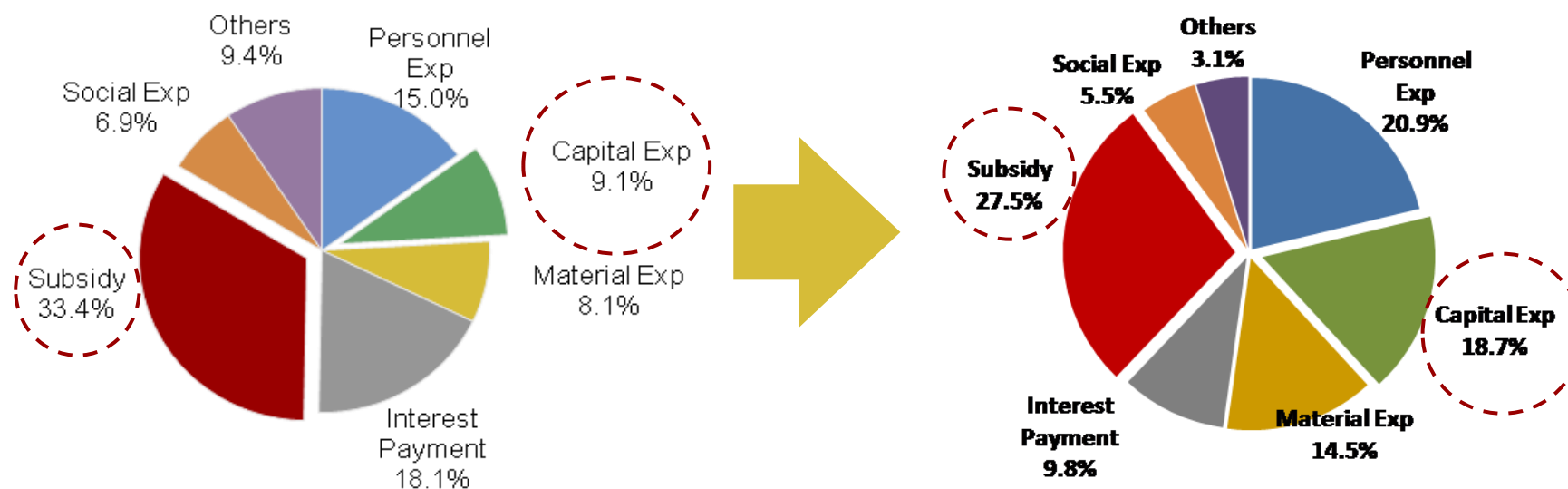
Infrastructure spending helps lower the unemployment rate



State budget directed to reduce poverty level



Increased allocation of central government expenditure towards more productive uses (2005-2013)

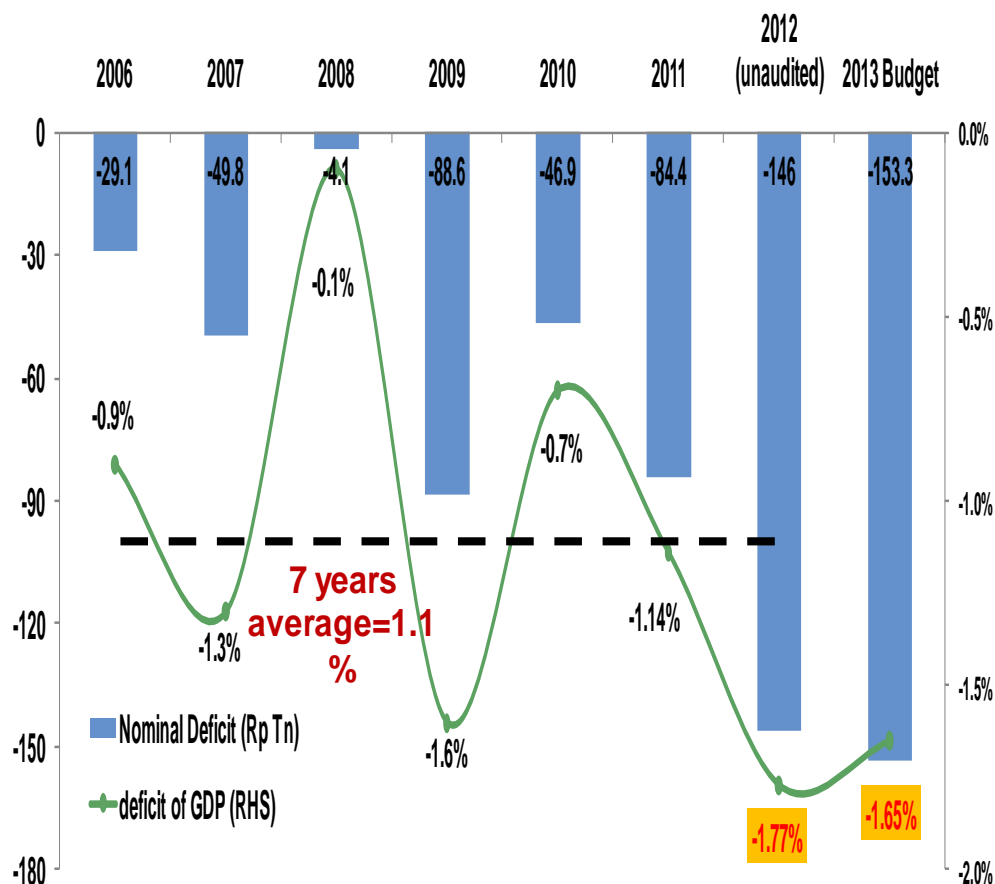


Source: Ministry of Finance

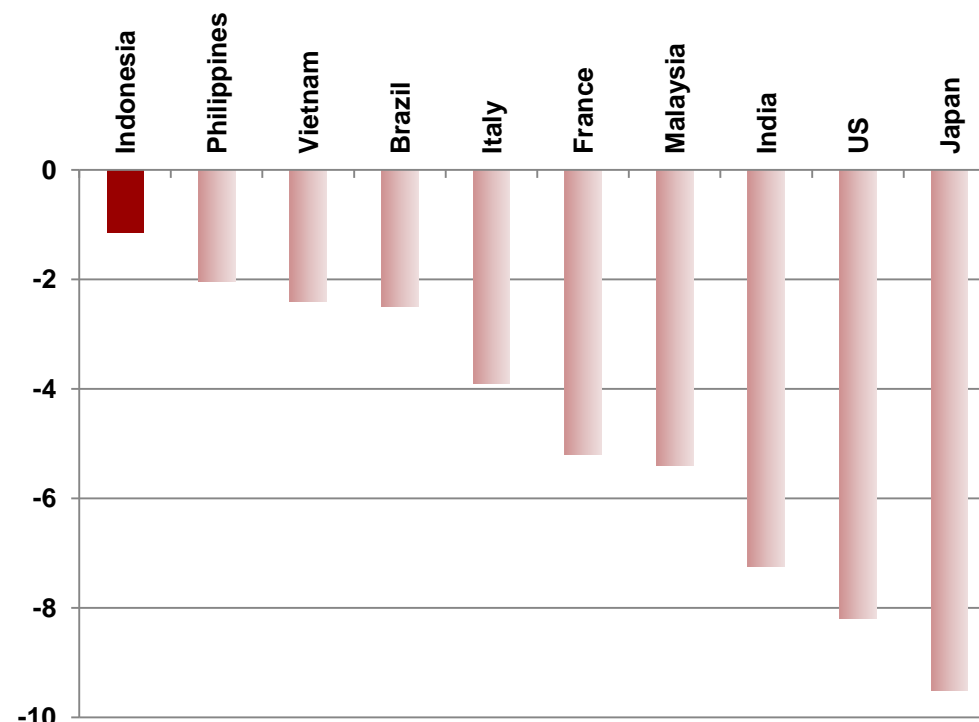
Favorable current macro conditions is supported by prudent fiscal management..



