

## IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS UNDER RULE 144A OR (2) ADDRESSEES OUTSIDE OF THE U.S.

**IMPORTANT:** You must read the following before continuing. The following applies to the Supplemental Offering Circular (the **Supplemental Offering Circular**) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Supplemental Offering Circular. In accessing the Supplemental Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR SOLICITATION IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND ANY BEARER SECURITIES ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE OR LOCAL SECURITIES LAWS. IN THE CASE OF BEARER NOTES, THE SECURITIES MAY NOT BE DELIVERED, OFFERED OR SOLD TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **INTERNAL REVENUE CODE**)).

THE FOLLOWING SUPPLEMENTAL OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS SUPPLEMENTAL OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THIS SUPPLEMENTAL OFFERING CIRCULAR. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view this Supplemental Offering Circular or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers (**QIBs**) (within the meaning of Rule 144A under the Securities Act) or (2) outside the United States and (in the case of bearer notes) non-U.S. persons (within the meaning of the Internal Revenue Code). This Supplemental Offering Circular is being sent at your request and by accepting the e-mail and accessing this Supplemental Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) outside the U.S. and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S. and (in the case of bearer notes) not a U.S. person and (2) that you consent to delivery of such Supplemental Offering Circular by electronic transmission.

You are reminded that this Supplemental Offering Circular has been delivered to you on the basis that you are a person into whose possession this Supplemental Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located. If this is not the case, you must return the Supplemental Offering Circular to us immediately. You may not, nor are you authorized to, deliver or disclose the contents of this Supplemental Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

This Supplemental Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Republic, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities Ltd., Standard Chartered Bank, the Dealers, nor any person who controls any of them nor any director, officer, official, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Supplemental Offering Circular distributed to you in electronic format and the hard copy version available to you on request from The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities Ltd. or Standard Chartered Bank.

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**SUPPLEMENTAL OFFERING CIRCULAR TO THE OFFERING  
CIRCULAR DATED JANUARY 9, 2012**



**U.S.\$15,000,000,000  
Republic of Indonesia  
Global Medium Term Note Program**

This Supplemental Offering Circular (the **Supplemental Offering Circular**) is supplemental to, and should be read in conjunction with, the Offering Circular dated January 9, 2012 relating to the U.S.\$15,000,000,000 Global Medium Term Note Program (the **Original Offering Circular**) and, together with this Supplemental Offering Circular, the **Offering Circular**) and all other documents that are deemed to be incorporated by reference therein in relation to the U.S.\$15,000,000,000 Global Medium Term Note Program (the **Program**). Save to the extent defined in this Supplemental Offering Circular, terms defined or otherwise attributed meanings in the Original Offering Circular have the same meaning when used in this Supplemental Offering Circular. References in the Original Offering Circular and this Supplemental Offering Circular to “this Offering Circular” mean the Original Offering Circular as supplemented by this Supplemental Offering Circular. To the extent that the Original Offering Circular is inconsistent with this Supplemental Offering Circular, the terms of this Supplemental Offering Circular will prevail.

Application will be made to the Singapore Exchange Securities Trading Limited (the **SGX-ST**) for permission to deal in and quotation of any Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. The approval in-principle from, and the admission of any Notes to the Official List of, the SGX-ST are not to be taken as an indication of the merits of the Republic, the Program or the Notes. Unlisted Notes may be issued under the Program. The relevant Pricing Supplement in respect of any Series will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or (in the case of Bearer Notes) to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended (the **Internal Revenue Code**)). Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

**HSBC**

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*Arrangers*  
**J.P. MORGAN**

**STANDARD CHARTERED  
BANK**

**BARCLAYS**

*Dealers*  
**BofA Merrill Lynch**

**HSBC**

**J.P. MORGAN**

**STANDARD CHARTERED BANK**

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The date of this Supplemental Offering Circular is April 17, 2012

The Notes have not been and will not be registered under the Securities Act, or any state securities laws, or under the securities laws of any other jurisdiction. The Notes may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or (in the case of Bearer Notes) delivered within the United States or (in the case of Bearer Notes) to, or for the account or benefit of, U.S. persons (as defined in the Internal Revenue Code). See “*Subscription and Sale*” in the Original Offering Circular. The Offering Circular has been prepared by the Republic for use in connection with the offer and sale of Notes outside the United States in reliance upon Regulation S and with respect to the Notes in registered form only, within the United States (i) to QIBs in reliance upon and as defined in Rule 144A or (ii) to a limited number of Institutional Accredited Investors pursuant to and as defined in Section 4(2) of the Securities Act, or (iii) in transactions otherwise exempt from registration. Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the Notes, see “*Notice to Purchasers and Holders of Notes and Transfer Restrictions*” and “*Subscription and Sale*” in the Original Offering Circular.

Purchasers of 4(2) Notes will be required to execute and deliver an investor representation letter. Each purchaser or holder of 4(2) Notes, Notes represented by a Restricted Global Security or any Notes issued in registered form in exchange or substitution therefor will be deemed, by its acceptance or purchase of any such Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “*Subscription and Sale — Selling Restrictions*” in the Original Offering Circular. Unless otherwise stated, terms used in this paragraph have the meanings given to them in “*Forms of the Notes*” in the Original Offering Circular.

Copies of each Pricing Supplement will be available from the office of the Ministry of Finance and from the specified office of the Paying Agent in Singapore.

The Republic has agreed to comply with any undertakings given by it from time to time to the SGX-ST in connection with Notes in a Series to be listed on the SGX-ST and, without prejudice to the generality of the foregoing, shall in connection with the listing of the Notes on the SGX-ST or any other relevant stock exchange, so long as any Note remains outstanding, prepare a supplement to the Offering Circular, or, as the case may be, publish in a new Offering Circular, whenever required by the rules of the SGX-ST or any other relevant stock exchange and in any event (i) if the maximum aggregate principal amount of Notes that may be issued under the Program is increased, (ii) upon the Republic becoming aware that (A) there has been a significant change (including any change to the Description of the Notes in a Series to be listed on the SGX-ST) affecting any matter contained in the Offering Circular or (B) a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in the Offering Circular if it had arisen before the Offering Circular was issued or (iii) if the terms of the Program are modified or amended in a manner which would make the Offering Circular, as supplemented, materially inaccurate or misleading. In the event that a supplement to the Offering Circular is produced pursuant to such undertakings, a copy of such supplement will accompany the Offering Circular. Any such supplement to the Offering Circular will also be available from the specified office of the Paying Agent in Singapore. See “*General Information — Documents on Display*” in the Original Offering Circular.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained in or incorporated by reference to the Offering Circular or any other information provided by the Republic or any other person in connection with the Program or the Notes or their distribution. No Dealer accepts any liability in relation to the information contained or incorporated by reference to the Offering Circular or any other information provided by the Republic in connection with the Program. The statements made in this paragraph are made without prejudice to the responsibility of the Republic under the Program.

No person is or has been authorized to give any information or to make any representation not contained in or not consistent with the Offering Circular, the Program Agreement or any other information supplied in connection with the Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Republic or any of the Dealers.

Neither the Offering Circular nor any other information supplied in connection with the Program or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an offer by the Republic or any of the Dealers that any recipient of the Offering Circular or any other information supplied in connection with the Program or any Notes should purchase any Notes in any jurisdiction where it is unlawful for such person to make such a recommendation or offer. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of the Republic. Neither the Offering Circular nor any other information supplied in connection with the Program or any Notes constitutes an offer or invitation by or on behalf of the Republic or any of the Dealers to any person to whom it is unlawful to make such offer to subscribe for or to purchase any Notes.

Neither the delivery of this Supplemental Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstance imply that the information contained herein concerning the Republic is correct at any time subsequent to the date hereof or the date as of which it is expressed to be given or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Republic during the life of the Program.

The distribution of this Supplemental Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. Neither the Republic nor any of the Dealers represents that this Supplemental Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Republic or the Dealers (except, where Notes are to be listed, for the approval of this document as listing particulars by the SGX-ST) which would permit a public offering of any Notes or distribution of this Supplemental Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Supplemental Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Supplemental Offering Circular or any Notes come must inform themselves about and observe any such restrictions. In particular, there are restrictions on the distribution of this Supplemental Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Singapore, Hong Kong and Japan. For a description of these and certain further restrictions on offers and sales of the Notes and distribution of this Supplemental Offering Circular, see “*Subscription and Sale*” and “*Notice to Purchasers and Holders of Notes and Transfer Restrictions*” in the Original Offering Circular.

The Notes have not been registered with, recommended by or approved or disapproved by the United States Securities and Exchange Commission (the SEC) or any other federal or state securities commission in the United States nor has the SEC or any other federal or state securities commission confirmed the accuracy or determined the adequacy of the Offering Circular. Any representation to the contrary is a criminal offense in the United States. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable federal or state securities laws pursuant to a registration statement or an exemption from registration. See “*Subscription and Sale*” and “*Notice to Purchasers and Holders of Notes and Transfer Restrictions*” in the Original Offering Circular. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

In making an investment decision regarding the Notes, prospective investors must rely on their own examination of the Republic and the terms of the Program, including the merits and risks involved. None of the Dealers or the Republic makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period.

By receiving this Supplemental Offering Circular, investors acknowledge that (i) they have been afforded an opportunity to request and to review, and have received, all information that investors consider necessary to verify the accuracy of, or to supplement, the information contained in the Offering Circular, (ii) they have not relied on the Dealers nor any person affiliated with the Dealers in connection with their investigation of the accuracy of any information in the Offering Circular or their investment decision and (iii) no person has been authorized to give any information or to make any representation concerning the issue or sale of the Notes or the Republic other than as contained in the Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Republic or the Dealers.

## **RESPONSIBILITY STATEMENT**

The Republic accepts responsibility for the information contained in the Offering Circular. Having taken all reasonable care to ensure that such is the case, the information contained in the Offering Circular is, to the best of the knowledge and belief of the Republic, in accordance with the facts and contains no omission likely to affect the import of such information.

**IN CONNECTION WITH THE ISSUE OF NOTES IN ANY SERIES OR TRANCHE UNDER THE PROGRAM, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILIZING MANAGER(S) (EACH, A STABILIZING MANAGER) (OR PERSONS ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES IN SUCH A SERIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION WILL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS. SEE “*SUBSCRIPTION AND SALE*” IN THE ORIGINAL OFFERING CIRCULAR.**

## **NOTICE TO NEW HAMPSHIRE RESIDENTS**

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED (**RSA**), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER SUCH RSA CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

## RECENT DEVELOPMENTS

*This Supplemental Offering Circular must be read in conjunction with the Original Offering Circular dated January 9, 2012. To the extent that the information in the Original Offering Circular is inconsistent with this Supplemental Offering Circular, the terms of this Supplemental Offering Circular will prevail. Any decision to invest in the Notes should be based on a consideration of this Supplemental Offering Circular and the Original Offering Circular as a whole, including any documents incorporated by reference.*

### Overview

Indonesia, the fourth most populous country in the world with a population of approximately 238 million in 2010, is a developing nation in Southeast Asia spread across an archipelago of 17,504 islands. Indonesia is undergoing rapid economic change as it continues its recovery and development following the severe economic shocks it suffered during the Asian financial crisis that began in mid-1997, and which adversely affected several Asian countries. The Republic is simultaneously undergoing fundamental political changes as it transforms itself from a centralized, authoritarian system to a participatory democracy that places greater political power in the hands of local and regional governments.

The following table sets forth certain of the Republic's principal economic indicators for the specified periods. Growth in real GDP and inflation (measured by changes in CPI) are indicated on a year-on-year basis.

### Selected Key Economic Indicators

	Year ended December 31,					
	2006	2007	2008	2009	2010	2011
National account and prices:						
Real GDP growth .....	5.5%	6.3%	6.0%	4.6%	6.2%	6.5%
Per capita GDP (in thousands of rupiah) .....	14,892	17,361	21,425	23,914	27,084	30,813
Per capita GDP (in U.S. dollars) <sup>(1)</sup> .....	1,647	1,922	2,245	2,350	3,010	3,543
Average exchange rate (rupiah per U.S. dollar) .....	9,167	9,140	9,691	10,408	9,087	8,779
Inflation rate (change in CPI) .....	6.6%	6.6%	11.1%	2.8%	7.0%	3.8%
External sector:						
Current account (% of GDP) .....	2.9%	2.4%	0.0%	2.0%	0.7%	0.2%
Fiscal account:						
Budget surplus/(deficit) (% of GDP) .....	(0.9)%	(1.3)%	(0.1)%	(1.6)%	(0.7)%	(1.2)%
External debt of the central government (in trillions of rupiah) .....	610	626	743	817	775	811
Debt service ratio (% of government revenue) .....	24.7%	25.5%	19.6%	24.3%	21.1%	18.9%

Sources: BPS, Bank Indonesia and Ministry of Finance

(1) Per capita GDP in U.S. dollars has been converted from rupiah into U.S. dollars and the U.S. dollar amounts of external debt of the central government have been converted into rupiah at the following exchange rates per U.S. dollar: Rp9,039.7 per U.S. dollar for 2006, Rp9,034.1 per U.S. dollar for 2007, Rp9,545.0 per U.S. dollar for 2008, Rp10,176.9 per U.S. dollar for 2009, Rp8,997.9 per U.S. dollar for 2010 and Rp8,697.1 per U.S. dollar for 2011. These exchange rates are calculated by BPS with reference to the weighted average monthly exchange rates applicable to export and import transactions for each month in a given period.

Economic developments and characteristics in recent periods include:

- substantial economic growth (real GDP growth of 5.5%, 6.3%, 6.0%, 4.6%, 6.2% and 6.5% in 2006, 2007, 2008, 2009, 2010 and 2011, respectively), and projected growth of 6.7% in the 2012 Budget;
- a relatively stable exchange rate (the rupiah exchange rate averaged Rp9,167, Rp9,140, Rp9,691, Rp10,408, Rp9,087 and Rp8,779 to the U.S. dollar in 2006, 2007, 2008, 2009, 2010 and 2011, respectively);
- the CPI in 2011 increased by 3.8% compared to 2010 due primarily to higher prices in major food groups, processed foods, utilities and clothing; annual inflation from March 2011 to March 2012 was 4.0%, which remained relatively stable compared to annual inflation of 3.8% for 2011;
- a balanced and diversified economy with manufacturing; agriculture; trade, hotel and restaurant services; mining and quarrying; and other services as the principal sectors. In 2010 and 2011, the manufacturing sector accounted for the largest portion of GDP (24.8% for 2010 and 24.3% for 2011 at current market prices) followed by agriculture (15.3% for 2010 and 14.7% for 2011 at current market prices) and trade, hotel and restaurant services (13.7% for 2010 and 13.8% for 2011 at current market prices);

- consistently low budget deficits (as a percentage of GDP) of 0.9%, 1.3%, 0.1%, 1.6%, 0.7% and 1.2% for 2006, 2007, 2008, 2009, 2010 and 2011, respectively;
- substantial improvement in public debt management with an overall reduction in the debt service ratio (**DSR**) of 24.7%, 25.5%, 19.6%, 24.3%, 21.1% and 18.9% in 2006, 2007, 2008, 2009, 2010 and 2011, respectively;
- net inflows of foreign direct investment (**FDI**) from 2006 through 2011 despite a challenging global economic environment (net FDI surplus of U.S.\$4.9 billion, U.S.\$6.9 billion, U.S.\$9.3 billion, U.S.\$4.9 billion, U.S.\$13.8 billion and U.S.\$18.2 billion in 2006, 2007, 2008, 2009, 2010 and 2011, respectively);
- a current account surplus from 2006 through 2011 (current account surplus of U.S.\$10.9 billion, U.S.\$10.5 billion, U.S.\$126 million, U.S.\$10.6 billion, U.S.\$5.1 billion and U.S.\$2.1 billion for 2006, 2007, 2008, 2009, 2010 and 2011, respectively); and
- an increase in official foreign reserves of the Republic from 2006 through 2011, which totaled U.S.\$42.6 billion, U.S.\$56.9 billion, U.S.\$51.6 billion, U.S.\$66.1 billion, U.S.\$96.2 billion and U.S.\$110.1 billion at the end of 2006, 2007, 2008, 2009, 2010 and 2011, respectively.

In 2011, the Republic repaid U.S.\$0.9 billion of its Paris Club debt. As of December 31, 2011, Indonesia's remaining Paris Club debt amounted to U.S.\$11.3 billion.

### **Revised 2012 Budget**

On February 29, 2012, the Republic submitted a draft law on the revised 2012 Budget (the **Revised 2012 Budget**) to be approved by the DPR pursuant to Article 42 of Law No. 22 of 2011 on the 2012 State Budget. The DPR approved the Revised 2012 Budget on March 31, 2012. The Revised 2012 Budget will be enacted into law by the earlier of (i) the President's approval and enactment of the Revised 2012 Budget or (ii) May 1, 2012. Once the Revised 2012 Budget is enacted, the Ministry of Finance will issue a decree on the State Budget to specify changes made to the details of the State Budget 2012.

The 2012 Budget was revised early due to the global economic crisis which is projected to adversely affect the Indonesian economy, by, among others, increasing the ICP and budget deficit. The Revised 2012 Budget implements the government's policies in increasing capital expenditures in order to improve domestic connectivity to the eastern Indonesia region, increasing investment in the economic corridor (MP3EI), food sustainability and disaster mitigation, as well as increasing subsidies through subsidized oil and electricity price-cuts. The Revised 2012 Budget also reduces line ministries' expenditures, increases debt financing and increases the use of the government's reserve to finance such expenditures, which results in a larger budget deficit.

In an effort to maintain the Republic's budget deficit at manageable levels in the face of substantially increasing energy subsidy expenditures, the Revised 2012 Budget provides that the Republic may adjust the price of subsidized fuel if average oil prices trade at a premium of at least 15% over the Republic's budgeted rate of U.S.\$105 per barrel over a six month period. Such adjustment may result in increases in domestic prices of fuel products. In the event the Republic adjusts the price of subsidized fuel, the Republic will be required to provide a transportation subsidy and a direct cash transfer program to under-privileged residents. The Republic will also be required to improve rural infrastructure. The Republic has experienced public protests in Jakarta and other parts of the country against proposed fuel price increases, and there can be no assurance that there will not be further public protests or other domestic unrest in connection with any future adjustments to the price of subsidized fuel. In addition, in early April 2012, Yusril Ihza Mahendra, the former Minister of Law and Human Rights and Federation of Indonesian Labor Union (*Federasi Ikatan Serikat Buruh Indonesia*), sought to register a petition in the Constitutional Court in respect of the provisions in the Revised 2012 Budget relating to the fuel price adjustments. In the event the Constitutional Court registers the petition and finds the Revised 2012 Budget unconstitutional, the law on the Revised 2012 Budget will not be revoked but will cease to be legally binding. In such a situation, the law on the 2012 Budget will continue to be legally binding.

As a result of the proposed energy subsidy reductions, the Revised 2012 Budget expects the total energy subsidy expenditures in 2012 to be Rp202.4 trillion, based on an assumed average ICP of U.S.\$105 per barrel for 2012, reflecting an increase of 20.0% from the expected energy subsidy expenditures of Rp168.6 in the 2012 Budget.

See "*Government Budget — Revised 2012 Budget*" for further details.

