19-I-0083
Initial Release: January 31, 2020
Correction: February 4, 2020

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit ratings.

Republic of Indonesia (security code: -)

<Rating Change>

Foreign Currency Long-term Issuer Rating:	from BBB to BBB+
Outlook:	from Positive to Stable
Local Currency Long-term Issuer Rating:	from BBB+ to A-
Outlook:	from Positive to Stable
Bonds:	from BBB to BBB+

Rationale

(1) Indonesia is Southeast Asia's largest archipelagic country with the world's fourth-largest population (267 million in 2019). The ratings mainly reflect the country's solid domestic consumption-led economic growth, restrained budget deficit and public debt, and resilience to external shocks supported by flexible exchange rate and credible monetary policies and accumulation of foreign exchange reserves. Since its previous rating review, JCR has been paying particular attention to the continuing reform initiatives pushed by the administration of President Joko Widodo and the content and progress of the economic policy taken by his second administration which took office in October 2019. Among the reform agenda, infrastructure development has continued to progress faster than JCR had expected. On the fiscal front, the government has continued to implement fiscal expenditure reforms and curtailing budget deficits with adherence to restraining fuel subsidies. Indonesia's economic and fiscal bases have been strengthened under his administration. The second Joko Widodo administration has been stepping up efforts to address long-term challenges including simplification of regulations through its plan to issue "Omnibus Law" to facilitate foreign direct investment, in addition to the development of infrastructure and human capital. Moreover, his administration's political base has been reinforced as the largest opposition party has joined the ruling coalition, further strengthening the momentum of its economic policy. Based on the above, JCR has upgraded its ratings by one notch and changed the outlook to Stable. JCR has also upgraded its country ceiling for Indonesia by one notch to "A-".

(2) The infrastructure development, which the first Joko Widodo administration started as its top priority in October 2014, has been making steady headway. Projects designated as National Strategic Projects totaled approximately USD 310 billion (about 27% of GDP), with some 40% of them completed during the administration's first four-year term. The administration has been easing its fiscal burden by procuring about 60% of the funding requirements for the projects from the private sector. The second Joko Widodo administration clarified its stance to further strengthen its reforms by defining five priority agenda: (i) infrastructure development, (ii) human resource development, (iii) regulatory simplification through the issuance of Omnibus Law, (iv) bureaucratic reforms and (v) economic structural reforms aimed to reduce the country's dependence on natural resources. In particular, the Omnibus Law, which is still under preparation, is an ambitious effort to integrate the amendments of more than 80 laws, which act as barriers to investment, into one law in an attempt to remove those barriers at once. The draft Law is highly likely to be enacted by the end of the year under the president's strong leadership. JCR believes that with the ruling coalition's political base strengthened, the economic reforms will accelerate under the second Joko Widodo administration. Although the domestic economy has been decelerating due to adverse impact of the overseas economic developments, it is seen to have grown around 5% in 2019, supported by the successive policy rate cuts by the central bank.

(3) The country's current account deficit has been widening in recent years due mainly to increased imports of capital goods necessitated by the infrastructure development, reaching an estimated level equivalent to upper 2% of GDP in 2019. The Joko Widodo administration intends to more forcefully pursue deregulation under the expected Omnibus Law in its second term so as to offset the expansion of the current account deficit with the increased direct investment. JCR will closely watch how that initiative will progress. Meanwhile, the external borrowing by the private sector has been increasing again in recent years in keeping with the progress in the infrastructure

development. However, the majority of the debt is for longer terms, with short-term loans kept curbed by the regulations imposed by the central bank. Indonesia stays reasonably resilient to external shocks as its foreign exchange reserves are approximately 2 times the short-term external debt and equivalent to around seven months of imports. The central bank has responded to the difficult issue of balancing between maintaining external stability and sustaining domestic economic growth momentum through accommodative monetary and macroprudential policies, further strengthening payment system policy and financial market deepening, as well as coordination with the government and other relevant authorities. Since the beginning of 2019, it has been seeking to prop up credit supply by banks through combination of consecutive policy rate cuts and relaxation of macroprudential policies, against the backdrop of the stability of the external balance including exchange rates.