Indonesia Fiscal Deficit



2011 Fiscal Balance (% of GDP)



- Continue reduction in Indonesia's debt to GDP ratio compared to other Asian economies, and Indonesia's low budget deficit compared to developing Asia and developed economies are beneficial as buffers against potential vulnerabilities.
- In the last 7 years, Indonesia budget deficit averaged at 1.1 %.

Indonesia's Fiscal Policy in Mitigating Global Crisis



- Extremely prudent with fiscal deficits and debt ratios among lowest in the world
- Addresses growth and social needs through capital spending and subsidies while lowering debt to GDP
- Aims for quality spending with capital expenditures increasing
- Crisis mitigation measures in place

Crisis Prevention & Mitigation:

1

**Coordination Forum for
Financial System Stability**

2

Crisis Management Protocol

3

Bond Stabilization Framework

4

**Flexibility in State Budget Law
for Crisis Mitigation Action**

5

Deferred Drawdown Option

6

**Chiang Mai Initiatives
Multilateralization/CMI-M**



Improved Government Debt Position

Budget Financing Realization, 2012-2013



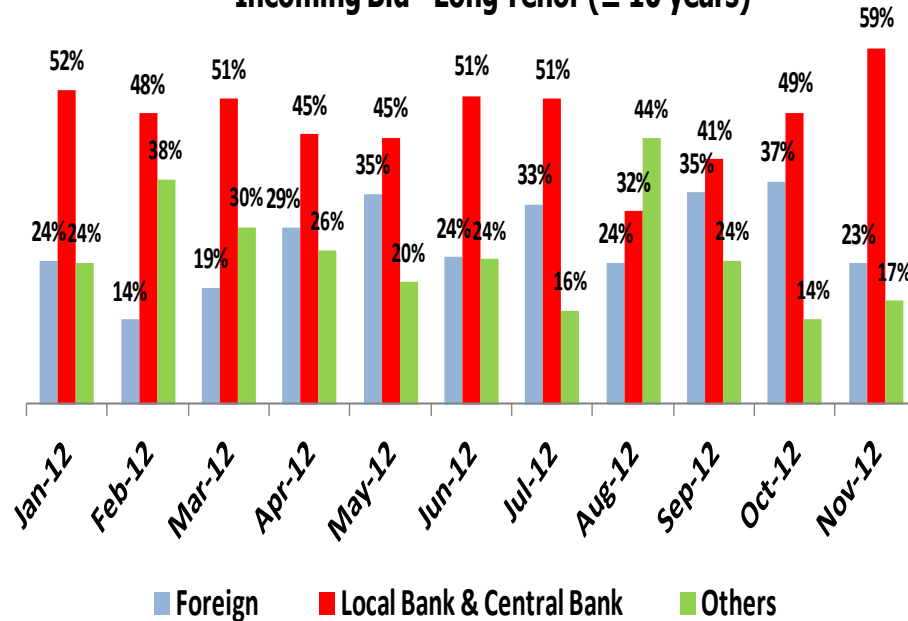
FINANCING, 2012-2013 (billion of rupiah)				
Description	2012			2013
	Budget	Budget	% to GDP	Budget
A. Domestic Financing	194.531,0	199.167,8	102,4	172.792,1
I. Domestic Bank Financing	60.561,6	62.581,5	103,3	14.306,6
1. Revenue Amortization of Subsidiary Loan Agreement	4.387,9	6.411,5	146,1	4.306,6
2. Financing Surplus	56.173,7	56.170,0	100,0	10.000,0
II. Non Bank Financing	133.969,4	136.586,3	102,0	158.485,5
1. Privatization (netto)	0,0	138,3	0,0	0,0
2. Asset Management	280,0	1.139,2	406,9	475,0
3. Government Securities (net)	159.596,7	159.704,3	100,1	180.439,9
4. Domestic Loan	991,2	1.467,2	148,0	500,0
- Domestic Loan Disbursement (gross)	1.132,5	1.537,8	135,8	750,0
- Domestic Installment Payment	(141,3)	(70,6)	50,0	(250,0)
5. Govt Infrastructure Fund & GCP	(19.265,1)	(18.862,614)	97,9	(12.223,4)
a. Govt. Investment	(3.299,6)	(3.299,6)	100,0	(1.000,0)
b. Govt Capital Participation (GCP)	(8.922,1)	(8.519,6)	95,5	(6.387,6)
c. Revolving Fund	(7.043,4)	(7.043,4)	100,0	(4.835,8)
6. National Education Development Fund	(7.000,0)	(7.000,0)	100,0	(5.000,0)
7. Guarantee Liabilities	(633,3)	-	0,0	(706,0)
8. PT. PLN's Borrowing	0,0	-	0,0	0,0
9. Reserve Fund	0,0	-	0,0	(5.000,0)
B. Foreign Financing (Nett)	(4.425,7)	(19.147,6)	432,6	(19.454,2)
I. Gross Drawing	53.731,1	34.170,9	63,6	45.919,1
1. Program Loan	15.603,9	15.003,5	96,2	6.510,0
2. Project Loan (Nett)	38.127,2	19.167,4	50,3	39.409,1
a. Central Government Project Loan	29.695,3	17.006,5	57,3	32.440,8
i. Line Ministries	27.977,0	17.006,5	60,8	29.217,9
ii. Non-Line Ministries	0,0	-	0,0	0,0
ii. On-granting	1.718,4	-	0,0	3.223,0
b. Proceed of Subsidiary Loan	8.431,8	2.160,9	25,6	6.968,3
II. Subsidiary Loan	(8.431,8)	(2.160,9)	25,6	(6.968,3)
III. Amortization	(49.724,9)	(51.157,6)	102,9	(58.405,0)
TOTAL	190.105,3	180.020,2	94,7	153.338,0

Domestic Market is Arising



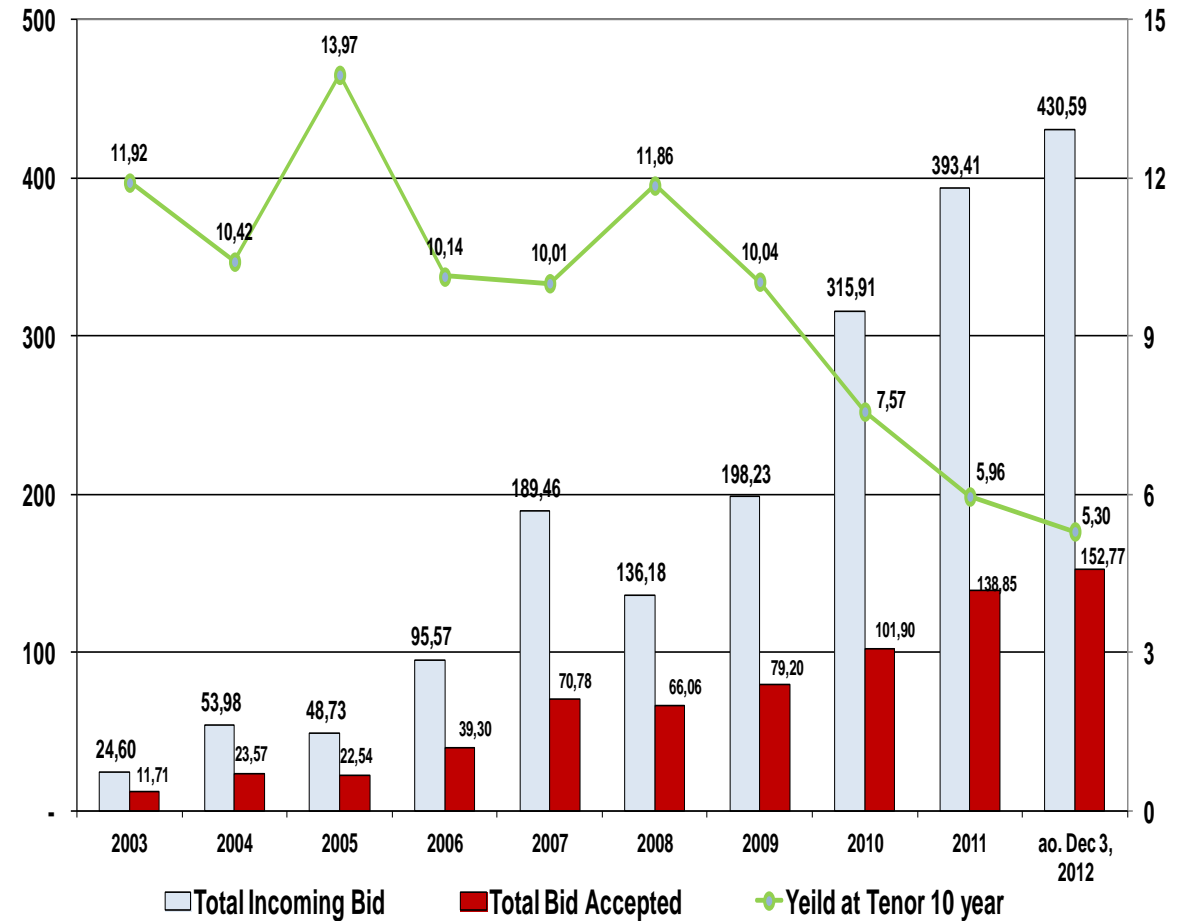
The amount of incoming bids for long tenor bonds from local banks increased in recent auctions

