R&I Upgrades Indonesia's Credit Rating To BBB+

JAKARTA – The Japan-based credit rating agency, Rating and Investment Information Inc. (R&I), recently upgraded Indonesia's Sovereign Credit Rating from BBB/stable outlook to BBB+/stable outlook (Investment Grade). The higher rating shows that the international stakeholders increasingly put their trust in Indonesia's economic performance.

The Central Bank of Indonesia (Bank Indonesia/BI) assesses Indonesia's upgraded ranking as a result of joint efforts in monetary, fiscal, and structural reforms to ensure strong economic growth, supported by macroeconomic stability. "Going forward, BI will remain vigilant and continue to monitor global and domestic economic developments, including the impact of Covid-19, by continuing to strengthen the policy mix and coordination with the government and other relevant authorities to maintain macroeconomic stability, encourage structural reforms, and support the momentum of economic growth," said Bank Indonesia's Governor Perry Warjiyodi in Jakarta (17/03).

According to R&I, the decision to improve the ranking was supported by some main factors. First, strong policy implementation to advance the economic growth potential is supported by a robust political foundation. With the implementation of various policies, the economy is expected to continue growing stable in the medium term.

Second, by maintaining the fiscal deficit, the government can keep the ratio at a low level. Third, sufficient foreign exchange reserves relative to short-term debt.

R&I stated that Indonesia's economic resilience to external shocks has been well-maintained along with a policy stance that emphasizes macroeconomic stability and fiscal discipline. Over the past few years, the real economy has grown by around 5% per year.

Despite the coronavirus outbreak that might suppress Indonesia's economic growth, the government and Bank Indonesia are working closely to sustain the economy and maintain macroeconomic stability. Considering well-maintained Indonesia's economic fundamentals and a stable political environment, R&I estimates that the economy will recover swiftly if the impacts of the novel coronavirus can be controlled.

Meanwhile, the government is targeting the ratification of the Omnibus Law so that the country can excel in the investment climate and create more jobs. The implementation of these rules will stimulate investment, support the strengthening of economic fundamentals, and boost economic growth in the medium to long term.

On the external side, the current account has a low deficit. The current account deficit is estimated at 2-3% in 2020 and beyond. Foreign exchange reserves can finance 7.4 months of imports and payment of government foreign debt. At the same time, the exchange rate risk in the private sector has declined as a result of central bank policy adoption.

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