## **Key Regulatory Updates**

### ***Chairman of Bapepam-LK Decree No. KEP-548/BL/2010 on Internal Control of Securities Company Carrying Out Business Activities of Securities Trading Brokerage***

On December 28, 2010, Bapepam-LK issued Chairman of Bapepam-LK Decree No. KEP-548/BL/2010 on Internal Control of Securities Company Carrying Out Business Activities of Securities Trading Brokerage. This decree stipulates that by January 31, 2012, in order for their customers to execute securities transactions, securities companies must open securities sub-accounts with a custodian as well as open funding accounts with banks. These accounts will be registered in the name of each customer in order to implement a separation between the securities companies' internal funding accounts and customers' accounts.

### ***Presidential Regulation No. 6 of 2012 on National Coordinating Committee on Prevention and Eradication of Money Laundering***

On January 11, 2012, President Yudhoyono issued Presidential Regulation No. 6 of 2012 on National Coordinating Committee on Prevention and Eradication of Money Laundering. This regulation mandates the formation of a coordinating committee whose sole task is to coordinate the handling of the prevention and eradication of money laundering. This committee will be chaired by the Coordinating Minister for Political, Law and Security and must hold meetings at least once a year. A task force led by the Head of Center for Report and Analysis of Financial Transaction (*Pusat Pelaporan dan Analisis Transaksi Keuangan*) will be formed to support the coordination committee. This task force must hold coordination meetings at least once every six months.

### ***Government Regulation No. 24 of 2012 on Amendment of Government Regulation No. 23 of 2010 concerning Implementation of Mineral and Coal Mining Activities***

On February 21, 2012, the Republic issued Government Regulation No. 24 of 2012 on Amendment of Government Regulation No. 23 of 2010 on Implementation of Mineral and Coal Mining Activities. This regulation stipulates that non-Indonesian shareholders of a foreign investment mining concession holder must gradually divest their share ownership in the concession holder to Indonesian shareholders, such that after ten years of commercial production, the maximum share ownership of the non-Indonesian shareholders is 49% of the shares in the company.

Foreign concession holders must ensure that the following proportions of shares are held by such Indonesian shareholders according to the following schedule:

- during the 6th year from commencement of production: 20%;
- during the 7th year from commencement of production: 30%;
- during the 8th year from commencement of production: 37%;
- during the 9th year from commencement of production: 44%; and
- during the 10th year from commencement of production: 51%.

The regulation also sets out the order of priority of Indonesian shareholders to whom the divested shares must be sold. Similarly with the previously applicable policy, the order of priority is as follows:

- central government;
- provincial, regency or municipal government;
- central government owned company;
- regional government owned company; and
- private company wholly-owned by Indonesian entities.

Once the shares have been divested to local shareholders, the proportion of equity held by Indonesian parties may not be diluted by further share issues.



### ***Government Regulation No. 14 of 2012 on Power Supply Business***

On January 23, 2012, the Republic issued Government Regulation No. 14 of 2012 on Power Supply Business (**GR No. 14/2012**) as an implementing regulation to Law No. 30 of 2009 on Electricity (the **Electricity Law**).

GR No. 14/2012 distinguishes between (i) power supply business for public interest and (ii) power supply business for private interest. Companies engaging in the power supply business for public interest must have a power supply business license (*izin usaha penyediaan tenaga listrik*), whereas a company operating in the power supply business for private interest must have an operation license (*izin operasi*). According to GR No. 14/2012, a power supply business license is valid for a maximum of 30 years, while an operation license is valid for a maximum of 10 years. Further, applicants must fulfill administrative, technical and environmental requirements set out under GR No. 14/2012 in order to obtain the power supply business license and operation license.

### ***Government Regulation No. 27 of 2012 on Environmental License***

On February 23, 2012, the Republic issued Government Regulation No. 27 of 2012 on Environmental License (**GR No. 27/2012**). As introduced by Law No. 32 of 2009 on Protection and Management of Environment (the **Environment Law**), any company that requires an Environmental Impact Analysis (*Analisis Mengenai Dampak Lingkungan* or **AMDAL**) or an Environmental Management Effort and Environmental Monitoring Effort (*Upaya Pengelolaan Lingkungan dan Upaya Pemantauan Lingkungan* or **UKL-UPL**) must obtain an environmental license (*izin lingkungan*). This requirement applies to all types of businesses, except those that do not require an AMDAL or UKL-UPL.

Pursuant to GR No. 27/2012, an environmental license may be issued by the Minister of Environment, governor, regent or mayor, as the case may be. A party applying for the environmental license is required to submit an application to the relevant governmental authority mentioned above, together with an application for the AMDAL or UKL-UPL. Upon receipt, the relevant authority will consult the local community where the applicant's business operation is located before granting the environmental license and approval of the AMDAL or UKL-UPL.

GR No. 27/2012 acknowledges that all environmental-related documents approved prior to this regulation remain in effect and are considered equivalent to an environmental license issued in accordance with GR No. 27/2012.

### ***Minister of Manpower and Transmigration Decree No. 40 of 2012 on Certain Restricted Positions for Foreign Workers***

On February 29, 2012, the Minister of Manpower and Transmigration released Decree No. 40 of 2012 on Certain Restricted Positions for Foreign Workers. This decree supplements the provision in Law No. 13 of 2003 on Manpower (the **Manpower Law**) which restricts foreign workers from holding certain positions in the field of human resource management in Indonesian companies. According to the decree, the prohibited positions include personnel director, industrial relations manager, human resources manager, personnel development supervisor and personnel and career specialists.

### ***The Manpower Law and the Recent Constitutional Court Decision on Outsourcing***

On January 17, 2012, the Constitutional Court found that, under certain provisions of the Manpower Law, outsourced workers on temporary contracts were denied entitlements under the Manpower Law as a result of (i) the possibility of the termination or expiration of the contract between the user of outsourcing services and the outsourcing provider and (ii) frequent replacement or substitution of outsourcing providers.

Due to the above, the Constitutional Court held that the outsourcing of workers on a temporary contract basis is prohibited unless the employment contract in question provides for the transfer (and continuity) of workers' rights when the original outsourcing company has been replaced by another.

## Economy and Gross Domestic Product

### Gross Domestic Product

The following table shows the distribution of GDP in the Indonesian economy by expenditure for the periods indicated:

#### Distribution of Gross Domestic Product by Expenditure (at current market prices)

	Year ended December 31,						%
	2006	2007	2008	2009	2010 <sup>P</sup>	2011 <sup>P</sup>	
	(in billions of rupiah and percentage of GDP)						
GDP .....	3,339,217	3,950,893	4,948,688	5,606,203	6,436,271	7,427,086	100.0
Add: Imports of goods and services .....	855,588	1,003,271	1,422,902	1,197,093	1,476,620	1,850,475	24.9
Total supply of goods and services .....	4,194,805	4,954,165	6,371,590	6,803,296	7,912,891	9,277,561	124.9
Less: Exports of goods and services .....	1,036,316	1,162,974	1,475,119	1,354,409	1,584,674	1,955,357	26.3
Total domestic expenditure .....	3,158,488	3,791,191	4,896,471	5,448,887	6,328,217	7,322,204	98.6
Allocation of total domestic expenditure:							
Private consumption .....	2,092,656	2,510,504	2,999,957	3,290,996	3,643,425	4,053,364	54.6
Public consumption .....	288,080	329,760	416,867	537,589	581,921	667,440	9.0
Total consumption .....	2,380,736	2,840,264	3,416,824	3,828,585	4,225,346	4,720,804	63.6
Gross domestic fixed capital formation	805,786	985,627	1,370,717	1,744,357	2,064,994	2,378,269	32.0
Change in stocks (residual) <sup>(1)</sup> .....	(28,033)	(34,700)	108,931	(124,055)	37,877	223,131	3.0
Total domestic expenditure .....	3,158,488	3,791,191	4,896,471	5,448,887	6,328,217	7,322,204	98.6

Source: BPS

<sup>P</sup> Preliminary.

(1) Includes statistical discrepancies.

Indonesia's real GDP grew by 6.5% in 2011, primarily due to increased exports, investment, private consumption and public consumption of 13.6%, 8.8%, 4.7% and 3.2%, respectively. All sectors of the Indonesian economy grew in 2011. The transportation and communication; trade, hotel and restaurant services; financial services; other services; and construction sectors grew at rates higher than the overall real GDP growth rate, at 10.7%, 9.2%, 6.8%, 6.7%, and 6.7%, respectively. The utilities (electricity, gas and water), agriculture, mining and quarrying, and manufacturing sectors grew at rates lower than the overall real GDP growth rate.

## Principal Sectors of the Economy

The following tables show GDP by sector at current market prices and constant market prices, respectively, for the periods indicated:

### Gross Domestic Product by Major Sectors (at current market prices)

	Year ended December 31,						%
	2006	2007	2008	2009	2010 <sup>P</sup>	2011 <sup>P</sup>	
	(in billions of rupiah and percentage of GDP)						
Manufacturing:							
Oil and gas .....	172,095	182,324	237,772	209,841	211,139	249,437	3.4
Manufacturing (excluding oil and gas) .....	747,444	886,330	1,138,670	1,267,700	1,384,640	1,554,049	20.9
Total manufacturing .....	919,539	1,068,654	1,376,442	1,477,542	1,595,779	1,803,486	24.3
Agriculture, livestock, forestry and fisheries:							
Farm food crops .....	214,346	265,091	349,795	419,195	482,377	530,604	7.1
Non-food crops .....	63,401	81,664	105,961	111,379	136,027	153,885	2.1
Livestock and products .....	51,075	61,325	83,276	104,884	119,372	129,578	1.7
Forestry .....	30,066	36,154	40,375	45,120	48,290	51,638	0.7
Fisheries .....	74,335	97,697	137,250	176,620	199,383	227,761	3.1
Total agriculture, livestock, forestry and fisheries .....	433,223	541,932	716,656	857,197	985,449	1,093,466	14.7
Trade, hotel and restaurant services .....	501,542	592,304	691,488	744,514	882,487	1,022,107	13.8
Financial, insurance, real estate and business services .....	269,121	305,214	368,130	405,162	466,564	534,975	7.2
Mining and quarrying:							
Oil and gas .....	200,082	234,162	283,283	254,948	288,894	383,275	5.2
Mining and quarrying (excluding oil and gas) .....	166,439	206,447	258,051	337,113	429,243	502,968	6.8
Total mining and quarrying .....	366,521	440,610	541,334	592,061	718,137	886,243	11.9
Construction .....	251,132	304,997	419,712	555,193	660,891	756,537	10.2
Transport and communications .....	231,524	264,263	312,190	353,740	423,165	491,241	6.6
Services:							
General government .....	167,800	205,344	257,548	318,581	354,155	432,145	5.8
Private sector services .....	168,459	192,853	224,301	255,536	300,525	351,185	4.7
Total services .....	336,259	398,197	481,848	574,117	654,680	783,330	10.5
Electricity, gas and water supply .....	30,355	34,724	40,889	46,680	49,119	55,701	0.7
Total GDP .....	3,339,217	3,950,893	4,948,688	5,606,203	6,436,271	7,427,086	100.0

Source: BPS

<sup>P</sup> Preliminary.

**Gross Domestic Product by Major Sectors**  
(at constant market prices)

	Year ended December 31,						%
	2006	2007	2008	2009	2010 <sup>P</sup>	2011 <sup>P</sup>	
	(in billions of rupiah and percentage of GDP)						
Manufacturing:							
Oil and gas .....	47,851	47,823	47,663	46,935	47,199	46,767	1.9
Manufacturing (excluding oil and gas) .....	466,249	490,262	510,102	523,168	549,936	587,480	23.8
Total manufacturing .....	514,100	538,085	557,764	570,103	597,135	634,247	25.7
Agriculture, livestock, forestry and fisheries:							
Farm food crops .....	129,549	133,889	142,000	149,058	151,501	153,409	6.2
Non-food crops .....	41,318	43,199	44,784	45,558	47,110	48,964	2.0
Livestock and products .....	33,430	34,221	35,425	36,649	38,214	39,929	1.6
Forestry .....	16,687	16,548	16,543	16,844	17,250	17,362	0.7
Fisheries .....	41,419	43,653	45,866	47,775	50,662	54,064	2.2
Total agriculture, livestock, forestry and fisheries .....	262,403	271,509	284,619	295,884	304,737	313,728	12.7
Trade, hotel and restaurant services .....	312,519	340,437	363,818	368,463	400,475	437,251	17.8
Financial, insurance, real estate and business services .....	170,074	183,659	198,800	209,163	221,024	236,077	9.6
Mining and quarrying:							
Oil and gas .....	95,853	94,747	95,168	95,230	95,628	94,682	3.8
Mining and quarrying (excluding oil and gas) .....	72,179	76,532	77,329	84,971	91,007	94,498	3.8
Total mining and quarrying .....	168,032	171,278	172,496	180,201	186,635	189,179	7.7
Construction .....	112,234	121,809	131,010	140,268	150,022	160,090	6.5
Transport and communications .....	124,809	142,327	165,906	192,199	217,977	241,285	9.8
Services:							
General government .....	76,618	80,778	84,378	88,683	92,743	97,726	4.0
Private sector services .....	94,087	100,928	108,671	116,751	125,040	134,739	5.5
Total services .....	170,705	181,706	193,049	205,434	217,782	232,465	9.4
Electricity, gas and water supply .....	12,251	13,517	14,994	17,137	18,050	18,921	0.8
Total GDP .....	1,847,127	1,964,327	2,082,456	2,178,850	2,313,838	2,463,242	100.0

Source: BPS

<sup>P</sup> Preliminary.

## Manufacturing

In 2011, the manufacturing industry grew by 6.2%, compared to a rate of 4.7% in 2010. The non-oil and gas manufacturing industry grew by 6.8% during 2011, higher than the overall growth of the manufacturing industry. This was mainly driven by the metal and steel industry sub-sector, which grew by 13.1% in 2011. The oil and gas manufacturing industry declined by 0.9% in 2011, primarily due to a 1.7% decline in the LNG manufacturing sub-sector, while the petroleum refinery sub-sector grew by 0.1%.

The following table sets forth selected product groups within the manufacturing sector and their unit annual levels of production for the periods indicated:

## Production of Selected Manufactured Goods

Product	Year ended December 31,					
	2006	2007	2008	2009	2010 <sup>P</sup>	2011 <sup>P</sup>
	(in thousands of tons)					
Cement .....	33,106	35,033	38,532	36,906	37,844	43,985
Urea fertilizer .....	5,660	5,906	6,296	6,855	6,725	6,158 <sup>(1)</sup>
Automobiles .....	296	412	601	465	703	838
Motorcycles .....	4,459	4,722	6,265	5,923	7,367	8,006

Source: BPS

<sup>P</sup> Preliminary.

<sup>(1)</sup> Cumulative production until November, 2011.

### ***Agriculture***

In 2011, the agriculture sector grew by 3.0%, similar to the growth in 2010, due to growth in the fishery, livestock, and estate crops sub-sectors of 6.7%, 4.5%, and 3.9%, respectively.

### ***Trade, Hotel and Restaurant Services***

In 2011, the trade, hotel and restaurant services sector grew by 9.2% compared to a rate of 8.7% in 2010 due to growth in the wholesale and retail trade, hotel and restaurant sub sectors of 10.0%, 9.0% and 4.1%, respectively.

### ***Financial Services***

In 2011, the financial services sector grew by 6.8%, compared to a rate of 5.7% in 2010 due to growth in the auxiliary financial services, the non-bank financial services, the bank financial services, and the real estate sub-sectors of 7.9%, 7.2%, 6.9%, and 6.2%, respectively.

### ***Mining and Quarrying***

In 2011, the mining and quarrying sector grew by 1.7% compared to a rate of 3.6% in 2010. The lower growth rate was primarily due to growth in the mining and the non-oil and gas sub-sectors of 7.5% and 2.6%, respectively, partially offset by a 1.0% decline in the oil and gas sub-sector.

### ***Transportation and Communications***

In 2011, the transportation and communication sector grew by 11.2%, a decline from 13.4% in 2010 due to lower growth in the communication and transportation sub-sectors of 12.7% and 7.6%, respectively. Growth in the transportation sub-sector was primarily fueled by air transport, services tied to transport, and road transport, which grew by 14.4%, 6.8% and 6.6%, respectively.

## Gross Savings and Investment

The following table sets forth Indonesia's national savings and investments and the difference between them in absolute amounts and as a percentage of GDP for the periods indicated:

### National Savings and Investments

	Year ended December 31,					
	2006	2007	2008	2009	2010 <sup>P</sup>	2011 <sup>P</sup>
	(current prices in trillions of rupiah)					
Government:						
Savings .....	75.6	83.8	177.1	101.2	129.8	136.5
Investment .....	104.7	133.7	181.3	189.8	176.6	224.9
Surplus/(deficit).....	(29.1)	(49.8)	(4.2)	(88.6)	(46.8)	(88.3)
Private:						
Savings .....	829.7	997.7	1,194.8	1,753.7	1,981.9	2,259.9
Investment .....	701.1	851.9	1,189.4	1,554.6	1,888.4	2,153.4
Surplus/(deficit).....	128.7	145.7	5.4	199.1	93.6	106.5
Total:						
Savings .....	905.3	1,081.5	1,371.9	1,854.4	2,111.7	2,396.4
Investment .....	805.8	985.6	1,370.7	1,744.4	2,065.0	2,378.3
Surplus/(deficit).....	99.6	95.9	1.2	110.5	46.7	18.2
	(percentages of GDP)					
Government:						
Savings .....	2.3	2.1	3.6	1.8	2.0	1.8
Investment .....	3.1	3.4	3.7	3.4	2.8	3.0
Surplus/(deficit).....	(0.9)	(1.3)	(0.1)	(1.6)	(0.7)	(1.2)
Private:						
Savings .....	24.8	25.3	24.1	31.3	30.8	30.4
Investment .....	21.0	21.6	24.0	27.7	29.4	29.0
Surplus/(deficit).....	3.9	3.7	0.1	3.6	1.5	1.4
Total:						
Savings .....	27.1	27.4	27.7	33.1	32.8	32.3
Investment .....	24.1	24.9	27.7	31.1	32.1	32.0
Surplus/(deficit).....	3.0	2.4	0.0	2.0	0.7	0.2
GDP (in millions of rupiah) .....	3,339	3,951	4,949	5,606	6,436	7,427
Current account (in millions of U.S. dollars).....	10,860	10,492	126	10,628	5,144	2,070
Average exchange rate (rupiah per U.S. dollar) <sup>(1)</sup> .....	9,167	9,140	9,670	10,395	9,084	8,775
GNP (in millions of rupiah) .....	3,197	3,788	4,773	5,410	6,255	7,215
Current account balance (% of GDP) .....	2.9	2.4	0.0	2.0	0.7	0.2

Source: Bank Indonesia

<sup>P</sup> Preliminary.

(1) Official average exchange rate for the relevant period published by Bank Indonesia in its quarterly or annual report.

In 2011, the savings-investment surplus increased to 1.2% of GDP compared to 0.8% of GDP in 2010. The private sector surplus decreased to 1.4% of GDP because private investment growth increased at a higher rate than the growth in private savings. The government sector posted a deficit of 1.2% of GDP due to an increase in government investment and expenditure related to fuel subsidy necessitated by the high international oil price in the last quarter of 2011.