Incoming Bid - Long Tenor (≥ 10 years)



Others :

Domestic pension funds, insurance companies and mutual funds

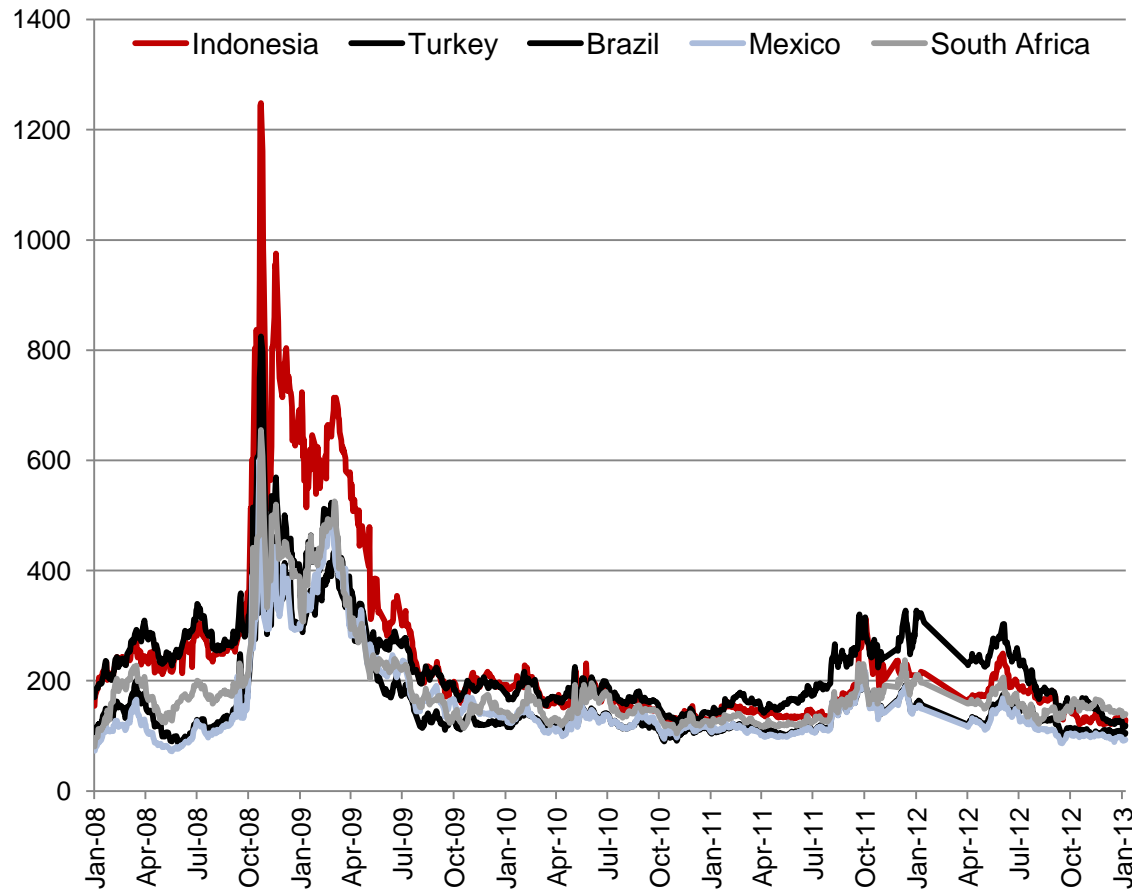


Increasing demand in domestic primary market align with downward trend in borrowing cost

Secondary Market Performance of Government Bonds



INDO CDS 5Y to Peers Countries



Yield of Benchmark Series



CDS compare to the peers countries and yield on benchmark series steadily decreased

Government Securities Realization as of Dec 2012



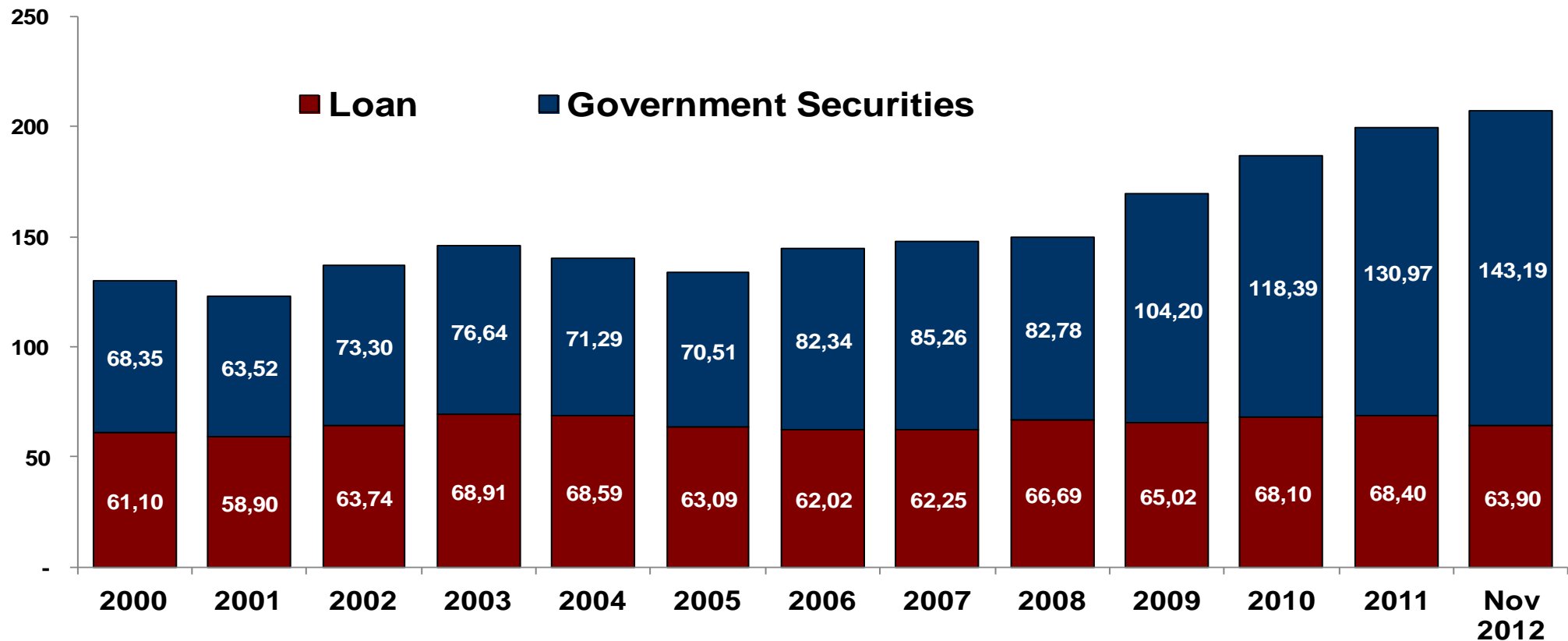
(Million IDR)

