

Bank Indonesia

**Report for the Financial Year
1978/1979**

Bank Indonesia

Head office :

JAKARTA

Representatives :

KUALA LUMPUR

LONDON

NEW YORK

SINGAPORE

TOKYO

Branch offices :

AMBON, BANDA ACEH,

BANDUNG, BANJARMASIN, BENGKULU,

CIREBON, DENPASAR, JAMBI, JAYAPURA,

JEMBER, KEDIRI, KENDARI, KUPANG, MALANG,

MATARAM, MEDAN, MENADO, PADANG, PALEMBANG,

PALU, PEKANBARU, PONTIANAK, SAMARINDA, SEMARANG,

SOLO, SURABAYA, TELUKBETUNG, UJUNG PANDANG, YOGYAKARTA.

Cash offices :

BALIKPAPAN

LHOKSEUMAWE

PEMATANG SIANTAR

PURWOKERTO

SIBOLGA

TASIKMALAYA

TEGAL

TERNATE

Position as per end of March 1979.

NOTES, SYMBOLS AND SOURCE OF DATA

- r Revised figures
- * Provisional figures
- ** Incomplete figures
(i.e. compiled from incomplete data)
- . . . Data not yet available
- Nil or less than the last digit
- () Partial data
- x Break in comparability before and after the symbol
- \$ United States Dollar

Source of data : Bank Indonesia, unless mentioned otherwise.

INTRODUCTION

The implementation of the Second Five Year Development Plan (PELITA II), which terminated at the end of 1978/79, brought satisfactory results. Despite recession and various problems experienced by world economy, the rate of growth of Indonesia's economy remained relatively high compared to both developing and developed countries. Balance of payments also performed remarkably well during the last few years, after recording deficits in the first two years of PELITA II due to PERTAMINA's financial difficulties. As a consequence, foreign exchange reserves continued to rise substantially and at the end of PELITA II attained the highest level ever achieved. An encouraging trend has also been noted in prices whose level has remained under control after aggravation toward the end of PELITA II. The aforementioned satisfactory results are attributable to Government's policy and to substantial funds available for development made possible by the rise in the value of oil export.

Based on the results achieved during PELITA II, the Government set the major targets for the Third Five Year Development Plan (REPELITA III) whose implementation commences in the fiscal year 1979/80. The REPELITA III has three objectives, namely an equitable distribution of the fruits of development, a high rate of economic growth and a dynamically stable socioeconomic order. On the growth of the economy in particular, the target to be achieved during REPELITA III is 6.5% a year. In order to achieve it, a larger investment than that of PELITA II is required,

that is 24% of GDP a year. A greater part (79%) of investment will be financed domestically and the rest by foreign funds. The REPELITA III is expected to yield a balanced structure of the economy through development of non-agricultural sectors, particularly manufacturing, transportation, communication and construction.

Toward the end of PELITA II, the economy encountered several difficulties, which needed to be solved in order to pave the way for the implementation of REPELITA III. One of the most pressing problems is the deterioration in the competitiveness of Indonesian economy vis-a-vis other countries, which will create pressure on balance of payments and tend to retard the future development efforts. The reduced competitiveness of the economy was mainly due to the high rate of inflation in Indonesia relative to the world inflation, particularly those of trading partners and neighboring countries and the inappropriate exchange rate of Rupiah in terms of other currencies. This situation is reflected in disparity of prices between domestic and imported goods in Rupiah.

Consequently, the Government adopted a set of economic measures known as the November 15, 1978 package to create a favorable climate for the implementation of REPELITA III. These measures comprise the adjustment of the exchange rate of Rupiah from Rp 415.- to Rp 625.- per \$ 1.-, the managed floating of Rupiah and its virtual linkage to a basket of foreign currencies. To facilitate the achievement of the objective of the said policy, supportive measures were also adopted in other fields, comprising the exemption from

and reduction in the import duties and sales taxes levied on raw materials and spare parts used by domestic industries. Furthermore, steps were taken to simplify the trade and licensing procedures and to ensure maintenance of adequate stocks of basic necessities. The November 15, 1978 measures are expected to improve the competitiveness of domestically produced goods in domestic and foreign markets and to further encourage exports, boost savings in foreign exchange and stimulate capital inflows. In addition the measures are expected to induce the use of labor intensive technology, which, in its turn, would increase employment opportunities and result in a more equitable distribution of income conducive to one of the objectives of REPELITA III.

In 1978/79, the fiscal year preceding the implementation of REPELITA III, Indonesia's economy in general showed a satisfactory performance. The growth of the economy was maintained at a high rate, which was almost at the same level as that of the preceding year. Balance of payments had a larger surplus than a year before, which resulted in a substantial increase in foreign exchange reserves. Although there was a decline in receipts from oil export, the value of non-oil exports rose substantially and the increase in the value of imports declined. These favorable developments were attributable to the effects of the November 15, 1978 measures, the rise of prices of some export commodities in the world market and the reduced rice imports. The impact of these measures was also discernible in Government revenue and expenditure, which increased significantly and in real terms ex-

ceeded the preceding year figures. Although the November 15, 1978 measures caused a sharp rise in prices of certain commodities, the Government restrains on monetary and credit expansion and the controlled adjustment of prices resulted in overall price increases not far exceeding that of the preceding year.

Gross Domestic Product at constant prices increased by 7.2% in 1978 compared to 7.4% in the preceding year. Substantial increases in production were recorded in agriculture and manufacturing, while that of mining declined following the increases in the previous years.

Agricultural production increased by 7.2% in 1978/79, mainly as a consequence of an excellent rice harvest. Rice production recorded the highest increase relative to those achieved during the last decade, that is 10.8% and reached 17.6 million tons. It was attributable to favorable weather, reduced pest damage and increased intensification efforts. Accordingly, the rice imports in the year under report was reduced to 1.2 million tons compared to 2.5 million tons in 1977/78. Among other food crops, corn showed a substantial increase in production (23%). While copra output did not register significant change and imports of copra were still needed. The rise in timber prices in domestic and world markets led to an increase of 36% of timber output. Among other export commodities tobacco and tea showed significant increases of 18% and 12% respectively.

In manufacturing, production increased by 14.7% in 1978/79, mainly reflecting the coming on stream of new projects, expansion and the increased utilization of the existing capacity, following the November 15, 1978 measures.

After the commencement of production of new Kujang fertilizer plant in Cikampek, West Java, urea fertilizer production expanded by 45% to reach 1,434 thousand tons in 1978/79. Cement output increased by 26% and reached 3,640 thousand tons after the expansion of Cibinong plant in West Java and Gresik plant in East Java were completed. In the year under report the construction of 11 new paper plants and the expansion of 8 plants were also completed, resulting in 99% increase in paper production to reach 166 thousand tons. Although less important, production of automobiles, tires, radios, television sets and agricultural equipment registered large gains. Similarly, several industries, notably textiles and reinforcing steel, stepped up their production and export, mainly as the result of increased capacity utilization following the November 15, 1978 measures.

In mining, crude oil production, which increased significantly in the previous year declined to 589 million barrels in 1978/79 compared to 616 million barrels in the preceding year. This decline was caused mainly by the slackening of exploration activities during 1975-1977. However, the decrease in crude oil production was offset by the increase in the production of liquefied natural gas following the coming on stream of liquefied gas plant in Arun, Aceh. Among other minerals, tin and coal production went up by 5% and 3% respectively, while productions of copper, nickel and bauxite declined by 1%, 11% and 21% respectively.

Indonesia's balance of payments showed an overall surplus of \$ 708 million in 1978/79, compared to that of \$ 651 million in the preceding year. Consequently, net international

reserves at Bank Indonesia rose from \$ 2,208 million at the end of 1977/78 to \$ 2,916 million at the end of the year under report.

Total export earnings rose by 5% to reach \$ 11,353 million in 1978/79 compared to an increase of 18% in the preceding year. This relatively small increase was mainly caused by a 5% decline in the value of oil exports, even though the value of non-oil and liquefied gas exports rose by 13%. The value of oil exports in the year under report amounted to \$ 6,858 million compared to \$ 7,191 million in 1977/78. The decline was due to lower crude oil production and the difficulties in marketing the crude of low-sulphur waxy residue. However, the value of liquefied gas exports rose substantially from \$ 162 million in 1977/78 to \$ 516 million in the year under report. As a result, the decline in the earning of crude oil exports was offset, so that the export earnings of these sources of energy taken together remained almost equal to 1977/78 figures.

Earnings from non-oil and liquefied gas exports reached \$ 3,979 million in 1978/79. Almost all export commodities registered increases in value terms during the year under report. Export of tin, rubber and timber showed substantial increases in the year under report. Fertilizer exports, which were started in 1977/78, reached 262 thousand tons or \$ 37 million in the year under report. In addition, cement, which was previously an imported commodity, has been exported since October 1978, although imports of certain types of cement were still required.

The value of imports rose by 7% in the year under report compared to an increase of 10% in 1977/78. The lower import increase reflects

reduced rice imports, attributable to excellent rice harvest.

The services account registered a deficit of \$4,605 million in 1978/79, which was 10% greater than that of the preceding year. This was caused mainly by the increases in interest payment on external debt and transfer of profits on foreign investments. Due to this greater deficit in services accounts, the current account deficit widened from \$ 690 million in 1977/78 to \$ 1,155 million in the year under report.

The capital account showed a surplus of \$ 1,843 million, which was slightly above the 1977/78 figures. This was attributable to the reduced repayment of Government debts after the refinancing operation of syndicate loans was conducted in January 1978. It may be noted that in 1978/79 the Government began to enter into international capital market when it publicly issued Government bonds abroad amounting to \$ 100 million.

As in the previous years, Government budgetary policy was aimed at a high rate of economic growth, the maintenance of monetary stability and realization of a more equitable distribution of income. To achieve these objectives, the Government expenditure was raised in response to higher revenues while still maintaining the balance in the budget. Actual Government budget expenditure and receipts increased by 23% over the previous year and reached Rp 5,300 billion. Taking into account the inflation rate in that year, Government budget in real terms rose by 11%. Government saving, defined as the difference between Government domestic receipts and Government routine expenditures, amounted to Rp

1,522 billion, which was 10% above the previous year.

Government expenditures, divided into routine and development expenditures respectively increased by 28% and 18% and reached Rp 2,744 billion and Rp 2,555 billion in 1978/79. The increase in routine expenditure was mainly as a result of the sharp rise in payments for interest and repayments of principal on foreign debts (134%) and subsidy on domestic oil consumption (203%), reflecting mainly the adjustment of Rupiah exchange rate on November 15, 1978 and increased domestic oil consumption. In addition there was a substantial rise in Government personnel expenditure (12%), due to the increase in pension allowance, the upward adjustment in the price of rice for Government employees and the rise in Government personnel expenditure abroad after the adjustment of Rupiah exchange rate. Among components of development expenditure, expenditures for regional development and fertilizer subsidy rose significantly. The former comprising development subsidies to villages, kabupatens, provinces and INPRES program and IPEDA, was for financing labor intensive activities, construction of PUSKESMAS and primary schools, construction and renovation of market places and reforestation and greening projects. The latter as fertilizer subsidy registered a marked increase in the year under report because of the rise in import price and domestic cost of production after the November 15, 1978 exchange rate adjustment of Rupiah.

Government revenue also went up substantially and reached Rp 5,301 billion in the year under report. All components thereof, classi-

fied into Government domestic revenue and foreign aid receipts, showed increases. Oil corporation tax continued to remain an important source of domestic revenue, representing 54% of Government domestic revenue and 44% of total Government receipts. Despite the decline in oil production and oil export in the year under report, the corporation tax revenue went up by 18%, mainly reflecting the adjustment of Rupiah exchange rate in November 15, 1978. Among other Government domestic revenues, significant increases were recorded by income tax (17%), corporation tax (34%) withholding tax (15%) excise duties (39%) and export tax (105%). In addition to direct and indirect effects of Rupiah exchange rate adjustment, these increases were attributable to the expansion of business activity, the improvement of the taxation apparatus and the adjustment of tax base for excises.

Although the adjustment in Rupiah exchange rate had an impact on receipts of import duties and import sales tax, these revenue items showed smaller increases compared to the above mentioned items of Government receipts. These were explained by total and partial exemption of import duties and export sales tax on imported commodities needed by domestic industries, which were also included in the November 15, 1978 policy package. Government foreign aid receipts, consisting of project aid and program aid went up by 34% in 1978/79. A major part of the increase reflects the adjustment of Rupiah exchange rate.

Before the, adoption of the November 15, 1978 measures, prices were relatively stable, i.e. increased only by 2.4% during the first 7

months of 1978/79. Thereafter, a correspondingly high increase was caused in prices of export and import commodities. However, due to elaborate restraints on monetary and credit expansion and controlled adjustment of prices of domestically produced goods by the Government, the upward march was decelerated so that the general price increase was only 11.9% in 1978/79.

Monetary expansion, measured both by total liquidity and total money supply, augmented substantially by 26% and 33% respectively in 1978/79, compared to 15% and 16% in the preceding year. Most of these increases occurred after November 15, 1978. During the period from November 15, 1978 to the end of March 1979, total liquidity and money supply went up by monthly averages of 2.7% and 3.6% respectively, while for the period from April to November 15, 1978 these increases were only 1.6% and 1.9% respectively. The upward surges reflect the higher demand for liquidity needed to maintain the level of business activity as prices rose following the November 15, 1978 measures.

The money supply reached Rp 2,799 billion at the end of 1978/79, which was Rp 688 billion over the end of March, 1978. As in the preceding year, foreign transactions and bank credits had expansionary impacts while Government sector had contractionary influence on money supply. Bank credit had the largest expansionary impact, mainly as the result of credit expansion to BULOG, PERTAMINA, PT Krakatau Steel and private enterprises, especially after November 15, 1978. Although the Government budget was balanced administratively, the actual Government receipts and ex-

penditures had contractionary impact in 1978/79. In addition, time and .saving deposits rose faster than the preceding year, but this increase mainly reflects the valuation adjustment of time deposit in foreign exchange to the new exchange rate of Rupiah.

As an instrument of monetary policy the ceiling on bank credits and other bank assets remained in effect in the year under report. For 1978/79 the ceilings on expansion of credit and other assets of commercial banks was set at 19% over the figure at the end of March 1978. As prices rose, consequent upon the November 15, 1978 measures, demand for liquidity increased. To accommodate this increase, the ceilings on the expansion of bank credits and other bank assets were raised to 24%, which amounted to Rp 622 billion. The actual expansion of bank credit and other bank assets in 1978/79 was 23% over the previous year figure.

In addition to the above quantitative monetary measures, the policy of channeling bank credit to priority sectors was implemented, particularly to labor intensive activities and those creating business opportunities for the economically-weak group. Accordingly, bank credits with concessional terms available for this group, which are known as KIK, KMKP, Mini credit and INPRES Pasar, were expanded. Up to the end of 1978/79, the number of KIK applications approved reached 57 thousand with aggregate limit of Rp 113 billion and the number of KMKP applications approved was 438 thousand with the value of Rp 188 billion. Significant increases were also recorded by Mini credit and INPRES Pasar.

In an effort to further encourage and assist

the small businessmen (of economically-weak group), the participation of the national private commercial banks and the local development banks was enhanced. Accordingly, additional credits from Bank Indonesia are made available to these banks, subject to the requirement that they are classified as sound and fairly sound and have extended KIK and KMKP.