## Foreign Investment

### Foreign Investment in Indonesia

Foreign investment in Indonesia is divided into direct investments, portfolio investments and other investments as set out in the following table:

#### Foreign Investment in Indonesia

	Year ended December 31,					
	2006	2007	2008	2009	2010	2011 <sup>P</sup>
	(in millions of U.S. dollars)					
Direct investments:						
Equity capital.....	4,616	7,549	9,105	4,982	12,468	14,793
Other capital .....	298	(621)	213	(104)	1,302	3,367
Total direct investments .....	4,914	6,928	9,318	4,877	13,771	18,160
Portfolio investments:						
Equity securities .....	1,898	3,559	322	787	2,132	(326)
Debt securities .....	4,210	6,422	2,736	9,693	13,582	5,940
Total portfolio investments .....	6,108	9,981	3,059	10,480	15,713	5,614
Other investments.....	(2,204)	(289)	3,446	3,794	3,987	6,723
Total foreign investment .....	8,818	16,620	15,823	19,151	33,471	30,497

Source: Bank Indonesia

<sup>P</sup> Preliminary.

### Foreign Direct Investment

The following table sets out the amounts of direct investments in Indonesia by non-residents:

#### Direct Investments

	Year ended December 31,					
	2006	2007	2008	2009	2010	2011 <sup>P</sup>
	(in millions of U.S. dollars)					
Equity capital <sup>(1)</sup> .....	4,616	7,549	9,105	4,982	12,468	14,793
Other capital:						
Disbursements .....	3,649	5,460	7,779	8,536	14,368	19,298
Debt repayments .....	(3,351)	(6,081)	(7,565)	(8,640)	(13,066)	(15,931)
Total other capital .....	298	(621)	213	(104)	1,302	3,367
Total direct investments.....	4,914	6,928	9,318	4,877	13,771	18,160

Source: Bank Indonesia

<sup>P</sup> Preliminary.

(1) Includes privatization and banking restructuring.

In 2011, net FDI recorded a surplus of U.S.\$18.2 billion compared to a surplus of U.S.\$13.8 billion in 2010. The increase of net FDI inflows was primarily attributable to a more conducive investment climate and favorable macroeconomic conditions. The increased level of FDI inflows caused the structure of capital inflows into the balance of payments to be more dominated by long-term capital, resulting in a more sustainable structure of capital inflows. The investment contributing to the increase of FDI inflows was mainly from European Union countries, Singapore and Japan, and flowed mainly into the manufacturing and mining sectors of the Republic.

In 2011, net direct investment recorded a net inflow of U.S.\$10.4 billion compared to U.S.\$11.1 billion in 2010. In 2011, the net investment abroad was U.S.\$7.7 billion, a significant increase from U.S.\$2.7 billion in 2010.

## Foreign Portfolio Investment

The following table sets out the amounts of portfolio investments in Indonesia by non-residents:

### Portfolio Investments in Indonesia

	Year ended December 31,					
	2006	2007	2008	2009	2010	2011 <sup>P</sup>
	(in millions of U.S. dollars)					
Equity securities:						
Inflows .....	8,179	15,361	15,320	12,274	20,995	30,419
(Outflows) .....	(6,281)	(11,802)	(14,997)	(11,487)	(18,863)	(30,745)
Net equity securities .....	1,898	3,559	322	787	2,132	(326)
Debt securities (net) .....	4,210	6,422	2,736	9,693	13,582	5,940
Total portfolio investments .....	6,108	9,981	3,059	10,480	15,713	5,614

Source: Bank Indonesia

<sup>P</sup> Preliminary.

In 2011, foreign portfolio investment recorded a surplus of U.S.\$5.6 billion, lower than U.S.\$15.7 billion surplus recorded in 2010. The decrease in foreign portfolio investment was due to significant outflows of capital during the second half of 2011 as foreign investors reduced their holdings of domestic stock and government securities.

In 2011, the net portfolio investment registered net inflow of U.S.\$4.2 billion, lower than U.S.\$13.2 billion net inflow registered in 2010, while overseas portfolio investments by Indonesian investors registered a net outflow of U.S.\$1.4 billion.

## Other Foreign Investment

The following table sets out the amounts of other investments (other than portfolio or foreign direct investments) in Indonesia by non-residents, mainly consisting of loans received and paid:

### Other Investments

	Year ended December 31,					
	2006	2007	2008	2009	2010	2011 <sup>P</sup>
	(in millions of U.S. dollars)					
Bank sector:						
Disbursements .....	1,513	1,060	2,496	2,214	1,935	3,223
Debt repayments .....	(1,100)	(990)	(1,063)	(1,561)	(2,494)	(1,644)
Total bank sector .....	413	70	1,433	653	(559)	1,579
Corporate sector:						
Disbursements .....	6,008	8,147	10,886	11,263	11,495	21,133
Debt repayments .....	(6,807)	(7,016)	(8,061)	(8,848)	(10,570)	(15,190)
Total corporate sector .....	(800)	1,132	2,826	2,415	925	5,943
Other (net) <sup>(1)</sup> .....	(1,818)	(1,490)	(813)	726	3,621	(799)
Total other investments .....	(2,204)	(289)	3,446	3,794	3,987	6,723

Source: Bank Indonesia

<sup>P</sup> Preliminary.

(1) Consists of trade credit, currency & deposits, and other liabilities of private sector and public sector external debt.

In 2011, foreign other investments posted a net inflow of U.S.\$6.7 billion compared to a net inflow of U.S.\$4.0 billion in 2010. This upturn primarily resulted from an increased withdrawal of foreign debts by corporations in order to meet their capital needs. Meanwhile, the government debts showed a net outflow, in line with the government plan to reduce foreign loans.

In 2011, other investment abroad by Indonesian investors in the form of trade credits, loans, currencies and deposits posted net outflows of U.S.\$7.3 billion, a significant increase from net outflows of U.S.\$1.7 billion in 2010.



## Exports and Imports

Beginning in 2012, the Republic started using a revised methodology in compiling exports and imports data. This revised methodology was conducted in order to comply with international best practices and to improve consistency with other Bank Indonesia publications. As a result of this change, the classification of certain export and import products have changed. Revisions to data following classification changes were carried out for 2005 and later data.

The following table shows Indonesia's exports and imports for the periods indicated:

### Exports and Imports<sup>(1)</sup>

	Year ended December 31,					
	2006	2007	2008	2009	2010	2011 <sup>P</sup>
	(in millions of U.S. dollars)					
Exports:						
Oil and gas exports (f.o.b.) .....	22,950	24,872	31,721	20,616	28,658	38,279
Non-oil and gas exports (f.o.b.) .....	80,578	93,142	107,885	99,030	129,416	163,193
Total exports (f.o.b.) .....	103,528	118,014	139,606	119,646	158,074	201,472
Total imports (c.i.f) .....	(80,650)	(93,101)	(127,538)	(93,786)	(135,323)	(176,346)
Balance of trade .....	22,878	24,913	12,068	25,860	22,750	25,127

Source: Bank Indonesia

<sup>P</sup> Preliminary.

(1) Indonesia's trade statistics, which are used as a basis for the balance of payments statistics, are compiled by Bank Indonesia and differ in coverage and timing from similarly titled data compiled by BPS.

In 2011, Indonesia's trade balance posted surpluses of U.S.\$25.1 billion. Exports increased 27.5% due to an increase in global commodity trading volume and price. Imports accelerated by 30.3% in response to strong domestic demand.

The following table sets forth Indonesia's exports by major commodity groups for the periods indicated:

### Exports by Sector

	Year ended December 31,					
	2006	2007	2008	2009	2010	2011 <sup>P</sup>
	(in thousands of U.S. dollars)					
Agricultural products:						
Coffee Bean.....	565,313	626,755	990,077	822,731	812,001	1,030,338
Tea.....	50,467	73,128	125,441	144,050	149,579	136,367
Spices.....	185,105	250,576	278,846	238,702	408,871	430,317
Tobacco.....	60,303	61,110	82,082	101,954	77,154	61,485
Cacao bean.....	601,762	619,547	849,215	1,076,547	1,186,718	616,518
Shrimp and prawn.....	969,002	918,375	992,218	783,930	850,987	1,073,395
Other agricultural products.....	885,030	1,181,122	1,348,926	1,179,201	1,506,071	1,808,516
Total Agricultural products.....	3,316,983	3,730,614	4,666,805	4,347,116	4,991,384	5,156,936
Manufacture products:						
Textile and textile products.....	9,447,668	9,848,057	10,242,813	9,303,520	11,292,188	13,352,797
Processed wood products.....	3,183,289	3,029,210	2,789,349	2,226,292	2,820,895	3,260,460
Palm oil.....	5,087,287	7,570,915	11,858,611	10,254,111	13,422,626	19,576,738
Chemicals.....	3,090,104	3,460,854	2,764,685	2,278,481	3,425,996	4,651,455
Base metal products.....	7,366,910	9,594,280	9,920,126	7,173,329	9,876,619	11,875,013
Electrical apparatus, measuring instruments and optical ...	7,414,735	7,930,733	8,793,235	8,569,144	10,947,799	11,546,384
Cement.....	213,778	195,673	154,626	157,761	109,097	57,757
Paper and paper products.....	2,765,808	3,365,050	3,878,880	3,428,698	4,133,884	4,155,033
Processed rubber.....	5,372,019	6,057,157	7,463,973	4,681,744	9,239,749	14,127,942
Oil products <sup>(1)</sup> .....	2,691,258	2,740,151	3,325,755	2,159,786	3,585,935	4,785,518
Liquefied Petroleum Gas <sup>(1)</sup> .....	175,120	210,423	79,012	48,194	0	0
Other manufacture products.....	21,600,683	25,416,073	31,027,737	26,074,435	32,884,904	39,879,768
Total Manufacture products.....	68,408,659	79,418,577	92,298,803	76,355,494	101,739,693	127,268,865
Mining and other sector products:						
Copper ore.....	4,587,698	4,428,187	2,316,366	5,380,287	6,325,232	4,799,627
Nickel ore.....	204,098	615,381	503,860	291,554	574,684	1,389,534
Coal.....	6,189,710	6,976,705	10,305,207	13,765,088	17,801,230	27,044,139
Bauxite.....	54,524	106,367	202,491	240,056	453,952	765,987
Crude oil <sup>(1)</sup> .....	7,911,134	9,379,539	11,442,411	8,007,973	11,218,769	14,166,567
Natural Gas <sup>(1)</sup> .....	11,863,493	12,165,404	16,254,247	9,777,923	12,967,686	17,995,898
of which: Liquefied natural gas <sup>(1)</sup> .....	9,953,117	9,722,504	12,785,121	7,188,548	9,432,489	6,292,421
Other mining products.....	188,609	263,571	540,894	258,820	382,055	541,579
Other sector products <sup>(2)</sup> .....	7,777	9,460	9,771	10,679	9,709	16,081
Total Mining and other sector products.....	31,007,042	33,944,614	41,575,248	37,732,380	49,733,310	66,719,412
Unclassified exports <sup>(3)</sup> .....	795,102	920,396	1,065,244	1,210,753	1,610,100	2,327,046
Total exports.....	103,527,786	118,014,200	139,606,099	119,645,743	158,074,492	201,472,260
Non oil and gas exports	80,577,778	93,142,172	107,884,879	99,029,573	129,416,033	163,193,136
Oil and gas exports	22,950,008	24,872,028	31,721,220	20,616,170	28,658,459	38,279,124

Source: Bank Indonesia

<sup>P</sup> Preliminary.

<sup>1)</sup> As a component of oil and gas exports.

<sup>2)</sup> Consists of goods not elsewhere specified.

<sup>3)</sup> Consists of goods procured in ports by carriers, repairs on goods, and adjustments made for the coverage of Batam Industrial Exports.

In 2011, exports increased by 27.5% from U.S.\$158.1 billion in 2010 to U.S.\$201.5 billion, in line with an increase in commodity prices. The increase in exports of agriculture products (3.3%), mining products (34.2%) and manufactured products (25.1%) supported the increase in exports. In 2011, non-oil and gas exports increased by 26.1% to U.S.\$163.2 billion from U.S.\$129.4 billion in 2010. Oil and gas exports in 2011 increased by 33.6%, reaching U.S.\$38.3 billion, primarily due to oil price hikes. The average price of Indonesia's oil exports for 2011 was U.S.\$109.2 per barrel, compared to an average of U.S.\$77.7 per barrel in 2010.

The following table sets forth Indonesia's exports by country of destination for the periods indicated:

### Exports by Destination

	Year ended December 31,					
	2006	2007	2008	2009	2010	2011 <sup>P</sup>
	(in thousands of U.S. dollars)					
America:						
North America:						
United States of America.....	11,151,971	11,631,913	12,876,486	10,802,392	14,237,608	16,749,497
Canada .....	539,838	566,814	642,154	499,133	716,049	963,693
Total North America .....	11,692,952	12,204,571	13,521,866	11,302,578	14,954,612	17,714,027
Central and South America:						
Argentina .....	160,475	181,974	192,779	157,239	279,533	353,236
Brazil.....	623,373	749,951	1,017,087	903,654	1,517,061	1,708,191
Mexico .....	323,481	358,494	452,810	398,055	486,520	609,281
Other Central and South America .....	603,877	682,088	829,699	613,185	921,895	1,203,097
Total Central and South America.....	1,711,207	1,972,508	2,492,375	2,072,133	3,205,011	3,873,806
Total America .....	13,404,159	14,177,079	16,014,241	13,374,710	18,159,623	21,587,833
Europe:						
European Union:						
Netherlands .....	2,617,511	2,630,630	3,829,370	2,956,816	3,716,824	5,042,701
Belgium.....	1,136,973	1,317,911	1,358,439	1,047,620	1,186,048	1,376,139
United Kingdom .....	1,437,664	1,494,129	1,559,720	1,415,209	1,634,654	1,698,810
Italy .....	1,205,592	1,369,307	1,917,309	1,659,244	2,359,740	3,166,773
Germany .....	2,029,639	2,357,625	2,462,746	2,379,496	3,035,437	3,288,933
France.....	717,107	806,545	931,821	857,479	1,030,843	1,278,524
Spain .....	1,662,052	2,074,805	1,593,024	1,792,677	2,119,783	2,369,755
Other European Union.....	1,343,846	1,448,247	1,624,506	1,487,133	1,728,733	2,102,510
Total European Union .....	12,150,383	13,499,199	15,276,935	13,595,674	16,812,062	20,324,145
Russia.....	267,082	323,013	346,734	312,620	598,077	856,235
Turkey .....	718,491	1,015,310	879,993	679,922	1,066,361	1,428,810
Other Europe.....	496,497	591,143	1,159,778	646,646	829,847	938,796
Total Europe.....	13,632,453	15,428,665	17,663,440	15,234,862	19,306,347	23,547,986
Asia and Middle East:						
ASEAN:						
Brunei Darussalam .....	38,645	45,802	57,515	57,089	60,695	76,909
Philippine.....	1,437,392	1,878,061	1,925,777	2,446,407	3,171,312	3,755,672
Cambodia.....	105,967	124,037	174,540	199,187	216,624	266,486
Lao PDR .....	4,345	4,080	4,222	4,668	5,503	10,663
Malaysia.....	4,219,341	5,043,516	6,674,504	6,847,510	9,332,360	10,925,121
Myanmar .....	147,033	238,908	237,223	180,800	281,505	359,543
Singapore .....	9,033,569	10,769,098	13,469,739	11,172,922	14,098,088	16,465,808
Thailand .....	2,799,496	3,190,485	3,802,323	3,262,470	4,546,911	5,564,632
Vietnam.....	1,053,624	1,253,748	1,700,079	1,449,705	1,933,452	2,340,652
Total ASEAN .....	18,839,410	22,547,734	28,045,922	25,620,759	33,646,450	39,765,487
Hong Kong SAR.....	1,710,115	1,730,866	1,803,676	2,116,123	2,484,582	3,179,357
India .....	3,565,625	4,550,943	7,011,269	7,561,412	9,662,084	13,493,930
Iraq .....	71,414	2,849	276,865	40,569	55,057	154,228
Japan .....	22,375,535	25,561,608	28,237,200	19,299,659	25,487,405	32,615,961
South Korea .....	7,964,405	8,244,418	9,283,423	8,225,553	12,522,041	14,767,515
Pakistan.....	772,565	734,247	938,493	655,690	681,269	934,699
People's Republic of China.....	8,653,015	10,030,100	11,943,684	11,572,849	15,575,316	23,480,863
Saudi Arabia .....	636,914	918,123	1,203,657	931,964	1,116,973	1,405,366
Taiwan, Province of China.....	2,776,027	2,744,974	3,057,686	3,357,978	4,784,384	6,516,898
Other Asia and Middle East .....	3,467,268	4,311,479	5,537,778	4,436,828	5,331,617	7,049,452
Total Asia and Middle East.....	70,832,294	81,377,341	97,339,653	83,819,384	111,347,175	143,363,755
Australia and Oceania:						
Australia.....	2,836,963	3,803,731	4,288,417	3,353,560	4,338,752	5,694,839
New Zealand.....	327,626	362,894	571,949	351,608	404,140	473,781
Total Australia and Oceania.....	3,335,930	4,374,176	5,100,843	3,999,800	5,083,854	6,580,321
Africa:						
South Africa.....	380,517	542,696	624,399	468,473	670,467	1,446,417
Other Africa.....	1,147,330	1,193,845	1,798,279	1,537,761	1,896,909	2,618,902
Total Africa .....	1,527,847	1,736,542	2,422,678	2,006,233	2,567,395	4,065,319
Unclassified exports <sup>(1)</sup> .....	795,102	920,396	1,065,244	1,210,753	1,610,100	2,327,046
Total .....	103,527,786	118,014,200	139,606,099	119,645,743	158,074,492	201,472,260

Source: Bank Indonesia

<sup>P</sup> Preliminary.

(1) Consists of goods procured in ports by carriers, repairs on goods and adjustments made for the coverage of Batam Industrial Exports.

In 2011, Indonesia's main trading partners remained unchanged, being Japan, China, Singapore, the United States and South Korea, accounting for 16.2%, 11.7%, 8.2%, 8.3% and 7.3%, respectively, of Indonesia's total exports.

