

### How is the prospect of Indonesia Economic in second semester, while in the middle of the global uncertainty?

Overall, the growth of global economic is still supporting this year's growth of economic in Indonesia. Standard Chartered Bank estimates that the world economic will grow 3.5% (y/y) faster than its growth last year which only reach 3.2%, driven by the economic recovery in United States, China and Europe. We forecast that China will grow faster this year for the first time since 2010. The world economic growth in second semester will be strong enough, even though we estimates it is a little bit slower than the growth in the first semester along with the slowness of the inventory accumulation cycle and economic rebalancing in China, also the monetary policy normalization in developed country in the world.

In domestic point of view, we see that the economic recovery will keep on going. We estimates that the Indonesia economic will grow 5.2% this year, which is driven by the improvement of the external demand, government expenditure, and investment. Tax reformation that has been done by the government such as expanding the access of tax data, because of the tax amnesty, the fiscal stimulus space is getting bigger. The government also proposes the deficit budget widening this year become 2.6% from Gross Domestic Products from 2.4% in order to maintain the fiscal stimulus.

Household consumption is estimated to keep stable. More controllable inflation, commodity price, and the availability of work field will maintain the citizens' purchasing power. Private investment is getting better slowly, which is supported by the infrastructure improvement and investment climate that showed the increment of the rank of Indonesia as the place in Ease of Doing Investment (Business) according to the World Bank Survey. The higher credit rating of Indonesia become worthy to invest given by S&P and stability of politics that is more conducive after Jakarta election will also maintain the positive sentiment of Indonesia.

### What is the biggest risk faced by Indonesia?

Not only world geopolitics risk, but we also see that the monetary policy normalization in developed country also become the main risk faced by Indonesia. The betterment of the economic in US is seen that the improvement of the labour market drives the central bank to start tightening the monetary policy includes the plan to do the reduction of Central Bank's balance sheet. However, we see that the impact of the tightening of monetary policy is still limited to Indonesia economic. The expectation of the long term interest rate of USA that will stay low because of the unrealized fiscal expansion on a large scale and the prudent monetary and fiscal policy will maintain the stability of domestic financial system. We expect the Fed to hike interest rates 2-3 times gradually over the next 12 months.

### How is the prospect of the investment in capital market currently?

We see Indonesia is still become one of the interesting destination to invest. Betterment of the macro economic indicator that is seen from the improvement of the economic growth, controllable inflation, the narrowing of the current account deficit and the interesting result offered, drives the high foreign interest to invest in Indonesia. The flow of net foreign fund is found reaching USD 9 billion in the first half this year, which is almost same with the flow of the foreign fund during 2016.

We expect that structural reformation and infrastructure development will drive the sustainable Indonesia Economic growth. We see that the construction, manufacture, and consumption sectors will perform well this year. We also see the trend of the improvement of commodity price that will continue, even though it will not go back to the prior highest level. This will give positive impact to Indonesia that half of its economic is supported by the commodity sector.