On the supervision of banks and non-bank financial institutions, further revisions were taken in the year under report, with respect to the obligation to disclose bank's balance sheet and profit and loss accounts, the issuance of guaranty by bank and non-bank financial institutions and the efforts to improve the efficiency of state banks. In addition, the policy of promoting merger among national private commercial banks was continued with the extension of the period for obtaining tax relief for banks participating in mergers up to March 31, 1980. Furthermore, in order to assist non-bank financial institutions in expanding transactions in commercial paper, a rediscount facility was made available by Bank Indonesia up to Rp 500 million a year for each financial institution. The requirements for obtaining this facility were relaxed and the amount available for each financial institution was raised to around Rp 1.6 billion since December 1978.

Consequent upon the November 15, 1978 measures, several national private commercial banks were expected to encounter liquidity shortages as the result of sudden and large withdrawals by customers. To assist these banks in overcoming their difficulties, Bank Indonesia provided emergency credit facilities, comprising regular emergency credit and special emergency credit for imports, the latter due

to the adjustment of Rupiah exchange rate. Until the end of 1978/79, these facilities were extended to 21 banks for the amount of Rp 24 billion and the amount utilized reached Rp 15 billion. At the end of March 1979 the number of banks utilizing these credits declined to 13 with total credits of Rp 11 billion.

Efforts to encourage the mobilization of funds through the banking system, in the form of time deposit and TABANAS (including TAPPELPRAM and Employee Savings Schemes), were intensified. In the year under report time deposits and TABANAS increased by 3% and 18% respectively. However, these increases were below those of the preceding year, mainly due to the November 15, 1978 measures. Nevertheless, TAPPELPRAM and Employee Savings increased substantially, i.e. by 50% and 32% respectively, although their amounts were still insignificant.

To further promote the mobilization of funds through capital market, additional fiscal incentives were offered to companies selling their shares on the capital market. In addition, revisions were made with respect to the organization of stock market, the procedures for security trading and the responsibility of brokers. Until the end of March 1979 the only company trading its shares in the stock market was PT Semen Cibinong. Its shares sold on the stock market amounted 342 thousand, of which 251 thousand were purchased by PT Danareksa, which were further converted into certificates.

To enhance the role of private sector in economic development, Government also encouraged domestic and foreign direct investment. The No-

vember 15, 1978 policy package was adopted with the intention of improving the competitiveness of domestically produced goods. Furthermore, in March 1979, the rates of corporation tax, capital stamp duties and tax on interest, dividend and royalties payable by entrepreneurs were reduced. During 1978 the approved Domestic Capital Investment (PMDN) reached 299 projects with an intended capital investment of Rp 761.8 billion, an increase of 19% in terms of number of projects and 33% in intended capital investment. The approved Foreign Capital Investment (PMA) increased from 29 projects in 1977 to 39 projects in 1978. However, as there were no projects with a fairly large amount of capital investment, total intended capital investment was lower than the previous year and amounted to \$ 362.1 million.

From the above description it can be concluded that Indonesia's economy in 1978/79 showed satisfactory progress. However, there were crucial problems encountered and needed to be solved in order to provide a strong base for the launching of REPELITA III. For this purpose, the Government adopted a set of measures, known as the November 15, 1978 policy. This policy is expected to create a better economic climate, which will further encourage economic activities for the attainment of development targets.

Governor of Bank Indonesia

RACHMAT SALEH

I. MONETARY DEVELOPMENTS

A. Monetary developments and measures

During the last few years, the domestic monetary situation has stabilized as reflected in the decline in the rate of inflation. However, mainly as a result of the continued sluggish world economic conditions in 1978/79, growth in investment and exports has not been as buoyant as expected.

To counter the economic slowdown, the Government has adopted measures intended to stimulate production, investment and exports by providing tax and financial incentives and simplified procedures in order to lower the cost of production. At the end of December 1977, a package of monetary measures was introduced, comprising a downward revision of lending and deposit rates, a relaxation of lending terms and a lowering of the minimum reserve requirements. These measures had their intended effects as reflected in a more rapid expansion in bank credit, albeit within the limits considered compatible with monetary stability (and a reduction of inflationary pressures).

Although inflation has moderated significantly in the last few years, the increase in the price level since 1971, when the Rupiah exchange rate was fixed at Rp 415.- per \$, was greater than the rise of world prices in general and those of Indonesia trading partners and neighboring countries in particular.¹⁾ These differences in the rate of inflation led to a deterioration in the competitiveness of domestic goods against foreign goods, as reflected in a slow expansion in the volume of nonoil exports,

activities of which are generally labor intensive and provide incomes for broad categories of the population. The decline in the competitiveness of domestic production was also reflected in increased imports, which put pressure on the balance of payments and squeezed import competing industries.

In view of this situation and in an effort to provide a strong base for PELITA III, the Government took a set of important measures on November 15, 1978. The exchange rate of the Rupiah was adjusted from Rp 415.- to Rp 625.- per \$ and the rigid link to the dollar was abandoned. Instead, the exchange rate of the Rupiah was flexibly linked to a basket of selected foreign currencies, in a managed float. The exchange rate adjustment was followed by other measures in the fields of customs and taxation, all of which were intended to increase the competitiveness of Indonesian products in foreign as well as domestic markets, to boost exports in the long run, to economize on the use of foreign exchange, and to encourage domestic and foreign investment. Further, these measures were intended to expand employment opportunities and encourage a shift in the use of technology from capital to labor intensive production, leading to a more equitable income distribution.

The supportive measures taken to achieve the above objectives included a reduction or

1) In the 1971-1978 period, Indonesia's cost of living index rose 230% compared with 65% in the United States, 105% in Japan, 41% in Germany, 47% in Malaysia, 71% in Singapore, 86% in Thailand and 111% in the Philippines

Source: *International Financial Statistics*, August 1971 and October 1978

elimination in import duties and import sales tax on raw materials and spare parts for domestic production and exports, a simplification of trade regulations and licensing procedures and a maintenance of adequate stock of certain principal commodities.

The November 15, 1978 measures, nevertheless, caused prices to rise significantly, averaging 1.8% per month from November 1978 through March 1979, compared with an average of 0.3% per month during the period between April and October 1978. In all of 1978/79, however, price increases were still within an acceptable rate of 11.8% compared to 10.1% in the 1977/78 fiscal year.

The price increases following the devaluation resulted in a liquidity squeeze and cash shortages among business enterprises. This was reflected in an increased demand for bank credit and a marked deceleration in the growth of time and savings deposits in the period between November 1978 and March 1979. In order to meet the larger demand for bank credit, the ceiling on bank credit expansion was raised from 19% of the total amount outstanding at end of the previous year to 24%, while the actual figure reached 23%. Thus, 96% of the ceiling was reached, which is the highest proportion since credit ceilings were introduced. In addition, Bank Indonesia granted emergency loans to some smaller banks to save them from financial difficulties following larger-than-usual withdrawals by their depositors.

Partly on account of devaluation, total liquidity was increased by 27% in 1978/79, compared with the relatively slow growth of 15% in the previous year. The average monthly in-

crease in total liquidity was only 1.6% in the period April to October 1978, but reached an average of 3.0% in the period November 1978 to March 1979.

B. Money supply and factors affecting its changes

Money supply, comprising currency and demand deposits, amounted to Rp 2,800 billion at the end of 1978/79, an increase of Rp 689 billion or 33% compared with Rp 295 billion or 16% in the previous year. Most of the acceleration occurred after November, 1978, with money supply increasing at a monthly average rate of 3.6%, compared with an average rate of 1.9% during the period April to November 1978. Taking into account the rate of inflation in 1978/79, money supply in real terms registered an increase of 19% during the reporting year, compared with a 6% increase during previous year. This real increase reflected the growth in real incomes and a wider use of money in economic activities.

As presented in Table 4, during 1978/79 the expansionary influences on money supply were increases in net foreign assets (Rp 802 billion), net claim on official entities and public enterprises (Rp 973 billion) and net claims on private enterprises (Rp 633 billion). Contractionary influences were the decline in net claims on Central Government (Rp 291 billion), and the increase in time and savings deposits (Rp 191 billion) and in net other items (Rp 1,236 billion).

Of the increase in net foreign assets, Rp 603 billion was caused by valuation adjustment of the net assets in foreign exchange as a re-

sult of the devaluation, leaving the remaining Rp 199 billion comparable to the previous year's increase of Rp 590 billion in net foreign assets. The lower increase in 1978/79 was in part due to the payments of usance L/C obligations opened by banks for imports in 1977/78. In order to help importers who faced difficulties in paying out their L/C obligations following the devaluation, foreign exchange banks were allowed to take over the payments obligations for the importers accounts.

Net claims on official entities and public enterprises, which had declined by Rp 58 billion in 1977/78, increased in 1978/79 by Rp 973 billion of which Rp 567 billion was attributable to the valuation adjustment of loans denominated in foreign exchange. The remaining increase was mainly accounted for by an expansion of net credit to BULOG, PFRTAMINA and PT Krakatau Steel.

Claims on private enterprises and individuals during the reporting year showed an increase of Rp 633 billion compared to Rp 365 billion, in the previous year. The more rapid expansion of bank credit to the private sector reflected the increased demand for credit as a result of the relaxation of lending terms on January 1, 1978, as well as the November-15, 1978 measures.

The Central Government sector registered a slightly smaller contractionary impact than in the previous year, amounting to Rp 291 billion. This contraction was partly due to higher-than expected Government receipts from oil corporation tax as a result of the devaluation which was only partially offset by expenditure increases.

Time and savings deposits recorded an increase of Rp 191 billion, only about Rp 56 billion higher than during the previous year. However, most of this increase was the result of the valuation adjustment to time and savings deposits denominated in foreign exchange. Aside from the valuation adjustment, the increase in time and savings deposits in 1978/79 amounted to only Rp 91 billion. This reflected the virtual halt in the expansion of these deposits after November 15, 1978, as a result of the cash shortages experienced in parts of the economy.

Net other items showed a substantial contractionary impact, amounting to Rp 1,236 billion, of which Rp 993 billion represented the net amount of the counter entries for valuation adjustment of foreign exchange denominated items. Excluding the valuation adjustment, the contractionary effect amounted to Rp 243 billion, which was still higher than the previous year's Rp 174 billion. The increased contractionary effect resulted in part from increases in the capital accounts of Bank Indonesia as well as deposit money banks. On the other hand, import deposits, which is another major item in this category, registered a lower increase than in 1977/78, as reflecting the effect of measures effective January 1978, allowing imports of selected goods under usance L/Cs.

C. Monetary prospect for 1979/80

For 1979/80, the first year of REPELITA III, monetary policy will continue to be geared to the achievement of the triple objectives of de-

velopment namely, the equitable distribution of the fruits of development, a respectable economic growth and national stability. With the average growth target of 6.5% a year during REPELITA III, and allowing for an acceptable rate of inflation, total liquidity has been projected to expand by 23% in 1979/80.

The expansionary impact of the foreign sector is expected to be greater than in 1978/79, based on the prediction that exports will be larger than in 1978/79, owing to the recent stimulation provided by the November 15, 1978 measures, and a rise in oil export prices.

In view of the projected large expansionary impact from the foreign sector and the Government budget assumed to have neutral effect, the pace of expansion in bank credit

will have to be kept within the limits considered compatible with monetary stability. For that purpose, the imposition of ceilings on bank credit expansion will be maintained. The ceiling for 1979/80 has been set equal to the previous year's ceiling in absolute terms, but appreciably lower in percentage terms. As in the previous years, however, the ceiling will be subject to adjustments in the course of the year, as dictated by economic and monetary developments.

Beside the above credit ceiling, bank lending will be directed more toward high priority sectors, particularly labor intensive ones and those creating business opportunities for the economically weak groups.

TABLE 1 – DOMESTIC LIQUIDITY
(millions of Rupiahs)

End of year ¹⁾ /month	Domestic Liquidity ²⁾			Money Supply ³⁾		Quasi-Money ⁴⁾	
	Total Rp	Changes (%)		Out- standing Rp	% of Total	Out standing Rp	% of Total
		Annual	Quart- erly				
1969	233,291	85.0		183,439	78.6	49,852	21.4
1969/70	265,851	67.8		210,739	79.3	55,112	20.7
1970	330,405	41.6		250,284	75.8	80,121	24.2
1970/71	365,075	37.3		270,167	74.0	94,908	26.0
1971	468,885	41.9		320,759	68.4	148,126	31.6
1971/72	548,067	50.1		360,251	65.7	187,816	34.3
1972	694,969	48.2		474,611	68.3	220,358	31.7
1972/73	768,935	40.2		530,291	69.0	238,044	31.0
1973	987,438	42.1		669,003	67.8	318,435	32.2
1973/74	1,203,331	56.4		784,288	65.2	419,043	34.8
1974	1,452,242	47.1		937,524	64.6	514,718	35.4
1974/75	1,584,240	31.7		1,027,092	64.8	557,148	35.2
1975/76							
June	1,742,544		10.0	1,116,855	64.1	625,689	35.9
September	1,933,724		11.0	1,264,331	65.4	669,393	34.6
December	1,978,114	36.2	2.3	1,250,094	63.2	728,020	36.8
March	2,262,292	42.8	14.4	1,427,919	63.1	834,373	36.9
1976/77							
June	2,314,236		2.3	1,432,751	61.9	881,485	38.1
September	2,566,199		10.9	1,607,519	62.6	958,680	37.4
December	2,631,251	33.0	2.5	1,602,959	60.9	1,028,292	39.1
March	2,844,836	25.8	8.1	1,815,439	63.7	1,029,397	36.3
1977/78							
June	3,025,873		6.4	1,960,762	64.8	1,065,111	35.2
September	3,122,977		3.2	2,014,293	64.5	1,108,684	35.5
December	3,131,170	19.0	0.3	2,006,389	64.1	1,124,781	35.9
March	3,275,311	15.1	4.6	2,110,872	64.4	1,164,439	35.6
1978/79							
June	3,481,635		6.3	2,240,540	64.4	1,241,095	35.6
September	3,638,704		4.3	2,370,736	65.2	1,267,968	34.8
November 15	3,666,366			2,411,811		1,254,555	
December	3,808,767 ⁵⁾	21.6	4.7	2,488,342	65.3	1,320,425 ⁵⁾	34.7
March	4,155,221 ⁶⁾	26.9	9.1	2,799,942	67.4	1,355,279 ⁶⁾	32.6

1) Fiscal year ends March 31

2) Consists of narrow money and quasi money

3) Consists of currency and demand deposits

4) Consists of time and savings deposits as well as foreign exchange deposits held by domestic private sector

5) Includes revaluation of foreign exchange deposits amounting to Rp 83,427 million

6) Includes revaluation of foreign exchange deposits amounting to Rp 99,576 million

TABLE 2 – MONEY SUPPLY
(millions of Rupiahs)

