

Financial conditions in Indonesia are more affected by US monetary policy than most emerging markets. Assuming a gradual Fed tightening, Indonesia should be able to keep interest rates on hold through 2017 and raise them only modestly thereafter. Along with the government's tentative economic reforms, the easing of monetary policy should cause M&A and IPO activity to pick up in 2018 and 2019.

M&A AND IPO TRANSACTIONS							
	2014	2015	2016	2017f	2018f	2019f	2020f
TOTAL M&A TRANSACTIONS (US\$B)	5.3	4.0	6.5	9.4	12.7	15.1	12.0
% of Global M&A transactions	0.2	0.1	0.2	0.4	0.4	0.5	0.5
Domestic (US\$B)	2.6	0.2	4.5	2.9	3.5	4.0	2.6
Cross-border, inbound (US\$B)	2.7	3.7	2.1	6.5	9.2	11.1	9.4
TOTAL VOLUME OF M&A TRANSACTIONS (Number of deals)	92	71	71	79	109	131	105
Domestic (Number of deals)	26	13	26	20	24	27	17
Cross-border, inbound (Number of deals)	66	58	45	59	85	104	88
TOTAL IPO TRANSACTIONS (US\$M)	678.2	660.5	1,037.6	1,184.9	2,007.5	2,457.6	1,794.1
% Global IPO transactions	0.2	0.3	0.8	0.7	0.7	0.9	0.9
Domestic (US\$M)	629.4	597.6	952.8	1,184.9	2,007.5	2,457.6	1,794.1
Cross-border (US\$M)	48.8	62.9	84.8	0.0	0.0	0.0	0.0

FORECAST FOR THE ECONOMY							
	2014	2015	2016	2017f	2018f	2019f	2020f
MACROECONOMIC DRIVERS							
Real GDP growth (% yoy)	5.0	4.8	5.0	5.1	5.3	5.3	5.3
CPI (% yoy)	6.4	6.4	3.5	3.9	4.3	4.2	4.0
Merchandise trade (% of GDP)	39	33	28	27	26	26	25
FINANCIAL DRIVERS							
10-year government bond yield (%)	8.1	8.1	7.5	8.1	8.2	8.4	8.6
Equity prices (LCU, end of year % change)	22.3	-12.1	14.2	-2.2	10.8	11.3	-11.5
Stock market capitalization (US\$B)	422	353	406	404	437	483	427

KEY DRIVER SUMMARY (AVERAGE 2015-2020)

	Indonesia	Global
GDP growth (% annual)	5.1	2.6
Stock market capitalization (% of GDP)	40	98
Money supply (% of GDP)	40	124
Trade (% of GDP)	27	42
Ease of doing business (World Bank)	59	62
Legal structure (Fraser Institute)	4.8	6.4
Freedom to trade (Fraser Institute)	7.2	7.3

TRANSACTION ATTRACTIVENESS INDICATOR*



*The Transaction Attractiveness Indicator is an overall score calculated using a weighted average of the 10 factors included in the chart above. The score reflects the attractiveness of a country's current environment for M&A and IPO activity on a scale from 0 to 10. It's based on past transactional activity in that country and data on key economic, financial and regulatory factors that drive M&A and IPO activity. Because many of these factors change slowly over time, a country's current score is a strong indicator of whether it will have the right features to attract transactional activity in the future.