Section 2



Economic Factor:
Strong and Stable Growth Prospects
Remain Intact



















Conducive Environment Underpinning Strong Growth Fundamentals



Largest Economy in South East Asia 4th Most
Populous country
in the World;
64% in
productive age

Manageable Inflation Rate Growing Middle Income Class

From commodity-based to manufacturing and service sectors via infrastructure development

From consumption-led to investment-led growth via a stronger manufacturing sector and more investment initiatives

Policies to maintain purchasing power to stimulate domestic economy in the midst of weakening macroeconomic conditions Large and Stable Economy



New Economic Structure Consistent Budget Reform

Reform-Oriented Administration

High Infrastructure Investments

Budget reform as a part of larger economic reform initiative

Fuel subsidies significantly reduced and spending redirected to more productive allocation Tax base to be broadened from one reduce dependency on commodities

Prudent debt management

Three main sources of financing for investment needs: State and regional budget, State Owned Enterprises and PPP

Continuing from 2015 policy, infrastructure will be higher than fuel subsidy

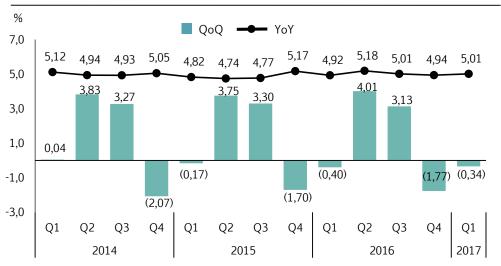
Infrastructure spending focused on basic infrastructure projects

Fiscal and non-fiscal incentives to attract infrastructure investment and promote PPP

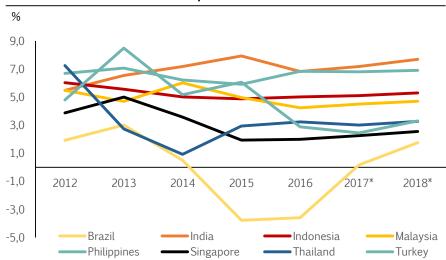
Indonesia's Strong GDP



Strong GDP Growth¹



Favourable GDP Growth Compared to Peers²



GDP Growth Based on Expenditures (%, YoY)1

By expenditure	2014				2015						2017					
	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot.	Q1
HH. consumption	5.2	5.2	5.1	5.1	5.1	5.0	5.0	5.0	4.9	5.0	5.0	5.1	5.0	5.0	5.0	4.9
Non profit HH. consumption	23.2	22.4	5.8	(0.5)	12.2	(8.1)	(8.0)	6.6	8.3	(0.6)	6.4	6.7	6.6	6.7	6.6	8.0
Government consumption	6.1	(1.8)	1.2	0.9	1.2	2.9	2.6	7.1	7.1	5.3	3.4	6.2	(2.9)	(4.0)	(0.1)	2.7
Gross Fixed Cap. Formation	5.4	4.0	4.4	4.1	4.4	4.6	4.0	4.9	6.4	5.0	4.7	4.2	4.2	4.8	4.5	4.8
Exports	3.1	1.5	4.9	(4.4)	1.1	(0.7)	(0.3)	(0.9)	(6.4)	(2.1)	(3.3)	(2.2)	(5.6)	4.2	(1.7)	8.0
Imports	5.1	0.4	0.2	3.0	2.1	(2.6)	(7.4)	(6.6)	(8.7)	(6.4)	(5.1)	(3.2)	(3.7)	2.8	(2.3)	5.0
GDP	5.1	4.9	4.9	5.0	5.0	4.8	4.7	4.8	5.2	4.9	4.9	5.2	5.0	4.9	5.0	5.0

Growth Prospect

Institutions	2017 GDP growth (%YoY)
2017 Budget	5.1
Bank Indonesia	5.0-5.4
IMF	5.1
World Bank	5.3
ADB	5.1
Consensus Forecast (May 2017)	5.2

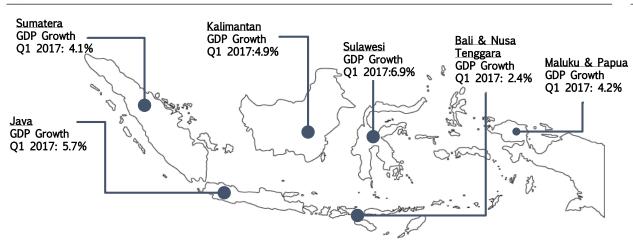
- 1. Source: Central Bureau of Statistics of Indonesia (BPS)
- 2. Source: World Economic Outlook Database April 2017; * indicates estimated figure

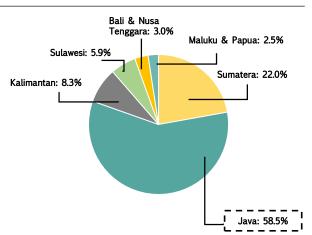
Strong and Stable GDP Performance



Spatial GDP Growth

Spatial GDP Growth Contribution





Contributors to GDP Growth by Sector (%, YoY)

	2014					2015						2017				
By sectors	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot.	Q1	Q2	Q3	Q4	Tot.	Q1
Agriculture, forestry, and fishery	5.2	4.9	3.6	3.3	4.2	3.8	6.5	2.9	1.6	3.8	1.5	3.4	3.0	5.3	3.3	7.1
Mining	(1.2)	0.7	0.7	1.5	0.4	0.6	(3.6)	(4.4)	(6.0)	(3.4)	1.2	1.2	0.3	1.6	1.1	(0.5)
Industrial processing	4.5	4.9	5.0	4.2	4.6	4.1	4.2	4.6	4.4	4.3	4.7	4.6	4.5	3.4	4.3	4.2
Construction	7.2	6.5	6.5	7.7	7.0	6.0	5.4	6.8	7.1	6.4	6.8	5.1	5.0	4.2	5.2	6.3
Big traders, wholesale, retail	6.1	5.1	5.2	4.4	5.2	3.8	1.6	1.4	3.7	2.6	4.1	4.1	3.6	3.9	3.9	4.8
Transportation and warehousing	7.0	7.6	7.7	7.2	7.4	5.8	5.9	7.3	7.7	6.7	7.9	6.9	8.3	7.9	7.7	7.6
Information and communication	9.9	10.7	9.8	10.1	10.1	9.7	9.3	10.6	9.2	9.7	7.6	9.3	9.0	9.6	8.9	9.1
Financial service and insurance	3.6	5.5	1.9	7.9	4.7	8.6	2.6	10.4	12.8	8.6	9.3	13.6	9.0	4.2	8.9	5.7
Other Services	8.4	9.5	9.5	8.4	8.9	8.0	8.1	8.1	8.2	8.1	7.9	7.9	7.7	7.7	7.8	8.0
GDP	5.1	4.9	4.9	5.0	5.0	4.8	4.7	4.8	5.2	4.9	4.9	5.2	5.0	4.9	5.0	5.0