End of year ¹⁾ /month	Money Supply			Currency		Demand Deposits	
	Total Rp	Changes (%)		Out- standing Rp	% of Total	Out- standing Rp	% of Total
		Annual	Quart- erly				
1969	183,439	61.1		115,698	63.1	67,741	36.9
1969/70	210,739	61.1		126,295	59.9	84,444	40.1
1970	250,284	36.4		154,619	61.8	95,666	38.2
1970/71	270,167	28.2		166,787	61.7	103,380	38.3
1971	320,759	28.2		199,355	62.2	121,404	37.8
1971/72	360,251	33.3		210,275	58.4	149,976	41.6
1972	474,611	48.0		271,769	57.3	202,842	42.7
1972/73	530,291	47.2		291,131	54.9	239,160	45.1
1973	669,003	41.0		374,968	56.0	294,035	44.0
1973/74	784,288	47.9		421,071	53.7	363,217	46.3
1974	937,524	40.1		494,235	52.7	443,289	47.3
1974/75	1,027,092	31.0		538,495	52.4	488,597	47.6
1975/76							
June	1,116,855		8.7	548,435	49.1	568,420	50.9
September	1,264,331		13.2	653,896	51.7	610,435	48.3
December	1,250,094	33.3	—1.1	625,341	50.0	624,753	50.0
March	1,427,919	39.0	14.2	659,238	46.2	768,681	53.8
1976/77							
June	1,432,751		0.3	679,924	47.5	752,827	52.5
September	1,607,519		12.2	799,943	49.8	807,576	50.2
December	1,602,959	28.2	—0.3	781,013	48.7	821,946	51.3
March	1,815,439	27.1	13.3	853,450	47.0	961,989	53.0
1977/78							
June	1,960,762		8.0	924,353	47.1	1,036,409	52.9
September	2,014,293		2.7	970,905	48.2	1,043,388	51.8
December	2,006,389	25.2	—0.4	979,094	48.8	1,027,295	51.2
March	2,110,872	16.3	5.2	1,035,811	49.1	1,075,061	50.9
1978/79							
June	2,240,540		6.1	1,110,105	49.5	1,130,435	50.5
September	2,370,736		5.8	1,228,323	52.2	1,132,318	47.8
November 15	2,411,811			1,163,891	48.3	1,247,920	51.7
December	2,488,342	24.0	5.0	1,239,928	49.8	1,248,414	50.2
March	2,799,942	32.6	12.5	1,368,720	48.9	1,431,222	51.1

1) Fiscal year ends March 31

TABLE 3 MONEY SUPPLY EXPRESSED IN SEPTEMBER 1966 PRICES

End of year ¹⁾ /month	Money supply (millions of Rp)	Price Index	Money supply expressed in September 1966 prices (millions of Rp)	Index of money supply expressed in September 1966 prices
1969	183,439	575	31,902	212
1969/70	210,739	614	34,322	228
1970	250,284	626	39,981	266
1970/71	270,167	662	40,811	271
1971	320,759	642	49,962	332
1971/72	360,251	668	53,930	358
1972	474,611	807	58,812	391
1972/73	530,291	806	65,793	437
1973	669,003	1,028	65,078	432
1973/74	784,288	1,188	66,018	439
1974	937,524	1,370	68,432	455
1974/75	1,027,092	1,427	71,976	478
1975/76				
June	1,116,855	1,465	76,236	506
September	1,264,331	1,545	81,834	544
December	1,250,094	1,640	76,225	506
March	1,427,919	1,709	83,553	555
1976/77				
June	1,432,751	1,779	80,537	535
September	1,607,519	1,870	85,964	571
December	1,602,959	1,873	85,582	568
March	1,815,439	1,916	94,752	629
1977/78				
June	1,960,762	1,963	99,886	663
September	2,014,293	2,039	98,788	656
December	2,006,389	2,094	95,816	636
March	2,110,872	2,110	100,041	664
1978/79				
June	2,240,540	2,109	106,237	705
September	2,370,736	2,144	110,575	734
December	2,488,342	2,234	111,385	739
March	2,799,942	2,359	118,692	787

1) Fiscal year ends March 31

TABLE 4 – FACTORS AFFECTING MONEY SUPPLY
(millions of Rupiahs)

	1974/75	1975	1975/76	1976	1976/77	1977	1977/78	1978	1978/79		
									Nov.'78	Mar.'79	Apr.'78- Nov.'78 ⁽⁴⁾
Net Foreign Assets	+ 1,127	-1,003,512	-754,909	+ 293,653	+ 445,170	+ 635,744	+ 590,068	+ 641,454	+ 164,705	+ 636,958	+ 801,663
1. Foreign exchange reserves	- 3,333	-407,271	-150,456	+ 304,488	+ 414,085	+ 511,376	+ 273,619	+ 582,170	+ 188,645	+ 710,195	+ 898,840
2. Other foreign assets	+ 4,460	-596,241	-604,453	- 10,835	+ 31,085	+ 124,368	+ 316,449	+ 59,284	- 23,940	- 73,237	- 97,177
(Of which Blocked Account)	(---)	(-415,000)	(-435,250)	(- 51,375)	(- 31,125)	(+ 67,289)	(+ 148,955)	(- 76,873)	(- 5,480)	(-149,002)	(-154,482)
Government											
1. Central Government	+ 23,229	+ 161,975	+ 17,283	-333,369	-386,817	-274,981	-292,902	-264,854	-328,352	+ 36,914	-291,438
2. Claims on official entities and public enterprises ¹⁾	+ 310,031	+ 926,395	+ 936,266	+ 449,765	+ 402,087	+ 34,795	- 57,526	+ 900,181	+ 300,491	+ 672,981	+ 973,472
Claims on private enterprises and individuals	+ 239,537	+ 298,399	+ 336,965	+ 356,806	+ 316,520	+ 284,248	+ 365,244	+ 587,436	+ 276,440	+ 356,110	+ 632,550
Time and Savings deposits ²⁾	-138,105	-213,302	-277,225	-300,272	-195,024	- 96,489	-135,042	-195,644	- 90,989	- 99,851	-190,840
Net other items ³⁾	-193,015	+ 142,615	+ 142,447	-113,718	-194,416	-179,887	-174,409	-1,186,620	- 21,356	-1,214,981	-1,236,337
Money Supply	+ 242,804	+ 312,570	+ 400,827	+ 352,865	+ 387,520	+ 403,430	+ 295,433	+ 481,953	+ 300,939	+ 388,131	+ 689,070
– Currency	+ 117,424	+ 131,106	+ 120,743	+ 155,672	+ 194,212	+ 198,081	+ 182,361	+ 260,834	+ 128,080	+ 204,829	+ 332,909
– Demand deposits	+ 125,380	+ 181,464	+ 280,084	+ 197,193	+ 193,308	+ 205,349	+ 113,072	+ 221,119	+ 172,859	+ 183,302	+ 356,161

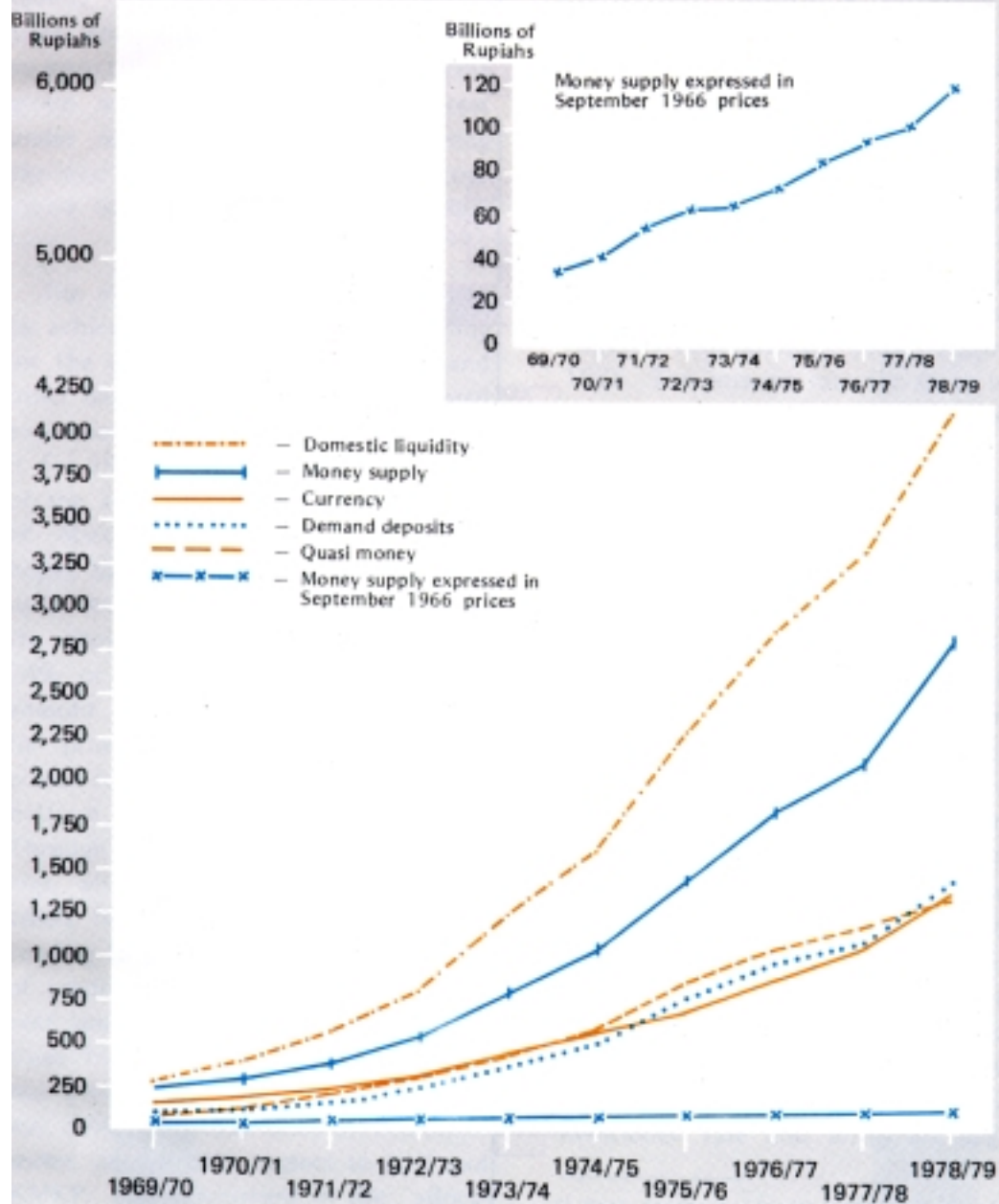
1) Offset against BULOG import deposits and aid counterpart funds

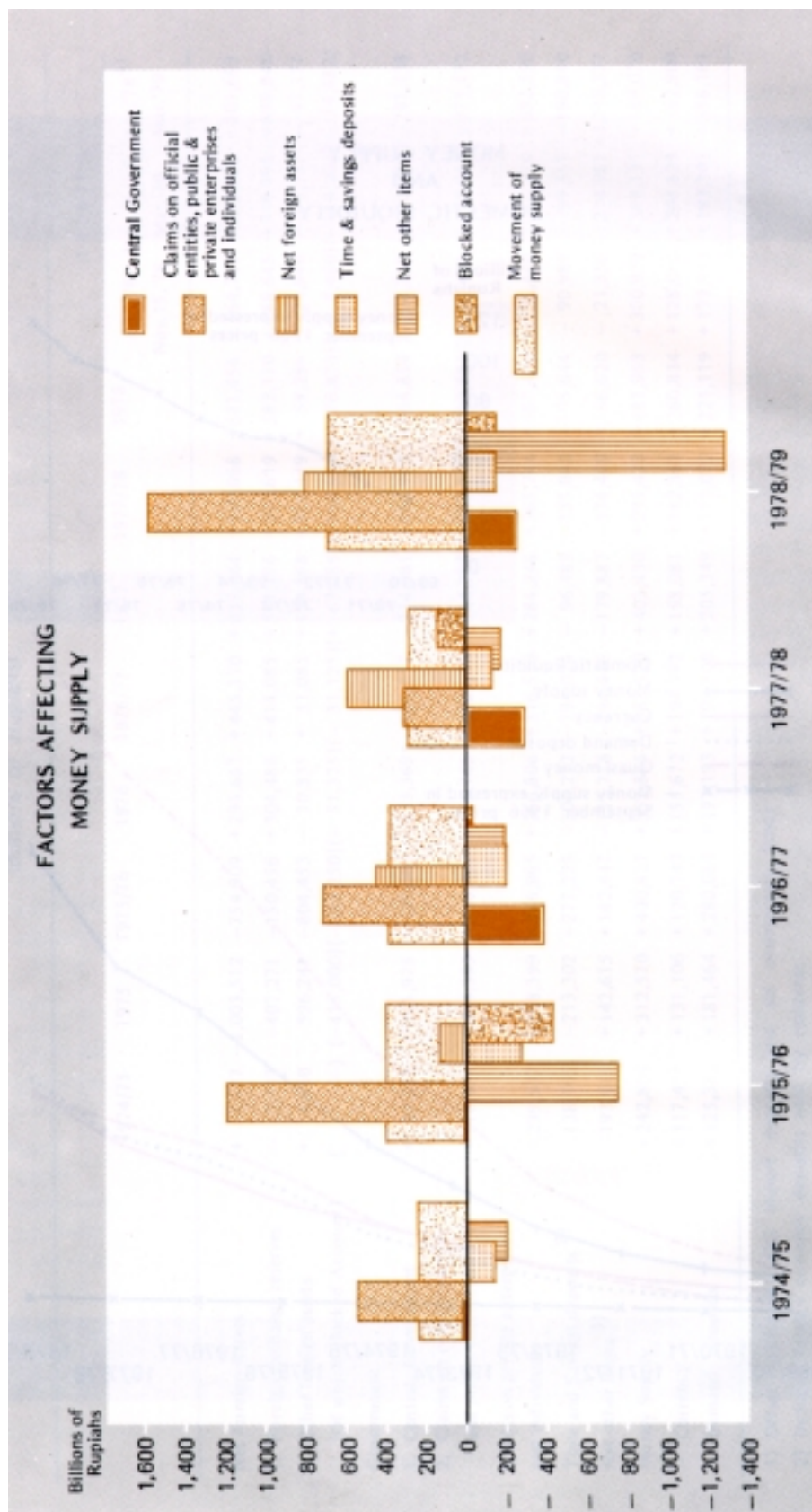
2) Includes foreign currency deposits held by residents

3) Includes import deposits other than Bulog's

4) Includes increases from valuation adjustments of balances denominated in foreign exchange due to November 15, 1978 Rupiah devaluation

MONEY SUPPLY AND DOMESTIC LIQUIDITY





II. BANK CREDIT DEVELOPMENT

A. Credit policy

The credit policy aimed at maintaining monetary stability, directing bank lending to the priority sectors and supporting the economically-weak group was continued during the year under report. The steps taken during the year were designed to make adjustments to suit current economic condition.

The monetary stability was sought to be achieved mainly by imposing ceiling on the expansion of bank credit and other bank domestic assets. The overall expansion in the commercial bank credit for 1978/79 was initially set at 19% of the amount outstanding at the end of March 1978. However, to meet higher demand for liquidity consequent upon the November 15, 1978 measures, the allowable expansion was raised to 24% or Rp 622 billion. Out of this amount Rp 338 billion was earmarked for priority lendings, including Rp 57 billion for KIK and KMKP, and Rp 284 billion for non-priority lendings. Through the imposition of sub-ceilings, which set allowable expansion of credit for each category or sector according to priority scale, the allocation of credit was also determined. In the year under report the classification of loans for setting priority scale, which was previously based on type of loans, was changed to that based on economic sector, except with respect to KIK and KMKP. The adjustment in the allocation of credit was also made by changes in interest rates for each type of loan or sector, interest rates of Bank Indonesia refinancing credits and other credit terms. In 1978/79 these changes

were made both with respect to short-term credits and investment credits.

In order to encourage export activities, the interest rate and lending terms of state bank credits extended to producers of export commodities operating under the Foreign Capital Investment (PMA) and of foreign companies have been made equal to those applicable to national exporters and producers of export commodities since April 1, 1978. The interest rate for these loans was set at 12% a year¹⁾, while previously it was 13.5%.

