

Section 3



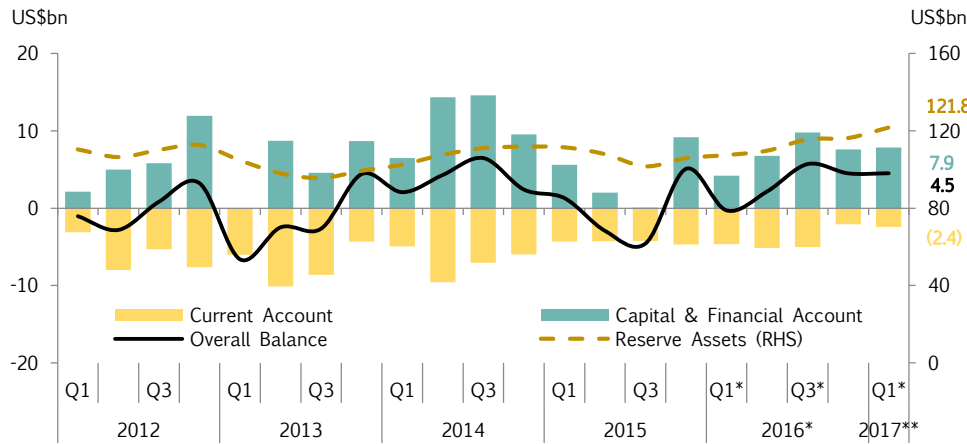
External Factor: Improved External Resilience