	2012 Revised Budget	Realization (ao Dec 31 2012)	% Realization
SBN jatuh tempo 2012	107.822.708	107.585.708	99,78%
SBN Netto (APBN)	159.596.700	159.826.290	100,14%
Rencana Buyback	1.137.527	1.137.527	100,00%
Kebutuhan Penerbitan 2012	268.549.525	268.549.525	100,00%
Government Debt Securities (GDS)		211.460.714	
Domestic GDS		165.441.745	
- Coupon GDS		122.245.000	
- Conventional T-Bills		30.520.000	
- Retail Bonds		12.676.745	
International Bonds		46.018.969	
- USD Global Bonds		39.006.661	
- Samurai Bonds		7.012.308	
Government Islamic Debt Securities		57.088.811	
Domestic Government Islamic Debt Securities		47.449.805	
- IFR/PBS (Islamic Fixed Rated)		17.114.000	
- Islamic T-Bills		1.380.000	
- Retail Sukuk		13.613.805	
- SDHI		15.342.000	
International Sukuk		9.639.006	

Outstanding of Total Central Government Debt



[USD billion]



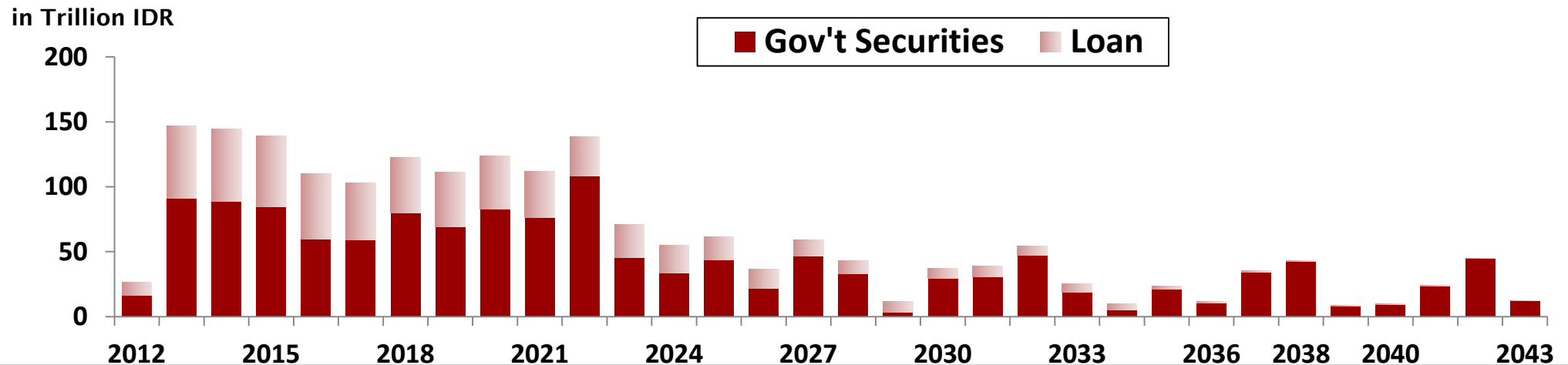
[in percentage]

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Nov 2012
Loan	47%	48%	47%	47%	49%	47%	43%	42%	45%	38%	37%	37%	31%
Government Securities	53%	52%	53%	53%	51%	53%	57%	58%	55%	62%	63%	63%	69%
Total Central Government Debt	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

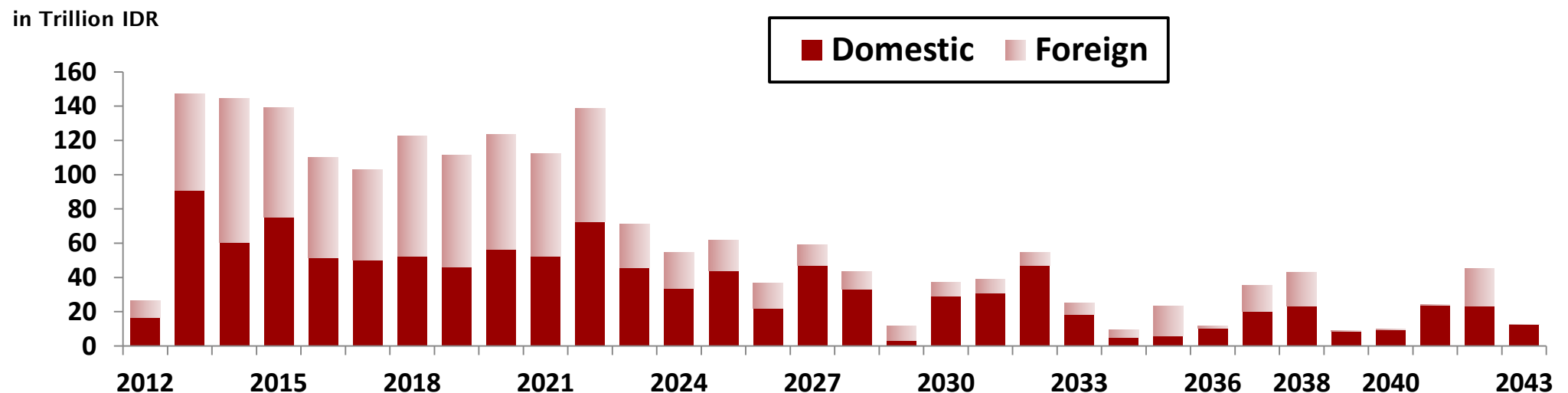
Total Debt Maturity Profile as of November 2012



Maturity Profile of Central Government by Instruments (in trillion IDR)



Maturity Profile of Central Government by Currencies (in trillion IDR)



Government Debt Securities Issuance Plan 2013



	2012 - Revised Budget		2013 - Budget	
	IDR (trillion)	\$ USD (billion)	IDR (trillion)	\$ USD (billion)
Deficit	(190,1)	(19,52)	(153,3)	(15,74)
Amortization	(158,8)	(16,31)	(159,5)	(16,38)
External Loan	(50)	(5)	(58)	(6)
Govt Securities (incl Buyback)	(109)	(11)	(100,9)	(10)
Domestic Loan	(0,14)	(0,01)	(0,25)	(0,03)
Non Debt Financing Expenditures	(26,62)	(2,73)	(22,93)	(2,35)
Two Steps Loan	(8,4)	(0,87)	(7,0)	(0,72)
Financing Needs	(384,0)	(39,4)	(342,8)	(35,2)
Financing Sources	384,0	39,4	342,8	35,2
Non Debt (Gross)	60,6	6,22	14,8	1,52
Debt (Gross)	323,4	33,20	328,0	33,67
Govt Securities	268,5	27,6	281,3	28,9
Program Loan	15,6	1,6	6,5	0,7
Project Loan (Bruto)	38,1	3,9	39,4	4,0
Domestic Loan	1,1	0,1	0,8	0,1

