

PRESS RELEASE

FINANCIAL SERVICES SECTORS REMAIN STABLE

Jakarta, April 12, 2017 — The meeting of Financial Services Authority's (OJK) Board of Commissioners held this Wednesday considered Indonesia's financial services sectors remained stable.

Uncertainties that had loomed on global economy and financial markets were seen waning in March 2017. In advanced economies, economic recovery was forging ahead, leading to higher expectation that normalization of monetary policies would continue.

Another rise of Fed Funds Rate (FFR) in March 2017 only made fairly limited impacts on emerging markets. Global funds were seen returning to these markets, thus pushing global financial markets upward.

In line with global markets, domestic markets were also bullish in March 2017. The Jakarta Composite Index (JCI) rallied 3.37 percent month on month (5.12 percent year to month) and set a record on March 30, 2017, when it hit 5,592.90.

For the reported month, foreign investors' total net buy was monitored of having increased significantly to IDR 10.1 trillion (year-to-month's net buy was IDR 8.3 trillion). Likewise, the government debt papers (SBN) market was stronger following lower yields for bonds of all terms. Foreign investors recorded a total net buy of IDR 31.3 trillion (with year-to-month's net buy stood at IDR 57.4 trillion).

Parallel to these developments, financial services companies gained higher growth in their intermediary services. As of February 2017, total credit distributed by banks rose by 8.57 percent year on year (yoy) compared to January 2017's figure that increased 8.28 percent yoy. For the same month, financing receivables climbed 7.20 percent yoy compared to those of January that grew 6.67 percent yoy.

For funds collection, in February 2017, the banking industry's third-party funds went up 9.21 percent yoy, compared to 10.04-percent rise yoy in January. For the period of January-February 2017, insurance premium income amounted to IDR 30.9 trillion, soared 11.6 percent from the same period in 2016.

In step with the growth that banks enjoyed in their third-party funds, for January to March 2017 period, twenty three issuers raised funds worth IDR

33.2 trillion from the capital market. This figure was 40.1 percent higher than the total funds collected by 11 issuers for the same period in 2016.

Unlike last year, when most of the funds were used for restructuring debts, this year the issuers have planned to use 24 percent of the funds for business expansion and the other 69 percent for working capital. The shift indicated that commercial sectors were confident about their business prospects. In terms of business sectors, 62.74 percent of the issuers are financial services companies (LJK).

As to LJKs' risks, they were found to be at manageable level. As of February 2017, credit risks were seen to be higher amid slower growth of debt restructuring.

Gross non-performing loan (NPL) ratio rose to 3.16 percent from 3.09 percent in January and net NPL stood at 1.38 percent, compared to 1.35 percent in January. On the other hand, financing companies improved their non-performing financing (NPF) ratio to 3.03 percent from 3.17 percent in January.

The OJK will continue monitoring LJKs' relatively high credit risks amid lack of excellent performance indicators from real sectors in the country.

For more information:

Triyono, Head of Communication and International Affairs Department
Tel +62 21 2960 0000 E-mail triyono@ojk.go.id www.OJK.go.id