

COUNTRY PROFILE



Indonesia

GLOBAL RANK: 71st= of 104



Ranking a relatively consistent 73rd in Economic Competitiveness and 68th in Comparative Liveability, Indonesia earns 71st place in the Index overall, tied with Jamaica. Indonesia's score is compromised by the high costs of starting a business, although in terms of liveability factors, religious faith and charitable giving are both strong.

● BACKGROUND

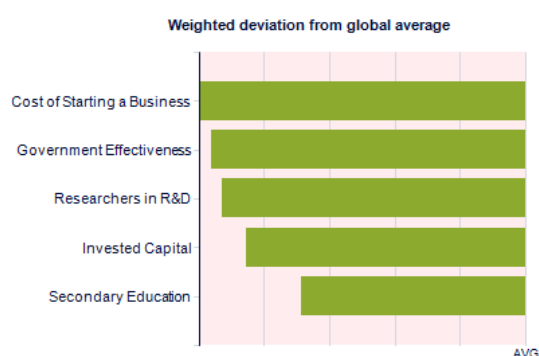
This south-east Asian nation occupies an archipelago of over 17,500 islands. Its modernising economy has overcome both the Asian financial crisis of 1997 and the devastation of the 2004 tsunami, which killed an estimated 167,000 people. Indonesia continues to experience economic growth, fuelled by exports of textiles, oil, and natural gas. However, unemployment and poverty rates are stubbornly high, and inflation is rising. Although the human rights situation has improved in the ten years since the end of Suharto's authoritarian rule, there are still concerns over the abuse of prisoners, and the exploitation of many thousands of child domestic workers.

FAST FACTS

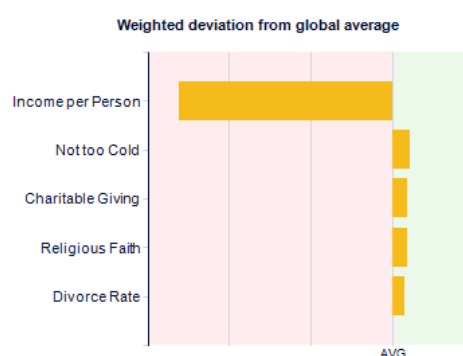
Population:	237.5 million (2008 est.)	FDI (net inflow):	1.43% (2006 est.)
Life Today	5 (2007 est.)	Exports	28.41% (2006 est.)
GDP (PPP)	\$837.8 billion (2007 est.)	Imports	22.05% (2006 est.)
GDP (Growth)	6.3% (2007 est.)	Unemployment:	9.6% (2007 est.)
GDP (per Capita)	\$3,700 (2007 est.)	Life Expectancy	70.46 years (2008 est.)
Political System:	Republic		
Foreign Aid:	0.19% (2006 est.)		

● KEY SCORE DRIVERS

ECONOMIC COMPETITIVENESS



COMPARATIVE LIVEABILITY



Indonesia suffered under an authoritarian regime from 1945 to 1998, punctuated by episodes of acute political instability. Economic policy improved in the 1980s, but the structural weaknesses of Indonesia's dirigiste economy were exposed by the 1997-8 Asian financial crisis, in which the economy contracted 13.7% by World Bank estimates. Democratic and economic reforms followed the crisis, but government effectiveness remains weak.

Indonesia is a mineral-rich country: oil, gas and minerals together account for around a third of exports, with the United States and Japan the main export markets. Inward investment has increased alongside higher commodity prices, although movements in relative

A culturally diverse, archipelagic country, Indonesia's national motto is 'unity in diversity'. However, income is low and development is not evenly spread across social groups. Farming only constitutes 14% of GDP but employs 44.3% of the workforce, and the 7.5% of the population that the United Nations Development Programme estimates lives on under \$1 a day is disproportionately rural.

Indonesia's warm climate contributes favourably to liveability, as does the high level of charitable giving, with 59%⁹ of Indonesians reporting that they gave money to charity in the previous month.