Exchange Rate Assumption (IDR/USD 1) a.o January 9, 2013: IDR 9.740

Source: Ministry of Finance

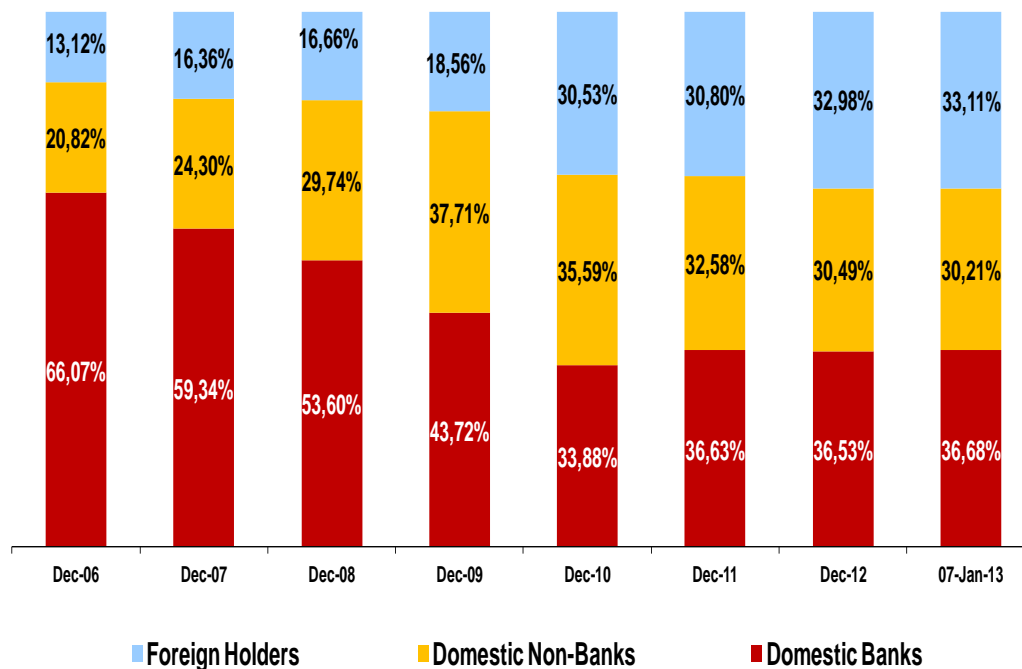
Item	2012 - Revised Budget (trillion IDR)	% of GDP	2013 - Budget (trillion IDR)	% of GDP
Total Revenue & Grants	1.358,2	15,9%	1.529,7	16,5%
of which Tax Revenue	1.016,2	11,9%	1.192,99	12,9%
Non Tax Revenue	341,14	4,0%	332,20	3,6%
Expenditure	1.548,3	18,1%	1.683,0	18,2%
of which Interest payment	117,8	1,4%	113,2	1,2%
Subsidy	245,1	2,9%	317,2	3,4%
Primary Balance	(72,3)	-0,8%	(40,1)	-0,4%
Overall Balance (deficit)	(190,1)	-2,2%	(153,3)	-1,7%
Financing	190,1	2,2%	153,3	1,7%
Non Debt (Net)	33,9	0,4%	(8,1)	-0,1%
Debt	156,2	1,8%	161,5	1,7%
Govt Securities (Net)	159,6	1,9%	180,4	1,9%
Domestic Official Borrowing	1,0	0,0%	0,5	0,0%
External Official Borrowing (Net)	(4,4)	-0,1%	(19,5)	-0,2%
Disbursement	53,7	0,6%	45,9	0,5%
Program Loan	15,6	0,2%	6,5	0,1%
Project Loan (Bruto)	38,1	0,4%	39,4	0,4%
On lending	(8,4)	-0,1%	(7,0)	-0,1%
Repayment	(49,7)	-0,6%	(58,4)	-0,6%
Assumptions:				
GDP (trillion)	8.542,6		9.269,6	
Growth (%)	6,5		6,8	
Inflation (%)	6,8		4,9	
3-months SPN (% avg)	5,0		5,0	
Rp / USD (avg)	9.000,0		9.300,0	
Oil Price (USD/barrel)	105,0		100,0	
Oil Lifting (MBCD)	930,0		900,0	

Holders of Tradable Government Securities

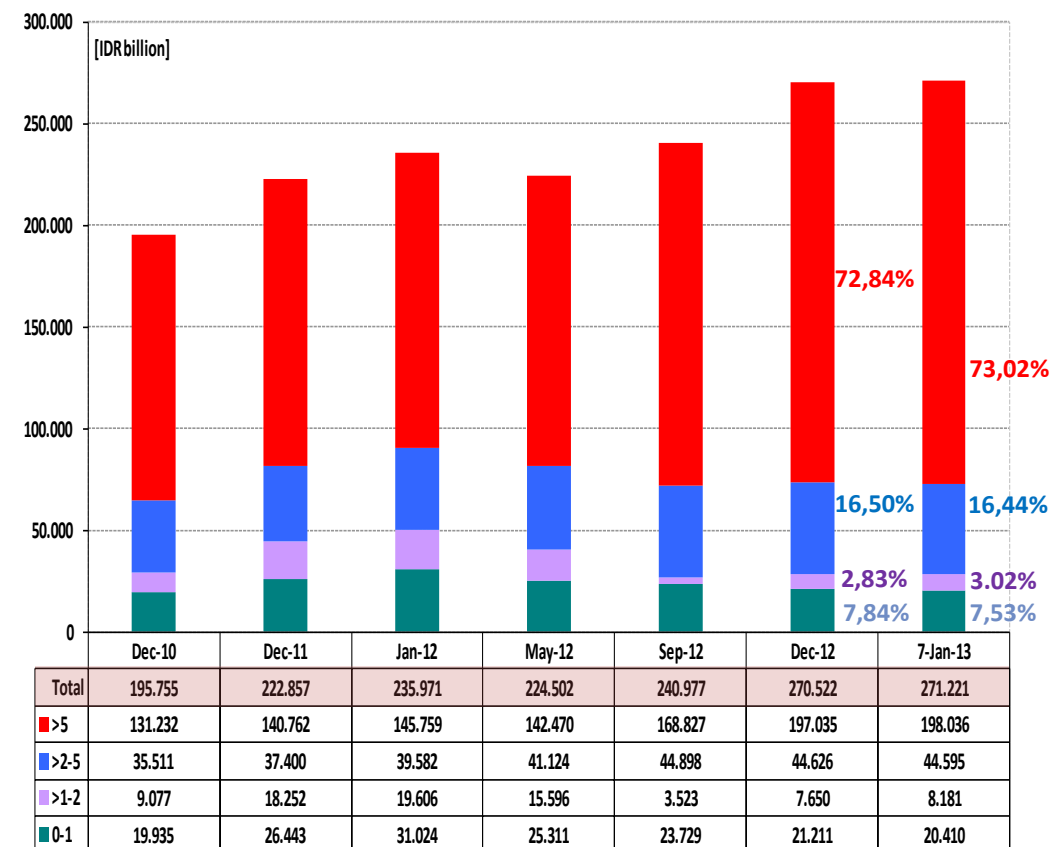


Continued Increasing proportion of foreign ownership of Indonesian Government securities.