Furthermore, effective as of June 26, 1978, the above rate and terms of lending became applicable to credits for export and production of export commodities extended by national private foreign exchange banks, provided these credits were refinanced by Bank Indonesia. Refinancing credit available amounted to 75% of the loan extended, for a period of not more than 9 months and at 4% interest per annum. In case of evidence that Bank Indonesia refinancing facility is abused, the borrowing bank will be charged 7.5% interest a year. National private foreign exchange banks, who have extended credits to exporters and producers of export commodities on the above mentioned rate and terms are eligible for additional Bank Indonesia refinancing credit up to 50% of paid-in capital.²⁾

Effective from June, 1978 domestic contractors exporting services to the Middle East were eligible for credit in foreign exchange for working capital or investment at interest rate and on

1) Bank Indonesia circular Letter, SE No. 11/2/UPK, April 22, 1978.

2) Bank Indonesia Circular Letter, SE No. 11/13/UPK, July 25, 1978.

terms which would enable them to compete with foreign contractors. These credits are not subject to the ceiling on bank credit expansion as long as they were spent abroad and will be exempted from the ceiling on foreign borrowings as well as from the minimum reserve requirement for liabilities in foreign exchange if they are financed by foreign borrowings.³⁾

In line with the Government's policy to put an end to domestic trading activities of foreign companies by the end of 1978, banks have been prohibited to extend credits to such companies since early 1978, except to those producing export commodities. All credit facilities approved by that time remained in effect on certain conditions.⁴⁾

A new classification and lower interest rates for investment credits were introduced on January 1, 1978. In 1978/79 the new classification and interest rates were applied to investment loans extended by banks for Rupiah financing of aid financed projects. However, special provisions with respect to Bank Indonesia refinancing credits remained in effect, the amount of refinancing credits being 90% of loans extended in all categories and the interest rate being 7% for category I, 9% for category II and 11 % for categories III and IV. These interest rates were higher than those applicable to investment credits under Bank Indonesia scheme due to the lower risk of default faced by banks in extending such credits.⁵⁾

In an effort to speed up the processing of credit applications, state banks were authorized as of September 1978 to make their own decisions on credit applications involving amounts up to Rp 200 million. In addition, they were authorized to approve all Government guaranteed loans and credits extended by consortium of banks and other credits exceeding Rp 200 million but up to Rp 300 million as long as they were used to finance projects within their specialized fields. Under a previous regulation, the handling banks were authorized to decide on investment credits not exceeding Rp 100 million. Besides, the minimum amount of credits required to be extended jointly by a consortium of banks was raised from Rp 300 million to Rp 500 million for investment and from Rp 500 million to Rp 750 million for working capita.⁶⁾

In addition, the interest rate and the percentage of Bank Indonesia refinancing credit available for Government guaranteed investment credit and for credit extended to finance large Government projects were revised. The interest rate was reduced from 9.5% per annum to 6% while the percentage was lowered from 90% to 80%. The interest rate charged by handling banks to customers remained at 12% a year.⁷⁾

In line/ with Government policy to close the entry into rice milling industry, because this industry is considered saturated, investment credits are no longer available for rice milling companies since early 1979.⁸⁾

3) Bank Indonesia Circular Letter, SE No. 11/18/ULN, June 9, 1978.

4) Bank Indonesia Circular Letter, SE No. 11/3/UPK, April 22, 1978.

5) Bank Indonesia Circular Letter, SE No. 11/17/UPK, August 23, 1978.

6) Bank Indonesia Circular Letter, SE No.11/26/UPK, January 12, 1979.

7) Bank Indonesia Circular Letter, SE No. 11/29/UPK, January 26, 1979.

8) Bank Indonesia Circular Letter, SE No. 11/23/UPK and SE No. 11/24/UPK, January 9, 1979.

During the year under report the role of national private banks and local development banks in promoting business activities of the economically-weak groups was enlarged. Out of these banks those which were classified as sound or fairly sound and extended **KIK and KMKP** loans directly (not jointly with other banks) were made eligible for additional Bank Indonesia refinancing credits amounting to not more than 50% of their paid-in capital, thereby making in aggregate thereof not more than 150% of their paid-in capital.⁹⁾

Moreover, in December 1978, the condition for obtaining additional KIK and KMKP loans of not more than Rp 10 million was relaxed by abolishing the requirement that the customer must have properly used KIK and KMKP during the two preceding years. Consequently, the banks were thenceforth empowered to extend KIK and KMKP loans, if in their judgement the applicants were really in need of additional credits.

On April 1, 1978, the terms on Mini Credits were also relaxed through a downward revision of the interest rate from 15% to 12% per annum, with the interest rate for investment purposes remaining at 12% a year. A uniform rate thus applied to both working capital and investment purposes.

At the end of 1978, regulations were issued regarding the extension of loans to low and middle-level employees to finance purchases of low-cost houses. These credits known as KPR (House Purchases Credit), were made available through Bank Tabungan Negara

(state savings bank) on concessionary terms. The credit for the purchase of a house, built by PERUMNAS (National Housing Development Corporation), for a price not exceeding Rp 3.5 million, would be financed by the Government Budget, while credit for the purchase of a house, constructed by private developers, for a price not exceeding Rp 6 million would be financed by the banking system. KPR financed by the Government Budget would be extended to civil servants belonging to grades I, II and III or their equivalents, with repayment periods ranging from 5 to 20 years. The rate of interest was 5% for grades I and II and 9% for grade III. KPR financed by the banking system were available to civil servants and other employees whose income was not more than that of grade IV civil servants, with repayment periods ranging from 5 to 15 years and the interest rate of 9% per annum. Similar to other investment credits, BTN was entitled to Bank Indonesia refinancing credits for the latter type of KPR credits amounting to 80% and subject to 3% interest.

B. Volume and allocation of credit

At the end of 1978/79, bank credits outstanding amounted to Rp 5,640 billion, showing an increase of Rp 1,565 billion or 38% during that financial year, as against Rp 358 billion or 10% in the preceding year. The rapid expansion occurred mainly after the November 15, 1978 measures. During the 7 1/2 months before November 15, 1978, there was only 13% increase, compared to 25% increase during the following 4 1/2 months. Out of the increase after November 15, 1978, the greater

9) Bank Indonesia Circular Letter, SE No. 11 /5/UPK, April 29, 1978.

part i.e., Rp 625 billion was due to the valuation adjustment of credits in foreign exchange.

Excluding the valuation adjustment, outstanding credit expanded by Rp 940 billion or 23% during 1978/79. Beside the impact of the monetary measures taken at the end of December 1977, the expansion of credit was attributable to increased demand for liquidity after November 15, 1978. It may be added that out of the total bank credit outstanding, an amount of Rp 271 billion represented direct credits from Bank Indonesia, which were mainly extended to PERTAMINA and BULOG.

The distribution of credit by economic sectors, which includes credits in foreign exchange, is presented in Table 6. During 1978/79, credit to each economic sector registered significant increase, i.e. credit for mining increased by Rp 710 billion or 68%, for manufacturing by Rp 509 billion or 41%, for trade by Rp 199 billion or 21 %, for agriculture by Rp 68 billion or 22% and for services by Rp 72 billion or 21%. Out of the increase to the mining and manufacturing sectors, Rp 497 billion and Rp 124 billion respectively were due to valuation adjustment of credits in foreign exchange. The remaining increase in credits to manufacturing sector was primarily due to Krakatau Steel, cement industry and construction of INPRES market places, while that in mining sector was mostly on account of PERTAMINA. The increase in credit in the trade sector was accounted for by credit to BULOG for food procurements and by increase in commercial bank credits for financing the distribution of fertilizers, exports, imports and KIK and KMKP credits to small-businessmen.

With the above increases, the share of each

sector at the end of 1978/79 became 31 % for mining, 31 % for manufacturing, 21% for trade, 7% for agriculture and 7% for services. Excluding the valuation adjustment of credits in foreign exchange, the share of each sector remained approximately the same as in the preceding year, i.e. 25% for mining, 32% for manufacturing, 23% for trade, 8% for agriculture and 8% for services.

At the end of March, 1979, credits outstanding in Rupiah and in foreign exchange amounted to Rp 5,253 billion or 93% and Rp 387 billion or 7% respectively. The large increase in credits in Rupiah was mainly due to the conversion of PERTAMINA credits in foreign exchange into Rupiah credits at the end of 1978/79, which amounted to Rp 1,527 billion.

Credits in Rupiah outstanding comprise working capital credits of Rp 2,990 billion or 57% and investment credits of Rp 2,263 billion or 43%. Working capital credits were primarily extended to trade and manufacturing sectors, which rose by Rp 182 billion or 20% and Rp 280 billion or 41 respectively, during 1978/79. Investment credits increased by Rp 1,669 billion or 281%, which was mainly utilized by mining, manufacturing and service industries.

Out of total investment credits, 15% was accounted for by Bank Indonesia's investment credit scheme¹⁰⁾, 3% by KIK and the rest by

10) As governed by Bank Indonesia's Announcement No. Peng. 1/DIR/1969, March 7, 1969, and Bank Indonesia Circular Letter, SE No.I/170/UPK/ KPR, March 8, 1969, including supplements and ammendment. Includes Rupiah credits for aidfinanced projects.

other investment credits. The outstanding amounts under each category in the last three years are presented in Table 5.

As shown in Table 8, investment credits under Bank Indonesia scheme increased during 1978/79, both in the amount utilized and approved. The outstanding amount was Rp 337 billion at the end of March 1979, an increase of Rp 50 billion over the preceding year. The increase primarily represented expansion of credits to service industry (Rp 29 billion), manufacturing (Rp 11 billion) and agriculture (Rp 6 billion). The amount approved was Rp 441 billion at the end of March 1979, or 22% over preceding year figures.

As in the case of working capital credits, Bank Indonesia provides refinancing facilities to banks for investment credits extended under Bank Indonesia scheme. At the end of March 1979, total refinancing credit approved for this purpose amounted to Rp 300 billion, accounting for approximately 68% of the loans approved by banks. Nevertheless, due to the existence of excess reserves at major state banks, the refinancing facility utilized was only 53% of the amount approved.

The credit scheme intended to assist the economically-weak small businessmen has shown remarkable performance, as reflected by the steady growth in KIK, KMKP, Min. e.i. credit and INPRES Pasar credit.

Up to the end of 1978/79, the number of KIK applications approved reached 57,378, with a value of Rp 113 billion, representing an increase of 15,215 in the number of customers and Rp 34 billion increase in value. The amount used reached Rp 68 billion at the end of March 1979, an increase of 28% over the preceding year figure.

Up to the end of March 1979, KMKP approvals amounted to Rp 188 billion for 438,027 customers reflecting increases of Rp 63 billion in amount and of 102,661 in number of customers during the year under report. The amount used was Rp 93 billion at the end of March 1979, which was 43% higher than that a year before.

In implementing the cooperation agreement between Bank Indonesia and the World Bank to promote the economically weak small businessmen, the World Bank has apportioned \$ 40 million aid funds. Of that amount, \$ 2.3 million was designated as additional funds for KIK lendings in West Sumatra, \$ 11.1 million in Central Java, \$ 15.5 million in East Java, and the rest will be used to finance training and consulting services needed to improve the administration of that credit program. The additional funds will constitute 48% of each KIK loan and will be channeled through Bank Indonesia refinancing credit.

A remarkable progress was also recorded by the Mini credit program, showing an increase of 45% to reach Rp 16 billion at the end of 1978/79. The funds for Mini credits were provided through the Government Budget, which reached a total of Rp 18.2 billion at the end of 1978/79, including Rp 4 billion provided in 1978/79.

Since 1976/77, the Government has launched a credit program to finance the construction and renovation of market places, called INPRES Pasar. The credit is extended to local governments, while the interest is paid by the Government. In 1978/79 the funds provided amounted to Rp 30 billion, making the total funds available for this program at Rp 75

TABLE 5 – INVESTMENT CREDITS OUTSTANDING
(millions of Rupiahs)

	March 31			June	Sept.	Dec.	March
	1976	1977	1978	30, 1978	30, 1978	31, 1978	31, 1979
1. Investment credit under Bank Indonesia scheme	196,393	262,666	287,493	295,789	298,911*	329,252*	337,154*
2. KIK	25,533	39,605	52,704	56,435	61,923	64,711	67,951
3. Others	98,409	157,842	254,431	272,147	300,371	308,213	1,858,301 ¹⁾
Total	320,335	460,113	594,628	624,371	661,205	702,176	2,263,406

¹⁾ Includes PERTAMINA credits in foreign exchange converted into Rupiah on March 31, 1979

billion at the end of 1978/79. Of this amount, only Rp 27 billion was utilized. The credits given to low and medium-level employees **under the KPR** scheme reached Rp 6 billion on March 31, 1979. In 1978/79 the Government funded Rp 20 billion to finance further extensions of KPR credits.

In addition to the above-mentioned credits schemes, the Government has been channelling financial aid for economically-weak group through KUD (village cooperative units) under KCK (Kredit Candak Kulak) program. During 1978/79,

loans extended under this program amounted to Rp 11 billion, making the total disbursements Rp 17 billion at the end of March 1979. Out of this total, Rp 15 billion had been repaid. This rapid expansion resulted from the increase in the number of KUDs participating in the scheme and from the increased amounts available to successful KUDs. During 1978/79 the number of KUDs participating in this program rose from 1,500 to 2,196. The amount of funds made available for the program in 1978/79 was raised from Rp 3,250 million to Rp 4,250 million.

TABLE 6 – BANK CREDITS IN RUPIAH AND FOREIGN EXCHANGE BY ECONOMIC SECTORS ¹⁾
(millions of Rupiahs)

	March 31					June 30, 1978*	Sep. 30, 1978*	Nov. 15, 1978*	Dec. 31, 1978*	March 31, 1979*
	1975	1976	1977	1978						
Bank Credits	1,754,739	2,988,573	3,717,097	4,075,056	4,330,061	4,537,524	4,622,614	5,394,183	5,640,097	
– Agriculture ²⁾	121,284	259,995	285,643	311,558	316,256	323,277	330,897	344,841	379,366	
– Mining ³⁾	99,604	807,219	1,099,790	1,044,755	1,100,002	1,136,222	1,192,191	1,699,382	1,754,728	
– Manufacturing ⁴⁾	401,830	780,321	1,070,602	1,233,371	1,319,811	1,368,165	1,385,909	1,624,247	1,741,874	
– Trade	613,340	790,513	811,748	954,263	1,069,294	1,166,733	1,154,370	1,113,835	1,153,445	
– Service rendering industry	135,232	199,547	271,295	346,715	343,741	362,859	370,730	388,560	418,801	
– Others	383,449	150,978	178,019	184,394	180,957	180,268	188,517	223,318	191,883	
Credits in Rupiah ⁵⁾	1,449,955	2,004,404	2,523,835	2,959,896	3,183,960	3,361,022	3,419,521	3,549,994	5,253,357	
– Agriculture	121,284	251,787	273,963	311,236	315,416	322,524	330,139	344,353	378,103	
– Mining	13,672	99,651	209,053	187,942	211,939	210,926	241,501	230,314	1,754,728 ⁷⁾	
– Manufacturing	401,830	549,496	807,515	988,153	1,069,849	1,126,013	1,141,849	1,264,792	1,382,296	
– Trade	590,664	766,993	793,448	944,037	1,064,700	1,161,442	1,149,619	1,105,277	1,133,385	
– Service rendering industry	135,232	190,260	264,257	344,743	342,075	360,695	368,779	384,885	414,382	
– Others	187,273	146,217	175,599	183,785	179,981	179,422	187,634	220,373	190,463	
Credit in Foreign Exchange	304,784	984,169	1,193,262	1,115,160	1,146,101	1,176,502	1,203,093	1,844,189 ⁶⁾	386,740 ⁸⁾	
– Agriculture	...	8,208	11,680	322	840	753	758	488	1,263	
– Mining	85,932	707,568	890,737	856,813	888,063	925,296	950,690	1,469,068	---	
– Manufacturing	...	230,825	263,087	245,218	249,962	242,152	244,060	359,455	359,578	
– Trade	22,676	23,520	18,300	10,226	4,594	5,291	4,751	8,558	20,060	
– Service rendering industry	...	9,287	7,038	1,972	1,666	2,164	1,951	3,675	4,419	
– Others	196,176	4,761	2,420	609	976	846	883	2,945	1,420	