A Narrower, Structurally-Stronger Current Account Deficit

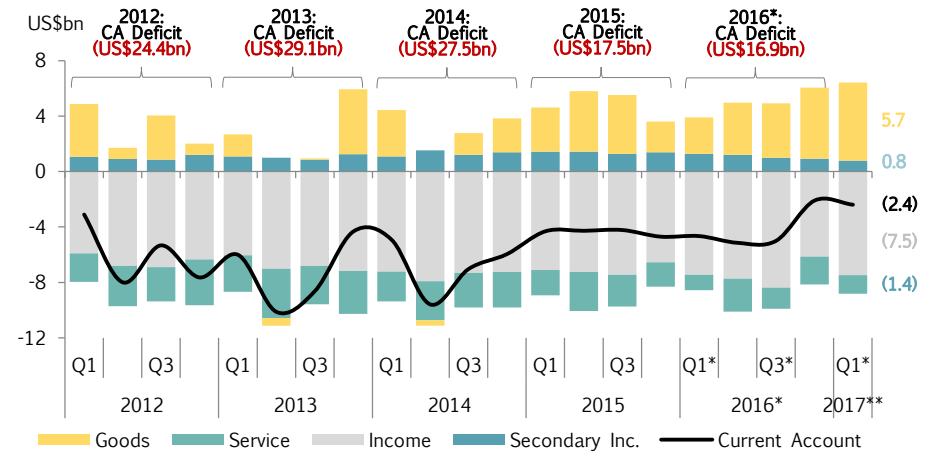


Strong Balance of Payments



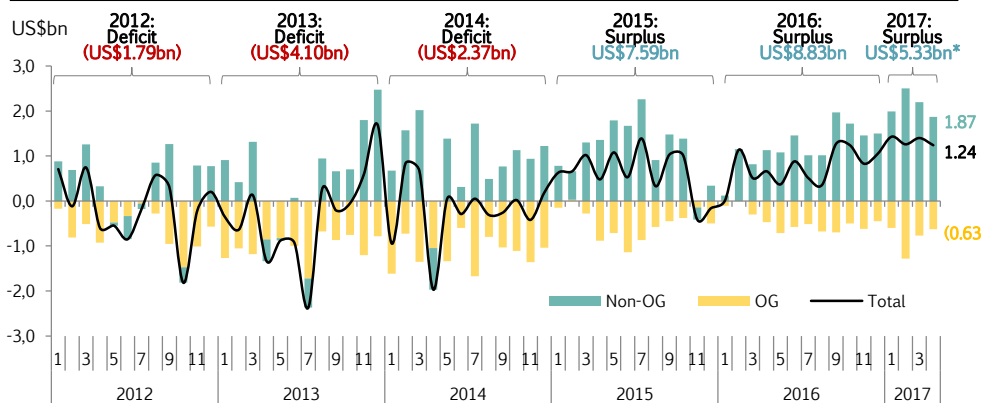
Source: Bank Indonesia

Improving Current Account Deficit



Source: Bank Indonesia

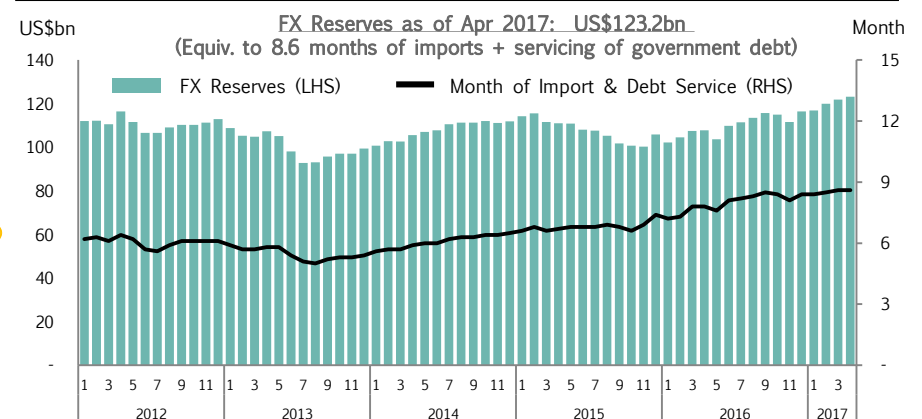
Trade Balance Surplus Continues



* Preliminary Figure ** Very Preliminary Figure

Source: BPS

Supported by Substantial FX Reserves to Mitigate External Challenges

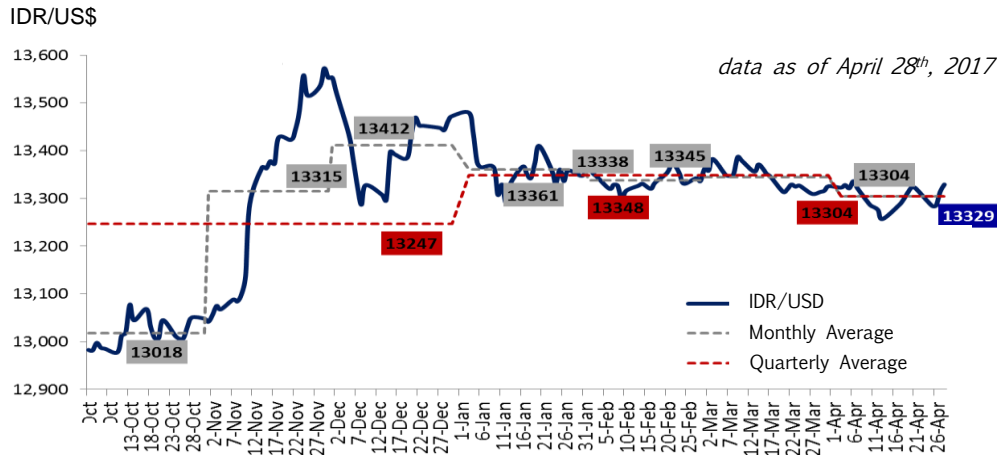


Source: Bank Indonesia

Exchange Rate In Line with Fundamentals



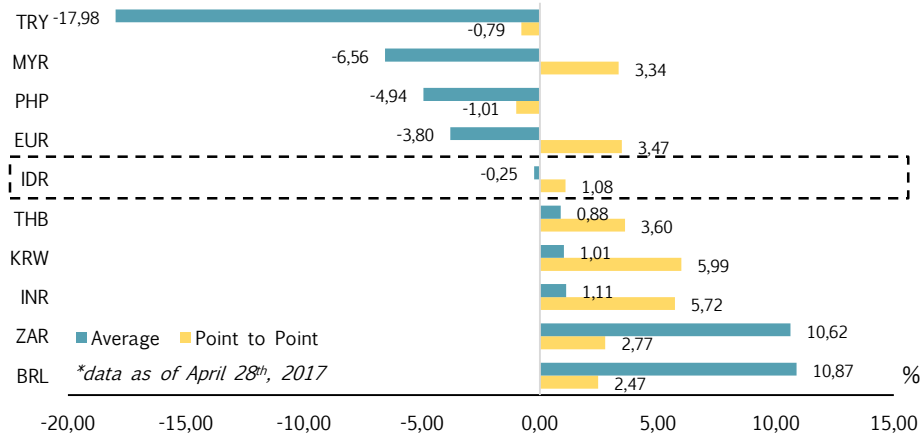
Stable Movement of Rupiah



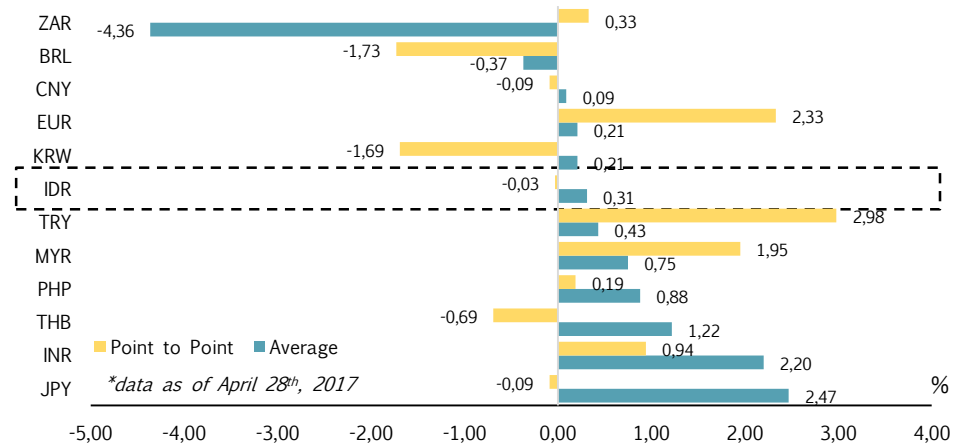
The Rupiah remained stable throughout April 2017, closing at Rp13,329/USD. Rupiah appreciation was driven by maintained non-resident capital inflows after the sovereign rating outlook was upgraded, solid macroeconomic data was released and positive sentiment regarding the domestic economic outlook prevailed.

Rupiah Exchange Rate Fared Relatively Well Compared to Peers

YTD 2017* vs 2016



Apr vs Mar 2017



Source: Bank Indonesia

Ample Lines of Defense Against External Shocks



Ample Reserves

FX Reserve

- Ample level of FX reserves to buffer against external shock
- FX Reserves as of April 2017: US\$123.2 billion

Swap Arrangement

Bilateral

Japan

- US\$22.76 billion swap line with Japan currently in place
- The size of the swap line was increased from US\$12 bn in December 2013

South Korea

- Renewed a 3 year KRW/IDR swap arrangement with the size of up to 10.7 tn KRW/IDR115 tn in March 2017

Australia

- Established a 3 year A\$/IDR swap arrangement with the size of up to A\$10 bn or IDR100 tn in Dec. 2015

Regional

