

Euler Hermes upgrades Indonesia's country rating, outlines growth-oriented reforms for incoming Widodo government

SINGAPORE - 14 OCTOBER 2014 – Euler Hermes, the worldwide leader in trade credit insurance, has upgraded [Indonesia's country rating](#) to 'B2', citing reduced political uncertainties following July presidential elections, the decrease in currency volatility and continued healthy domestic consumption.

"The market is expecting the new government to focus on raising national savings to finance domestic investment, speed up business environment reforms and a rise in infrastructure expenditures to make the country more attractive for long term investors," said Mahamoud Islam, senior Asia economist at Euler Hermes. "These initiatives would reduce dependence on short-term capital inflows, therefore reducing vulnerability to exchange rate shocks."

Euler Hermes economists expect the country's GDP growth to clock in at +5.2% for the full year 2014 and +5.8% in 2015. A demographic landscape featuring a large young population, abundant natural resources and a track record of solid fiscal policies all remain in Indonesia's favour.

Its rating report also noted that President-elect Joko Widodo is benefitting from goodwill from domestic and international investors, but that a host of reform initiatives now await speedy execution. China and Japan account for nearly 30% of Indonesia's total exports, yet structural challenges in both countries have already led to decelerated demand. As external trade becomes a somewhat weaker pillar of Indonesia's growth, reforms that foster domestic investment take on greater urgency.

Growing the tax base from the currently 23 million people who do pay taxes to the 70 million that should pay taxes will be another key early government objective linked to strengthening public finance and thus consolidating investor confidence.

Adding to confidence in the state of the economy are high industrial capacity utilization rates and positive business surveys in recent weeks, suggesting that the domestic market has so far risen to the challenge of carrying wider economic growth. In addition, risk of non-payment has declined for businesses.

"Our presence and business portfolio in Indonesia has been rapidly growing in the past 12 months. This country rating upgrade, coupled with our continued investments in the local market, will enable Euler Hermes to serve our clients even better in this largest ASEAN economy," added Victor Jiang, ASEAN CEO, Euler Hermes.

Note to editors:

As a leading global credit insurer, Euler Hermes measures economic imbalances, the quality of the business climate, and the likelihood of political hazards through country grading system. On a six-level scale running from AA to D, AA being the highest and D the lowest, the country grade indicates the likelihood of non-payment by a company in a given country, an important factor in many business decisions.

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