- 1) Excludes interbank credits, credit to Government, credits to non-residents, special liquidity credit and foreign exchange component of project aid
- 2) Processing of agriculture products is classified under "manufacturing", following International Standard Industrial Classification (ISIC) 1968
- 3) Includes credits to PERTAMINA for financing its debt services.
- 4) Includes credits to PT Krakatau Steel
- 5) Includes Investment Credits, Small Investment Credits (KIK) and Permanent Working Capital Credits (KMKP)
- 6) Includes increases from valuation adjustment due to the exchange rate revision on November 15, 1978, amounting to 384 for agriculture, 481,072 for mining, 123,500 for manufacturing, 2,404 for trade, 937 for services and 447 for other sectors.
- 7) Includes increases from the conversion of Pertamina's foreign exchange credits into Rupiah credit, amounting to 1,527,159. Out of this amount 497,221 represents valuation adjustment due to exchange rate revision on November 15, 1978
- 8) Includes increases from valuation adjustment due to the exchange rate revision on November 15, 1978, amounting to 384 for agriculture, 123,500 for manufacturing, 2,404 for trade, 937 for services and 447 for other sectors

TABLE 7 – BANK CREDITS IN RUPIAH BY MATURITY AND ECONOMIC SECTORS
(millions of Rupiahs)

	March 31			June 30, 1978	September 30, 1978	December 31, 1978	March 31, 1979
	1976	1977	1978				
Short term credits	1,684,069	2,063,722	2,365,268	2,559,589 *	2,699,817 *	2,847,818 *	2,989,951 *
– Agriculture	204,522	219,605	247,197	252,199	257,820	277,160	303,103
– Mining	91,896	200,725	179,073	205,190	203,994	224,400	217,647
– Manufacturing	394,379	579,984	676,665	741,667	775,508	881,918	956,562
– Trade	730,856	753,207	895,737	1,016,173	1,110,463	1,053,508	1,077,843
– Service rendering industry	127,499	139,536	192,674	170,066	179,088	198,537	252,486
– Others	134,917	170,665	173,922	174,294	172,944	212,295	182,310
Investment credits ¹⁾	320,335	460,113	594,628	624,371	661,205	702,176	2,263,406
– Agriculture	47,265	54,358	64,039	63,217	64,704	67,193	75,000
– Mining	7,755	8,328	8,869	6,749	6,932	5,914	1,537,081 ²⁾
– Manufacturing	155,117	227,531	311,488	328,182	350,505	382,874	425,734
– Trade	36,137	40,241	48,300	48,527	50,979	51,769	55,542
– Service rendering industry	62,761	124,721	152,069	172,009	181,607	186,348	161,896
– Others	11,300	4,934	9,863	5,687	6,478	8,078	8,153
T o t a l	2,004,404	2,523,835	2,959,896	3,183,960	2,361,022	3,549,994	5,253,357

1) Excludes foreign exchange component of project aid credit.

2) Includes increases from the conversion of foreign exchange credit into Rupiah credits.

**TABLE 8 – INVESTMENT CREDITS BASED ON BANK INDONESIA REGULATION
BY ECONOMIC SECTORS AND SOURCE OF FUNDS ¹⁾**
(millions of Rupiahs)

	March 31				June 30, 1978	Sep.30, 1978*	Dec.31, 1978*	March 31, 1979*
	1975	1976	1977	1978				
Credit outstanding	142,679	196,393	262,666	287,493	295,789	298,911	329,252	337,154
By economic sectors								
– Agriculture	13,435	29,332	40,804	56,770	60,564	61,217	61,878	62,546
– Mining	147	5,143	4,278	3,277	3,276	3,276	3,276	3,276
– Manufacturing	72,381	81,860	96,942	109,253	113,201	114,393	115,594	119,833
– Service rendering industry	46,672	70,346	110,608	106,545	103,112	104,242	132,574	136,420
– Others	10,044	9,712	10,034	11,648	15,636	15,783	15,930	16,079
By source of funds	142,679	196,393	262,666	287,493	295,789	298,911	329,252	337,154
– Bank Indonesia	75,738	104,775	126,378	155,358	155,066	156,087	172,736	176,893
– State banks	62,993	87,785	133,140	131,278	139,866	141,367	155,660	159,405
– Government Budget ²⁾	3,948	3,833	3,148	857	857	857	856	856
Approved by Banks	198,303	269,456	343,244	361,571	382,253	392,692	428,353	441,204
By economic sectors								
– Agriculture	19,012	35,869	48,348	69,471	74,916	75,939	76,971	78,018
– Mining	221	5,154	5,296	5,296	5,296	5,296	5,296	5,296
– Manufacturing	99,605	109,557	136,884	142,480	154,415	160,975	167,815	176,745
– Service rendering industry	65,916	103,741	137,156	126,969	127,597	129,722	156,752	158,841
– Others	13,549	15,135	15,560	17,355	20,029	20,760	21,519	22,304
By source of funds	198,303	269,456	343,244	361,571	382,253	392,692	428,353	441,204
– Bank Indonesia	130,308	179,568	229,970	244,885	259,620	266,774	291,102	299,879
– State banks	62,236	84,784	108,097	114,264	120,491	123,776	135,109	139,183
– Government Budget ²⁾	5,759	5,104	5,177	2,422	2,142	2,142	2,142	2,142

1) Based on Announcement of the Board of Directors of Bank Indonesia No.Peng. I/DIR/1969, March 7, 1969. Excludes Small Investment Credits (KIK) and foreign exchange component of project aid. Includes Rupiah cost of project aid.

2) Since 1971 the Government Budget no longer provides Rupiah financing for investment credits.

**TABLE 9 – SMALL INVESTMENT CREDITS (KIK),
PERMANENT WORKING CAPITAL CREDITS (KMKP) AND MINI CREDITS**
(millions of Rupiahs)

	March 31				June 30, 1978	Sept. 30, 1978	Dec. 31, 1978	March 31, 1979
	1975	1976	1977	1978				
I. Small Investment Credits								
– Number of applications approved	11,324	19,804	30,741	42,163	47,180	50,895	54,970	57,378
– Value of applications approved	18,768	34,090	55,269	79,249	86,375	97,701	105,801	112,666
– Credit outstanding	15,533	25,533	39,605	52,704	56,435	61,923	64,711	67,951
II. Permanent Working Capital Credits								
– Number of applications approved	15,769	83,281	183,877	335,366	365,776	406,518	420,495	438,027
– Value of applications approved	17,914	40,756	74,786	124,496	135,547	158,369	177,239	187,872
– Credit outstanding	13,578	26,671	46,342	65,415	70,703	81,204	83,748	93,157
Total I + II								
– Number of applications approved	27,093	103,085	214,618	377,529	412,956	457,413	475,465	495,405
– Value of applications approved	36,682	74,846	130,055	203,745	221,922	256,070	283,040	300,538
– Credit outstanding	29,111	52,204	85,947	118,119	127,138	143,127	143,459	161,108
III. Mini Credits								
– Investment	2,136	5,029	8,192	11,058	12,351	13,472	14,293	15,748
– Working Capital Short-term	331	1,063	1,474	1,825	2,164	2,333	2,455	2,733
	1,805	3,966	6,718	9,233	10,187	11,139	11,838	13,015

III. MOBILIZATION OF FUNDS

Efforts to encourage private savings for financing economic development were continued in 1978/79. These efforts were initiated in 1968 with the introduction of the INPRES time deposit scheme, followed by a national savings deposit program, the program for development of money and capital markets and the introduction of other deposit schemes such as haj-pilgrimage savings and certificates of deposit. These efforts have also supported other monetary measures, which have been continually adjusted to current economic and monetary developments.

In 1978/79, further steps were taken to encourage the development of a capital market, and to improve the savings deposit schemes for youths, students and scouts and participants in the haj-pilgrimage. To encourage the development of a capital market the Government offered additional fiscal incentives to companies selling their shares to the public and issuing additional shares for undistributed profits. In addition, the Government revised and improved the organization and the procedures of the Indonesian Stock Market by enlarging the membership of Capital Policy Council, determining procedures for security trading and delineating the responsibility of brokers. To encourage saving habits in the society, the procedures for withdrawing youths, students and scouts savings accounts (TAPPELPRAM) were revised. Meanwhile, a reduction in the cost of pilgrimage by air and the abolishment of sea pilgrimage were effected in 1978/79.

A. Time deposit

Despite the downward adjustment of deposit rates in January 1978, total time deposits outstanding continued to increase moderately by 3% to Rp708 billion in 1978/79. From April through November 1978 time deposits increased by 5%, although during the rest of the fiscal year declined by 2%. The increase through November 1978 was attributable to the reduced rate of inflation which raised the real rate of interest on time deposits, while the decrease during the remainder of the fiscal year mainly reflected cash shortages as a result of price increases following the devaluation.

The interest rates on INPRES time deposits have remained unchanged since January 1, 1978, as shown in Table 10.

In 1978/79, 6-months time deposits grew at a higher rate than that of either 24-months or 12-months maturities, so that their share in total time deposits increased from 5% at the end of March 1978 to 8% a year thereafter. The faster growth was associated with the imposition, from January 1, 1978, of a high interest penalty on premature withdrawal of 24-months and 12-months deposits.¹⁾

Since the rates on time deposits re-

1) As reflected by the very low rates of interest paid on deposits subject to premature withdrawals, i.e. 3% p.a. on deposits drawn after a period of 6 months but less than 12 months and 6% p.a. for deposits drawn after a period of 12 months but less than 24 months. (Decision of Bank Indonesia Board of Directors No. 10/104/Kep/Dir/UPUM, December 30, 1978).

TABLE 10 – INTEREST RATES ON INPRES TIME DEPOSITS

Maturity	Since Jan. 1, 1978	Since Jan. 13, 1977	Since Dec. 28, 1974	Since April 9, 1974
Less than 3 months	— ¹⁾	3%	6%	6%
3 months	— ¹⁾	6%	9%	9%
6 months	6%	9%	12%	12%
12 months	9%	12%	15%	18%
18 months	—	—	21%	24%
24 months	15% ²⁾ and 12% ³⁾	18%	24%	30%

1) Freely determined by banks

2) For deposit to Rp 2.5 million

3) For deposit over Rp 2.5 million

mained unchanged, the Government continued to pay an interest subsidy²⁾ to depository banks at 4.5% for deposits bearing 15% interest and 1.5% for those bearing 12% interest, effective from January 1, 1978. During 1978/79 the Government paid Rp 33 billion to banks in interest subsidied compared with Rp 46 billion in the preceding year. The smaller payment of subsidy during 1978/79 reflected the reductions in interest rates on time deposits on January 1, 1978.

2) Interest subsidy has been paid by the Government to depository banks in compensation for deposit rates fixed by the Government at levels above those that would be set by the banks themselves in view of the level of lending rates. The subsidy was therefore indirectly enjoyed by the depositors.

B. TABANAS and TASKA

The TABANAS and TASKA savings programs, which were introduced in 1971, were continued and expanded. Efforts were continued to encourage savings habit in the society in order to reach all layers of the community, mainly the low income groups, youths, students and scouts. For youths, students and scouts a special savings program called "PERATA P3" was launched in 1973/74, while for civil servants and military personnel an Employee Savings scheme was introduced in 1976.

In 1978/79, withdrawal procedures of youths, students and scouts savings (The TAPPELPRAM System) adopted in 1974 under the PERATA P3 program, were revised. Under the new procedures, deposits have to

be made collectively by the teacher, while withdrawals can be made individually by the respective deposit holder.³⁾ Under the previous procedures, both deposits into and withdrawals from savings accounts had to be made collectively.

Total TABANAS deposits reached Rp 200 billion at the end of 1978/79, showing an increase of 18% compared with 37% in the preceding year. The decline in the growth rate of these savings deposits was notable between November 15, 1978 and March 1979. During this period, the average monthly increase was only 0.5% against 2% during April to November 15, 1978. As in the case of time deposits, this development reflected the cash shortages brought about by price increases following the November 15, 1978 measures. This development, notwithstanding the number of depositors, grew at a rate of 9% to 7.6 millions, compared with 6% during the preceding year.

TABANAS deposits under the PERATA P3 program rose significantly, by 50% compared with 21% in 1977/78, partly as a result of revised withdrawal procedures of the TAPPELPRAM system. The number of depositors under this program rose by 2% to reach 833 thousands, after a decline of 6% in 1977/78.

Employee savings continued to register a significant increase; 32% in total deposits and 6% in the number of depositors, compared with 78% and 13%, respectively, in the previous year.

The TASKA deposits (an installment savings scheme) continued to decline, however, despite more options made available since 1977 in terms of amounts and installment arrangements. The number of account holders declined by 20% to 6,296 and total deposits fell by 5% to Rp 117 million at the end of March 1979. This declining trend was attributable mainly to the increased competition from life insurance companies offering more attractive terms.

C. Certificates of deposits (CDs)

The introduction of CDs by commercial banks in 1971 has not only provided a means to raise funds, but also encouraged the activities in the money market. In 1978/79, the value of CDs outstanding declined by 48% to Rp30 billion. A substantial decrease was recorded for foreign banks, whose outstanding CDs declined from Rp 44 billion to Rp 14 billion, and this was only marginally offset by an increase in state banks' CDs. Again, this development was attributed to the cash shortages experienced following the November 15, 1978 measures. Consequently, the share of state banks in the total amount of outstanding CDs increased from 24% at the end of March 1978 to 53% a year later.

Maturities on the CDs ranged from two weeks to twelve months, carrying interest ranging from 3% to 12%. The average interest rates, weighted by maturities and the amounts issued during the last three years, are given below.

3) Bank Indonesia Circular Letter, SE No. 11/5/ UPUM, September 11, 1978.

	1976/77	1977/78	1978/79
June	9.8%	5.9%	7.2%
September	7.6%	6.7%	7.5%
December	7.2%	7.5%	9.3%
March	6.9%	5.2%	9.7%

D. ONH (Haj-Pilgrimage) saving

ONH savings are deposits for haj-pilgrimage expenses by the prospective pilgrims. As in the previous year, three state banks were designated to receive these deposits, i.e. Bank Negara Indonesia **1946**, Bank Rakyat Indonesia and exclusively for the Irian Jaya province, Bank Ekspor Impor Indonesia.

ONH savings, which provide a significant source of funds for banks, increased remarkably in **1978/79** to reach Rp 55 billion, up by 104% from the previous year's level. This substantial increase resulted from a 122% rise in the number of pilgrims, who reached a record of **72,213** persons in **1978/79**. These increases far exceeded those of the previous year, when total deposits rose by 17% - and the number of pilgrims by 18%. It should be noted that in **1978/79**, only pilgrimage by air was made available by the Government and the cost of pilgrimage by air was reduced from Rp **816,000.-** to Rp **766,000.-**⁴⁾ per person.

E. Money and capital markets

1. Money market

The interbank money market, which is intended to provide banks with funds to meet

their clearing obligations, has recently come to finance also other transactions. Activities in this market were, however, still limited to transaction with funds of 7-days or shorter maturities.

In **1978/79**, the average monthly volume of transactions in the money market showed a substantial increase of 55% to reach Rp 144 billion. There was also a significant rise in the weighted average rate of interest following the devaluation. The rise in the value of transactions and interest rates reflected the increased activities of banks to meet the increased demand for liquidity.

