

## **Indonesia: Brief Profile**

### **March 2009**

#### **Domestic Economy**

- The real GDP growth of Indonesia slowed down to an estimated 6.1% in 2008, compared to 6.3% registered in previous year, mainly due to global economic slowdown.
- In 2008, GDP in absolute terms stood at an estimated US\$ 490.4 bn and GDP per capita was US\$ 2064.8.
- Consumer price inflation increased sharply to an estimated 10.3% in 2008 from 6.3% in 2007, mainly as a result of higher international prices prevailed during the first half of 2008.
- Industry sector dominates the Indonesian economy, accounting for 45.8% of GDP in 2007. Services and Industry sectors contributed 40.8% and 13.4%, respectively, in the same year.

#### **Trade and Current Account Balance**

- Indonesia's exports increased by 18.5% to an estimated US\$ 139.8 bn in 2008 from US\$ 118 bn in 2007, primarily due to higher international oil and gas prices.
- Imports also increased sharply by 37.2% to an estimated US\$ 116.6 bn in 2008 from US\$ 85 bn in 2007, mainly driven by increase in higher demand for consumer goods, raw materials for manufacturing industries, and capital goods for new investment.
- Thus, trade surplus fell to US\$ 23.2 bn in 2008, compared to US\$ 33 bn registered in the previous year.

- Main items of Indonesia's export during 2006 (as per latest data available) were petroleum & products (11.7% of total exports), liquefied natural gas (10.5%), and textiles & garments (9.5%).
- Raw materials & intermediaries were the largest imports of Indonesia in 2006 (as per latest data available), accounting for 60.4% of Indonesia's total imports. Other items imported by Indonesia in the same year were capital goods (11.4%) and consumer goods (7.5%).
- Japan is the major export destination of Indonesia, accounting for 20.6% of total exports in 2007. Other main destinations of the country's exports during the same year were the US (12.1%) Singapore (11.7%), and China (9.7%).
- Singapore is the main origin of imports for Indonesia, accounting for 43.5% of total imports. Other major import sources during the same year were China (18.8%), Japan (13.2%) and South Korea (8.6%).
- Current account surplus decreased sharply to US\$ 1.9 bn in 2008 from US\$ 11 bn in the previous year, mainly due to fall in merchandise trade surplus.

**Exchange Rate, Foreign Exchange Reserves & External Debt**

- The local currency of Indonesia is Rupiah (Rp). Exchange rate of the Rupiah depreciated from Rp 9,141: US\$1 in 2007 to Rp 9,734: US\$1 in 2008.
- The total international reserves decreased to an estimated US\$ 53.6 bn in 2008 from US\$ 56.9 bn in 2007. Reserves represented an import cover of 5.5 months in 2008.
- Total external debt increased to an estimated US\$ 144 bn in 2008, from US\$ 140.4 bn in previous year.

### **Country Risk Rating**

- *Euromoney*, in its September 2008 risk rankings of 186 countries, placed Indonesia at 78, which is a fall of three places from its ranking in March 2008. India is placed at 56.
- *Institutional Investor* in its ranking of 177 countries in September 2008, placed Indonesia at 72, which is a rise of five places from its previous ranking of March 2008. India is placed at 54.
- *Export Credit Guarantee Corporation of India Ltd. (ECGC)* rates countries according to an increasing order of risk in seven groups, A1, A2, B1, B2, C1, C2 and D. In its December 2008 ratings the ECGC placed Indonesia in Group B1.

### **Bilateral Trade Relations with India**

- During 2007-08, India's exports to Indonesia registered an increase of 1.6% to US\$ 2,059.2 mn from US\$ 2,026.7 mn in 2006-07, mainly on account of increase in the exports of primary and semi-finished iron & steel.
- India's imports from Indonesia reported an increase of 15.8% in 2007-08 to US\$ 4,826.2 mn from US\$ 4,166.3 mn in 2006-07, mainly driven by increased imports of vegetable oil, petroleum crude, and coal, coke & briquettes.
- Thus, India's trade deficit with Indonesia increased to US\$ 2,767 mn in 2007-08 from US\$ 2,139.6 mn in the previous year.
- The main products exported by India to Indonesia during 2007-08, were dyes, intermediates & coal tar chemicals (US\$ 295.1 mn), primary & semi-finished iron & steel (US\$ 232.2 mn), oil-meals (US\$ 211.6 mn), petroleum products (US\$ 172.7 mn), groundnuts (US\$

113.8 mn), cotton raw including waste (US\$ 113.2 mn), non-ferrous metals (US\$ 96.7 mn), inorganic / organic / agro-chemicals (US\$ 93.3 mn), and machinery & instruments (US\$ 92.7 mn).

- The important items of imports from Indonesia during 2007-08 were edible vegetable oils (US\$ 1,551.7 mn), coal, coke & briquettes (US\$ 1,311.1 mn), metalliferous ores & metal scrap (US\$ 321.1 mn), petroleum crude (US\$ 267 mn), organic chemicals (US\$ 135.5 mn), pulp & waste paper (US\$ 98.6 mn), natural rubber (US\$ 82.5 mn), electronic goods (US\$ 79.4 mn), and iron & steel (US\$ 68.2 mn).

### **Recent Developments and Outlook**

- Indonesia's real GDP growth is expected to slow to a ten-year low of 1.9% in 2009, owing to the global economic recession. However, a small recovery is expected in 2010, when real GDP expands by 2.2%.
- The government's fiscal deficit is expected to widen to an average 2.8% of GDP in 2009-10 following the introduction of a Rp 71.3 trn (US\$ 6.1 bn) stimulus package aimed at supporting domestic demand.
- The rupiah is expected to depreciate by 19.3% on an annual average basis in 2009, to Rp 12,066: US\$ 1, and further by 0.7% in 2010, to Rp 12,150: US\$ 1.
- The current-account surplus is expected to narrow to US\$ 141 mn (0.2% of GDP) in 2009, before widening to US\$ 2.7 bn (0.6% of GDP) in 2010.

***Indonesia: Economic Structure***

<b><i>Economic Indicators</i></b>	<b><i>2004</i></b>	<b><i>2005</i></b>	<b><i>2006</i></b>	<b><i>2007</i></b>	<b><i>2008<sup>b</sup></i></b>
GDP at market prices (Rp trn)	2,295.8	2,774.3	3,339.5	3,957.4	4,774.0
GDP (US\$ bn)	256.8	285.9	364.6	432.9	490.4
Real GDP growth (%)	5.0	5.7	5.5	6.3	6.1
Consumer price inflation (avg, %)	6.1	10.5	13.1	6.3	10.3
Population (mn)	226.0	228.9	231.8	234.7	237.5
Exports f.o.b. (US\$ bn)	70.8	87.0	103.5	118.0	139.8
Imports f.o.b. (US\$ bn)	50.6	69.5	73.9	85.0	116.6
Current account balance (US\$ bn)	1.6	0.27	10.8	11.0	1.9
Total international reserves (US\$ bn)	36.3	34.7	42.6	56.9	53.6
External Debt (US\$ bn)	139.4	130.7	131.0	140.4	144.0
Average exchange rate (Rp: US\$) (Local currency is Rupiah)	8,938	9,704	9,159	9,141	9,734

*b- Estimates**Source: EIU country Report.*