

NEWS RELEASE

UOB Indonesia remains optimistic about Indonesia's economic growth in 2017

Surabaya, 26 July 2017 – PT Bank UOB Indonesia (UOB Indonesia) maintains optimism about Indonesia's 2017 economic growth outlook despite global market volatility. The Bank's Gross Domestic Product (GDP) growth forecast for 2017 is 5.2 per cent, which is higher than 5.0 per cent for 2016.

Mr Kevin Lam, President Director of UOB Indonesia, said, "UOB Indonesia's optimism is largely based on projected stability in commodity prices and continued growth in Indonesia's exports. The stronger exports have also contributed to the narrowing of Indonesia's current account deficits which reinforced the positive sentiment."

Mr Lam made these comments at UOB Indonesia's *Economic Outlook 2017: East Java as the Next Economic Hub for Eastern Indonesia Development*. More than 200 customers in Surabaya, East Java attended the session today, which provided insights on the global, regional and local economy.

Mr Lam said that the stability of Indonesia's GDP, inflation, interest rate and currency in the first half of 2017 will likely push back any potential monetary tightening to the first half of 2018. In addition, Standard & Poor's recent Investment Grade rating for Indonesia confirms the government's commitment to economic reforms to improve the country's investment climate. Moody's and Fitch's positive outlook on the country has also suggested further re-rating potential for Indonesia.

"Despite the external uncertainties, foreign direct investment to Indonesia has held up at an annual average of US\$29 billion in the last four years. Investment flows are expected to remain strong as China's 'Belt and Road' and infrastructure connectivity initiatives will create new opportunities to boost the region's economy," Mr Lam said.

The Indonesian Government has also shifted the focus of its economic development efforts to East Indonesia, as shown in the master plan for national development from 2011 to 2025 known as MP3EI (Master Plan Acceleration and Expansion of Indonesia Economic Development)¹. After decades of focusing on economic development in the capital city of Jakarta across Java island, the centre of gravity has progressively shifted to the eastern region of Indonesia

“President Joko Widodo’s administration is highly committed to economic development through the realisation of infrastructure projects that will enhance connectivity across East Indonesian islands. We believe that such projects in East Indonesia will enable the region to increase its contribution to the national GDP,” Mr Lam said.

In 2016, East Indonesia contributed 11.63 per cent to Indonesia’s total GDP, led by investments in agriculture, infrastructure, health services and downstream mineral industries.

Remaining cautious of global economic volatility

Global developments such as the German federal election, Brexit negotiations and events are some risks that may lead to economic volatility.

Mr. Suan Teck Kin, UOB Group’s Senior Economist, said, “In the near future, we expect to see more volatility in global financial markets due to the uncertain outcomes of geopolitical events in Europe, UK and Asia as well as economic policies in the US. However, we expect that China’s financial markets and growth will remain stable.”

“The US Federal Reserve is expected to increase its interest rates one more time in September before the announcement of Balance Sheet Reduction (BSR) in December 2017. If there are no significant changes to US fiscal, tax trade policies and the stability of the Chinese economy, the depreciation in regional currencies against the US dollar will likely be well-contained. While some countries in emerging Asia may be more vulnerable to risk

¹ Source: *Indonesia National Development Agency (Badan Perencanaan Pembangunan Nasional): www.bappenas.go.id*

aversion, their improving economic fundamentals are expected to provide a buffer to offset the impact of capital outflows,” Mr Suan said.

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About PT Bank UOB Indonesia

PT Bank UOB Indonesia (UOB Indonesia) was established in 1956. The bank’s service network comprises 41 branch offices, 137 sub-branch offices and 173 ATMs across 32 cities in 18 provinces in Indonesia. UOB Indonesia’s banking services are accessible through its regional ATM network, the ATM Prima and Bersama networks and the Visa network.

UOB Indonesia is a subsidiary of United Overseas Bank Limited, a leading bank in Asia with a global network of more than 500 offices in 19 countries and territories in Asia Pacific, Europe and North America.

UOB Indonesia is committed to providing quality products and excellent customer services. UOB Indonesia offers various banking products and services categorised into personal financial services, business banking, commercial banking, corporate banking, global markets and investment management.

The bank has a strong retail customer base through its wide range of saving products, mortgage services and credit card. UOB Indonesia banking services are also accessible in Indonesia, Singapore, Malaysia, and Thailand through hundreds of UOB ATMs.

With its full suite of corporate/commercial and personal banking products, UOB Indonesia offer customers a range of treasury and cash management products and services. UOB Indonesia has also been increasingly focused on helping companies with their expansion plans. It has facilitated many enterprises from industries such as construction, mining, real estate and the services sector expanding into Indonesia. UOB Indonesia is rated AAA (idn) by Fitch Ratings.

UOB Indonesia plays an active role in the community, focusing on art, education and children. Since 2010, UOB Indonesia has held the annual art competition, UOB Painting of the Year. UOB Indonesia also encourages its employees to be involved in its regular volunteer activities. These include the annual UOB Heartbeat Run, blood donation and book donation activities.

For further details on UOB Indonesia, please visit www.uob.co.id

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