The volume of transactions and the weighted average interest rates in the inter-bank money market in the last three years are shown below.

Period	Volume of Transaction (in Rp million)	Weighted Average of Interest Rates (in percent)
1977		
January-March	228,530	7.30
April-June	245,500	7.33
July-September	221,328	7.20
October-December	326,555	7.21
1978		
January-March	325,582	5.96
April-June	385,706	6.56
July-September	384,837	7.21
October	123,871	8.04
November	149,904	8.66
December	152,457	11.29
1979		
January	186,737	12.43
February	164,746	12.74
March	175,115	13.22

In addition to lending in the interbank money market, there are also direct transactions between banks and non-bank financial institutions.

4) **Presidential Decision No.** 10/1978, May 1, 1978.

2. Capital market

In a continued effort -to stimulate the growth of the stock market, additional incentives were provided by the Government to the companies selling their shares in the stock market. In addition, procedures for offering shares in the stock market were revised and the operations of security brokers, organized under the Money and Stock Brokers Association (PPUE), were regulated.⁵⁾

Fiscal incentives, given to companies for selling their shares in the stock market, were reinforced by relaxing the conditions required for corporate tax deductions, i.e. by lowering the minimum amount of shares required to be sold in the stock exchange and by raising the level of profits subject to the lowest tax rate (20%). The minimum proportion of shares required to be sold in the stock market as a condition for tax deduction was reduced from 30% to 20% and the level of profits subject to the lowest corporate tax was raised from Rp 10 million to Rp 200 million.⁶⁾

It should be noted that in 1977/78, the Government granted tax relief for increases in company equity resulting from revaluation of the company's fixed assets. Such an increase was exempted from corporate tax, income tax and tax on interest, dividends and royalties (PBDR Tax)⁷⁾. In addition, corporate, income and PBDR tax exemptions were also applied to divi-

dends paid to shareholders within two years after the respective company sold its shares in the stock market. Furthermore, the Government fixed the security underwriter's fee⁸⁾ and specified securities allowed to be traded outside the stock market.⁹⁾

In 1978/79, the Government also expanded the membership of the Capital Market Council (Badan Pembina Pasar Modal) by adding the Minister of Industry and the State Secretary to the 6 existing members, who are the Minister of Finance, the Minister of State Apparatus/Deputy Chief of BAPPENAS, Minister of Trade, Cabinet Secretary, Governor of Bank Indonesia and Chief of the Capital Investment Coordinating Board.

Until the end of March 1979, the only company trading its shares on the stock market was PT Semen Cibinong. The first placement, made in August 1977, amounted to 178,750 of new issued shares with a face value of \$ 10 per share. In addition, 163,366 shares of the company's previous issues had been sold by their holders in the stock market. Out of the total of PT Cibinong's shares sold in the stock exchange, 251,000 shares were purchased by PT Danareksa, most of which were converted into certificates with a nominal value of Rp 10,000,-. Until the end of 1978/79, PT Danareksa had issued 172,900 certificates. During 1978/79 transactions in the stock exchange amounted to 91,461 certificates sold and 28,113 certificates bought, while transac-

5) Decree of the Minister of Finance No. 430/KMK.01/ 1978, November 14, 1978.

6) Decree of the Minister of Finance No. 122/KMK. 04/ 1979, March 27, 1979.

7) Decree of the Minister of Finance No. 10/KMK. 36/ 1978, January 1, 1978.

8) Decree of the Minister of Finance No. 78/KMK. 01 / 1978, February 17, 1978.

9) Decree of the Minister of Finance No. 122/KMK. 01/ 1978, March 20, 1978.

tions in shares amounted to 47,378 shares. The highest price was quoted in March 1979, at Rp 12,450,- per share against Rp 11,000.- in the preceding year. The quoted price for shares was also applicable to PT Danareksa's certificates.

In 1978/79, three companies applied for listing on the stock exchange. The **trading of the shares** of these companies was expected to take place in 1979/80.

Apart from the above shares, government bonds of old issues were also traded in the stock market, Le: 3% RI Bonds of 1950, 31/2% Consolidation Bonds of 1959, 6% Lottery Bonds of 1959 and 6% Development Bonds

of 1964. The Government has decided to redeem all of these bonds effective March 15, 1979 at the face value, except for the 6% Development Bonds 1964, which are redeemed at 816 times face value. Redemption is to be made at Treasury offices within a five-year period from March 16, 1979.

Following the above decision, government bonds were no longer listed at the stock exchange. To that date, the highest price ever quoted at the stock market for the 3% RI Bonds 1959, 31/2% Consolidation Bonds 1959, 6% Lottery Bonds 1959 and 6% Development Bonds 1964 were 100.0%, 61.5%, 94.0% and 38,000.0% respectively.

TABLE 11 – TIME DEPOSITS OUTSTANDING¹⁾
(millions of Rupiahs)

End of	24 months ²⁾	18 months ³⁾	12 months	6 months	3 months	less than 3 months	Total
1968 : December			2,791	862	775	90	4,518
1969 : December			25,128	6,699	1,496	257	33,580
1970 : December			38,263	6,824	4,755	587	50,429
1971 : December			75,514	15,522	12,598	993	104,627
1972 : December			107,576	28,699	8,819	731	145,825
1973 : December			129,382	14,162	4,000	1,371	148,915
1974 : December	179,934	8,090	37,226	8,298	3,708	1,385	238,641
1975 : March	210,602	10,177	29,637	10,243	5,062	2,828	268,549
June	250,381	10,370	24,840	11,392	3,081	6,437	306,501
September	293,781	10,905	26,995	9,895	3,387	363	345,326
December	335,476	10,281	27,372	9,212	3,630	341	386,312
1976 : March	394,169	7,059	29,397	11,524	3,997	363	446,509
June	430,233	4,588	39,657	19,437	7,094	1,969	502,978
September	471,197	3,759	47,445	24,115	8,048	1,709	556,273
December	517,568	3,987	48,500	25,082	14,031	2,544	611,712
1977 : March	543,283	3,596	48,540	24,433	9,144	1,534	630,530
June	554,612	2,645	42,123	31,588	11,785	1,002	643,755
September	577,807	2,349	33,933	43,486	8,490	592	666,657
December	604,825	1,896	33,559	40,697	10,041	828	691,846
1978 : March	615,913	599	34,621	34,308	1,425	52	686,918
June	622,049	45	39,000	44,632	1,849	16	707,591
September	623,876	—	39,491	55,700	2,187	39	721,293
October	623,224	—	41,241	57,903	2,732	83	725,183
November 15	620,036	—	40,523	58,035	2,580	80	721,254
November	620,248	—	39,849	57,626	2,581	43	720,347
December	608,971	—	42,115	51,718	3,756	52	706,612
1979 : January	606,338	—	38,414	61,071	8,124	58	714,005
February	608,056	—	37,934	60,168	8,054	55	714,267
March	608,194	—	36,259	58,304	5,056	65	707,878

1) Comprise only time deposits at state banks schemed under the Presidential decree No. 28/1968

2) Introduced on April 9, 1974

3) Introduced on April 9, 1974 and abolished on January 13, 1977

TABLE 12 – TABANAS AND TASKA SAVINGS DEPOSITS
(millions of Rupiahs)

End of	TABANAS		TASKA		Total	
	Number of depositors ¹⁾	Out- standing	Number of depositors ¹⁾	Out- standing	Number of depositors	Out- standing
1971 : December	867,239	4,992	19,967	35	887,206	5,027
1972 : December	2,388,778	25,574	17,870	99	2,406,648	25,673
1973 : December	2,862,264	32,486	11,784	84	2,874,058	32,570
1974 : December	3,550,463	43,942	8,742	74	3,459,205	44,016
1975 : March	4,039,075	54,379	8,656	84	4,047,731	54,463
June	4,456,255	57,738	8,358	94	4,464,911	57,832
September	4,694,441	62,508	9,200	112	4,703,641	62,620
December	4,110,872	70,130	9,349	115	4,120,221	70,245
1976 : March	4,325,387	81,873	10,288	127	4,335,675	82,000
June	4,663,625	90,225	10,628	151	4,674,253	90,376
September	5,171,102	97,672	11,101	157	5,182,203	98,829
December	5,429,981	109,147	10,836	158	5,440,817	109,305
1977 : March	6,566,385	123,115	10,402	187	6,576,787	123,302
June	6,695,269	135,642	9,060	158	6,704,329	135,800
September	6,871,073	143,473	8,727	151	6,879,800	143,624
December	6,864,401	153,591	8,735	138	6,873,136	153,729
1978 : March	6,960,491	169,165	7,911	123	6,968,402	169,288
June	7,230,267	181,005	7,499	123	7,237,766	181,128
September	7,307,178	188,596	6,600	126	7,313,778	188,722
November 15	7,429,086	195,826	6,863	127	7,435,949	195,953
November	7,415,448	191,794	6,822	120	7,422,270	191,914
December	7,458,963	191,462	6,873	120	7,465,836	191,582
1979 : January	7,495,620	195,950	6,801	113	7,502,421	196,063
February	7,543,356	199,424	6,569	114	7,549,925	199,538
March	7,600,382	199,954	6,296	117	7,606,678	200,071

1) Basically represent number of accounts

TABLE 13 – CERTIFICATES OF DEPOSIT OUTSTANDING
(millions of Rupiahs)

End of	State Banks	Foreign Banks	Total
1971 : December	1,717	394	2,111
1972 : December	4,960	3,694	8,654
1973 : December	23,381	8,354	31,735
1974 : December	64,732	8,221	72,953
1975 : March	70,056	9,475	79,531
June	76,924	8,082	85,006
September	83,393	10,387	93,780
December	71,117	10,691	81,808
1976 : March	70,020	24,373	94,393
June	51,893	20,101	71,994
September	38,126	20,486	58,612
December	24,883	18,915	43,798
1977 : March	14,540	32,192	46,732
June	14,306	33,314	47,620
September	19,795	20,025	39,820
December	20,802	31,407	52,209
1978 : March	13,686	43,972	57,658
June	12,445	48,253	60,698
September	11,479	48,614	60,093
October	11,814	41,511	53,325
November 15	11,676	47,723	59,399
November	11,939	41,190	53,129
December	14,134	32,986	47,120
1979 : January	15,174	18,504	33,678
February	13,262	14,118	27,380
March	15,677	14,155	29,832

TABLE 14 – INTEREST/DISCOUNT RATES ON CERTIFICATES OF DEPOSIT 1978/79
(annual percentage rates)

Maturity	1 9 7 8				1979
	March	June	September	December	March
1 week	2.5	—	—	—	—
2 weeks	2.75 — 5	—	—	—	—
1 month	3 — 6	3 — 6	3 — 10	3 — 10	3 — 9
2 months	3.25	3.25	3.25	3.25	3.25 — 6
3 months	3 — 7	3 — 7.25	3 — 10.5	3 — 10.5	3 — 10
4 months	3.75	3.75	3 — 7	3 — 7	3.75 — 7
5 months	4	4	4	4	4
6 months	4.25 — 8	4.25 — 8	4.25 — 11	4.25 — 11	4.25 — 11
9 months	4.75	4.75	4.75	4.75	4.75
12 months	5.25 — 12	5.25 — 8.5	5.25 — 11	5.25 — 11	5.25 — 11.5

IV. BANKING AND OTHER FINANCIAL INSTITUTIONS

A. Banking

1. Policy on banking supervision

In the year under report, further revisions on banking supervision measures were taken with respect to the disclosure of bank's balance sheet and profit and loss accounts, the guaranties issued by banks and financial institutions, the efforts to improve the efficiency of state banks and the lengthening of the period for obtaining tax relief for banks participating in mergers.

The disclosure of balance sheet and profit and loss accounts in the improved form, which was previously required of commercial banks, was also made obligatory in the year under report for development and savings banks¹⁾ These measures are intended to encourage a better and more open management of bank activities and financial matters Unlike other banks, savings banks were temporarily exempted from the obligation to disclose their balance sheet and profit and loss accounts in newspapers, but they are required to place them in their offices so as to be disclosed accessible to their customers. The balance sheet to be disclosed is the consolidated one and corresponds to the format specified by Bank Indonesia and the disclosure is required to be made at least four times a year.

A new measure on guaranty, issued by banks and financial institutions of was made effective as of March 28, 1979, which regulates all types of guaranties comprising bank guaranty, endorsement of commercial papers and other contractual guaranties²⁾, which rise to contingent liabilities. The previous measures regulated only the first two of the above types of guaranty.

The new measure stipulates the maximum amount of the total and of each guaranty, a ban on issuance of guaranty for loans extended or for funds received by other banks and a prohibition on non-bank financial institutions to issue their own guaranty and to ask guaranty from a bank for their loan extended. It was also provided that endorsement by banks can be made only on readily marketable papers and bank guaranty in foreign exchange and Rupiah can be issued only to residents for purposes specified by Bank Indonesia. At present the issuance of bank guaranty in foreign exchange is permitted, inter alia, to domestic and foreign participants in foreign tenders for foreign aid financed projects, and to Indonesian contractors and exporters for participating in tenders of or for exporting goods to Middle East projects.³⁾ The policy to encourage merger among national private banks, aimed at reducing their number and improving their soundness was continued in the year under report. Pursuant to this policy, the Government extended the time limit for

1) Bank Indonesia Circular Letter, SE No. 11/4 UPPB, October 18, 1978.

2) Bank Indonesia Circular Letter, SE No. 11/11/UPPB, March 28, 1979.

3) Bank Indonesia Circular Letter, SE No. 11/17/ULN and No. SE 11/18/ULN both, June 9, 1978.

merging banks to take the advantage of the tax benefit offered up to March 31, 1980. This extension was primarily for banks which were already in the process of merging.

Efforts to improve the efficiency of the state banks were furthered by implementing the guidelines on reporting, account and reporting procedures. In addition, guidelines on foreign exchange transactions, internal audit and personnel were under preparation, which have been partly adopted by some state banks.

As mentioned earlier, the November 15, 1978 devaluation caused a sudden and large withdrawal by some bank customers and created liquidity shortages for some national private banks. To assist them in overcoming their liquidity problems, Bank Indonesia extended emergency credits (regular credits and special emergency credits for imports) to 21 banks. The amount provided was Rp 24 billion, of which Rp 15 billion was utilized. However, at the end of March 1979 the number of banks receiving this emergency credit facility decreased to 13 with total credit of Rp 11 billion.

2. Banking development

In 1978/79 the number of commercial banks decreased from 99 to 94, comprising 5 state banks, 78 private national banks, 10 foreign owned banks and one joint venture bank. The decrease was the result of mergers among five private national banks and the revocation of the operating licence of one bank. The number of bank offices increased from 975 to 982⁴⁾, which was accounted for by the

opening of 17 new branch offices and the revocation of operating permit for 10 branches of state banks and private national banks.

The number of development banks remained 28, consisting of one state development bank (BAPINDO), 26 local development banks and 1 private development bank. Notwithstanding, the number of their offices went up by 4 to 156 in 1978/79.

Meanwhile, in 1978/79 two private savings banks were merged into a commercial bank, so that the number of savings banks decreased to five, of which one was state-owned. Accordingly, the number of savings banks offices were reduced from 14 to 12, including 8 offices of the state savings bank, Bank Tabungan Negara.

Rural banks, comprising village banks, paddy banks and petty traders banks, also decreased in number by 58 to 5,870, owing to the revocation of operating licences for 114 banks and the issuance of new licences for 56 banks operating. The revocations of operating licences were made in regard to inactive banks and to those that do not fulfill the requirement for running of such banks on sound line.