Religious faith is strong, with 99%¹⁰ of respondents to the World

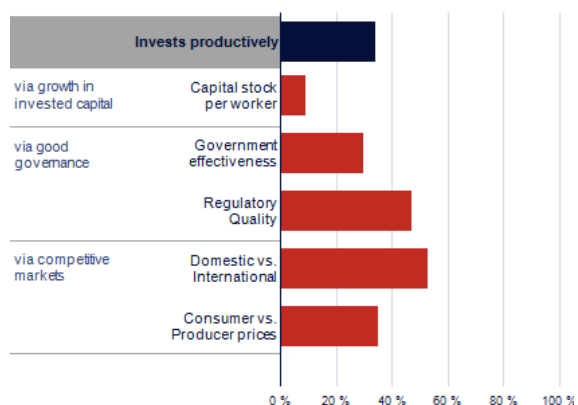
price levels indicate problems with the level of competition in domestic markets. Indonesia remains dogged by under-investment, as an uncertain regulatory environment, endemic corruption and a low skills base deter foreign investors. The dearth of capital investment is particularly evident in infrastructure, as illustrated by frequent power shortages.

Entrepreneurship scores remain low, given the high cost of starting a business. This and the shortage of researchers working in Indonesia suggest a weakness in high-end human capital and potential difficulties in moving to higher value-added activities.

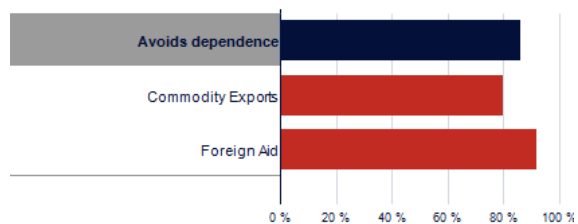
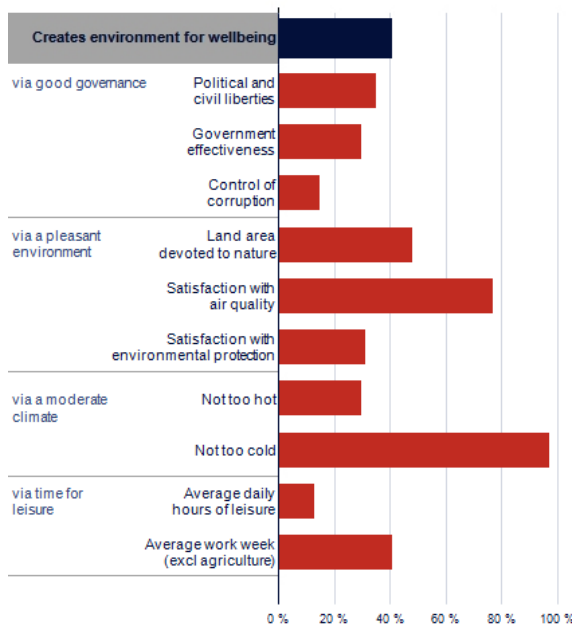
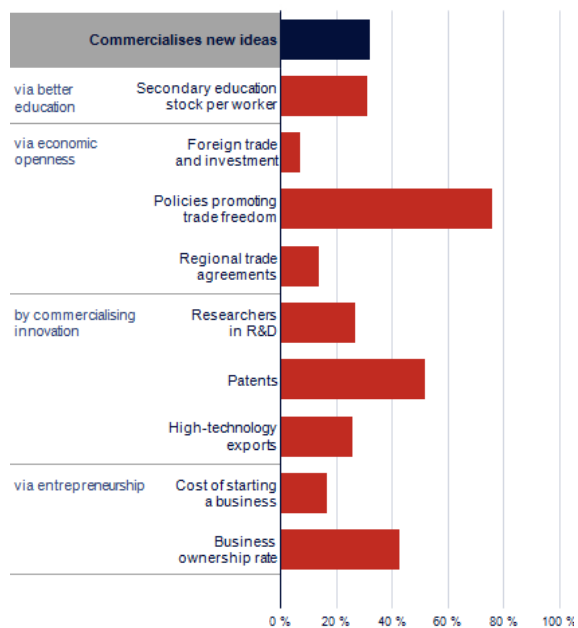
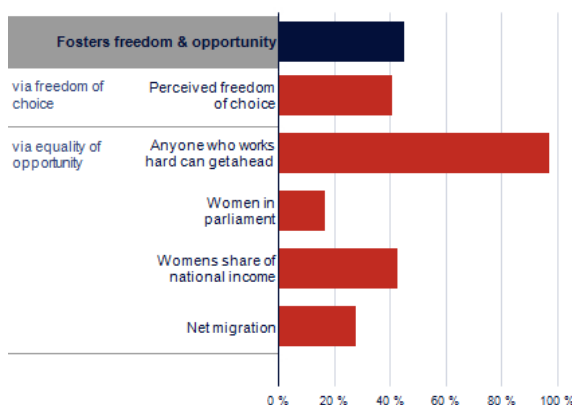
Values Survey reporting that God is important in their lives, a factor that may also contribute to Indonesia's low levels of divorce.