(4) The country's fiscal soundness has been maintained as the central government debt remains restrained to about 30% of GDP although the budget deficit widened to 2.2% of GDP in 2019 (preliminary) amid the economic slowdown. President Joko Widodo is poised to continue a policy to secure fiscal resources for infrastructure and human capital development expenditures through curtailment of fuel subsidies, which proved successful during his first term, in order to ensure fiscal consolidation during his second term. JCR considers that his administration has bared fairly feasible plans to cut the fiscal deficit to 1.76% of GDP in its 2020 budget and to hold down the central government debt to less than 30% of GDP under its Medium-Term Fiscal Framework. While continuing to face the need of financial deepening, Indonesian banks have been retaining their soundness, with their capital adequacy ratio and NPL ratio standing at 23.66% and 2.77%, respectively, at the end of November 2019.

Atsushi Masuda, Shinichi Endo

Rating

Issuer: Republic of Indonesia

<Rating Change>

Foreign Currency Long-term Issuer Rating: BBB+ Outlook: Stable

Local Currency Long-term Issuer Rating: A- Outlook: Stable

Issue	Amount (mn)	Issue Date	Due Date	Coupon	Rating
Series F (2015)	JPY 22,500	August 13, 2015	August 13, 2020	1.38%	BBB+

Rating Assignment Date: January 28, 2020

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

Outline of methodology for determination of the credit rating is shown as "Sovereign and Public Sector Entities" (November 7, 2014) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

The aforementioned long-term issuer credit ratings are unsolicited. Except in cases of a credit rating for a sovereign, JCR indicates affix "p" after a rating symbol to distinguish it from a rating with solicitation. The undisclosed information, which has material influence on the credit rating, was obtained from the rating stakeholder.

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

This press release is a corrected release dated February 4, 2020 because there was a mistake as shown below in the initial release on January 31, 2020.

Rationale
(2)

Wrong	about 2.7 times of GDP
Correct	about 27% of GDP

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Republic of Indonesia
Rating Publication Date:	January 31, 2020

1 The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

2 The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

3 The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Economic Base
The likelihood of a given debt payment is highly conditional to the issuing government's ability to maintain/expand the economic base into the future with maintaining soundness of financial systems.

B) Fiscal Base
The likelihood of a given debt payment is highly correlated to fiscal balance, public debt and other factors of the issuing government's fiscal condition.

C) External Positions
The likelihood of a given debt payment is highly correlated to the liquidity positions which change along with the international balance of payments and the international investment position.

D) Social and Political Bases and Economic Policy
The likelihood of a given debt payment is highly conditional to the social and political stability, effectiveness of economic and monetary policies as well as international economics.

E) Related Parties' Stance of Support/ Assistance for the Government

The likelihood of a given debt payment is affected by the stance of the credit enhancement provider and other related parties with regard to their stance of support/ assistance for the issuing government.

F) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuing government's will, and/ or its rank relative to other debts of the same government in the order of seniority in principal/ interest payment which is determined by design as financial product or by international practice, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

  A) Informational and explanatory materials presented by the rating stakeholders with regard to the economy and fiscal management policy, etc. of the issuing government

  B) Statistics and reports published by an independent organization with regard to the economy and fiscal status, etc. of the issuing government

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR does not receive payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Economic Base

The credit rating is subject to alteration if there is an improvement or deterioration of the issuer's economy or financial systems, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

B) Fiscal Base

The credit rating is subject to alteration if the issuer increases/ decreases its fiscal deficit/ surplus and its public debt and thereby makes given debt payment liability less/ more bearable. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

C) External Positions

The credit rating is subject to alteration if there is a change in the issuer's international balance of payments and international investment position and thereby an improvement/ deterioration of its liquidity positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Social and Political Bases and Economic Policy