Chiang Mai Initiative Multilateralization (CMIM) Agreement

- Entitled to a maximum swap amount of US\$ 22.76 bn under the ASEAN+3 (Japan, China, and Korea) FX reserves pool created under the agreement
- Came into effect in 2010 with a pool of US\$120 bn
- Doubled to US\$240 bn effective July 2014

Global

IMF Global Financial Safety Net - GSFN

- Indonesia is entitled to access IMF facilities for crisis prevention to address potential (actual) BOP problem
- Such facilities include Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL)

Measures to Manage External Volatility



Pre-emptive Measures

- Implementing Crisis Management Protocol (CMP)
- Implementing Bond Stabilization Framework (BSF)
- Enhancing coordination between government institutions and continuous dialogue with market participants
- Specific policies in place to address crises enacted in 2017 budget law
- Swap facility arrangements based on international cooperation

Crisis Management Protocol

- Indicators to determine crisis level of Government Securities Market condition (normal, aware, alert, crisis)
- Several market indicators that are monitored daily:
 - Yield of benchmark series;
 - Exchange rate;
 - Jakarta Composite Index;
 - Foreign ownership in government securities
- Policies to address the crisis at every level :
 - Repurchase the government securities at secondary market
 - Postpone or stop the issuance

Bond Stabilization Framework

First Line of Defense

State's Budget	Buyback fund at DG of Budget Financing and Risk Management
	Investment fund at Public Service Agency (BLU) (min. level Aware)
State Owned Enterprises's Budget	Related SoE (min. level Aware)
Social Security Organizing Agency (BPJS)'s Budget	BPJS (min. level Aware)