Besides, there are 48 representative offices of foreign banks, 117 cash offices and 3,308 village units.

In addition to the above-mentioned banks, there were representative offices of foreign banks, operating since 1972 as an intermediary between their head offices and their clients in Indonesia. With the opening of a new bank representative office in 1978/79, the number of foreign banks representative offices rose to 48, all located in Jakarta.

4) Consist of head, branch and sub-branch offices.

The banking activities showed a significant increase in 1978/79 as reflected by banks' total assets, deposits and loans, which grew by 40%, 27% and 36% to reach Rp 5,322 billion, Rp 3,337 billion and Rp 3,673 billion, respectively, as at March 31, 1979.

As indicated by Table 15 the role of national private commercial banks, private national banks, local development banks and foreign banks measured by total assets, deposits acquired and credit outstanding, generally increased in 1978/79.

The Government's effort to promote sound

requirement, effective as of January 1, 1978, gave rise to a large excess reserves at commercial banks. Although during January - March 1978, these banks were able to make the adjustment and reduced their holding of liquid assets from 35% to 25% of their current liabilities, there was almost no change in this percentage until the end of 1978/79. The continued existence of large excess reserves was due to the imposition of credit ceilings and the payment of interest on excess reserves deposited at Bank Indonesia up to 15% of their

TABLE 15 — THE SHARE OF EACH GROUP OF BANKS IN TOTAL ASSETS, FUNDS AND LOANS OUTSTANDING
(in percentage)

Group of Banks	Total assets		Funds		Loans	
	March 1978	March 1979	March 1978	March 1979	March 1978	March 1979
State Banks	77.7	78.7	76.9	75.7	81.6	81.4
National Private Banks	9.7	9.3	9.5	10.0	8.7	8.7
Local Development Banks	3.1	3.3	3.6	4.3	2.0	1.9
Foreign Banks	9.5	8.7	10.0	10.0	7.7	8.0
	100	100	100	100	100	100

development of national private commercial banks and local development banks has resulted in increased activities of these banks. This is reflected by the increases in total assets, deposits acquired and credit extended of 38%, 39% and 34%, respectively, in 1978/79.

As mentioned in the 1977/78 report, the downward revision of bank minimum reserve

current liabilities. In the case of the local development banks, their excess reserves were also associated with the nature of their deposits, which were mostly owned by local governments. As for national private commercial banks, the large excess reserves were related, among others, to the need and characteristic of their activities. A more detailed account of banking activities is presented in Table 18 through 20.

B. Other financial institutions

1. Non-bank financial institutions

Non-bank financial institutions, inaugurated in 1972, serve as an important instrument for the development of money and capital market in Indonesia. These institutions were expected to promote the market in short-term and long-term papers, so that a more efficient allocation of financial resources can be affected. The number of nonbank financial institutions remained at 12, while the composition changed from 10 investment finance companies and 2 development finance companies in the previous year into 9 and 3, respectively, at the end of 1978/79. This is because one investment finance company, PT BANANA, changed its status into a development finance company.

To encourage the transactions in commercial paper, a new rediscount facility has been made available since April 1978 by Bank Indonesia to nonbank financial institutions. Under this facility each non-bank financial institution is eligible for rediscounting commercial drafts, acceptances and promissory notes issued to the bearer, amounting up to Rp500 million a year.⁵⁾ The maximum cash value of such a paper was 100% of its nominal value for those issued by an indigenous company, 70% for those issued by a national non-indigenous company and 20% for those issued by a foreign-owned company, and with a discount period of 30 days, 20 days and 10 days respectively. The papers presented for

rediscounting have to be in a package consisting of no less than 10% of papers issued by indigenous companies, not more than 60% of papers issued by national non-indigenous companies and the rest of papers issued by national non-indigenous companies. Each paper should have three endorsements, of which at least one is from a company other than non-bank financial institutions.

The terms for the use of rediscount facility were, relaxed in Desember 1978. The above requirement that the papers have to be in a package was abolished and the maximum amount available to each non-bank financial institution was changed to 20% of its total current liabilities at October 31, 1978. In addition, the number of endorsements required was reduced to one and the discount period was shortened to 14 days for any issue. At the end of 1978/79 the amount of rediscounting facility utilized reached Rp 32,962 million.

The activities of finance companies showed a significant increase in 1978/79. The total funds acquired and invested increased by 42% to reach Rp 193 billion and Rp 187 billion respectively.

Borrowings and securities issued constituted the main sources of funds for investment finance companies, which increased by 17% and 89% respectively during 1978/79. Almost all of these investments were made in short-term papers (99%), which rose by 45% during 1978/79.

Development finance companies acquired most of their funds through borrowings and invested mainly in loans ex-

5) Bank Indonesia Circular Letter, SE No. 11/1/ UPUM April 3, 1978.

tended. In 1978/79 their borrowings increased by 52% and their loans extended rose by 50%.

2. Pawnshops

Pawnshops still play an important role in meeting cash shortages of the low-income group, especially because their lending procedure is simple.

During 1978 the number of pawnshop offices increased by 5 to reach 446. At the end of 1978 total loans outstanding amounted to Rp 16 billion, up by 21 % from the amount outstanding at the end of 1977. The increase was due to the rise in the number of offices and in the value of goods pawned especially after the November 15, 1978 measures. Total loans extended and pawn-redeemed increased by 28% and 27% in 1978/79 to reach Rp 59 billion and Rp 56 billion respectively. Amore detailed development of government pawnshops activity is shown in Table 16.

3. Credit insurance

Credit insurance, which at present is handled by PT ASKRINDO, plays an important part in expanding loans to business enterprises especially to small businesses with relatively high risk of default. Up to the end of 1978/79, loans covered by PT ASKRINDO's credit insurance were mainly **KIK and KMKP** which were extended at concessionary terms to small businessmen belonging to economically-weak groups. The insurance premium for such credits is 3% of the value of credit insured which is paid by Bank Indonesia and lending banks.

With the increase in **KIK and KMKP**, the total amount of loans insured by PT ASKRINDO also expanded. During 1978, total value of **KIK and KMKP** insured reached Rp 87 billion, involving 109 thousand debtors, which respectively were 45% and 34% higher than in the previous year.

Other types of credits insured amounted to Rp 61 billion and received by 128 thousand debtors, registering a 79% and 64% increase over the total amount insured and the number of debtors in the previous year.

TABLE 16 — DEVELOPMENT OF PAWNSHOP ACTIVITIES
(millions of Rupiahs)

	1974	1975	1976	1977	1978
Number of offices	440	441	441	441	446
Total loans extended	23,345	30,893	37,970	45,723	58,625
Redemption	21,446	28,972	35,265	43,937	55,932
Loans outstanding	6,543	8,464	11,169	12,955	15,648

Source : Pawnshop Service

**TABLE 17 — NUMBER OF BANKS AND THEIR OFFICES
IN INDONESIA**

	March 1978	1978/79		March 1979
	Number of banks/offices	Established	Licences revoked	Number of banks/offices
Commercial banks				
State banks				
— Number of banks	5	---	---	5
— Number of offices	684	6	3	687
National private banks				
— Number of banks	83	---	5	78
— Number of offices	270	11	7	274
Foreign banks				
— Number of banks	11	---	---	11
— Number of offices	20	---	---	20
Development banks				
State development banks				
— Number of banks	1	---	---	1
— Number of offices	11	---	---	11
Local development banks				
— Number of banks	26	---	---	26
— Number of offices	140	4	---	144
Private development banks				
— Number of banks	1	---	---	1
— Number of offices	1	---	---	1
Savings banks				
State savings banks				
— Number of banks	1	---	---	1
— Number of offices	8	---	---	8
Private savings banks				
— Number of banks	6	---	2	4
— Number of offices	6	---	2	4
Number of commercial banks, development banks and savings banks				
— Number of banks	134	---	7	127
— Number of offices	1,140	21	12	1,149
Rural banks				
— Village banks	3,574	56	66	3,564
— Paddy banks	2,202	---	48	2,154
— Petty traders' banks	152	---	---	152
Total number of offices	7,068	77	126	7,019

TABLE 18 — CONSOLIDATED BALANCE SHEET OF DEPOSIT MONEY BANKS
MARCH 1978 — MARCH 1979
(millions of Rupiahs)

	March 1978				March 1979					
	State Banks	National Private Banks	Local Dev. Banks	Foreign Banks	Total	State Banks	National Private Banks	Local Dev. Banks	Foreign Banks	Total
Assets										
— Cash in hand	58,825	19,601	16,933	3,617	98,976	70,123	20,497	19,963	4,451	115,034
— Bank Indonesia	260,473	37,365	29,875	30,342	358,055	371,844	51,022	61,774	46,672	531,312
— Securities	29	47	96	—	172	30	546	1	16	593
— Domestic Drafts	25,816	7,834	1,816	9,809	45,275	27,536	8,689	3,693	6,191	46,109
— Loans outstanding	2,009,847	231,322	54,390	144,050	2,439,609 ^r	2,697,682	313,996	67,826	207,052	3,286,556
— Foreign exchange assets										
— Loans	192,197	3,101	—	63,063	258,361	291,112	5,571	—	90,218	386,901
— Others	275,373	24,889	—	101,401	401,663	575,887	43,999	—	94,294	714,180
— Participation	7,777	1,710	249	—	9,736	8,694	2,264	406	—	11,364
— Premises, furniture and fixtures	31,966	21,988	4,445	6,390	64,789	35,984	28,596	5,337	6,746	76,663
— Other assets	87,477	19,227	10,502	3,083	120,289	112,088	19,793	14,959	6,278	153,118
Total	2,949,780 ^r	367,084	118,304	361,755	3,796,925 ^r	4,190,980	494,973	173,959	461,918	5,321,830
Liabilities										
— Paid-up capital	51,531	51,761	7,468	12,581	123,341	51,531	64,962	11,433	15,505	143,431
— Reserves/Profit & loss account	164,083	13,102	7,667	8,075	192,927	230,318	17,199	10,771	13,317	271,605
— Borrowings	31,524	3,408	3,265	—	38,197	35,158	9,285	563	500	45,506
— Demand deposits	795,683	121,059	79,659	77,444	1,073,845	1,090,287	157,905	128,310	110,003	1,486,505
— Time and savings deposits	908,793	86,035	9,175	86,156	1,090,159	935,141	100,565	12,347	47,669	1,095,722
— Draft payable	48,407	7,320	3,161	2,644	61,532	47,613	8,444	3,207	1,515	60,779
— Guarantee deposits	27,427	17,608	294	553	45,882	23,434	20,632	628	912	45,606
— Foreign exchange liabilities										
— Demand deposits	51,396	1,204	—	56,004	108,604	120,554	6,297	—	95,682	222,533
— Time and savings deposits	156,454	8,358	—	40,443	205,255	271,787	17,788	—	76,367	365,942
— Borrowings	2,698	4,238	—	472	7,408	1,236	12,153	—	707	14,096
— Others	83,026	8,700	—	54,341	146,067	127,906	17,962	—	67,404	213,272
— Bank Indonesia	422,510 ^r	11,666	937	293	435,406 ^r	879,408	32,855	2,669	821	915,753
— Other liabilities	206,248	32,625	6,680	22,749	268,302	376,607	28,926	4,031	31,516	441,080
Total	2,949,780 ^r	367,084	118,304	361,755	3,796,925	4,190,980	494,973	173,959	461,918	5,321,830

TABLE 19 – MONTHLY AVERAGE RUPIAH LIQUIDITY POSITION OF BANKS
(millions of Rupiahs)

	January — March 1978					1978/79				
	State Banks ¹⁾	National Private Banks	Local Dev. Banks	Foreign Banks	Total	State Banks	National Private Banks	Local Dev. Banks	Foreign Banks	Total
Reserves	318,539	50,288	56,010	30,702	455,539	330,787	58,019	89,892	35,077	513,775
Current liabilities	1,442,244	154,083	97,925	152,497	1,846,749	1,581,455	184,148	146,150	178,060	2,089,813
Reserves as percentage of current liabilities	22.1	32.6	57.2	20.1	24.7	20.9	31.5	61.5	19.7	24.6
Minimum reserve requirement	216,337	23,112	14,689	22,875	277,013	237,218	27,622	67,969	26,709	395,518
Excess/Deficiency	102,202	27,176	41,321	7,827	178,526	93,569	30,397	21,923	8,368	154,257
Required reserves with BI	72,112	7,704	4,896	7,625	92,337	79,073	9,207	7,308	8,903	104,491
Reserves with Bank Indonesia	262,908	31,501	38,265	27,454	360,128	268,114	38,435	69,053	31,125	406,727
Excess/Deficiency	190,796	23,797	33,369	19,829	267,791	189,041	29,228	61,745	22,222	302,236
Excess/Deficiency as percentage of current liabilities	13.2	15.4	34.1	13.0	14.5	11.9	15.9	42.2	12.5	14.5

1) Includes BAPINDO

TABLE 20 – MONTHLY AVERAGE RUPIAH LIQUIDITY POSITION OF BANKS 1977/78
(millions of Rupiahs)

	April—December 1977			January—March 1978		
	State Banks 1)	National Private Banks 2)	Foreign Banks	State Banks 1)	National Private Banks 2)	Foreign Banks
	Total			Total		
Reserves	458,396	101,529	42,298	602,223	318,539	30,702
Current liabilities	1,364,508	220,002	136,718	1,721,228	1,442,244	152,497
Reserves as percentage of current liabilities	33.6	46.1	30.9	35.0	22.1	20.1
Minimum reserves requirement 3)	409,352	66,001	41,015	516,368	216,337	22,875
Excess/deficiency	49,044	35,528	1,283	85,855	102,202	7,827
Required reserves with Bank Indonesia	136,451	22,000	13,672	172,123	72,112	7,625
Reserves with Bank Indonesia	400,105	66,926	38,711	505,742	262,908	27,454
Excess/deficiency	263,654	44,926	25,039	333,619	190,796	19,829
Excess/deficiency as percentage of current liabilities 3)	19.3	20.4	18.3	19.4	13.2	13.0
						14.5

1) Includes BAPINDO

2) Includes local development banks

3) 30% of current liabilities by December 31, 1977 and 15% of current liabilities thereafter

TABLE 21 – CONSOLIDATED BALANCE SHEET OF NON-BANK FINANCIAL INSTITUTIONS
(millions of Rupiahs)

	1978				1979		
	March	June	September	December	January	February	March
Current Assets							
Cash and bank	1,579	1,110	1,619	1,804	2,062	1,900	2,431
Call money	461	1,789	—	250	150	150	100
Securities							
— Marketable shares and bonds	77	82	70	7,882	19	19	22
— Others	95,135	109,606	110,379	141,236	142,167	139,173	149,469
Loans and advances	1,179	1,297	1,283	1,869	2,120	2,119	2,112
Other current assets	6,071	3,364	3,660	4,358	4,745	5,249	5,319
Other Assets							
Securities							
— Non-marketable shares and bonds	4,411	4,611	4,597	3,093	2,042	2,042	2,234
— Others	15,544	13,325	13,997	15,562	16,763	15,796	16,068
Underwriting	—	—	—	—	—	—	—
Loans and advances	11,631	12,615	14,402	14,914	15,262	16,422	16,714
Equity participation	119	119	144	184	176	192	192
Fixed assets	938	911	813	1,020	1,217	1,236	1,268
Others	1,530	1,648	1,854	2,516	2,412	2,461	2,500
ASSETS = LIABILITIES	138,675	150,477	152,818	194,690	189,135	186,759	198,429
Current Liabilities							
Call money	50	—	876	401	1,604	702	—
Securities issued	66,760	74,874	77,398	103,116	96,201	92,478	80,872
Borrowings	23,331	23,995	28,043	42,590	41,441	42,698	63,375
Other current liabilities	2,051	3,040	2,746	3,861	3,952	4,426	5,387
Other Liabilities							
Securities issued	339	225	—	—	—	—	—
Borrowings	20,490	21,940	14,686	13,029	13,404	13,756	14,140
Others	916	1,279	1,303	1,619	1,695	1,717	1,727
Subordinated loan and equity							
Subordinated loan	6,388	6,308	6,693	8,932	8,986	8,986	10,667
Paid-in capital	13,171	13,714	15,514	15,514	16,054	16,054	16,243
Reserves	2,140	2,235	2,289	2,660	2,666	2,668	2,616
Retained earnings	3,039	2,867	3,270	2,966	3,132	3,274	3,572