The following table sets forth Indonesia's imports by major commodity groups for the periods indicated:

### Imports by Sector<sup>(1)</sup>

	Year ended December 31,					
	2006	2007	2008	2009	2010	2011 <sup>P</sup>
	(in thousands of U.S. dollars)					
Consumption Goods:						
Food and beverages, primary, mainly for household.....	560,133	763,831	803,630	966,478	1,178,968	1,858,298
Food and beverages, processed, mainly for household .....	1,283,736	2,048,741	1,903,894	1,368,659	2,442,548	3,598,653
Passenger motor cars .....	427,990	334,266	478,859	327,467	701,884	879,213
Transport equipment, non-industrial.....	218,930	241,935	413,019	440,391	573,437	559,201
Durable consumer goods .....	602,330	598,044	841,946	822,675	1,131,911	1,284,217
Semi-durable consumer goods .....	844,563	914,325	1,155,812	921,597	1,350,901	1,757,165
Non-durable consumer goods .....	931,350	1,000,920	1,269,330	1,172,670	1,490,962	1,689,260
Fuels and lubricants, processed, oil products <sup>(2)</sup> .....	5,385,631	6,528,713	8,756,261	4,461,898	7,748,089	11,465,655
Goods not elsewhere specified.....	601,807	149,101	101,730	138,722	206,976	168,840
Total Consumption Goods .....	10,856,471	12,579,877	15,724,480	10,620,557	16,825,679	23,260,501
Raw materials and auxiliary goods:						
Food and beverages, primary, mainly for industry .....	1,357,435	2,007,854	3,287,211	2,669,923	3,143,862	4,125,032
Food and beverages, processed, mainly for industry .....	1,027,786	1,134,127	1,313,281	1,551,430	2,250,639	3,290,353
Industrial supplies, primary .....	2,667,751	3,069,140	4,702,917	2,873,785	4,439,135	6,734,811
Industrial supplies, processed .....	25,453,061	29,049,847	41,120,749	29,266,229	41,700,572	52,869,048
Parts and accessories for capital goods .....	10,516,246	11,727,457	14,942,430	10,953,467	14,785,927	16,737,464
Parts and accessories for transport equipment .....	3,629,790	4,173,728	6,511,688	3,990,012	6,181,180	7,122,201
Fuels and lubricants, primary .....	7,658,656	8,788,739	9,658,384	5,188,131	8,359,685	10,923,466
of which: crude oil <sup>(2)</sup> .....	7,627,535	8,779,003	9,619,278	5,167,423	8,336,534	10,905,169
Fuels and lubricants, processed .....	4,804,893	5,736,014	7,679,158	6,749,794	11,236,670	17,982,705
of which: oil products <sup>(2)</sup> .....	4,527,956	5,412,172	7,258,764	6,118,327	9,854,156	16,049,900
of which: Liquefied Petroleum Gas <sup>(2)</sup> .....	20,720	34,025	202,045	484,385	1,196,084	1,708,050
Total Raw materials and auxiliary goods .....	57,115,618	65,686,906	89,215,819	63,242,770	92,097,670	119,785,079
Capital Goods:						
Capital goods (except transport equipment) .....	9,208,853	11,382,814	16,517,358	13,291,147	18,722,367	23,509,533
Passenger motor cars .....	427,990	334,266	478,859	327,467	701,884	879,213
Other transport equipment, industrial .....	2,429,718	2,486,732	4,652,129	5,789,475	5,558,797	7,971,997
Total Capital Goods .....	12,066,561	14,203,812	21,648,346	19,408,089	24,983,047	32,360,742
Unclassified exports <sup>(3)</sup> .....	611,000	630,000	949,812	514,514	1,417,093	948,236
Total Imports (c.i.f.) .....	80,649,650	93,100,595	127,538,457	93,785,930	135,323,490	176,354,559
Non oil and gas exports .....	63,087,807	72,229,285	101,536,625	77,424,085	108,026,226	135,921,914
Oil and gas exports .....	17,561,843	20,871,310	26,001,832	16,361,845	27,297,264	40,432,645

Source: Bank Indonesia

<sup>P</sup> Preliminary.

(1) Data collected on a cost, insurance and freight basis.

(2) As a component of oil and gas imports.

(3) Consists of goods procured in ports by carriers and repairs on goods.

In 2011, total imports increased by 30.3% to U.S.\$176.4 billion compared to 2010 due to more robust domestic demand. Imports of consumption goods, raw materials, and capital goods grew by 38.2%, 30.1%, and 29.5%, respectively. Non-oil and gas imports increased by 25.8% to U.S.\$135.9 billion from U.S.\$108.0 billion in 2010. In addition, the increase in domestic fuel consumption and higher oil prices led to a 48.1% increase in oil and gas import value, reaching U.S.\$40.4 billion in 2011 compared to U.S.\$27.3 billion in 2010.

The following table sets forth Indonesia's imports by country of origin for the periods indicated:

### Imports by Place of Origin<sup>(1)</sup>

	Year ended December 31,					
	2006	2007	2008	2009	2010	2011 <sup>P</sup>
	(in thousands of U.S. dollars)					
America:						
North America:						
United States of America.....	4,638,102	5,518,118	7,982,675	6,586,945	7,878,413	10,012,506
Canada .....	709,600	1,066,549	2,000,213	1,112,743	1,265,405	2,018,629
Total North America .....	5,347,702	6,585,298	9,982,889	7,699,693	9,143,819	12,031,134
Central and South America:						
Argentina .....	366,033	436,385	618,755	670,639	942,067	1,584,825
Brazil.....	565,578	705,834	1,508,019	1,056,705	1,692,706	1,861,092
Mexico .....	63,146	68,791	152,274	139,791	212,303	409,199
Other Central and South America .....	325,148	391,744	614,429	648,099	544,775	867,971
Total Central and South America.....	1,319,905	1,602,754	2,893,476	2,515,235	3,391,853	4,723,086
Total America .....	6,667,608	8,188,067	12,876,434	10,214,927	12,535,671	16,754,221
Europe:						
European Union:						
Netherlands.....	619,336	618,782	630,474	548,445	663,686	849,750
Belgium.....	349,434	382,153	604,904	438,239	539,926	592,167
United Kingdom .....	711,110	783,266	1,102,820	631,647	885,011	1,121,117
Italy .....	612,968	752,992	1,008,358	737,360	901,496	1,200,277
Germany .....	2,142,226	2,627,926	3,193,795	2,344,698	2,995,829	3,392,468
France.....	1,181,735	1,632,091	1,714,950	1,180,957	1,272,158	1,884,398
Spain .....	224,176	300,600	258,738	221,544	309,468	399,813
Other European Union.....	1,888,417	2,253,502	2,271,690	1,760,757	2,090,645	2,805,750
Total European Union .....	7,733,870	9,355,443	10,815,355	7,864,956	9,671,647	12,245,740
Russia.....	466,531	441,675	1,186,360	533,917	1,062,822	1,287,164
Turkey.....	87,644	749,482	1,120,186	509,919	289,443	434,240
Other Europe.....	894,232	1,185,915	1,867,758	1,129,767	1,525,942	1,765,069
Total Europe.....	9,182,277	11,732,515	14,989,660	10,058,558	12,549,853	15,732,213
Asia and Middle East:						
ASEAN:						
Brunei Darussalam .....	1,484,757	1,847,173	1,915,062	584,756	685,012	932,279
Philippine.....	445,649	532,084	747,765	552,167	670,136	843,893
Cambodia.....	1,906	2,295	13,584	3,361	4,731	7,887
Lao PDR .....	167	3,291	48,471	1,393	617	1,292
Malaysia.....	3,778,246	7,109,610	7,938,735	5,553,879	8,764,440	11,014,571
Myanmar .....	20,659	32,581	29,779	26,755	31,650	69,558
Singapore .....	17,087,007	16,328,459	20,219,322	15,357,687	20,526,933	26,955,417
Thailand .....	3,788,111	4,554,689	6,371,932	4,553,084	7,459,066	10,323,465
Vietnam.....	863,336	1,035,861	679,627	644,719	1,155,614	2,465,085
Total ASEAN .....	27,469,838	31,484,857	38,017,936	27,291,862	39,303,446	52,613,447
Hong Kong SAR.....	1,624,911	1,909,727	2,502,125	1,492,327	1,834,879	2,414,525
India .....	1,513,376	1,742,023	2,853,933	2,203,315	3,309,429	4,431,021
Iraq .....	213	413	44,145	1,124	1,177	703
Japan .....	9,527,103	9,385,751	15,177,532	9,743,051	16,785,077	19,354,172
South Korea .....	4,532,833	4,936,893	6,671,019	4,605,634	7,709,166	12,234,551
Pakistan.....	65,360	65,561	62,252	63,082	92,622	206,418
People's Republic of China.....	7,753,467	9,900,319	15,334,484	13,776,950	20,660,519	26,185,399
Saudi Arabia .....	3,241,383	3,327,465	3,918,390	2,909,460	4,572,420	5,906,773
Taiwan, Province of China.....	2,046,587	2,216,015	2,801,101	2,317,396	3,224,659	4,321,692
Other Asia and Middle East .....	2,296,448	2,218,748	4,669,363	2,885,751	3,942,213	5,640,906
Total Asia and Middle East.....	59,801,519	67,187,773	92,052,281	67,289,952	101,435,607	133,309,606
Australia and Oceania:						
Australia.....	3,166,460	3,013,400	4,108,972	3,385,303	4,215,445	5,022,498
New Zealand.....	354,068	536,134	707,469	558,323	725,040	733,523
Total Australia and Oceania.....	3,597,741	3,765,986	4,934,250	4,152,651	4,996,366	5,801,872
Africa:						
South Africa.....	253,362	237,599	334,584	348,963	529,613	704,131
Other Africa.....	536,142	1,358,655	1,401,437	1,206,364	1,859,286	3,104,280
Total Africa .....	789,505	1,596,254	1,736,021	1,555,327	2,388,898	3,808,411
Unclassified imports <sup>(2)</sup> .....	611,000	630,000	949,812	514,514	1,417,093	948,236
Total Imports.....	80,649,650	93,100,595	127,538,457	93,785,930	135,323,490	176,354,559

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*Source:* Bank Indonesia

<sup>P</sup> Preliminary.

- (1) Data collected on a cost, insurance and freight basis.
- (2) Consists of goods procured in ports by carriers and repairs on goods.

In 2011, Singapore was the Republic's largest source of imports, accounting for 15.3% of total imports, followed by China (14.8%), Japan (11.0%) and South Korea (6.9%). Taking each as a whole, ASEAN and Europe accounted for 29.8% and 8.9% of Indonesia's total imports, respectively.

## Balance of Payments

The following table sets forth the Republic's balance of payments for 2006, 2007, 2008, 2009, 2010 and 2011:

### Balance of Payments<sup>(1)</sup>

	Year ended December 31,					
	2006	2007	2008	2009	2010	2011 <sup>P</sup>
	(in millions of U.S. dollars)					
Current account:						
Exports (f.o.b.):						
Non-oil and gas exports .....	80,578	93,142	107,885	99,030	129,416	163,193
Oil and gas exports .....	22,950	24,872	31,721	20,616	28,658	38,279
Total exports .....	103,528	118,014	139,606	119,646	158,074	201,472
Imports (f.o.b.):						
Non-oil and gas imports .....	(57,703)	(66,058)	(92,755)	(73,470)	(102,021)	(127,917)
Oil and gas imports .....	(16,165)	(19,203)	(23,935)	(15,244)	(25,426)	(38,208)
Total imports .....	(73,868)	(85,261)	(116,690)	(88,714)	(127,447)	(166,125)
Services (net):						
Non-oil and gas services <sup>(2)</sup> .....	(12,737)	(15,576)	(13,292)	(15,484)	(18,661)	(24,783)
Oil and gas services .....	(6,064)	(6,686)	(9,499)	(4,819)	(6,823)	(8,495)
Total services .....	(18,800)	(22,262)	(22,790)	(20,303)	(25,484)	(33,278)
Total current account .....	10,859	10,491	126	10,628	5,144	2,070
Capital account .....	350	547	294	96	50	1
Financial account:						
Public sector:						
Portfolio investments .....	4,514	5,271	3,361	9,578	11,505	1,045
Other investments:						
Official inflows:						
CGI in flows <sup>(3)</sup> .....	1,402	1,327	1,745	2,045	1,880	1,319
Non-CGI in flows <sup>(4)</sup> .....	2,186	2,677	3,198	6,306	5,515	1,891
Total official inflows .....	3,588	4,004	4,944	8,351	7,395	3,210
Debt repayment <sup>(5)</sup> .....	(6,084)	(6,367)	(6,380)	(6,724)	(5,638)	(5,468)
Total other investments .....	(2,496)	(2,363)	(1,436)	1,627	1,757	(2,259)
Total public sector financial account .....	2,019	2,907	1,925	11,205	13,262	1,214
Private sector:						
Direct investments <sup>(6)</sup> :						
Abroad .....	(2,726)	(4,675)	(5,900)	(2,249)	(2,664)	(7,722)
Within Indonesia .....	4,914	6,928	9,318	4,877	13,771	18,160
Total direct investments .....	2,188	2,253	3,419	2,628	10,706	10,437
Portfolio investments:						
Assets .....	(1,830)	(4,415)	(1,294)	(144)	(490)	(1,634)
Liabilities .....	1,593	4,711	(303)	902	2,187	4,788
Total portfolio investments .....	(238)	296	(1,597)	758	1,697	3,153
Other private and miscellaneous capital <sup>(7)</sup> :						
Assets .....	(1,586)	(4,486)	(10,755)	(12,103)	(1,726)	(7,340)
Liabilities .....	292	2,074	4,882	2,268	2,231	8,981
Total other private and miscellaneous capital .....	(1,295)	(2,411)	(5,873)	(9,835)	506	1,641
Total private sector financial account .....	656	138	(4,052)	(6,448)	13,309	15,232
Total financial account .....	2,675	3,045	(2,126)	4,756	26,571	14,018
Total (current account, capital account and financial account) .....	13,885	14,084	(1,706)	15,481	31,765	16,088
Errors and omissions (net) .....	625	(1,368)	(238)	(2,975)	(1,480)	(4,232)
Overall balance .....	14,510	12,715	(1,945)	12,506	30,285	11,856
Monetary movements <sup>(8)</sup> .....	(14,510)	(12,715)	1,945	(12,506)	(30,285)	(11,856)
Changes in reserve assets .....	(7,862)	(14,334)	5,281	(14,466)	(30,102)	(13,916)
"of which" transactions .....	(6,902)	(12,715)	1,945	(12,506)	(30,285)	(11,857)
International Monetary Fund:						
Purchases .....	—	—	—	—	—	—
Repurchases .....	(7,608)	—	—	—	—	—
Net .....	(7,608)	—	—	—	—	—
Reserve asset position .....	42,586	56,920	51,639	66,105	96,207	110,123

Source: Bank Indonesia

<sup>P</sup> Preliminary.

- (1) The calculation of export and import figures included in the balance of payments data compiled by Bank Indonesia differs in coverage and timing from the data on export/import trade compiled by BPS.
- (2) This includes interest payments on public external debt, profit transfers from FDI projects and transportation services.
- (3) This includes Consultative Group for Indonesia (CGI) disbursements and export credit facilities from CGI member countries and special loans from The Export-Import Bank of Japan.

- (4) This includes loans from non-CGI member countries and commercial borrowings (which include international bonds and commercial bank borrowings).
- (5) Principal repayments of direct government debt.
- (6) Net figure includes private sector loans associated with FDI.
- (7) Represents all capital movements not elsewhere specified. Excludes portfolio investment.
- (8) A negative amount denotes an accumulation of assets (increase in official international reserves).

In 2011, Indonesia's balance of payments registered a surplus of U.S.\$11.9 billion due to surpluses in the current account and the capital and financial account of U.S.\$2.1 billion and U.S.\$14.0 billion, respectively. The current account surplus was due to robust export growth despite a weak global demand. Similarly, the capital and financial account surplus was due to higher inflows of FDI and an increase in private external debt, consistent with the Indonesian conducive investment climate and stable macroeconomic conditions. On a quarterly basis, the balance of payments maintained a positive performance during the first and second quarters of 2011, driven in part by strong increases in export commodity prices and buoyant inflows of foreign portfolio investment. However, in the third quarter of 2011, the balance of payments registered a deficit due to the spill-over effects of the Eurozone debt crisis which triggered outflows of foreign portfolio investment. Pressures on the balance of payments subsequently decreased in the fourth quarter as foreign portfolio inflows and foreign direct investment inflows resumed, as well as higher drawing on private external debt. In the fourth quarter of 2011, the balance of payments showed a deficit in its current account. This modest deficit (0.4% of GDP) was due to a steady expansion in imports, in line with a strong domestic demand, while exports declined as a result of a weak global demand and a drop in commodity prices.

As of December 31, 2011, reserves stood at U.S.\$110.1 billion (equivalent to 6.4 months' imports and official debt repayments).

## **Financial System**

### ***PT Perusahaan Pengelola Aset (Persero) (PT PPA)***

From 2004 to December 31, 2011, PT PPA collected Rp20.0 trillion in proceeds from management of assets previously owned by IBRA and has submitted Rp17.4 trillion to the Republic. In addition, PT PPA submitted Rp961 billion in dividends to the Republic from profits earned from 2004 to 2010 and Rp921 billion in taxes from 2004 to December 31, 2011. In December 2011, PT PPA also divested a 3.2% stake in PT Bank Maybank Syariah Indonesia, yielding Rp38 billion to the Republic.

### ***Strengthening the Banking System***

As of December 31, 2011, total banking assets were Rp3,708.6 trillion, consisting of assets of commercial banks of Rp3,652.8 trillion and assets of rural credit banks of Rp55.8 trillion.



## Bank Indonesia

The following table sets forth the balance sheet of Bank Indonesia and was prepared in accordance with the Monetary and Financial Statistics Manual published by the IMF, as of the dates indicated.

### Analytical Balance Sheet of Bank Indonesia

	As of December 31,					
	2006	2007	2008	2009	2010	2011
	(in billions of rupiah)					
Base Money (M0) .....	297,080	379,582	344,688	402,119	518,447	613,488
Currency in Circulation <sup>(1)</sup> .....	178,572	220,785	264,391	279,029	318,575	372,972
Commercial Banks Demand Deposits at						
Bank Indonesia .....	118,417	158,452	79,648	89,903	159,106	207,538
Private sector Demand Deposits .....	91	345	650	601	484	116
Bank Indonesia Certificates (SBI) <sup>(2)</sup> .....	—	—	—	32,587	40,282	32,862
Factors Affecting Base Money (M0) .....	297,080	379,582	344,688	402,119	518,447	613,488
Net Foreign Assets .....	377,879	530,896	558,357	585,863	829,285	965,873
Claims on Non-Residents .....	385,820	538,775	566,959	621,815	862,979	1,015,081
Liabilities to Non-Resident .....	(7,941)	(7,880)	(8,603)	(35,952)	(33,694)	(49,208)
Claims on Other Depository Corporations .....	9,693	8,447	8,365	7,243	5,023	4,399
Liquidity Credits .....	4,979	4,154	3,179	2,410	1,872	1,521
Other Claims .....	4,714	4,293	5,186	4,756	3,241	2,878
Net claims on Central Government .....	265,919	249,069	172,012	200,956	160,777	166,928
Claims on Central Government .....	280,806	264,474	264,233	255,498	252,349	256,520
Liabilities to Central Government .....	(14,887)	(15,404)	(92,222)	(54,542)	(91,572)	(89,591)
Claims on Other Sectors .....	26,092	13,030	14,311	9,936	13,342	13,743
Claims on Other Financial Institutions .....	1,449	1,472	1,591	1,442	1,000	421
Claims on Private Sectors .....	24,644	11,558	12,721	8,493	12,345	13,222
Open Market Operations <sup>(3)</sup> .....	(242,001)	(281,163)	(233,866)	(315,420)	(417,012)	(403,348)
Other Liabilities to Commercial & Rural Banks .....	(7,844)	(9,944)	(5,388)	(8,930)	(6,698)	(43,850)
Deposits included in Broad Money (M2) .....	—	—	—	—	—	—
Deposits excluded from Broad Money (M2) .....	(10)	(10)	(10)	(1,078)	(10)	(32)
Shares and Other Equity .....	(100,321)	(115,124)	(154,836)	(87,747)	(60,213)	(79,087)
Net Other items .....	(32,327)	(15,619)	(14,256)	(11,296)	(6,049)	(11,139)

(1) Currency outside banks plus cash in vault.

(2) SBI which is used to fulfill the secondary statutory reserve requirement of banks and accounted for as primary money supply components. Included in Base Money since October 2009.

(3) Consists of total SBI after it is reduced by the SBI used to fulfill the secondary statutory reserve requirement of banks, and is accounted for as a primary money supply component (see footnote 1). Such SBI types include: Syariah SBI (SBIS), Third Party Syariah SBI (Repo SBIS), Bank Indonesia Facility (FASBI), Fine Tune Operation (FTO), Government Bonds (SUN), State Syariah Negotiable Paper (SBSN), and Reserve Reverse Repo Government Bonds.