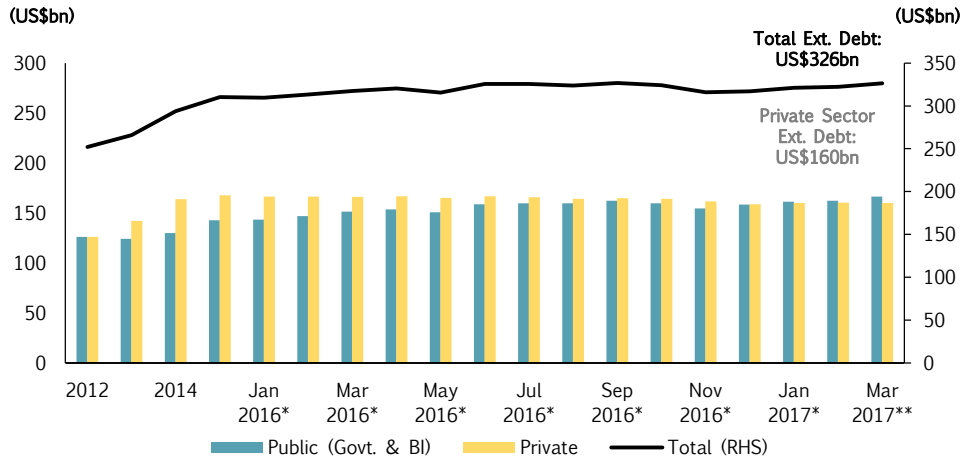
Second Line of Defense

State's Budget	State General Treasury Account (Rekening KUN) (min. level Alert)
	Accumulated cash surplus (SAL) (min. Level Crisis)
State Owned Enterprises's Budget	Related SoE (min. level Alert)
Social Security Organizing Agency (BPJS)'s Budget	BPJS (min. level Alert)

Strengthened Private External Debt Risk Management

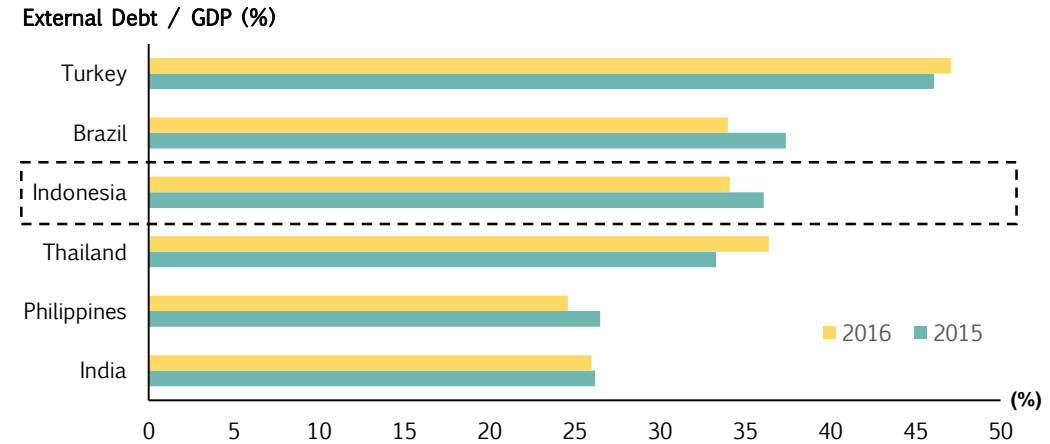


Despite Increasing Trend of External Debt



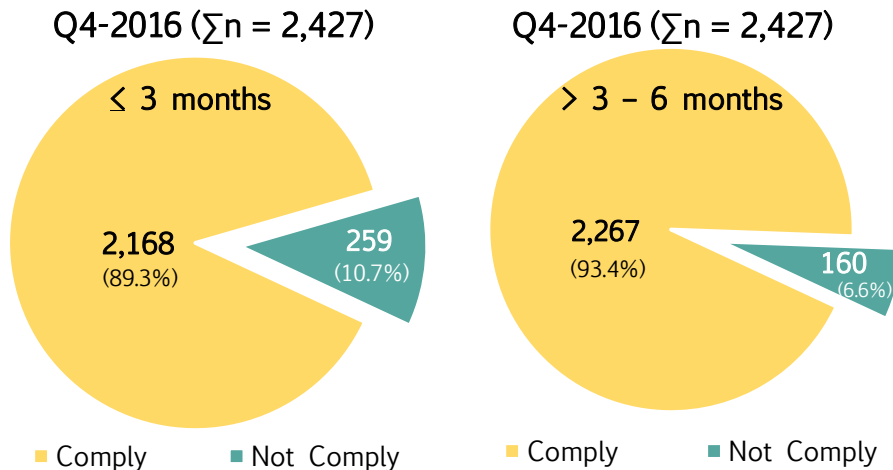
Source: External Debt Statistics of Indonesia, May 2017