On top of the 13.5 million unemployed, there are an estimated 30 million more underemployed. For the employed, working hours are a long 46.2 hours a week and leisure time is limited. Labour surpluses reduce female participation in the workplace, limiting the country's equality of opportunity scores. Many Indonesian girls were pulled out of school to supplement household incomes following the 1998 financial crisis. Rather than strengthening female workforce participation overall, however, it contributed to lower literacy rates among women: 86.8% against 94% for men.

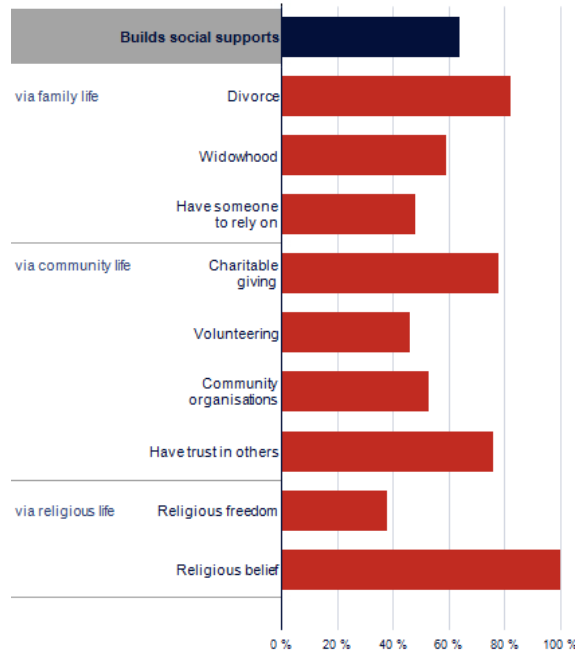
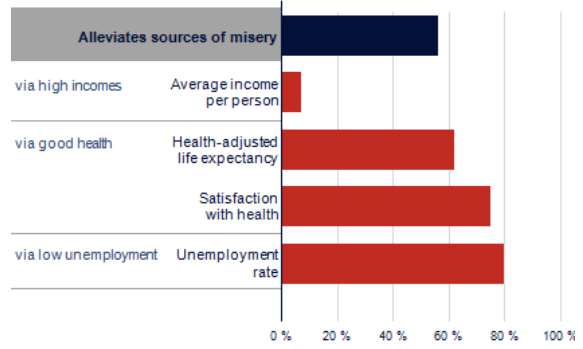
ECONOMIC COMPETITIVENESS: SCORECARD



COMPARATIVE LIVEABILITY: SCORECARD



All subindicator scores in the Index are shown unweighted, expressed as a percentage of the score for the best-performing country in the Index. Indicator scores (in dark blue) are derived from the weighted average of relevant subindicators. For more information on how the subindicator scores are weighted to produce indicator scores and an overall Index score and ranking, see Chapter Two of this report.



References:

^{9, w} See www.prosperity.com/references.aspx for further details including date of survey, sample size, and margin of error.