## Banking Institutions

As of December 31, 2011, the number of commercial banks remained relatively stable, decreasing slightly to 120 commercial banks (with 14,797 offices), the number of private national banks remaining stable at 67 banks and the number of joint venture banks decreasing to 23. The total assets of the commercial banks was Rp3,652.8 trillion as of December 31, 2011. The number of the rural banks decreased to 1,669 and the number of Shari'a divisions of rural banks increased to 155 in 2011. The total assets of the rural banks was Rp55.8 trillion as of December 31, 2011.

## Bank Assets and Liabilities

The following table sets forth the consolidated balance sheets of the commercial banks as of the dates indicated:

### Consolidated Balance Sheet of Commercial Banks

	As of December 31,					
	2006	2011	2008	2009	2010	2011
	(in trillions of rupiah)					
<b>Assets</b>						
Loans .....	792.3	1,002.0	1,307.7	1,437.9	1,765.8	2,200.0
Interbank Assets .....	156.9	139.8	213.8	261.5	228.5	226.9
Placements at Bank Indonesia.....	343.5	418.3	322.3	397.9	581.9	754.0
Securities (including Government Bonds).....	317.1	321.4	307.5	306.3	281.1	289.5
Equity Participation.....	5.9	5.6	6.6	10.0	12.4	11.0
Other Claims.....	25.8	28.8	50.9	39.9	43.8	63.4
Others.....	52.4	70.6	101.7	80.6	95.3	107.9
Total Assets .....	1,693.9	1,986.5	2,310.6	2,534.1	3,008.9	3,652.8
<b>Liabilities</b>						
Third Party Funds.....	1,287.1	1,510.8	1,753.3	1,973.0	2,338.8	2,784.9
Liabilities owed to Bank Indonesia.....	10.8	9.1	11.3	8.0	6.1	5.1
Interbank Liabilities .....	119.5	137.8	158.6	134.5	152.7	221.2
Securities .....	14.9	17.3	14.3	14.9	17.2	23.3
Borrowing.....	12.9	14.3	12.9	21.6	29.3	32.4
Other Liabilities.....	19.9	24.9	34.7	22.9	14.6	21.9
Guarantee Deposits.....	3.3	4.7	5.2	6.0	4.8	5.0
Others.....	59.8	72.9	107.4	92.4	116.8	150.9
<b>Capital:</b>						
Paid in Capital .....	73.0	78.9	86.3	96.3	105.5	112.7
Reserves.....	14.0	18.7	21.8	24.1	27.8	34.2
Current Earnings/Loss.....	28.3	35.0	30.6	45.2	57.3	75.1
Retained Earnings/Loss.....	(6.9)	1.7	35.3	52.8	75.0	106.7
Estimates of Additional Paid in Capital .....	42.2	45.4	37.8	41.0	59.7	79.4
Others.....	14.9	14.9	1.0	1.5	3.0	0.1
Total Assets .....	1,693.9	1,986.5	2,310.6	2,534.1	3,008.9	3,652.8

Source: Bank Indonesia

As of December 31, 2011, the four state-owned banks (Bank Mandiri, PT Bank Rakyat Indonesia (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk and PT Bank Tabungan Negara (Persero) Tbk) together controlled approximately 36.4% of the total assets of the banking system, approximately 33.3% of the total assets was controlled by 10 other large commercial banks and the remaining banks controlled the remaining 30.3% of the total assets.

As of December 31, 2011, securities (including government bonds) comprised approximately 7.9% of the assets of banks, compared to approximately 9% as of December 31, 2010. Meanwhile, loans represented approximately 60% of the assets of banks, compared with approximately 59% as of December 31, 2010. Interest income from securities (including government bonds) represented approximately 5% of the operating income of banks in 2011, compared with approximately 6% in 2010. Interest income from loans represented approximately 60% of the operating income of banks, compared with approximately 58% in 2010.

As of December 31, 2011, time deposits increased by approximately 15.3%, savings deposits increased by approximately 22.5%, while demand deposits increased by approximately 21.8%.

Loans grew by 24.6% in 2011, compared to 22.8% growth in 2010. Return on assets of the industry grew at 3.03% and estimated to remain stable. Liquidity is well managed as reserves are well maintained against non-core deposits with a ratio of 133.4% and a loan to deposit ratio of about 79%. As of December 31, 2011, the CAR level was recorded at 16.05% and is expected to remain above the minimum requirement of 8%.

In 2011, bank funding continued to depend heavily on third-party deposits. Third-party funds grew by 19.1%. The share of third-party deposits as a source of bank funds was approximately 70%, while the share of interbank funding was only approximately 11%. There was no significant improvement compared to the position as of December 31, 2010.

The following table shows the average CAR of the banking system for the periods indicated:

#### Average Capital Adequacy Ratios

	Year ended December 31,					
	2006	2007	2008	2009	2010	2011
	(percentages)					
CAR.....	21.3	19.3	16.8	17.4	17.2	16.1

Source: Bank Indonesia

<sup>R</sup> Revised

#### Non-Performing Loans

As of December 31, 2011, the gross and net NPL ratios were 2.17% and 0.39% respectively, significantly lower than the ratios during the 1997/1998 crisis and the 3.2% gross NPL ratio and 0.8% net NPL ratio during the global economic crisis in 2008.

The following table sets forth information regarding loans issued by commercial banks by risk category and type of loan:

#### Risk Classification of Aggregate Assets of Commercial Banks by Type of Loans<sup>(1)(2)</sup>

	As of December 31, 2011			
	Working Capital Loans	Consumer Loans	Investment Loans	Total
	(in trillions of rupiah)			
Pass <sup>(3)</sup> .....	1,007.3	441.0	619.5	2,067.7
Special Mention .....	33.1	14.4	37.2	84.7
Substandard .....	3.9	1.7	1.8	7.4
Doubtful .....	3.6	1.2	2.1	6.9
Loss .....	20.8	6.0	6.6	33.4
Total .....	1,068.7	464.3	667.2	2,200.1

Source: Bank Indonesia

- (1) Indonesia asset classification guidelines take into account various criteria, among them timely payment. Loans being paid on time are rated "Pass"; loans overdue by less than three months, six months and nine months are rated "Special Mention", "Substandard" and "Doubtful", respectively; and loans that are more than nine months in arrears are rated "Loss".
- (2) Not including credit that is channeled by commercial banks from international sources to domestic projects.
- (3) In line with the trend of declining NPL ratios, outstanding commercial bank loans are primarily classified as "Pass".

## Monetary Policy

### Money Supply

The following table sets forth the money supply for the periods indicated:

#### Money Supply

End of Period	Money				
	Base Money (M0) <sup>(1)</sup>	Currency	Demand Deposits	Total (M1)	Quasi-Money
			(in billions of rupiah)		
2006 .....	297,080	150,654	196,359	347,013	1,032,865
2007 .....	379,582	182,967	267,089	450,055	1,196,119
2008 .....	344,688	209,747	247,040	456,787	1,435,772
2009 .....	402,119	226,006	289,818	515,824	1,622,055
2010 .....	518,447	260,227	345,184	605,411	1,856,720
2011 .....	613,488	307,760	415,231	722,991	2,139,840
					2,877,220

Source: Bank Indonesia

(1) Base Money (M0) in year 2009 and 2010 is subject to reserve requirements changes.

End of Period	Factors affecting Money Supply			
	Foreign Assets (Net)	Claims on Central Government (Net) <sup>(1)</sup>	Claims on Business Sectors	Other Items (Net) <sup>(2)</sup>
		(in billions of rupiah)		
2006 .....	401,710	507,337	821,649	(107,498)
2007 .....	509,843	507,120	1,005,739	(102,955)
2008 .....	593,137	387,248	1,314,049	(98,144)
2009 .....	679,448	429,406	1,403,686	(119,195)
2010 .....	865,121	368,717	1,684,207	(121,460)
2011 .....	912,174	351,177	2,118,376	(29,895)

Source: Bank Indonesia

(1) Claims on the government are rupiah-denominated claims which are included net of the government's deposits with the banking system.

(2) Includes capital accounts, SDR allocations and inter-system accounts.

In 2011, base money supply increased to Rp613.5 trillion. In the same period, M1 increased by 19.4% to Rp722.9 trillion primarily due to a significant expansion in government accounts that increased demand for rupiah deposits. Meanwhile, M2 increased 16.4% to Rp2,877.2 trillion, primarily due to an increased contribution from saving and demand deposits amid minimum contribution from net foreign assets because of uncertainty in the global economy.

## Government Budget

### Fiscal Policy

Since 2001, the focus of the government's fiscal policy has been to promote fiscal consolidation and reduce government debt gradually in order to achieve fiscal sustainability. As a result of the overall macro economic situation and current policy challenges, since 2006, the government has also focused fiscal policy on providing a modest degree of stimulus to the overall economy, within the constraints of the government's overall fiscal situation.

In August 2009, President Yudhoyono submitted the 2010 Budget to the DPR, which, with certain modifications, was enacted in November 2009. The government set the 2010 Budget as a baseline budget for the new government formed after the 2009 general election held in July 2009. The new government proposed the Revised 2010 Budget to the DPR and submitted it in March 2010. The Revised 2010 Budget was prepared by the new government to accommodate the KIB II Priority Programs and to adjust to the changes in macroeconomic indicators since the original 2010 Budget assumptions. The DPR approved the revised budget on May 25, 2010.

Certain expenditure in the Revised 2010 Budget was aimed at (i) continuing or improving all people prosperity programs and other subsidies; (ii) continuing infrastructure, agriculture and energy development; (iii) promoting industrial and business recovery through the provision of tax and import duty incentives; (iv) reforming the bureaucracy with a view to eradicating

corruption; (v) increasing operational, maintenance and weaponry procurement; (vi) funding education and (vii) developing natural resources coupled with climate change management and disaster risk mitigation.

In August 2010, President Yudhoyono submitted the 2011 Budget to the DPR, which, with certain modifications, was enacted in November 2010. The government's main focuses for 2011 were increasing welfare and development of democracy and law enforcement.

Certain expenditure in the 2011 Budget was aimed at (i) accelerating economic growth; (ii) creating and increasing employment by giving tax incentives to encourage investment and exports to increase the capital expenditure to build infrastructure; (iii) improving the welfare of the people through social security nets for the poor with sustainable welfare programs and a more targeted subsidy allocation; and (iv) improving the quality of environmental management. While endeavoring to achieve these goals, the government maintained a prudent fiscal policy, encouraged private sector participation in infrastructure development and adopted a series of foreign investment, financial sector and banking sector reforms. See “— *Monetary Policy*” and “*Infrastructure Development*” in the Original Offering Circular.

In July 2011, the 2011 Budget was revised (the **Revised 2011 Budget**) to include a target fiscal deficit of 2.1% of the projected GDP, which was higher than the target fiscal deficit of 1.8% of GDP in the 2011 Budget and the actual deficit of 0.7% of GDP in 2010. The target fiscal deficit as a percentage of GDP increased in the Revised 2011 Budget primarily due to increases in the assumptions related to average ICP and inflation, and a decrease in the assumptions related to oil production. The targeted fiscal deficit of 2.1% of GDP under the Revised 2011 Budget was higher than or equal to the actual fiscal deficit, as a percentage of GDP, of 0.1% and 1.6% in 2008 and 2009, respectively. Total expenditure under the Revised 2011 Budget was projected to be Rp1,320.7 trillion compared to Rp1,229.6 trillion in the 2011 Budget and actual total expenditure of Rp1,042.1 trillion in 2010. The Revised 2011 Budget projected total revenue (including grants) of Rp1,169.9 trillion, compared to Rp1,104.9 trillion in the 2011 Budget and actual total revenue (including grants) of Rp995.3 trillion in 2010. The Revised 2011 Budget projected a deficit of Rp150.8 trillion, significantly higher than the Rp124.7 trillion deficit projected in the 2011 Budget and the actual fiscal deficit of Rp46.8 trillion in 2010.

In 2011, the Indonesian government budget realized a fiscal deficit of Rp90.1 trillion or 59.7% of the government's targeted fiscal deficit of Rp150.8 trillion in the Revised 2011 Budget. This realized fiscal deficit of 1.2% of GDP in 2011 is lower than the 2.1% of GDP target fiscal deficit under the Revised 2011 Budget. Total expenditure in 2011 was Rp1,289.6 trillion, slightly lower compared to Rp1,320.8 trillion in the Revised 2011 Budget. Total revenue (including grants) was Rp1,199.5 trillion, slightly higher compared to Rp1,169.9 trillion in the Revised 2011 Budget and actual total revenue (including grants) of Rp995.3 trillion in 2010. The realized fiscal deficit of Rp90.1 trillion was significantly lower than the Rp150.8 trillion deficit projected in the Revised 2011 Budget.

The government financed the projected deficit under the Revised 2011 Budget using domestic and international sources. See “— *Public Debt*”. The government is continuing to consider further policy measures intended to raise revenues and lower non-discretionary expenditures. On the revenue side, these may include tax collection improvement, tax incentives and tax administration reforms. On the expenditure side, these may include implementing additional energy saving measures at government offices, implementing targeted subsidies and encouraging the use of Liquefied Petroleum Gas instead of kerosene for household use.

Expenditure allocation in the Revised 2011 Budget focused on the public services, education and economic functions. Such expenditure was projected to be 84.1% of central government expenditure. The Revised 2011 Budget also aimed to maintain a minimum allocation of 20.0% of central government expenditure for education.

The Revised 2012 Budget, approved by the DPR on March 31, 2012, includes a target fiscal deficit of 2.2% of the revised projected GDP compared to 1.5% of the projected GDP in the 2012 Budget and to the realized fiscal deficit of 1.2% of GDP in 2011. Total expenditure under the Revised 2012 Budget is projected to be Rp1,548.3 trillion as compared to Rp1,435.4 trillion in the 2012 Budget and Rp1,289.6 trillion in 2011. Total revenue (including grants) under the Revised 2012 Budget is projected to be Rp1,358.2 (equivalent to 15.9% of GDP) compared to Rp1,311.4 trillion (equivalent to 16.2% of GDP) in the 2012 Budget and Rp1,199.5 trillion (equivalent to 16.2% of GDP) in 2011. The Revised 2012 Budget projects a deficit of Rp190.1 trillion, compared to Rp124.0 trillion in the 2012 Budget and Rp90.1 trillion in 2011.

For a discussion of the Revised 2012 Budget as well as the macroeconomic assumptions, revenue, expenditure, fiscal deficit and deficit financing estimates underlying the Revised 2012 Budget compared to the 2012 Budget and the actual 2011 results, see “— *Revised 2012 Budget*”.

The Republic transfers a significant proportion of central government revenue to regional and local governments. Under Law No. 33 of 2004 on Balance of Fundings between the Central and Regional Governments, as amended, the central government transfers funds under five schemes: (i) “revenue sharing funds” which return a percentage of certain tax and natural resource revenues generated in a particular region to that region; (ii) “general allocation funds” based on net annual central government

revenue and distributed based on regional and local fiscal gaps (the differences between fiscal need and fiscal capacity); (iii) “specific allocation funds” for specific project proposals submitted by regional governments such as programs related to education, health and infrastructure and which, together with revenue sharing funds and general allocation funds are called “balanced funds”; (iv) “special autonomy funds” which support the Aceh and Papua provinces; and (v) “adjustment funds” which fund federal government policies and projects throughout the country. In 2006, 2007, 2008, 2009, 2010 and 2011, these fund transfers accounted for 33.9%, 33.4%, 29.7%, 32.3%, 33.1% and 31.9%, respectively, of the central government’s total expenditure. These fund transfers are projected to account for 32.8% of total expenditure in the 2012 Budget and for 30.9% of total expenditure in the Revised 2012 Budget.

### Central Government Finances

The following table sets forth information regarding the revenue and expenditure of the central government for the periods indicated:

#### Central Government Revenue and Expenditure

	Year ended December 31,							
	2006 <sup>L</sup>	2007 <sup>L</sup>	2008 <sup>L</sup>	2009 <sup>L</sup>	2010 <sup>L</sup>	2011 <sup>P</sup>	2012 <sup>B</sup>	2012 <sup>R</sup>
	(in trillions of rupiah)							
Revenue and grants:								
Domestic revenue:								
Tax revenue.....	409.2	491.0	658.7	619.9	723.4	872.6	1,032.6	1,016.2
Non-tax revenue.....	227.0	215.1	320.6	227.2	268.9	324.3	278.0	341.1
Total domestic revenue .....	636.2	706.1	979.3	847.1	992.3	1,196.9	1,310.6	1,357.4
Grants .....	1.8	1.7	2.3	1.7	3.0	2.6	0.8	0.8
Total revenue and grants .....	638.0	707.8	981.6	848.8	995.3	1,199.5	1,311.4	1,358.2
Expenditure:								
Total central government expenditure.....	440.1	504.6	693.4	628.8	697.4	878.3	965.0	1,069.5
Transfers to regions:								
Balanced funds.....	222.2	243.9	278.7	287.3	316.7	347.2	400.0	408.4
Special autonomy and adjustment funds .....	4.0	9.3	13.7	21.3	28.0	64.1	70.4	70.4
Total transfers to region .....	226.2	253.2	292.4	308.6	344.7	411.3	470.4	478.8
Suspend <sup>(1)</sup> .....	0.9	(0.2)	(0.1)	(0.0)	(0.0)	—	—	—
Total expenditure .....	667.1	757.6	985.7	937.4	1,042.1	1,289.6	1,435.4	1,548.3
Primary balance <sup>(2)</sup> .....	50.0	30.0	84.3	5.2	41.6	3.2	(1.8)	(72.3)
Surplus/(deficit) .....	(29.1)	(49.8)	(4.1)	(88.5)	(46.8)	(90.1)	(124.0)	(190.1)
Financing:								
Domestic financing.....	56.0	69.0	102.5	128.2	96.1	148.5	125.9	194.5
Foreign financing .....	(26.6)	(26.5)	(18.4)	(15.6)	(4.5)	(19.2)	(1.9)	(4.4)
Total financing <sup>(3)</sup> .....	29.4	42.5	84.1	112.6	91.6	129.3	124.0	190.1

Source: Ministry of Finance

<sup>L</sup> LKPP.

<sup>P</sup> Preliminary.

<sup>B</sup> 2012 Budget.

<sup>R</sup> Revised 2012 Budget.

(1) Realized expenditure calculated by the Ministry of Finance differed from the figures calculated by line ministries and such discrepancies have been subtracted and added, respectively, to totals for such years after the fiscal year is over. “Suspend” is not reported in the current year.

(2) Primary balance represents revenues minus expenditures excluding interest expenditure.

(3) In 2006, total financing of Rp29.4 trillion exceeded the budget deficit of Rp29.1 trillion, and the government added the difference of Rp0.3 trillion to its reserves. In 2007, total financing of Rp42.5 trillion was insufficient to finance the budget deficit of Rp49.8 trillion, and the government drew down on its reserves to cover the difference of Rp7.3 trillion. In 2008, total financing of Rp84.1 trillion exceeded the budget deficit of Rp4.1 trillion. In 2009, total financing of Rp112.6 trillion, coming mainly from a net government bond issuance of Rp99.4 trillion, exceeded the budget deficit of Rp88.5 trillion and the government added the difference of Rp24.1 trillion to its reserves. In 2010, total financing of Rp91.6 trillion, coming mainly from a net government bond issuance of Rp91.1 trillion, exceeded the budget deficit of Rp46.8 trillion and the government added the difference of Rp44.8 trillion to its success. In 2011, total financing of Rp129.3 trillion exceeded the budget deficit of Rp90.1 trillion and the government added the difference of Rp39.2 trillion to its reserves.