Holders of Tradable Domestic Government Securities



Foreign Ownership of Gov't Domestic Debt Securities



Profile of Government Debt Securities



GOVERNMENT DEBT SECURITIES (GDS)	Des '07	Des '08	Dec-09	Dec-10	Dec-11	May-12	Oct-12	Nov-12	28-Dec-12	7-Jan-13
1. Domestic Tradable GDS	IDR 477.747	IDR 520.995	IDR 570.215	IDR 615.498	IDR 684.618	IDR 721.522	IDR 770.974	IDR 771.516	IDR 757.231	IDR 756.231
a. Zero Coupon	IDR 14.669	IDR 21.503	IDR 33.386	IDR 32.307	IDR 32.412	IDR 33.212	IDR 28.332	IDR 23.883	IDR 24.083	IDR 23.083
1. Government Treasury Bills	IDR 4.169	IDR 10.012	IDR 24.700	IDR 29.795	IDR 29.900	IDR 30.700	IDR 25.820	IDR 22.620	IDR 22.820	IDR 21.820
2. Zero Coupon Bond	IDR 10.500	IDR 11.491	IDR 8.686	IDR 2.512	IDR 2.512	IDR 2.512	IDR 2.512	IDR 1.263	IDR 1.263	IDR 1.263
b. Government Domestic Bonds	IDR 463.078	IDR 499.492	IDR 536.829	IDR 583.191	IDR 652.206	IDR 688.310	IDR 742.642	IDR 747.633	IDR 733.148	IDR 733.148
1. Fixed Rate *) +)	IDR 294.453	IDR 353.558	IDR 393.543	IDR 440.396	IDR 517.142	IDR 553.247	IDR 619.887	IDR 624.879	IDR 610.393	IDR 610.393
2. Variable Rate *)	IDR 168.625	IDR 145.934	IDR 143.286	IDR 142.795	IDR 135.063	IDR 135.063	IDR 122.755	IDR 122.755	IDR 122.755	IDR 122.755
2. Promissory Notes to Bank Indonesia **) ***)	IDR 259.404	IDR 258.160	IDR 251.875	IDR 248.432	IDR 244.636	IDR 243.463	IDR 241.056	IDR 241.056	IDR 240.144	IDR 240.144
3. Total GDS (2+3)	IDR 737.151	IDR 779.155	IDR 822.090	IDR 863.930	IDR 929.254	IDR 964.985	IDR 1.012.030	IDR 1.012.572	IDR 997.376	IDR 996.376
4. Total Government International Bonds *)	USD 7.000	USD 11.200	USD 14.200	USD 16.200	USD 18.700	USD 22.950	USD 22.950	USD 22.950	USD 22.950	USD 22.950
			¥ 35.000	¥ 95.000	¥ 95.000	¥ 95.000	¥ 95.000	¥ 155.000	¥ 155.000	¥ 155.001
5. TOTAL GOV'T DEBT SECURITIES (3+(4*Exchange Rate Assumption))	IDR 803.084	IDR 901.795	IDR 959.130	IDR 1.020.062	IDR 1.109.922	IDR 1.196.036	IDR 1.244.179	IDR 1.251.055	IDR 1.236.658	IDR 1.237.004
GOVERNMENT ISLAMIC DEBT SECURITIES (GIDS)										
6. Domestic Tradable GIDS		IDR 4.700	IDR 11.533	IDR 25.717	IDR 38.988	IDR 58.753	IDR 63.027	IDR 63.035	IDR 63.035	IDR 63.035
a. Fixed Rate *)++)		IDR 4.700	IDR 11.533	IDR 25.717	IDR 37.668	IDR 57.568	IDR 61.927	IDR 62.840	IDR 62.840	IDR 62.840
b. Zero Coupon					IDR 1.320	IDR 1.185	IDR 1.100	IDR 195	IDR 195	IDR 195
7. Domestic Non Tradable GIDS			IDR 2.686	IDR 12.783	IDR 23.783	IDR 33.783	IDR 35.783	IDR 35.783	IDR 35.783	IDR 35.783
8. Government International Islamic Bonds										
1. Fixed Rate *)			USD 650	USD 650	USD 1.650	USD 1.650	USD 1.650	USD 2.650	USD 2.650	USD 2.650
9. TOTAL GOV'T DEBT SECURITIES (6+(8*Exchange Rate Assumption))	IDR -	IDR 4.700	IDR 17.643	IDR 31.561	IDR 53.950	IDR 74.535	IDR 78.892	IDR 88.488	IDR 88.660	IDR 88.840
10. TOTAL GOVERNMENT SECURITIES	IDR 803.084	IDR 906.495	IDR 979.458	IDR 1.064.406	IDR 1.187.655	IDR 1.304.354	IDR 1.358.854	IDR 1.375.326	IDR 1.361.101	IDR 1.361.628

Notes:

- Nominal in billion rupiah (domestic bonds), million USD & million JPY (international bonds)

- *) Tradable

- **) Non-Tradable

- +) Including ORI (IDR Billion))

- ++) Including Sukuk Ritel/SR (IDR Billion)

- Exchange Rate Assumption (IDR/USD1)

- Exchange Rate Assumption (IDR/JPY1)

IDR 18.885	IDR 34.699	IDR 40.149	IDR 40.672	IDR 51.672	IDR 29.775	IDR 42.451	IDR 42.451	IDR 42.451	IDR 42.451
		IDR 5.556	IDR 13.590	IDR 20.931	IDR 28.989	IDR 28.989	IDR 28.989	IDR 28.989	IDR 28.989
IDR 9.419	IDR 10.950	IDR 9.400	IDR 8.991	IDR 9.068	IDR 9.565	IDR 9.615	IDR 9.605	IDR 9.670	IDR 9.738
		IDR 101,70	IDR 110,29	IDR 116,80	IDR 121,41	IDR 120,90	IDR 116,44	IDR 111,97	IDR 110,59

- Since October 2006, Government and Central Bank committed to replace interest payment of Promissory Notes to Bank Indonesia (SU-002 & SU-004) with new bond (SU-007) and omitted indexation of SU-002 & SU-004

Debt Switch & Cash Buyback Program



- Debt Switch Program

[in billion IDR]

Auction Date	Auction Frequency	Source Bonds Tenor Series	Offer Received	Offer Awarded
2005	1	9 series	7.721	5.673
2006	12	7 s.d. 21 series	54.177	31.179
2007	9	12 s.d. 21 series	30.681	15.782
2008	2	21 s.d. 31 series	7.490	4.571
2009	6	24 s.d. 28 series	8.663	2.938
2010	6	11 s.d. 28 series	8.349	3.920
2011	4	22 s.d. 27 series	3.080	664
2012	4	10 s.d. 20 series	23.126	11.859
Total			143.287	76.586

- Buyback Program

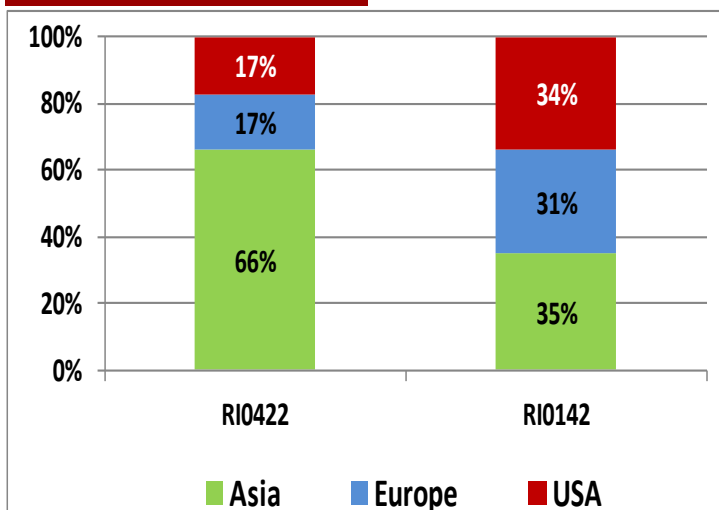
Year	Frequencies		Volume (IDR billion)
	Auctions	Direct Transactions	
2003	2	-	8.127
2004	1	-	1.962
2005	4	-	5.158
2007	2	-	2.859
2008	3	-	2.375
2009	1	1	8.528
2010	10	3	3.201
2011	2	8	3.500
2012	-	6	1.138
GRAND TOTAL			36.848