The credit rating is subject to alteration if there is a change in the issuer's social and political conditions or economic/ monetary policies, etc. and thereby an improvement/ deterioration of its economy and fiscal positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

E) Related Parties' Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the credit enhancement provider or other related parties with regard to their stance of support/ assistance for the issuing government and thereby an improvement/ deterioration of its economy, fiscal positions and liquidity positions. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

F) Order of Seniority in Debt Payment

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts, due to improvement/ deterioration of the issuer's fiscal condition and/or will. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

G) International Economies

The credit rating is subject to alteration if there is a change in the international economies, commodity or foreign exchange markets, etc. and thereby, through international balance of payments, an improvement/ deterioration in the issuer's fiscal balance or debt payment capacity. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

H) Various Events

The credit rating is subject to alteration on occurrence of various events, such as domestic unrest, war, natural disaster, etc. which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's economy, fiscal positions, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12 Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:
https://www.jcr.co.jp/en/service/company/regu/nrsro/

13 Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Economic Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's economy or financial systems, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's economy or financial systems on some drastic change in environments, etc.

B) Fiscal Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's fiscal conditions in terms of annual balance or public debt. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's fiscal condition on some drastic change in its economy.

C) External Positions

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions reflecting improvement or deterioration of the international balance of payments and the international investment position. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in the country's economic/ fiscal conditions and financing activities, etc.

D) Social and Political Bases and Economic Policies

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's social and political bases and economic/ monetary policies. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the country's situation changes drastically, making the issuer's social and political bases and economic/monetary policies significantly improved or deteriorated.

E) International Economics

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of the international economies or commodity/ foreign exchange markets, etc. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14 Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

・ The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Republic of Indonesia	Issuer(Long-term)(LC)	May 26, 2004	B+	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	September 21, 2006	BB	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	September 6, 2007	BB+	Positive
Republic of Indonesia	Issuer(Long-term)(LC)	September 25, 2008	BB+	Positive
Republic of Indonesia	Issuer(Long-term)(LC)	February 5, 2009	BB+	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	July 7, 2009	BBB-	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	July 13, 2010	BBB	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	August 24, 2011	BBB	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	November 13, 2012	BBB	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	July 22, 2013	BBB	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	October 22, 2014	BBB	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	February 1, 2016	BBB	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	March 7, 2017	BBB	Positive
Republic of Indonesia	Issuer(Long-term)(LC)	February 8, 2018	BBB+	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	April 26, 2019	BBB+	Positive
Republic of Indonesia	Issuer(Long-term)(FC)	October 25, 2002	B	
Republic of Indonesia	Issuer(Long-term)(FC)	May 26, 2004	B+	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	September 21, 2006	BB-	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	September 6, 2007	BB	Positive
Republic of Indonesia	Issuer(Long-term)(FC)	September 25, 2008	BB	Positive
Republic of Indonesia	Issuer(Long-term)(FC)	February 5, 2009	BB	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	July 7, 2009	BB+	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	July 13, 2010	BBB-	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	August 24, 2011	BBB-	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	November 13, 2012	BBB-	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	July 22, 2013	BBB-	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	October 22, 2014	BBB-	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	February 1, 2016	BBB-	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	March 7, 2017	BBB-	Positive
Republic of Indonesia	Issuer(Long-term)(FC)	February 8, 2018	BBB	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	April 26, 2019	BBB	Positive
Republic of Indonesia	Japanese Yen Bonds Series F	August 4, 2015	BBB-	
Republic of Indonesia	Japanese Yen Bonds Series F	February 1, 2016	BBB-	
Republic of Indonesia	Japanese Yen Bonds Series F	March 7, 2017	BBB-	
Republic of Indonesia	Japanese Yen Bonds Series F	February 8, 2018	BBB	
Republic of Indonesia	Japanese Yen Bonds Series F	April 26, 2019	BBB	

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Atsushi Masuda, have responsibility to this Rating Action and to the best of my knowledge:

A) No part of the credit rating was influenced by any other business activities.

B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.

C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

Atsushi Masuda
General Manager of International Rating Department

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026