*Central Government Revenue.* The following table sets forth central government revenue by category for the periods indicated:

### Central Government Revenue

	Year ended December 31,							
	2006 <sup>L</sup>	2007 <sup>L</sup>	2008 <sup>L</sup>	2009 <sup>L</sup>	2010 <sup>L</sup>	2011 <sup>P</sup>	2012 <sup>B</sup>	2012 <sup>R</sup>
	(in trillions of rupiah)							
Domestic Revenue:								
Tax revenue:								
Domestic taxes:								
Income tax:								
Oil and gas.....	43.2	44.0	77.0	50.0	58.9	73.1	60.9	67.9
Non-oil gas .....	165.6	194.4	250.5	267.6	298.2	357.7	459.1	445.7
Total income tax .....	208.8	238.4	327.5	317.6	357.1	430.8	520.0	513.7
Value-added tax (VAT).....	123.0	154.5	209.7	193.1	230.6	277.0	353.0	336.1
Land and building tax .....	20.9	23.7	25.4	24.3	28.6	29.9	35.7	29.7
Duties on land and building transfer <sup>(1)</sup> .....	3.2	6.0	5.6	6.5	8.0	—	—	—
Excises .....	37.8	44.7	51.3	56.7	66.2	77.0	75.4	83.3
Other taxes.....	2.3	2.7	3.0	3.1	4.0	3.9	5.6	5.6
Total domestic taxes .....	396.0	470.1	622.4	601.3	694.5	818.6	989.6	968.3
International trade taxes:								
Import duties.....	12.1	16.7	22.8	18.1	20.0	25.2	23.7	24.7
Export tax .....	1.1	4.2	13.6	0.6	8.9	28.8	19.2	23.2
Total international trade taxes .....	13.2	20.9	36.3	18.7	28.9	54.0	42.9	47.9
Total tax revenue .....	409.2	491.0	658.7	619.9	723.4	872.6	1,032.6	1,016.2
Non-tax revenue:								
Natural resources:								
Oil:	125.1	93.6	169.0	90.1	111.8	142.5	113.7	150.8
Gas:	32.9	31.2	42.6	35.7	40.9	52.2	45.8	47.5
General mining:	6.8	5.9	9.5	10.4	12.7	16.7	14.5	15.3
Forestry:	2.4	2.1	2.3	2.3	3.0	3.2	3.0	3.1
Fishery:	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Geothermal <sup>(2)</sup> :	—	—	0.9	0.4	0.3	0.6	0.2	0.3
Total natural resources .....	167.5	132.9	224.5	139.0	168.8	215.4	177.3	217.2
Profit transfer from SOEs .....	23.0	23.2	29.1	26.0	30.1	28.2	28.0	30.8
Other non-tax revenue.....	36.5	56.9	63.3	53.8	59.4	66.6	53.5	72.8
Public Service Agency (BLU) income <sup>(3)</sup> .....	—	2.1	3.7	8.4	10.6	14.1	19.2	20.4
Total non-tax revenue....	227.0	215.1	320.6	227.2	268.9	324.3	278.0	341.1
Total domestic revenue.....	636.2	706.1	979.3	847.1	992.3	1,196.9	1,310.6	1,357.4
Grants .....	1.8	1.7	2.3	1.7	3.0	2.6	0.8	0.8
Total revenue and grants.....	638.0	707.8	981.6	848.8	995.3	1,199.5	1,311.4	1,358.2

Source: Ministry of Finance

<sup>L</sup> LKPP.

<sup>P</sup> Preliminary.

<sup>B</sup> Budget 2012.

<sup>R</sup> Revised 2012 Budget.

- (1) Starting from January 1, 2011, duties on land and building transfer is no longer budgeted as government revenue from taxation income and instead is diverted into local tax. This diversion is intended to strengthen local taxing power and to improve regional autonomy executive accountability.
- (2) Until 2007, non-tax revenues from geothermal resources were included under the general mining category.
- (3) Includes government's share of Bank Indonesia profits representing amounts in excess of Bank Indonesia's capital ratio requirements, which excess amounts are transferred to the central government to be used for repayments of certain central government obligations to Bank Indonesia.

With the exception of 2006, since 2005, revenue from non-oil and gas income taxes has exceeded non-tax revenue from natural resources. Together with revenue from VAT, these accounted for an average of 70.5% of total domestic revenue annually from 2005 through 2009. These three sources of revenue plus excise taxes and income tax on oil and gas accounted for an average of 83.3% of total domestic revenue annually from 2005 through 2009. In 2009, non-oil and gas income taxes, revenue from VAT and non-tax revenue from natural resources accounted for 71.6% of the total domestic revenue in 2009. These three sources of revenue plus excise taxes and income tax on oil and gas accounted for 83.3% of total domestic revenue in 2009.

In 2007, realized tax revenue of Rp491.0 trillion was 99.8% of the government's revised budget target of Rp492.0 trillion for the year. Realized domestic tax revenue of Rp470.1 trillion for 2007 was 99.1% of the government's revised budget target of Rp474.6 trillion for the year, while international trade tax revenue of Rp20.9 trillion was 119.9% of the government's revised budget target. Realized non-tax revenue in 2007 was Rp215.1 trillion, or 108.5% of the government's budgeted amount of Rp198.3 trillion. Total realized revenue and grants of Rp707.8 trillion for 2007 were 102.0% of the government's revised budget target of Rp694.1 trillion for the year.

In 2008, realized tax revenue of Rp658.7 trillion was 108.1% of the government's budget target of Rp609.2 trillion in the Revised 2008 Budget. Realized domestic tax revenue of Rp622.4 trillion for 2008 was 107.3% of the government's budget target of Rp580.2 trillion under the Revised 2008 Budget, while international trade tax revenue of Rp36.3 trillion was 125.2% of the government's budget target of Rp29.0 trillion under the Revised 2008 Budget. Realized non-tax revenue in 2008 was Rp320.6 trillion, or 113.5% of the government's budgeted amount of Rp282.8 trillion under the Revised 2008 Budget. Total realized revenue and grants of Rp981.6 trillion for 2008 were 109.7% of the government's budget target of Rp895.0 trillion under the Revised 2008 Budget.

In 2009, realized tax revenue of Rp619.9 trillion was 95.1% of the government's budget target of Rp652.0 trillion in the Revised 2009 Budget. Realized domestic tax revenue of Rp601.3 trillion for 2009 was 95.1% of the government's budget target of Rp631.9 trillion under the Revised 2009 Budget, while international trade tax revenue of Rp18.7 trillion was 93.2% of the government's budget target of Rp20.0 trillion under the Revised 2009 Budget. Realized non-tax revenue in 2009 was Rp227.2 trillion, or 104.2% of the government's budgeted amount of Rp218.0 trillion under the Revised 2009 Budget. Total realized revenue and grants of Rp848.8 trillion for 2009 were 97.4% of the government's budget target of Rp871.0 trillion under the Revised 2009 Budget.

In 2010, realized tax revenue of Rp723.4 trillion was 97.3% of the government's target of Rp743.3 trillion in the Revised 2010 Budget. Realized domestic tax revenue of Rp694.5 trillion for 2010 was 96.3% of the government's budget target of Rp720.8 trillion under the Revised 2010 Budget, while international trade tax revenue of Rp28.9 trillion was 127.9% of the government's budget target of Rp22.6 trillion under the Revised 2010 Budget. Realized non-tax revenue in 2010 was Rp268.9 trillion, or 108.8% of the government's budgeted amount of Rp247.2 trillion under the Revised 2010 Budget. Total realized revenue and grants of Rp995.3 trillion for 2010 were 100.3% of the government's budget target of Rp992.4 trillion under the Revised 2010 Budget.

In 2011, realized tax revenue of Rp872.6 trillion was 99.3% of the government's targeted tax revenue of Rp878.7 trillion in the Revised 2011 Budget. Realized domestic tax revenue of Rp818.6 trillion for 2011 was 98.4% of the government's budget target of Rp831.8 trillion under the Revised 2011 Budget, while international trade tax revenue of Rp54.0 trillion was 115.1% of the government's target of Rp46.9 trillion under the Revised 2011 Budget. Realized non-tax revenue in 2011 was Rp324.3 trillion, or 113.2% of the government's budgeted amount of Rp286.5 trillion under the Revised 2011 Budget. Total realized revenue and grants of Rp1,199.5 trillion for 2011 were 102.5% of the government's budget target of Rp1,169.9 trillion under the Revised 2011 Budget.



*Central Government Expenditure.* The following table sets forth the expenditure of the central government for the periods indicated:

### Central Government Expenditure<sup>(1)</sup>

	Year ended December 31,							
	2006 <sup>L</sup>	2007 <sup>L</sup>	2008 <sup>L</sup>	2009 <sup>L</sup>	2010 <sup>L</sup>	2011 <sup>P</sup>	2012 <sup>B</sup>	2012 <sup>R</sup>
	(in trillions of rupiah)							
Central government expenditure:								
Personnel expenditure .....	73.3	90.4	112.8	127.7	148.1	175.5	215.9	212.3
Goods and services expenditure .....	47.2	54.5	56.0	80.7	97.6	121.0	188.0	186.6
Capital expenditure.....	55.0	64.3	72.8	75.9	80.3	115.9	152.0	168.7
Interest payments:								
Domestic debt.....	54.9	54.1	59.9	63.7	61.5	66.8	88.5	84.7
Foreign debt.....	24.2	25.7	28.5	30.1	26.9	26.5	33.7	33.0
Total interest payments.....	79.1	79.8	88.4	93.8	88.4	93.3	122.2	117.8
Subsidies:								
Energy subsidies .....	94.6	116.9	223.0	94.6	139.9	255.6	168.6	202.4
Non-energy subsidies .....	12.8	33.3	52.3	43.5	52.8	39.3	40.3	42.7
Total subsidies .....	107.4	150.2	275.3	138.1	192.7	294.9	208.9	245.1
Grants expenditure .....	—	—	—	—	0.1	0.3	1.8	1.8
Social assistance .....	40.7	49.8	57.7	73.8	68.6	70.9	47.8	55.4
Other expenditure .....	37.4	15.6	30.3	38.9	21.6	6.5	28.5	65.5
Total central government expenditure.	440.1	504.6	693.4	628.9	697.4	878.3	965.0	1,069.5
Transfer to Regions:								
Balanced funds:								
Revenue sharing funds.....	64.9	62.9	78.4	76.1	92.2	96.9	100.1	108.4
General allocation funds .....	145.7	164.8	179.5	186.4	203.6	225.5	273.8	273.8
Specific allocation funds.....	11.6	16.2	20.8	24.7	20.9	24.8	26.1	26.1
Total balanced funds.....	222.2	243.9	278.7	287.3	316.7	347.2	400.0	408.4
Special autonomy and adjustment funds:								
Special autonomy funds.....	3.5	4.0	7.5	9.5	9.1	10.4	12.0	12.0
Adjustment funds .....	0.5	5.3	6.2	11.8	18.9	53.7	58.5	58.5
Total special autonomy and adjustment funds.....	4.0	9.3	13.7	21.3	28.0	64.1	70.4	70.4
Total transfers to region .....	226.2	253.2	292.4	308.6	344.7	411.3	470.4	478.8
Total expenditure .....	666.3	757.8	985.8	937.4	1,042.1	1,289.6	1,435.4	1,548.3

Source: Ministry of Finance

<sup>L</sup> LKPP.

<sup>P</sup> Preliminary.

<sup>B</sup> 2012 Budget.

<sup>R</sup> Revised 2012 Budget.

(1) Realized expenditure calculated by the Ministry of Finance differed from the figures calculated by line ministries and such discrepancies have been subtracted and added, respectively, to the totals for such years.

In 2007, the government's total actual expenditure was Rp757.8 trillion, equivalent to 100.7% of the year's revised budgeted amount of Rp752.4 trillion. Central government expenditure in 2007 was Rp504.6 trillion, 101.3% of the revised budgeted amount of Rp498.2 trillion. Total subsidies in 2007 were Rp150.2 trillion, or 143.0% of the revised budgeted amount of Rp105.1 trillion, primarily due to increases in energy subsidies as a result of high oil prices and an increase in non-energy subsidies due to higher tax subsidies. Tax subsidies are taxes borne by the government that are paid to the Directorate General of Taxation of the Ministry of Finance by other government ministries and agencies, such as the VAT exemption on imported wheat, imported wheat flour and cooking oil, income taxes on the government's royalties from natural gas production, taxes paid by Pertamina (Perusahaan Tambang Minyak Negara) and the VAT exemption for imported oil exploration equipment. Because the aggregate amount of these tax subsidies is included in the domestic tax revenue of the government, there is no net effect on the government's budget deficit from these tax subsidies. In 2006 and 2007, the government's tax subsidies were Rp1.9 trillion and Rp17.1 trillion, respectively. Total transfers to regions in 2007 were Rp253.2 trillion, or 99.6% of the revised budgeted amount of Rp254.2 trillion.

In 2008, the government's total actual expenditure was Rp985.8 trillion, equivalent to 99.6% of the year's budgeted amount of Rp989.5 trillion under the Revised 2008 Budget. Central government expenditure in 2008 was Rp693.4 trillion, equivalent to 99.5% of the revised budgeted amount of Rp697.1 trillion. Total subsidies in 2008 were Rp275.3 trillion, or 117.4% of the revised budgeted amount of Rp234.4 trillion, primarily due to increases in energy subsidies as a result of high oil prices and an increase in non-energy subsidies due to higher tax subsidies. Total transfers to regions in 2008 were Rp292.4 trillion, or 100.0% of the revised budgeted amount.

In 2009, the government's total actual expenditure was Rp937.4 trillion, equivalent to 93.7% of the year's budgeted amount of Rp1,000.8 trillion under the Revised 2009 Budget. Central government expenditure in 2009 was Rp628.9 trillion, 90.9% of the budgeted amount of Rp691.5 trillion under the Revised 2009 Budget. Total subsidies in 2009 were Rp138.1 trillion, or 87.3% of the budgeted amount of Rp158.1 trillion under the Revised 2009 Budget, primarily due to increases in energy subsidies as a result of high oil prices and an increase in non-energy subsidies due to higher tax subsidies. Total transfers to regions in 2009 were Rp308.6 trillion, or 99.8% of the budgeted amount of Rp309.3 trillion under the Revised 2009 Budget.

In 2010, the government's total expenditure was Rp1,042.1 trillion, equivalent to 92.5% of the Revised 2010 Budget amount of Rp1,126.1 trillion. Central government expenditure in 2010 was Rp697.4 trillion, equivalent to 89.2% of the Revised 2010 Budget amount of Rp781.5 trillion. Actual subsidies in 2010 were Rp192.7 trillion, equivalent to 95.7% of the Revised 2010 Budget amount of Rp201.3 trillion. Total transfers to regions in 2010 were Rp344.7 trillion, equivalent to 100.0% of the Revised 2010 Budget amount of Rp344.6 trillion.

In 2011, the government's total expenditure was Rp1,289.6 trillion, equivalent to 97.6% of the Revised 2011 Budget amount of Rp1,320.8 trillion. Central government expenditure in 2011 was Rp878.3 trillion, equivalent to 96.7% of the Revised 2011 Budget amount of Rp908.3 trillion. Actual subsidies in 2011 were Rp294.9 trillion, equivalent to 124.3% of the Revised 2011 Budget amount of Rp237.2 trillion. Total transfers to regions in 2011 were Rp411.3 trillion, equivalent to 99.7% of the Revised 2011 Budget amount of Rp412.5 trillion.

The following table sets forth, by percentage, the allocation of central government development expenditure by function for the periods indicated:

#### Allocation of Central Government Development Expenditure by Function

	Year ended December 31,						
	2006 <sup>L</sup>	2007 <sup>L</sup>	2008 <sup>L</sup>	2009 <sup>L</sup>	2010 <sup>L</sup>	2011 <sup>P</sup>	2012 <sup>B</sup>
	(percentages)						
General Public Services .....	64.4	62.6	77.1	66.4	67.7	75.8	63.1
Defense .....	5.5	6.1	1.3	2.1	2.5	3.9	6.7
Public Order and Safety .....	5.4	5.6	1.0	1.2	2.0	1.7	2.7
Economic Affairs .....	8.7	8.4	7.3	9.4	7.5	6.8	10.1
Environmental Protection.....	0.6	1.0	0.8	1.7	0.9	0.7	1.1
Housing and Community Amenities.....	1.3	1.8	1.8	2.3	2.9	1.8	2.7
Health .....	2.8	3.2	2.0	2.5	2.7	1.1	1.5
Tourism and Culture.....	0.2	0.4	0.2	0.2	0.2	0.3	0.2
Religion .....	0.3	0.4	0.1	0.1	0.1	0.1	0.2
Education.....	10.3	10.1	8.0	13.5	13.0	7.6	9.9
Social Protection.....	0.5	0.5	0.4	0.5	0.5	0.3	0.5
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Finance

<sup>L</sup> LKPP.

<sup>P</sup> Preliminary.

<sup>B</sup> 2012 Budget. The allocation under the Revised 2012 Budget is still being considered by the DPR.

<sup>R</sup> Revised 2012 Budget.

*Deficit Financing.* The following tables sets forth, by amount, information on deficit financing for the periods indicated.

### Deficit Financing

	Year ended December 31,							
	2006 <sup>L</sup>	2007 <sup>L</sup>	2008 <sup>L</sup>	2009 <sup>L</sup>	2010 <sup>L</sup>	2011 <sup>P</sup>	2012 <sup>B</sup>	2012 <sup>R</sup>
	(in trillions of rupiah)							
Domestic financing:								
Domestic bank financing .....	18.9	11.1	16.2	41.1	22.2	49.0	8.9	60.6
Domestic non-bank financing:								
Privatization proceeds.....	2.4	3.0	0.1	—	2.1	0.4	—	—
Asset management <sup>(1)</sup> .....	2.7	2.4	2.8	0.7	1.1	1.2	0.3	0.3
Government securities (net) .....	36.0	57.2	85.9	99.5	91.1	119.9	134.6	159.6
Domestic loans (net).....	—	—	—	—	0.3	0.3	0.9	1.0
Government investment funds: <sup>(2)</sup>								
Government investment.....	(2.0)	(2.0)	(1.0)	(0.5)	(3.6)	(1.6)	(3.3)	(3.3)
Government capital participation <sup>(3)</sup> .....	(2.0)	(2.7)	(1.5)	(11.7)	(6.0)	(9.3)	(6.9)	(8.9)
Revolving fund .....	—	—	—	—	—	(8.8)	(7.0)	(7.0)
Total Government investment funds .....	(4.0)	(4.7)	(2.5)	(13.1)	(12.2)	(19.7)	(17.1)	(19.3)
Endowment fund for education .....	—	—	—	—	—	(2.6)	(1.0)	(7.0)
Guarantee fund.....	—	—	—	—	—	—	(0.6)	(0.6)
Lending to PT PLN.....	—	—	—	—	(7.5)	—	—	—
Total domestic non-bank financing .....	37.1	57.9	86.3	87.1	73.9	99.5	117.0	134.0
Total domestic financing .....	56.0	69.0	102.5	128.2	96.1	148.5	125.9	194.5
Foreign financing:								
Gross drawing:								
Program loan .....	13.6	19.6	30.1	28.9	29.0	13.6	15.3	15.6
Project loan .....	16.1	14.5	20.1	29.7	25.8	18.1	39.1	38.1
Total gross drawing.....	29.7	34.1	50.2	58.6	54.8	31.7	54.4	53.7
On-lending to SOEs and local governments.....	(3.6)	(2.7)	(5.2)	(6.2)	(8.7)	(3.6)	(9.0)	(8.4)
Amortizations.....	(52.7)	(57.9)	(63.4)	(68.0)	(50.6)	(47.3)	(47.3)	(49.7)
Total foreign financing (net).....	(26.6)	(26.5)	(18.4)	(15.6)	(4.5)	(19.2)	(1.9)	(4.4)
Total financing (net).....	29.4	42.5	84.1	112.6	91.6	129.3	124.0	190.1

Source: Ministry of Finance

<sup>L</sup> LKPP.