Debt Burden Indicator (External Debt / GDP) Remains Comparable to Peers



Source: Moody's Statistical Handbook, May 2017

Encouraging Corporates Compliance

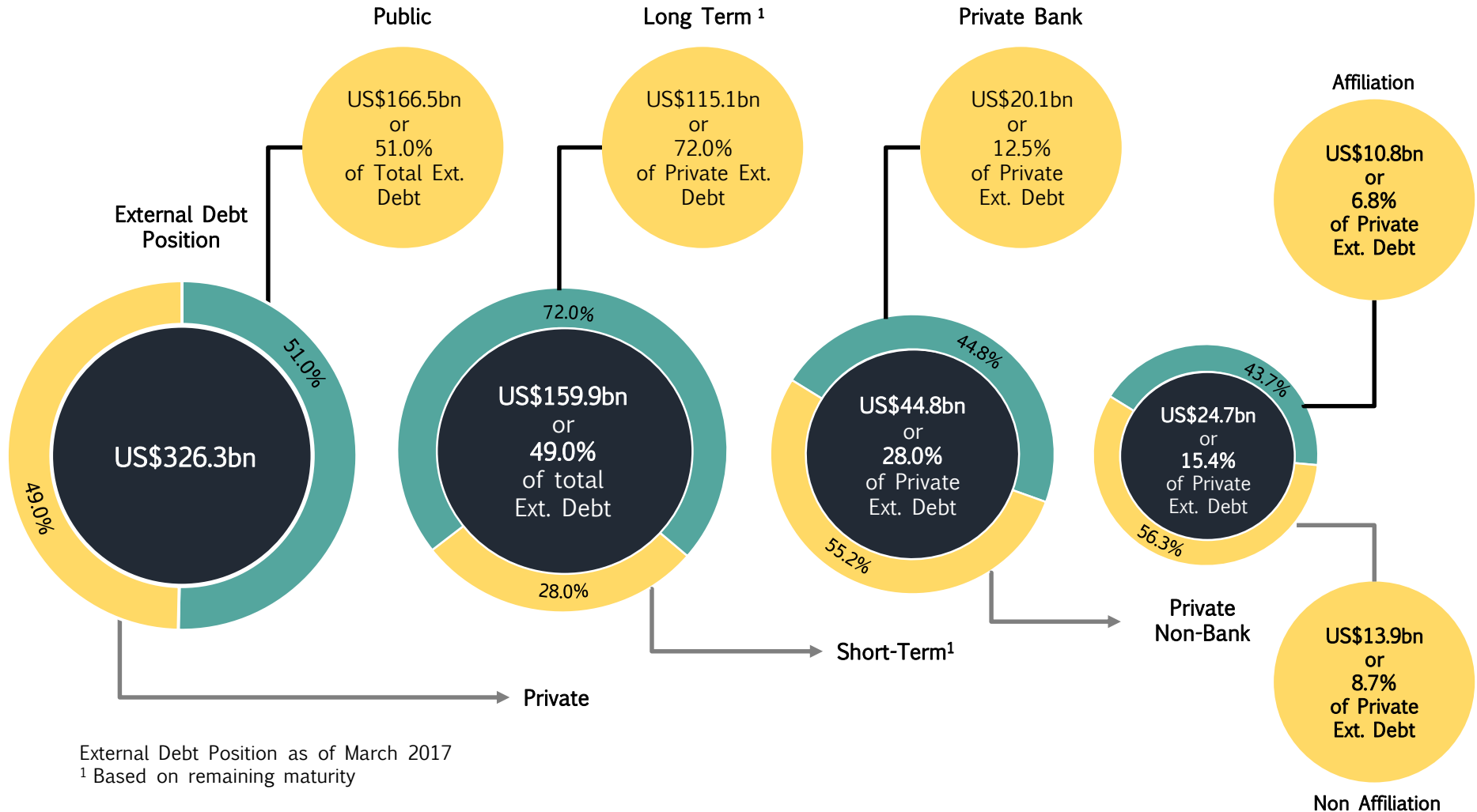


Source: Bank Indonesia

Regulation Key Points	Phase 1 Jan 1, 2015 – Dec 31, 2015	Phase 2 Jan 1, 2016 – Dec 31, 2016	Phase 3 Jan 1, 2017 and beyond
Object of Regulation	Governs all Foreign Currency Debt		
Hedging Ratio			
≤ 3 months	20%*		25%**
> 3 – 6 months	20%*		25%**
Liquidity Ratio (≤ 3 months)	50%		70%
Credit Rating	Not applicable	Minimum rating of BB-	
Hedging transaction to meet hedge ratio	not necessarily be done with a bank in Indonesia		Must be done with a bank in Indonesia
Sanction	As of Q IV-2015	Applied	

Manageable External Debt Profile

...short term non-bank corporate debt (non affiliation) represents only 8.7% of total private external debt



External Debt Position as of March 2017

¹ Based on remaining maturity

Source: External Debt Statistics of Indonesia, May 2017