Recent Global Bond Issuance

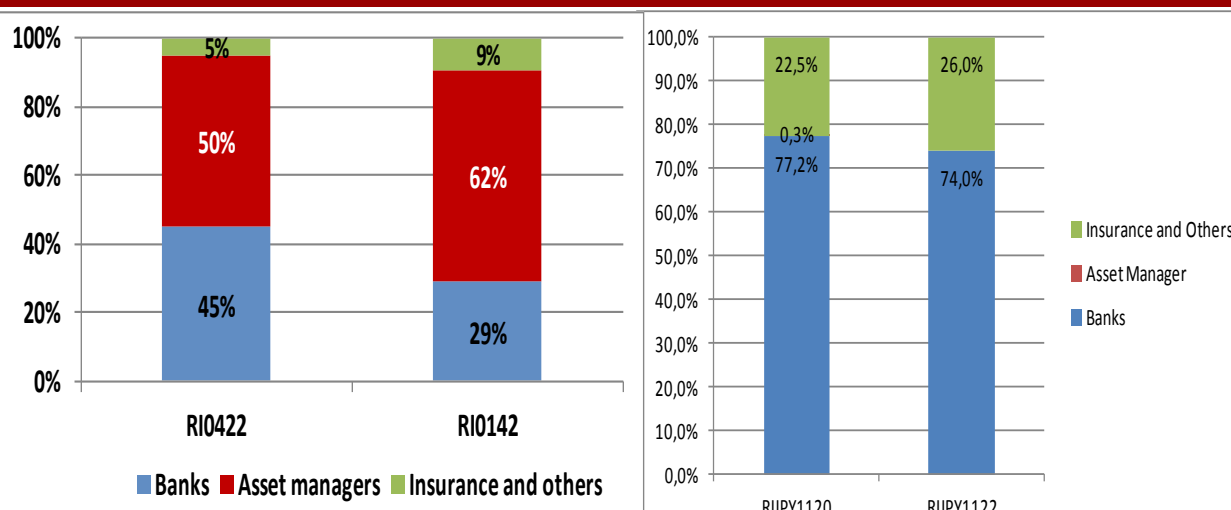


	RI0422	RI0142 (Reopening)	RIJPY1122
1 Rating (S&P Moody's Fitch)	BB+ Baa3 BBB-	BB+ Baa3 BBB-	
2 Size	USD 2.000.000.000	USD 500.000.000	JPY60 billion
3 Coupon	3.75% s.a.	5.25% s.a.	1.13% s.a.
4 Pricing date	17 April 2012	17 April 2012	06 Nopember 2012
5 Settlement Date	25 April 2012	25 April 2012	22 Nopember 2012
6 Maturity date	25 April 2022	17 Januari 2042	22 Nopember 2022
7 Yield when issued	0,0385	0,0495	0,0113
8 Price when issued	99,176%	104,636%	100%
9 Spread over US Treasury	184.8 bps	180.6 bps	
10 US Treasury Yield	2%	3,13%	