<sup>P</sup> Preliminary.

<sup>B</sup> 2012 Budget.

<sup>R</sup> Revised 2012 Budget.

(1) Before 2009, this item was termed "Asset recovery".

(2) This item was previously termed "Infrastructure funds" in 2006 and 2007.

(3) Government capital participation is investment of capital by the government into SOEs.

In 2007, actual central government expenditure and transfers to regions were Rp757.8 trillion, while actual revenue and grants were Rp707.8 trillion. The government financed this deficit of approximately Rp50.0 trillion primarily through net bond issuances of Rp57.2 trillion, domestic bank financing of Rp11.1 trillion, foreign financing from program loans and project loans of Rp34.1 trillion and a drawdown of Rp7.3 trillion on its reserves (not shown in the table above). These were partially offset primarily by amortization outflow on foreign financings (other than bonds) of Rp57.9 trillion.

In 2008, actual central government expenditure and transfers to regions were Rp985.8 trillion, while actual revenue and grants were Rp981.6 trillion. The government financed this deficit of approximately Rp4.2 trillion primarily through net bond issuances of Rp85.9 trillion, domestic bank financing of Rp16.2 trillion and foreign financing from program loans and project loans of Rp50.2 trillion. These were partially offset primarily by amortization outflow on foreign financings (other than bonds) of Rp63.4 trillion.

In 2009, actual central government expenditure and transfers to regions were Rp937.4 trillion, while actual revenue and grants were Rp848.8 trillion. The government financed this deficit of approximately Rp88.6 trillion primarily through net bond issuances of Rp99.5 trillion, domestic bank financing of Rp41.1 trillion and foreign financing from program loans and project loans of Rp58.6 trillion. These were partially offset primarily by amortization outflow on foreign financings (other than bonds) of Rp68.0 trillion.

In 2010, actual central government expenditure and transfers to regions were Rp1,042.1 trillion, while actual revenue and grants were Rp995.3 trillion. The government financed this deficit of approximately Rp46.8 trillion primarily through the issue of government bonds amounting to Rp91.1 trillion, domestic bank financing of Rp22.2 trillion and foreign financing from program

loans and project loans of Rp54.8 trillion. These were partially offset primarily by amortization outflow on foreign financings (other than bonds) of Rp50.6 trillion.

In 2011, actual central government expenditure and transfers to regions were Rp1,289.6 trillion, while actual revenue and grants were Rp1,199.5 trillion. The Republic financed this deficit of approximately Rp90.1 trillion primarily through net bond issuances of Rp119.9 trillion, domestic bank financing of Rp49.0 trillion and foreign financing from program loans and project loans of Rp31.7 trillion. These were partially offset by the amortization outflow on foreign financings (other than bonds) of Rp47.3 trillion.

### ***Revised 2012 Budget***

The key macroeconomic assumptions underlying the Revised 2012 Budget, as compared to the 2012 Budget and the actual 2011 results, are as follows:

- a real GDP growth rate of 6.5% in the Revised 2012 Budget, compared to 6.7% in the 2012 Budget and 6.5% in 2011;
- an average inflation rate of 6.8% in the Revised 2012 Budget, compared to 5.3% in the 2012 Budget and 3.8% in 2011;
- an interest rate on three-month short-term SPN of 5.0% in the Revised 2012 Budget, compared to 6.0% in the 2012 Budget and 4.8% in 2011;
- an average exchange rate of Rp9,000 to U.S.\$1 in the Revised 2012 Budget, compared to Rp8,800 to U.S.\$1 in the 2012 Budget and Rp8,776 to U.S.\$1 in 2011;
- average oil production by the Republic of 930,000 barrels of oil per day in the Revised 2012 Budget, compared to 950,000 barrels of oil per day in the 2012 Budget and 898,100 barrels of oil per day in 2011;
- an average ICP of U.S.\$105 per barrel in the Revised 2012 Budget, compared to U.S.\$90 per barrel in the 2012 Budget and U.S.\$111.6 per barrel in 2011; and
- a revised projected GDP of Rp8,542.6 trillion in the Revised 2012 Budget, compared to Rp8,119.8 trillion in the 2012 Budget and a GDP of Rp7,427.1 trillion in 2011.

The Revised 2012 Budget includes a target fiscal deficit of 2.2% of the revised projected GDP compared to 1.5% of the projected GDP in the 2012 Budget and to the realized fiscal deficit of 1.2% of GDP in 2011.

*Central Government Revenue.* The following table sets forth the actual 2011 revenue of the government, by amount and as a percentage of the preliminary 2011 GDP, the 2012 Budget by amount and as a percentage of the projected 2012 GDP and the Revised 2012 Budget by amount and as a percentage of the revised projected 2012 GDP.

### Central Government Revenue

	Actual 2011 (preliminary)		2012 Budget		Revised 2012 Budget	
	(in trillions of rupiah)	(percentages of preliminary 2011 GDP)	(in trillions of rupiah)	(percentages of projected 2012 GDP)	(in trillions of rupiah)	(percentages of Revised projected 2012 GDP)
Domestic revenue:						
Tax revenue:						
Domestic taxes:						
Income tax:						
Oil and gas .....	73.1	1.0	60.9	0.8	67.9	0.8
Non-oil and gas .....	357.7	4.8	459.1	5.7	445.7	5.2
Total income taxes .....	430.8	5.8	520.0	6.4	513.7	6.0
Value added tax .....	277.0	3.7	352.9	4.3	336.1	3.9
Land and building tax .....	29.9	0.4	35.6	0.4	29.7	0.3
Duties on land and building transfer .....	0.0	0.0	0.0	0.0	0.0	0.0
Excises .....	77.0	1.0	75.4	0.9	83.3	1.0
Other taxes .....	3.9	0.1	5.6	0.1	5.6	0.1
Total domestic taxes .....	818.6	11.0	989.6	12.2	968.3	11.3
International trade taxes:						
Import duties .....	25.2	0.3	23.7	0.3	24.7	0.3
Export tax .....	28.8	0.4	19.2	0.2	23.2	0.3
Total international trade taxes .....	54.0	0.7	42.9	0.5	47.9	0.6
Total tax revenue .....	872.6	11.7	1,032.6	12.7	1,016.2	11.9
Non-tax revenue:						
Natural resources:						
Oil and gas .....	195.0	2.6	159.5	2.0	198.3	2.3
— Oil .....	142.5	1.9	113.7	1.4	150.8	1.8
— Gas .....	52.2	0.7	45.8	0.6	47.5	0.6
Non-oil and gas .....	20.7	0.2	17.9	0.2	18.9	0.2
Total natural resources .....	215.4	2.9	177.3	2.2	217.2	2.5
Profit transfer from SOEs .....	28.2	0.4	28.0	0.3	30.8	0.4
Other non-tax revenue .....	66.6	0.9	53.5	0.7	72.8	0.9
Public Service Agency (BLU) .....	14.1	0.2	19.2	0.2	20.4	0.2
Total non-tax revenue .....	324.3	4.4	278.0	3.4	341.1	4.0
Total domestic revenue .....	1,196.9	16.1	1,310.5	16.1	1,357.4	15.9
Grants .....	2.6	0.0	0.8	0.0	0.8	0.0
Total revenue and grants .....	1,199.5	16.2	1,311.4	16.2	1,358.2	15.9

Source: Ministry of Finance

The Revised 2012 Budget projects total revenue (including grants) of Rp1,358.2 (equivalent to 15.9% of GDP), compared to Rp1,311.4 trillion (equivalent to 16.2% of GDP) in the 2012 Budget and to actual total revenue (including grants) of Rp1,199.5 trillion (equivalent to 16.2% of GDP) in 2011. The increase under the 2012 Budget and the Revised 2012 Budget is largely due to projected increases in domestic tax revenue related to non-oil and gas income tax and value added tax in 2012.

*Government Expenditure.* The following table sets forth the actual 2011 expenditure of the government, by amount and as a percentage of the preliminary 2011 GDP, the 2012 Budget by amount and as a percentage of the projected 2012 GDP and the Revised 2012 Budget by amount and as a percentage of the revised projected 2012 GDP.

### Central Government Expenditure

	Actual 2011 (preliminary)		2012 Budget		Revised 2012 Budget	
	(in trillions of rupiah)	(percentages of preliminary 2011 GDP)	(in trillions of rupiah)	(percentages of projected 2012 GDP)	(in trillions of rupiah)	(percentages of Revised projected 2012 GDP)
Central government expenditure:						
Personnel expenditure.....	175.5	2.4	215.9	2.7	212.2	2.5
Goods and services expenditure .....	121.0	1.6	188.0	2.3	186.6	2.2
Capital expenditure .....	115.9	1.6	152.0	1.9	168.7	2.0
Interest payments:						
Domestic debt .....	66.8	0.9	88.5	1.1	84.8	1.0
Foreign debt .....	26.5	0.4	33.7	0.4	33.0	0.4
Total interest payments .....	93.3	1.3	122.2	1.5	117.8	1.4
Subsidies:						
Energy Subsidies.....	255.6	3.4	168.5	2.1	202.4	2.4
Non-Energy Subsidies .....	39.3	0.5	40.3	0.5	42.7	0.5
Total subsidies.....	294.9	4.0	208.8	2.6	245.1	2.9
Grant expenditure .....	0.3	0.0	1.8	0.0	1.8	0.0
Social assistance.....	70.9	1.0	47.8	0.6	55.4	0.6
Other expenditures .....	6.5	0.1	28.5	0.4	65.5	0.8
Additional for expenditure <sup>(1)</sup> .....	0.0	0.0	0.0	0.0	16.4	0.2
Total central government expenditure .....	878.3	11.8	965.0	11.9	1,069.5	12.5
Transfers to Regions:						
Balanced Funds:						
Revenue Sharing Funds .....	96.9	1.3	100.1	1.2	108.4	1.3
General Allocation Funds .....	225.5	3.0	273.8	3.4	273.8	3.2
Specific Allocation Funds .....	24.8	0.3	26.1	0.3	26.1	0.3
Total balanced funds.....	347.2	4.7	400.0	4.9	408.4	4.8
Special autonomy and adjustment funds:						
Special autonomy funds .....	10.4	0.1	11.9	0.1	12.0	0.1
Adjustment funds .....	53.7	0.7	58.5	0.7	58.5	0.7
Total special autonomy and adjustment funds .....	64.1	0.9	70.4	0.9	70.4	0.8
Total transfers to region.....	411.3	5.5	470.4	5.8	478.8	5.6
Total expenditure .....	1,289.6	17.4	1,435.4	17.7	1,548.3	18.1

Source: Ministry of Finance

(1) Allocation for additional expenditure is still being considered by the DPR.

Total expenditure under the Revised 2012 Budget is projected to be Rp1,548.3 (equivalent to 18.1% of GDP), compared to Rp1,435.4 trillion (equivalent to 17.7% of GDP) in the 2012 Budget and to actual total expenditure of Rp1,289.6 trillion (equivalent to 17.4% of GDP) in 2011.

The Revised 2012 Budget includes an increase in subsidies expenditure (an increase of around 17.4% compared to the 2012 Budget) primarily due to a higher allocation for electricity and fuel subsidies related to the increasing global crude oil prices in early 2012. The Revised 2012 Budget also includes an increase in social assistance (an increase of around 15.9% compared to the 2012 Budget) primarily related to public transportation subsidies and to education subsidies for underprivileged students.

The largest line item increase on the expenditure side in percentage terms under the Revised 2012 Budget is other expenditure (an increase of around 129.8% over the 2012 Budget). The increase is primarily related to the provision for the energy risk reserve, the direct cash transfer program to under-privileged residents and the improvement of rural infrastructure. The Revised 2012 Budget includes an increase in capital expenditure (an increase of around 11.0% over the 2012 Budget) related to improvement of domestic connectivity to the eastern Indonesian region and to investment in the economic corridor (MP3EI).

The Revised 2012 Budget allocates Rp117.8 trillion, or 1.4% of GDP, to interest payments on debt, compared to Rp122.2 trillion, or 1.5% of GDP in the 2012 Budget.

The 2012 Budget includes a decrease in subsidies expenditure (a decrease of around 29.2% compared to 2011) primarily due to lower allocation for electricity and oil subsidies related to decreasing global crude oil prices and the expected increase of 10% in the electricity tariff in April 2012. The 2012 Budget also includes a significant decrease in social assistance (a decrease of around 32.6% compared to 2011) primarily related to proposed cuts to certain line ministries.

The largest line item increase on the expenditure side in percentage terms under the 2012 Budget is to other expenditure (an increase of around 338.5% over 2011) primarily related to precautionary increases to a reserve fund to mitigate the government budget from risks involving oil and world food prices. The 2012 Budget includes a significant increase in capital expenditure (an increase of around 31.1% over 2011) related in part to infrastructure development in connection with the MP3EI. The 2012 Budget also includes a significant increase in personnel expenditure (an increase of around 23.0% over 2011) in order to accommodate increases in salary and pension payments and remuneration for line ministries in order to continue implementation of bureaucracy reformation. The 2012 Budget allocates Rp122.2 trillion, or 1.5% of GDP, to interest payments on debt, compared to Rp93.3 trillion, or 1.3% of GDP in 2011.

*Central Government Deficit Financing.* The following tables set forth the actual 2011 deficit financing of the government, by amount and as a percentage of the preliminary 2011 GDP, the 2012 Budget by amount and as a percentage of the projected 2012 GDP and the Revised 2012 Budget by amount and as a percentage of the revised projected 2012 GDP as applicable:

### Deficit Financing

	Actual 2011 (preliminary)		2012 Budget		Revised 2012 Budget	
	(in trillions of rupiah)	(percentages of preliminary 2011 GDP)	(in trillions of rupiah)	(percentages of projected 2012 GDP)	(in trillions of rupiah)	(percentages of Revised projected 2012 GDP)
Domestic financing:						
Domestic bank financing .....	49.0	0.7	8.9	0.1	60.6	0.7
Domestic non-bank financing:						
Privatization proceeds .....	0.4	0.0	0.0	0.0	0.0	0.0
Asset management .....	1.2	0.0	0.3	0.0	0.3	0.0
Government securities (net) .....	119.9	1.6	134.6	1.7	159.6	1.9
Government capital participation .....	(9.3)	(0.1)	(6.9 )	(0.1 )	(8.9)	(0.1)
Government investment funds .....	(1.6)	(0.0)	(3.3 )	(0.0 )	(3.3)	(0.0)
Domestic loans .....	0.3	0.0	0.9	0.0	1.0	0.0
Revolving Funds .....	(8.8)	(0.1)	(7.0 )	(0.1 )	(7.0)	(0.1)
Contingency Fund .....	(0.9)	(0.0)	(0.6 )	(0.0 )	(0.6)	(0.0)
National education development fund .....	(2.6)	(0.0)	(1.0 )	(0.0 )	(7.0)	(0.1)
Lending to PT PLN .....	0.0	0.0	0.0	0.0	0.0	0.0
Total domestic non-bank financing .....	99.5	1.3	117.0	1.4	134.0	1.6
Total domestic financing .....	148.5	2.0	125.9	1.6	194.5	2.3
Foreign financing:						
Gross drawing:						
Program loan .....	13.6	0.2	15.3	0.2	15.6	0.2
Project loan .....	18.1	0.2	39.1	0.5	38.1	0.4
Total gross drawing .....	31.7	0.4	54.4	0.7	53.7	0.6
On-lending to SOEs and local governments .....	(3.6)	(0.0)	(9.0 )	(0.1 )	(8.4)	(0.1)
Amortizations .....	(47.3)	(0.6)	(47.3 )	(0.6 )	(49.7)	(0.6)
Total foreign financing (net) .....	(19.2)	(0.3)	(1.9 )	(0.0 )	(4.4)	(0.1)
Total financing .....	129.3	1.7	124.0	1.5	190.1	2.2

Source: Ministry of Finance

The Revised 2012 Budget projects a deficit of Rp190.1 trillion, higher than the Rp124.0 trillion in the 2012 Budget and the actual fiscal deficit of Rp90.1 trillion in 2011. The Republic is expected to finance the projected deficit under the Revised 2012 Budget from both domestic and international sources. The Revised 2012 Budget proposes to finance the deficit primarily by domestic non-bank financing of Rp134.0 trillion and domestic bank financing of Rp60.6 trillion.

The 2012 Budget projects a deficit of Rp124.0 trillion, higher than the actual fiscal deficit of Rp90.1 trillion in 2011 and Rp46.8 trillion in 2010. The Republic is expected to finance the projected deficit under the 2012 Budget from both domestic and international sources. The 2012 Budget proposes to finance the deficit primarily by domestic non-bank financing of Rp117.0 trillion and domestic bank financing of Rp8.9 trillion.

## Public Debt

The Republic successfully reduced its public debt as a percentage of GDP from 26.0% of GDP in 2010 to 24.3% in 2011. Total public debt remained relatively stable at U.S.\$198.9 billion as of December 31, 2011 compared to U.S.\$186.4 billion as of December 31, 2010. As of December 31, 2011, 34% of the public debt consisted of loans and 66% consisted of securities.

### *Public External Debt of the Republic*

The following table sets forth information on the outstanding public external debt of the Republic in terms of creditor type as of the dates indicated:

**Outstanding Public External Debt of the Republic by Source<sup>(1)</sup>**

	As of December 31,					
	2006	2007	2008	2009	2010	2011
	(in billions of U.S. dollars)					
Concessional Loans:						
Multilateral creditors.....	18.8	19.1	20.3	21.5	23.1	23.4
Bilateral creditors.....	31.8	32.1	35.8	33.7	35.6	35.7
Semi-concessional Loans:						
Export agency creditors.....	11.2	11.0	10.6	9.5	8.8	8.1
Leasing.....	0.1	0.0	0.0	0.0	0.0	0.0
Commercial <sup>(2)</sup> .....	5.6	7.1	11.2	15.5	18.6	22.2
Total.....	67.5	69.3	77.9	80.2	86.1	89.4
Total public external debt of the Republic, as a percentage of GDP for the period indicated <sup>(3)</sup> .....	18.3%	15.8%	15.0%	14.6%	12.1%	10.5%

Source: Ministry of Finance

- (1) Foreign currency values of outstanding external debt have been converted into U.S. dollars at the applicable BI middle exchange rates as of the respective dates indicated.
- (2) Includes bonds issued in international capital markets and commercial bank borrowings.
- (3) In calculating as a percentage of GDP, GDP in U.S. dollars has been converted from rupiah into U.S. dollars at the following exchange rates per U.S. dollar: Rp9,039.7 per U.S. dollar for 2006, Rp9,034.1 per U.S. dollar for 2007, Rp9,545.0 per U.S. dollar for 2008, Rp10,176.9 per U.S. dollar for 2009, Rp8,997.9 per U.S. dollar for 2010 and Rp8,697.1 per U.S. dollar for 2011. These exchange rates are calculated by BPS with reference to the weighted average monthly exchange rates applicable to export and import transactions for each month in a given period.

