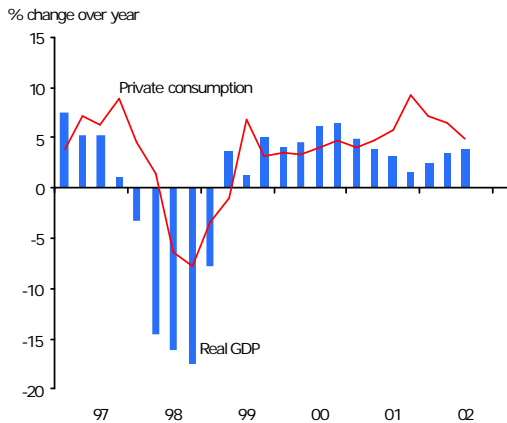


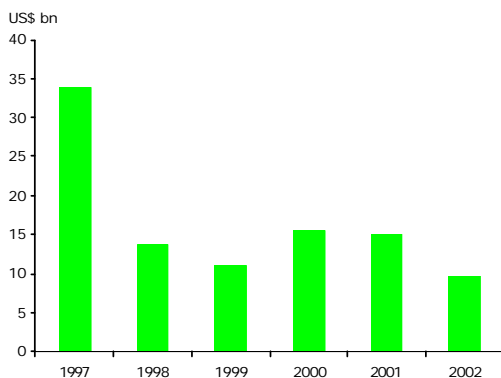
Country Update: Indonesia

Private consumption the main driver of growth



Source: Datastream

Lower foreign investment approvals due to risk and operational concerns



nb : excludes oil & gas and finance-related institutions

Source : Investment Coordinating Board (BKPM)

Economic data and debt statistics

Indonesia	1997	1998	1999	2000	2001	2002e	2003f	2004f
Economic growth (%)	4.5	-13.2	0.8	4.9	3.3	3.6	3.5	4.5
Inflation (yr av, %)	6.2	58.4	20.5	3.7	11.5	11.9	11.0	8.0
Public Sector Balance (% of GDP)	-0.7	-2.8	-1.1	-3.1	-3.6	-1.6	-1.8	
Current Account Balance (% of GDP)	-2.3	4.3	4.1	5.2	4.7	3.7	3.4	
External Debt (USD bn)	136.2	151.2	150.8	141.8	132.6	130.2	129.3	
External Debt/GDP Ratio (%)	63.1	158.5	107.2	93.2	91.3	72.3	63.1	
External Debt/Exports Ratio (%)	206.9	262.0	256.4	190.9	201.8	218.3	205.4	
Short-term Debt/Reserves (%)	198.1	88.6	75.7	77.0	71.9			
Debt Service Ratio (Paid) (%)	30.0	31.7	30.4	25.3	30.1			
Debt Service Ratio (Due) (%)	30.0	36.4	36.9	26.8	32.8	25.1	19.8	
International Reserves (USD bn)	16.6	22.7	26.4	29.4	27.2	29.2*		
Import Cover (g & s) (months)	3.2	6.2	7.5	6.4	6.5			

*: September 2002

Sources: IMF, Economist Intelligence Unit, ANZ Bank

- Indonesia made important political and economic progress in 2002. A peace agreement with the Free Aceh Movement was successfully negotiated, although it is fragile, and investigations into the Bali bombings have advanced quickly. Political stability will remain a priority as separatist and religious tensions persist. The December IMF loan disbursement acknowledged continued progress in reform implementation. IMF assistance is scheduled to end by December 2003 under the current program. Disagreements within the cabinet over the need for further IMF assistance have escalated. Foreign creditors will likely feel more comfortable if the IMF continued to oversee economic reform particularly in the run-up to the 2004 presidential elections.
- Real GDP growth is forecast at 3½% in 2003. Private consumption is still expected to contribute positively to real GDP expansion, albeit at a slower pace. Investment spending is likely to be given a lift from additional development expenditure allocated in the 2003 budget. A fiscal stimulus package worth Rp10.5 tn (US\$1.1 bn or 0.5% of GDP) was endorsed following the Bali bombings in October. Exports are projected to recover gradually as external demand picks up.
- Concerns over inertia in dealing with the judicial system, corruption and security issues as well as operational delays and confusion about regional autonomy, will continue to discourage long-term investment. Foreign direct investment approvals were US\$9.7 bn in 2002, down about 35% from the previous year.