By Region

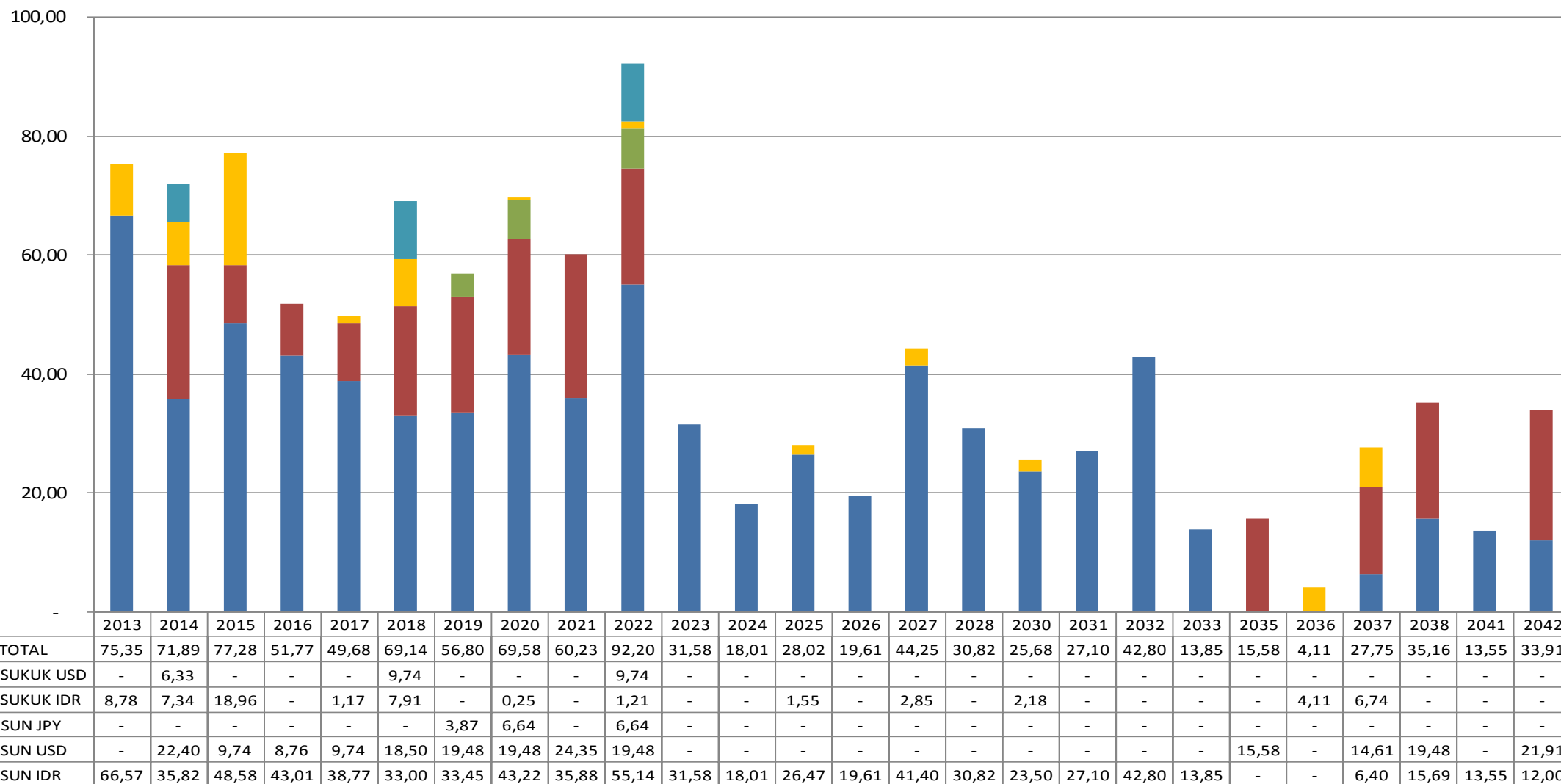


By Investor Type



Maturity Profile of Tradable Government securities

as of January 7, 2012



ZC : Zero Coupon bond
IB : International Bond
VR : Variable Rate Bond

PN : T'bills
ORI : Retail Bond
FR : Fixed Rate Bond

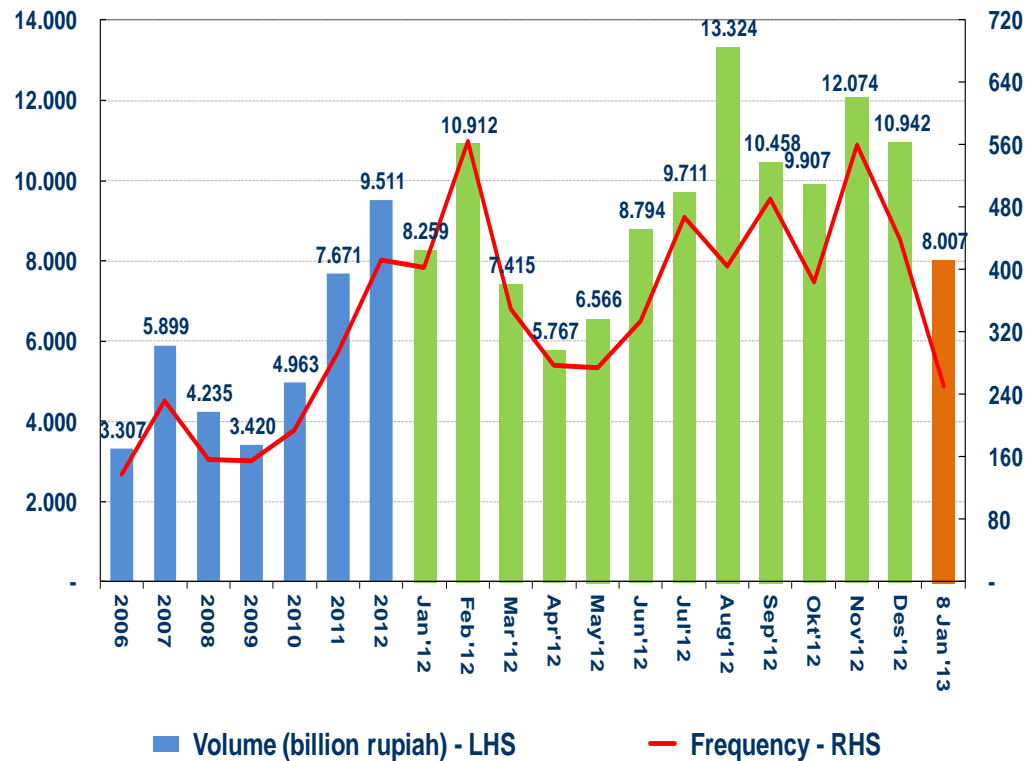
IFR : Islamic Fixed Rate Bond
SR : Retail Sukuk
RIJPY : Samurai Bond

SNI : International Sukuk
SPN-S: Sharia T'bills
PBS : Project Based Sukuk

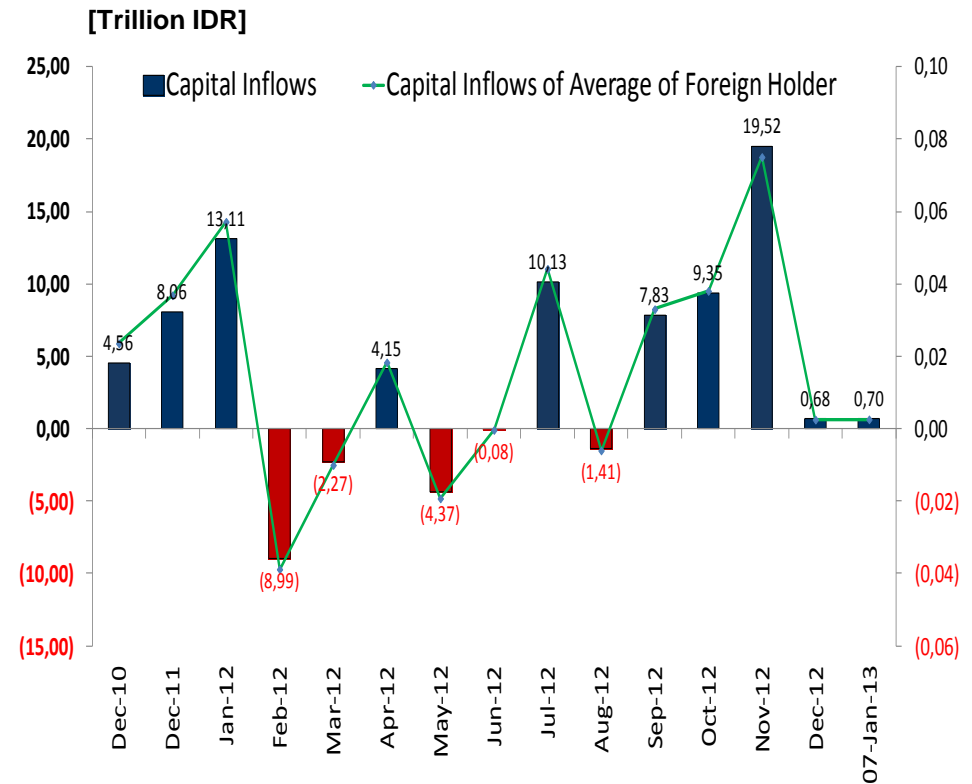
Daily Transaction & Offshore Ownership



Average Daily transaction Govt' Bonds



Net Buyer (Seller) Non Resident



Source: Ministry of Finance

Ownership of IDR Tradable Government Securities (percentage and nominal)



	Des-08		Dec-09		Dec-10		Dec-11		Dec-12		07-Jan-13	
Banks	258,75	49,2%	254,36	43,72%	217,27	33,88%	265,03	36,63%	299,66	36,73%	300,51	36,73%
Govt Institutions	23,01	4,4%	22,50	3,87%	17,42	2,72%	7,84	1,08%	3,07	0,37%	0,88	0,11%
Non-Banks	243,93	46,4%	304,89	52,41%	406,53	63,40%	450,75	62,29%	517,53	63,09%	517,87	63,21%
Mutual Funds	33,11	6,3%	45,22	7,77%	51,16	7,98%	47,22	6,53%	43,19	5,27%	42,94	5,24%
Insurance Company	55,83	10,6%	72,58	12,48%	79,30	12,37%	93,09	12,86%	83,42	10,17%	83,45	10,19%
Foreign Holders	87,61	16,7%	108,00	18,56%	195,76	30,53%	222,86	30,80%	270,52	32,98%	271,22	33,11%
Insurance	0,03	0,0%	0,06	0,01%	1,35	0,21%	2,94	0,41%	3,59	0,44%	3,59	0,44%
Pension Fund	0,17	0,0%	1,23	0,21%	2,31	0,36%	2,76	0,38%	4,40	0,54%	4,35	0,53%
Corporate	0,69	0,1%	3,66	0,63%	5,71	0,89%	6,59	0,91%	10,78	1,31%	10,79	1,32%
Fin. Institutions	83,38	15,9%	78,41	13,48%	126,69	19,76%	133,63	18,47%	159,09	19,39%	158,70	19,37%
Individual	0,06	0,0%	0,06	0,01%	0,10	0,02%	0,09	0,01%	0,10	0,01%	0,10	0,01%
Mutual Fund	0,49	0,1%	21,53	3,70%	53,53	8,35%	68,30	9,44%	70,09	8,55%	70,01	8,55%
Securities	2,67	0,5%	2,65	0,45%	4,34	0,68%	4,88	0,67%	5,56	0,68%	5,56	0,68%
Foundation					0,07	0,01%	0,06	0,01%	0,07	0,01%	0,06	0,01%
Others	0,11	0,0%	0,39	0,07%	1,64	0,26%	3,60	0,50%	16,84	2,05%	18,07	2,21%
Pension Fund	32,98	6,3%	37,50	6,45%	36,75	5,73%	34,39	4,75%	56,46	6,88%	56,37	6,88%
Securities Company	0,53	0,1%	0,46	0,08%	0,13	0,02%	0,14	0,02%	0,30	0,04%	0,30	0,04%
Others	33,87	6,4%	41,12	7,07%	43,43	6,77%	53,05	7,33%	63,64	7,76%	63,59	7,76%
Total	525,69	100%	581,75	100%	641,21	100%	723,61	100%	820,27	100%	819,27	100%

Notes:

- Foreign Holders (offshore) are non-resident Private Banking, Fund/Asset Mgmt, Securities Co, Insurance, Pension Fund, etc
- Others are Corporate, Individuals, Foundations, etc.
- Private Banks – Recap and Non Recap Banks include foreign banks branches and subsidiaries

Source: Ministry of Finance