### *Sources of Public External Borrowing*

As of December 31, 2011, the Republic received disbursements of loans from the ADB and the World Bank in the amounts of U.S.\$630.2 million and U.S.\$1,335.6 million, respectively.

The Republic expanded its sources of external financing by accessing the international capital markets in its issue of U.S.\$1.75 billion in 5.25% Notes due 2042 in January 2012.

The Republic repaid U.S.\$0.8 billion in 2008, U.S.\$1.8 billion in 2009, U.S.\$0.9 billion in 2010 and U.S.\$0.9 billion in 2011, of Paris Club debt. As of December 31, 2011, the remaining Paris Club debt amounted to U.S.\$11.3 billion.



The following table sets forth amounts of international development assistance received by the Republic since 2006:

### International Development Assistance<sup>(1)(2)</sup>

	As of December 31,						
	2006	2007	2008	2009	2010	2011	
	(in millions of U.S. dollars and percentages)						
Bilateral loans .....	31,833	32,141	35,751	33,715	32,993	36,281	61.5%
Multilateral loans:							
International Monetary Fund .....	—	—	—	—	—	—	—
International Bank for Reconstruction and Development .....	7,421	6,822	6,964	7,871	9,052	9,606	17.1%
Asian Development Bank .....	9,409	10,177	10,867	10,885	11,149	10,798	19.3%
International Development Association .....	1,322	1,552	2,001	2,231	2,315	2,274	4.1%
Islamic Development Bank .....	397	232	256	315	405	465	0.8%
Nordic Investment Bank .....	105	91	77	64	51	33	0.1%
European Investment Bank .....	109	102	94	86	77	68	0.1%
International Fund for Agricultural Development .....	74	79	78	77	81	119	0.2%
Multilateral Investment Guarantee Agency .....	—	—	—	—	—	—	—
Total multilateral loans .....	18,837	19,055	20,337	21,529	23,129	23,363	41.3%
Total loans .....	50,670	51,195	56,089	55,245	56,062	59,644	100.0%

Sources: Ministry of Finance and Bank Indonesia

- (1) The term international development assistance includes any concessionary loans provided by international financial institutions or foreign governments, excluding grants.
- (2) Foreign currency values of international development assistance have been converted into U.S. dollars at the applicable BI middle exchange rates as of the respective dates indicated.

The following table sets forth the external public debt of the Republic by currency as of the date indicated:

### Outstanding External Public Debt of the Republic by Major Currency

	As of December 31, 2011	
	(in millions of original currency)	(in millions of U.S. dollars <sup>(1)</sup> )
U.S. dollars .....	43,747.8	43,747.8
Japanese yen .....	2,585,417.9	33,301.4
Euros .....	4,710.8	6,098.4
SDR .....	2,193.4	3,356.8
British pounds .....	413.3	636.6
Others .....	Multiple currencies	2,256.0
Total .....	N/A	89,396.9

Sources: Ministry of Finance and Bank Indonesia

N/A Not applicable

- (1) Calculated based on the applicable BI middle exchange rates as of December 31, 2011.

## External Debt of the Central Government

The following table sets forth information on the outstanding external debt of the central government by creditor type as of the dates indicated:

### Outstanding External Debt of the Central Government by Source<sup>(1)</sup>

	As of December 31,					
	2006	2007	2008	2009	2010	2011
	(in billions of U.S. dollars)					
Concessional Loans						
Multilateral creditors .....	18.8	19.1	20.3	21.5	23.1	23.4
Bilateral creditors .....	31.8	32.1	35.8	33.7	35.6	35.7
Semi-concessional Loans						
Export agency creditors .....	11.2	11.0	10.6	9.5	8.8	8.1
Leasing .....	0.1	0.0	0.0	0.0	0.0	0.0
Commercial <sup>(2)</sup> .....	5.6	7.1	11.2	15.5	18.6	22.2
Total .....	67.5	69.3	77.9	80.2	86.1	89.4

Source: Ministry of Finance

(1) Foreign currency values of outstanding external debt have been converted into U.S. dollars at the applicable BI middle exchange rates as of the respective dates indicated.

(2) Includes bonds issued in international capital markets and commercial bank borrowings.

The following table sets forth the external debt service requirements of the central government for the years indicated:

### External Debt Service Requirements of the Central Government<sup>(1)</sup>

Period	Principal Repayment	Interest Repayment	Total
	(in millions of U.S. dollars)		
2006 <sup>(2)</sup> .....	5,760.9	2,632.5	8,393.4
2007 <sup>(2)</sup> .....	6,322.0	2,759.3	9,081.3
2008 <sup>(2)</sup> .....	6,334.2	2,169.3	8,503.4
2009 <sup>(2)</sup> .....	6,704.5	2,595.5	9,300.0
2010 <sup>(2)</sup> .....	5,612.8	2,971.3	8,584.1
2011 <sup>(2)</sup> .....	5,218.6	2,916.1	8,134.7
2012 <sup>(3)</sup> .....	5,343.8	2,852.7	8,196.5
2013 <sup>(3)</sup> .....	5,998.9	2,725.3	8,724.1
2014 <sup>(3)</sup> .....	8,958.0	2,415.2	11,373.2
2015 <sup>(3)</sup> .....	6,845.1	2,146.6	8,991.7
2016 <sup>(3)</sup> .....	6,246.0	1,931.0	8,177.0
2017 <sup>(3)</sup> .....	5,677.9	1,772.3	7,450.2
2018 <sup>(3)</sup> .....	7,504.5	1,545.5	9,050.0
2019 <sup>(3)</sup> .....	6,989.9	1,236.2	8,226.1
2020 <sup>(3)</sup> .....	7,187.2	1,004.7	8,191.8
2021 <sup>(3)</sup> .....	6,296.6	817.0	7,113.6
2022 <sup>(3)</sup> .....	3,205.6	706.3	3,911.9
2023 <sup>(3)</sup> .....	2,698.7	658.6	3,357.4
2024 <sup>(3)</sup> .....	2,230.1	621.0	2,851.1
2025 <sup>(3)</sup> .....	1,853.7	589.7	2,443.4
2026 <sup>(3)</sup> .....	1,533.6	564.8	2,098.4
2027 <sup>(3)</sup> .....	1,276.2	544.9	1,821.1
2028 <sup>(3)</sup> .....	1,129.4	530.5	1,659.9
2029 <sup>(3)</sup> .....	901.9	520.8	1,422.7
2030 <sup>(3)</sup> .....	855.6	513.1	1,368.7
2031 <sup>(3)</sup> .....	774.9	505.7	1,280.6
2032 <sup>(3)</sup> .....	644.6	498.5	1,143.1
2033 <sup>(3)</sup> .....	533.7	491.2	1,024.9
2034 <sup>(3)</sup> .....	329.5	486.9	816.3
2035 <sup>(3)</sup> .....	1,780.4	462.0	2,242.4
2036 <sup>(3)</sup> .....	109.1	347.7	456.8
2037 <sup>(3)</sup> .....	1,577.4	264.3	1,841.7
2038 <sup>(3)</sup> .....	2,059.6	105.4	2,165.0
2039 <sup>(3)</sup> .....	54.7	92.3	147.0
2040 <sup>(3)</sup> .....	50.2	92.2	142.4
2041 – 2055 <sup>(3)</sup> .....	1,887.6	100.0	1,987.6

Source: Ministry of Finance

(1) Reflects the acceptance of the temporary suspension of debt service payments offered by the Paris Club members to the Republic and actual and assumed concessional interest rates on deferred debt service payments.

(2) Calculated based on the transaction exchange rate, which is a spot rate used upon settlement.

(3) Projected, based on debt outstanding and exchange rates as of January 31, 2012.

### External Debt of Bank Indonesia

As of December 31, 2011, the total outstanding external debt of Bank Indonesia was U.S.\$3,521 million, comprising U.S.\$3,031 million of multilateral debt and U.S.\$490 million of commercial debt.

The following table sets forth the external debt service requirements of Bank Indonesia for the years indicated:

#### External Debt Service Requirements of Bank Indonesia (2006 — 2015)<sup>(1)</sup>

Period	Principal Repayment	Interest Repayment	Total
	(in millions of U.S. dollars)		
2006 <sup>(2)</sup>	8,369.0	360.8	8,729.8
2007 <sup>(2)</sup>	45.5	37.0	82.5
2008 <sup>(2)</sup>	71.3	30.3	101.5
2009 <sup>(2)</sup>	68.0	12.2	80.2
2010 <sup>(2)</sup>	48.5	8.0	56.5
2011 <sup>(3)</sup>	93.8	15.9	109.6
2012 <sup>(3)</sup>	126.7	13.8	140.5
2013 <sup>(3)</sup>	102.7	12.3	115.0
2014 <sup>(3)</sup>	16.7	11.4	28.1
2015 <sup>(3)</sup>	36.3	11.2	47.5

Source: Bank Indonesia

- (1) The table does not include amounts payable after 2015 in respect of multilateral financing due in 2025 or in respect of other commercial debt maturing after 2015.
- (2) Calculated based on the transaction exchange rate, which is a spot rate used upon settlement.
- (3) Projected, based on debt outstanding and exchange rates as of December 31, 2011.

### Ratings

On January 18, 2012, Moody's upgraded Indonesia's long-term foreign-currency sovereign credit and debt ratings to Baa3 from Ba1. Moody's stated that the key factors supporting this action were Moody's anticipation that the government financial metrics will remain in line with Baa peers, the demonstration of the resilience of Indonesia's economic growth to large external shocks, the presence of policy buffers and tools that address financial vulnerabilities and a healthier banking system capable of withstanding stress.

### External Debt of State-Owned Enterprises

The following table sets forth the outstanding external debt of SOEs as of the dates indicated:

#### Outstanding Direct External Debt of State-Owned Enterprises<sup>(1)</sup>

	As of December 31,					
	2006	2007	2008	2009	2010	2011
	(in millions of U.S. dollars <sup>(1)</sup> )					
Financial institutions:						
Bank .....	1,859	479	1,395	1,720	1,385	2,264
Non-bank .....	—	—	1	143	100	764
Total financial institutions .....	1,859	479	1,396	1,863	1,485	3,028
Non-financial institutions .....	2,786	3,381	3,015	6,293	7,049	12,183
Total .....	4,645	3,859	4,411	8,156	8,534	15,211

Source: Bank Indonesia

- (1) Foreign currency values of outstanding direct external debt have been converted into U.S. dollars at the applicable BI middle exchange rates as of the respective dates indicated.

As of December 31, 2011, the total outstanding external debt of SOEs was U.S.\$15.2 billion, U.S.\$12.2 billion of which was debt of non-financial institutions. Non-financial institutions, primarily in the oil and gas sector, accounted for the largest portion of the outstanding SOE external debt.

## Domestic Debt of the Central Government

The following table sets forth the outstanding domestic debt of the government as of the dates indicated:

	As of December 31,					
	2006	2007	2008	2009	2010	2011
	(in trillions of rupiah)					
Total domestic debt <sup>(1)</sup> .....	693	737	783	836	902	993
Total domestic public debt, as a percentage of GDP for the year indicated <sup>(2)</sup> ....	20.8%	18.7%	15.8%	14.9%	14.0%	13.4%

Sources: Ministry of Finance and Bank Indonesia

(1) Excludes SBI, which are obligations of Bank Indonesia and not of the government.

(2) Computed using GDP data from December 31, 2006 to December 31, 2011.

## Domestic Debt Service Requirements of the Central Government

The following table sets forth the debt service requirements for all public domestic debt of the government for the years indicated:

### Direct Domestic Debt Service Requirements of the Central Government<sup>(1)</sup>

Period	Principal Repayment and Redemption <sup>(2)(3)</sup>	Interest Repayment	Total
	(in trillions of rupiah)		
2006.....	27	55	81
2007 <sup>(4)</sup> .....	60	53	113
2008 <sup>(5, 6)</sup> .....	37	59	96
2009 <sup>(5, 6)</sup> .....	49	63	112
2010 <sup>(5, 6)</sup> .....	76	60	137
2011 <sup>(5, 6)</sup> .....	87	66	153
2012 <sup>(5, 6)</sup> .....	91	55	147
2013 <sup>(5, 6)</sup> .....	56	49	106
2014 <sup>(5, 6)</sup> .....	47	44	91
2015 <sup>(5, 6)</sup> .....	42	41	83
2016 <sup>(3)</sup> .....	44	38	82
2017 <sup>(3)</sup> .....	36	36	72
2018 <sup>(3)</sup> .....	30	35	65
2019 <sup>(3)</sup> .....	33	34	67
2020 <sup>(3)</sup> .....	43	32	76
2021 <sup>(3)</sup> .....	36	29	65
2022 <sup>(3)</sup> .....	33	25	57
2023 <sup>(3)</sup> .....	21	22	43
2024 <sup>(3)</sup> .....	18	21	39
2025 <sup>(3)</sup> .....	28	18	46
2026 <sup>(3)</sup> .....	20	16	35
2027 <sup>(3)</sup> .....	23	13	36
2028 <sup>(3)</sup> .....	21	10	31
2029 <sup>(3)</sup> .....	0	10	10
2030 <sup>(3)</sup> .....	26	9	35
2031 <sup>(3)</sup> .....	27	6	33
2032 <sup>(3)</sup> .....	9	4	14
2033 <sup>(3)</sup> .....	0	4	4
2034 <sup>(3)</sup> .....	0	4	4
2035 <sup>(3)</sup> .....	0	4	4
2036 <sup>(3)</sup> .....	4	4	7
2037 <sup>(3)</sup> .....	6	3	10
2038 <sup>(3)</sup> .....	16	2	18
2039 <sup>(3)</sup> .....	13.6	1.3	14.8
2040 <sup>(3)</sup> .....	—	1.3	1.3
2041 – 2055 <sup>(3)</sup> .....	—	0.5	0.5

Source: Ministry of Finance

(1) Excludes SBI, which are obligations of Bank Indonesia and not of the government.

(2) Historical data for principal repayments and redemptions includes principal payments at maturity and redemptions through cash buybacks and asset swaps.

(3) Figures from 2006 onwards exclude principal repayment and redemption from debt switching program.

(4) Including repayment of promissory notes to Bank Indonesia of Rp2.6 trillion.

(5) Projected, based on debt outstanding as of December 31, 2011 and SBI rate of 6.50%.

(6) Interest payments include periodic distributions on certain Shari'a ijarah bonds.

## Foreign Exchange and Reserves

### Exchange Rates

The following table sets forth information on exchange rates between the rupiah and certain other currencies as of the end of the periods indicated.

#### Exchange Rates

	rupiah per U.S. dollar	rupiah per 100 Japanese yen	rupiah per Euro	rupiah per Singapore dollar
2011 .....	9,068	11,680	11,739	6,974
January 2012.....	9,000	11,792	11,853	7,176
February 2012.....	9,085	11,275	12,245	7,287
March 2012 .....	9,180	11,176	12,259	7,309
April 2012 (through April 13).....	9,174	11,313	12,089	7,350

Source: Bank Indonesia

### International Reserves

The following table sets forth the Republic's total official international reserves, expressed in (1) U.S. dollar equivalents and (2) the number of months of imports and government external debt repayments, in each case at the end of the periods indicated.

#### Official International Reserves of the Republic

	As of December 31,					
	2006	2007	2008	2009	2010	2011
	(in millions of U.S. dollars, except for months)					
Gold .....	1,483	1,946	2,041	2,552	3,299	3,593
SDRs .....	18	9	34 <sup>(1)</sup>	2,753	2,714	2,696
Reserve position with the IMF .....	219	228	225	227	224	223
Foreign exchange <sup>(2)</sup> and others .....	40,866	54,737	49,339	60,573	89,970	103,611
Total .....	42,586	56,920	51,639	66,105	96,207	110,123
Total as number of months of imports and government external debt repayments .....	4.6	5.8	4.0	6.6	7.2	6.4

Source: Bank Indonesia

(1) The increase in SDRs is due to certain refunds from the IMF.

(2) Converted into U.S. dollars at the applicable Bank Indonesia middle exchange rates as of the respective dates indicated.

As of December 31, 2011, Indonesia's international reserves increased to U.S.\$110.1 billion from U.S.\$96.2 billion in 2010, equal to 6.4 months of imports and government debt repayment, due to an increase in oil and gas export receipts and an increase in foreign currency reserve requirements.

### Regional Swap Arrangements of the Republic

Under the ASA, BSA, and CMIM, a total of U.S.\$23.98 billion of foreign currency swap was available to the Republic as of February 2012. Up to 20% of the amount available under the BSAs and CMIM may be activated without participating in any IMF program, but greater amounts must be in conjunction with participation in an IMF program. The Republic believes that these swap arrangements will contribute to greater financial stability and economic growth within East Asia, including in Indonesia.

## ISSUER

Republic of Indonesia  
Ministry of Finance of the Republic of Indonesia  
Jl. Lapangan Banteng Timur No. 2-4  
Jakarta 10710, Indonesia

## ARRANGERS

**The Hongkong and Shanghai Banking Corporation Limited**  
Level 17  
HSBC Main Building  
1 Queen's Road  
Central Hong Kong

**J.P. Morgan Securities Ltd.**  
125 London Wall  
London EC2Y 5AJ  
United Kingdom

**Standard Chartered Bank**  
Marina Bay Financial Centre (Tower 1)  
8 Marina Boulevard, Level 20  
Singapore 018981

## DEALERS

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**J.P. Morgan Securities Ltd.**  
125 London Wall  
London EC2Y 5AJ  
United Kingdom

**Merrill Lynch (Singapore) Pte. Ltd.**  
OUE Bayfront #14-01  
50 Collyer Quay  
Singapore 049321

**Standard Chartered Bank**  
Marina Bay Financial Centre (Tower 1)  
8 Marina Boulevard, Level 20  
Singapore 018981

**The Hongkong and Shanghai Banking Corporation Limited**  
Level 17  
HSBC Main Building  
1 Queen's Road  
Central Hong Kong

## TRUSTEE and PAYING AGENT

**The Bank of New York Mellon**  
101 Barclay Street, 21st Floor West  
New York, New York 10286  
United States of America

## LEGAL ADVISORS TO THE REPUBLIC

*as to U.S. law*

*as to Indonesian law*

**White & Case Pte. Ltd.**  
8 Marina View #27-01  
Asia Square Tower 1  
Singapore 018960

**Thamrin Rachman Law Firm**  
Graha CIMB Niaga 7<sup>th</sup> Floor  
Jl. Jend Sudirman Kav 58  
Jakarta 12190, Indonesia

## LEGAL ADVISORS TO THE ARRANGERS AND THE DEALERS

*as to U.S. law*

*as to Indonesian law*

**Linklaters LLP**  
One Marina Boulevard #28-00  
Singapore 018989  
and  
10<sup>th</sup> Floor, Alexandra House  
18 Chater Road  
Hong Kong

**Assegaf Hamzah & Partners**  
Menara Rajawali, 16th Floor  
Jl. Mega Kuningan Lot. 5.1  
Kawasan Mega Kuningan  
Jakarta 12950, Indonesia

## SINGAPORE COUNSEL FOR SGX-ST LISTING

**Allen & Gledhill LLP**  
One Marina Boulevard #28-00  
Singapore 018989