TABLE 22 – INVESTMENT AND SOURCES OF FUNDS OF NON-BANK FINANCIAL INSTITUTIONS
(millions of Rupiahs)

	March 1978			March 1979		
	Develop- ment type	Invest- ment type	Total	Develop- ment type	Invest- ment type	Total
I. Investment of funds						
– Call money	—	461	461	—	100	100
– Marketable securities	3,410	107,269	110,679	9,885	155,674	165,559
– Time deposits	1,670	1,675	3,345	388	—	388
– Loan outstanding	12,577	233	12,810	18,826	—	18,826
– Shares and bonds	1,251	3,237	4,488	—	—	—
– Equity participation	15	104	119	1,820	605	2,425
Total	18,923	112,979	131,902	30,919	156,379	187,298
II. Sources of funds						
– Call money	—	50	50	—	—	—
– Securities	859	66,240	67,099	3,304	77,399	80,703
– Borrowings	9,258	34,563	43,821	14,097	65,317	79,414
– Subordinated loan	2,075	4,313	6,388	2,075	8,592	10,667
– Capital	7,654	10,696	18,350	13,111	9,320	22,431
Total	19,846	115,862	135,708	32,587	160,628	193,215

**TABLE 23 – CONSOLIDATED BALANCE SHEET OF NON-BANK
FINANCIAL INSTITUTIONS**
(millions of Rupiahs)

	March 1978			March 1979		
	Develop- ment type	Invest- ment type	Total	Develop- ment type	Invest- ment type	Total
Current Assets						
Cash and banks	152	1,427	1,579	715	1,716	2,431
Call money	—	461	461	—	100	100
Securities						
— Marketable shares and bonds	—	77	77	—	22	22
— Others	3,283	91,852	95,135	8,820	140,649	149,469
Loans and advances	1,179	—	1,179	2,112	—	2,112
Other current assets	2,418	3,653	6,071	1,513	3,806	5,319
Other Assets						
Securities						
— Non-marketable shares and bonds	1,251	3,160	4,411	1,628	606	2,234
— Others	127	15,417	15,544	1,063	15,005	16,068
Underwriting	—	—	—	—	—	—
Loans and advances	11,398	233	11,631	16,714	—	16,714
Equity participation	15	104	119	192	—	192
Fixed assets	218	720	938	541	727	1,268
Others	282	1,248	1,530	1,176	1,324	2,500
ASSETS = LIABILITIES	<u>20,323</u>	<u>118,352</u>	<u>138,675</u>	<u>34,474</u>	<u>163,955</u>	<u>198,429</u>
Current Liabilities						
Call money	—	50	50	—	—	—
Securities issued	859	65,901	66,760	3,304	77,568	80,872
Borrowings	602	22,729	23,331	1,108	62,267	63,375
Other current liabilities	285	1,766	2,051	260	5,127	5,387
Other Liabilities						
Securities issued	—	339	339	—	—	—
Borrowings	8,656	11,834	20,490	12,989	1,151	14,140
Others	192	724	916	1,630	97	1,727
Subordinated Loan and Equity						
Subordinated loan	2,075	4,313	6,388	2,075	8,592	10,667
Paid in capital	6,500	6,671	13,171	11,509	4,734	16,243
Reserves	852	1,288	2,140	1,219	1,397	2,616
Retained earnings	302	2,737	3,039	382	3,190	3,572

V. GOVERNMENT FINANCE

A. General

The objectives of Government budgetary policy in fiscal year 1978/79, the last year of PELITA II, correspond closely to the policy goals of PELITA II, which was to maintain and accelerate the progress achieved during PELITA I. Aside from the attainment of steady economic growth and the maintenance of monetary stability, measures were directed towards creating employment opportunities, strengthening the position of the economically weak group and expanding opportunities for education and health services, essential to the well-being of people.

To achieve the above objectives, the Government has maintained a balanced budget policy. Efforts to increase Government revenues have continued, inter alia by creating a tax climate conducive to private business activities and by improving tax administration. On the expenditure side, the Government has sought to economize on routine spending and to direct the allocation of development expenditures to activities contributing to the growth of national production.

The fiscal year 1978/79 budget was balanced at Rp 4,826 billion, or 12% higher than during the previous year. Actual Government revenues as well as expenditures were 10% higher than the budget or 23% over the actual outcome of the previous year. With the inflation rate of 11.8% in 1978/79, the real increase in both revenues and expenditures was approximately 11 %. On the revenue side, this remarkable increase was primarily due to a

surge in the Rupiah value of oil revenues after November 15, 1978, while on the expenditure side it was attributable mainly to greater payments for debt service denominated in foreign currencies.

In 1978/79, total Government revenues reached Rp 5,301 billion and total expenditures Rp 5,299 billion, the breakdown of which are shown in Table 24.

Public savings, which is the difference between domestic revenues and routine expenditures, amounted to Rp 1,522 in 1978/79, showing an increase of 10% over the previous year. This increase reflected the Government's efforts to finance an increasing proportion of development expenditures from domestic sources. During the year under report, 60% of total development expenditures were financed by public savings, compared to 56% in the last year of PELITA I.

Government budgetary policy for fiscal year 1979/80, the first year of REPELITA III, will continue to maintain a balanced budget and aim at achieving the triple objectives of development, i.e. equitable development and equal distribution of the benefits of development, a strong economic growth and national stability. The 1979/80 Budget was set at Rp 6,934 billion, an increase of 31 % over 1978/79. The main reason for this increase is the rise in oil corporation tax, although several other revenue items such as corporation tax, export tax and excises are also expected to increase significantly. Public savings are expected to reach Rp 1,995 billion or 31% over the level realized in fiscal year 1978/79.

TABLE 24 – GOVERNMENT REVENUES AND EXPENDITURES
(billions of Rupiahs)

	1974/75 Actual	1975/76 Actual	1976/77 Actual	1977/78 Actual	1978/79		1979/80 Budget
					Budget	Actual	
I. Revenues							
1. domestic	1,986	2,734	3,690	4,309	4,826	5,301	6,934
2. development	1,754	2,242	2,906	3,536	3,970	4,266	5,441
	232	492	784	773	856	1,035	1,493
II. Expenditures							
1. routine	1,978	2,731	3,684	4,306	4,826	5,299	6,934
2. development	1,016	1,333	1,630	2,149	2,371	2,744	3,446
	962	1,398	2,054	2,157	2,455	2,555	3,488
III. Public saving (I.1. – II.1)	738	909	1,276	1,387	1,599	1,522	1,995
IV. Total development fund (I.2. + III.)	970	1,401	2,060	2,160	2,455	2,557	3,488
V. Surplus (+) / deficit (–)	+ 8	+ 3	+ 6	+ 3	0	+ 2	0

Source : Department of Finance

B. Government revenues

In 1978/79, several adjustments were made in the tax system as well as in tax rates and new facilities were introduced for direct as well as indirect taxes. These facilities, which were designed to stimulate business activities, included a further cut in corporation tax, excises, capital stamp duties and tax on interest, dividend and royalties. In the context of the November 15, 1978 devaluation, the Government granted total and partial exemptions from import duties, import sales tax and import withholding tax (WAPU) on certain import goods needed by domestic industries.

Total Government revenues amounted to Rp 5,301 billion in 1978/79, an increase of 23% from the previous year's level. Domestic revenues rose 21 % to Rp 4,266 billion and development (foreign aid) receipts 34% to Rp 1,035 billion. It should be noted that the increase in development receipts was mostly due to the exchange rate adjustment, November 15, 1978.

All items of domestic revenues, consisting of direct taxes, indirect taxes and non-tax receipts, experienced a significant increase. Direct tax increased by 19% to Rp 2,996 billion, indirect tax by 22% to Rp 1,078 billion and non-tax receipt by 33% to Rp 191 billion.

Oil corporation tax continued to represent the largest among direct tax revenues. However, as in the previous year, non-oil direct taxes, consisting of corporation tax, income tax, withholding tax and land tax (IPEDA), recorded a higher rate of growth. These non-oil direct taxes rose by 22% while oil corporation tax increased by 18%.

Further reduction in the income tax burden was granted in 1978/79 by raising the level of non-taxable income and a corresponding upward adjustment in the levels of taxable income. The annual non-taxable income for a tax payer with a spouse and 3 children was increased from Rp 450,000.- in 1977 to Rp 528,000.- in 1978. The amount of taxable income subject to the lowest income tax rate (10%) was also increased from Rp 150,000.- to Rp200,000.-, while taxable income subject to the highest rate (50%) was raised from Rp 8.4 million to Rp9.6 million. Although the income tax burden had been reduced from year to year, income tax revenues rose to Rp 122 billion in 1978/79, or 17% above the amount collected in 1977/78. This was attributed to the expansion in business activity as well as to the increase in the number of tax payers.

Corporation tax amounted to Rp 226 billion, an increase of 34% over the previous year. Apart from the expansion of business activity, the increase was due to intensified tax collection.

As mentioned earlier, late in fiscal year 1978/79, the Government adopted a set of measures to lower the corporation tax burden for business enterprises, especially companies obtaining an unqualified opinion from a public accountant, cooperatives, companies going public and companies investing retained earnings. In addition, the Government allowed companies to use **the last-in-first-out (LIFO)** system of stock valuation and granted an exemption of corporation tax on profits arising from the revaluation of fixed assets. These facilities were intended to promote production activities, which in turn, were expected to lead to

an increase in corporation tax revenues in the future.

Meanwhile, revenue from the withholding tax, of which the major part represented prepayment of corporation tax, amounted to Rp 232 billion or 15% higher than during the previous year. However, this increase was much lower than that recorded in 1977/78 (36%), partly due to withholding tax exemptions introduced in November 1978 on raw materials, subsidiary inputs and spare-parts used in the production of goods for export.

In 1978/79, oil corporation tax receipts, still the main source of domestic revenues, amounted to Rp 2,309 billion, or 18% above the previous year. This increase was primarily due to the exchange rate adjustment on November 15, 1978. It should be noted that the increase in oil export prices coming into effect as of January 1, 1978, did not have any impact on oil tax revenues in 1978/79, because oil taxes were paid to the Government in arrears on a quarterly basis.

Revenue from IPEDA rose by 20% to reach Rp 63 billion in 1978/79. This was made possible mainly by more intensive collection efforts, especially in urban areas. IPEDA is a tax on land and its yield, collected by and allocated to local governments for financing development projects within their respective jurisdictions.

Revenue from tax on interest, dividend and royalties, property tax and other direct taxes rose by 26% over the previous year to reach Rp 43 billion. The major part was contributed by tax on interest, dividend and royalties which rose from Rp 28 billion to Rp 36 billion in 1978/79.

Indirect taxes which include sales tax, ex-

cises, import duties and export taxes amounted to Rp 1,078 billion, showing an increase of 23% as against 19% in the previous year. Among the main items, export duties and excises experienced substantial increases in 1978/79.

Sales tax revenue, which was the largest indirect tax after import duties, registered a 9% increase, considerably lower than in the previous year (25%). This was mainly due to the downward adjustment of tax rates for certain commodities, notably on logs in early 1978.

Import sales tax reached Rp 126 billion, registering an increase of 10% over the preceding year. The increase was slightly lower than that in the previous year, as a consequence of the total and partial exemptions of import sales tax on raw materials, subsidiary inputs and spare parts, effective as of November 15, 1978, along with a decrease in imports. The exemptions were 50% on imported inputs used in the production of goods for domestic consumption and 100% for the production of goods for exports or for delivery to the Government under an international tender on foreign-aid financed projects.

The foregoing exemption was also applicable to import duties, which, as a result, registered only a marginal increase of 3% to reach Rp 295 billion in 1978/79, compared to a 12% increase in the previous year. Excises amounted to Rp 253 billion in 1978/79 or 39% over the previous year. This substantial increase was due to the intensified control against evasion of excises on cigarettes and an upward adjustment of the base prices of tobacco, beer, sugar and refined alcohol on which the excises rates were applied.

Export tax revenue recorded a substantial

increase of 105% to reach Rp 166 billion. This is the highest increase in the PELITA II period, attributable to the higher exchange rate since November 15, 1978, as well as a rise in the dollar value of exports.

Other indirect taxes, including stamp and auction duties, amounted to Rp 17 billion, an increase of 39% over the previous year. This increase was mainly due to a marked increase in stamp duty receipts reaching 37% over the previous year's level.

Non tax receipts rose to Rp 191 billion or 33% over the preceding year, partly owing to the larger receipts from the profits of state enterprises.

Development receipts, consisting of program aid and project aid, rose by 34% to Rp 1,035 billion. This increase principally resulted from the higher exchange rate following Rupiah devaluation on November 15, 1978. In fact, if expressed in the previous exchange rate, the increase of development receipts was only 9%. Project aid receipts amounted to Rp 987 billion.

C. Government Expenditures

Government expenditure policy was aimed at enlarging the share of development expenditures in total Government spending while at the same time expanding public services, improving the well-being of civil servants and increasing the efficiency of public administration.

Total Government expenditures rose by 23% to reach Rp 5,299 billion in 1978/79, of which routine expenditures amounted to Rp 2,744 billion and development expenditures Rp 2,555 billion. As a result of the Novem-

ber 15, 1978 measures, and the accounting of certain foreign exchange related expenditures, routine expenditures grew faster than development expenditures, 28% against 18%. In addition, actual routine expenditures far exceeded the original budget estimate, its share in total expenditures reached 52%, as compared to only 49% in the original budget.

The larger routine expenditure mainly reflected a rise in debt-service payments and subsidy on domestic oil consumption. Debt service payments registered a substantial increase of 134% to reach Rp 534 billion, while the subsidy on domestic oil consumption reached Rp 197 billion or 203% higher than in the preceding year.

Personnel expenditure rose to Rp 1,002 billion or 12% over the previous year. This increase was mainly due to a 300% rise in pension allowance given to pensioners who retired before January 1977, an upward adjustment in the rice price in the calculation of the rice allowance for civil servants and an increase in personnel expenditure abroad after the recent exchange - rate adjustment. In addition, the increase also resulted from the inclusion of the Educational Development Contribution (SPP) from primary schools, high schools and universities in personnel expenditure, previously not accounted for in the Budget.

Material expenditure rose by 11 % to Rp 420 billion in the reporting year. The increase reflected mainly larger material purchases for security and defense.

Subsidies to autonomous regions reached a total of fop 552 billion or 9% higher than in

the previous year. The increase partly reflected the higher rice allowance for regional civil servants and additional compensation to local governments for the abolishment of SPP in primary schools. In addition, the increase was also on account of the increased allowances for accommodating new health officers, including physicians in INPRES health clinics, and for holding diagnostic test of primary scholars.

Other routine expenditures, consisting mainly of the subsidy for domestic fuel consumption, reached a total of Rp 266 billion, an increase of 54%, in line with the increasing trend in fuel production cost and domestic consumption.

Total development expenditures, broken down into expenditures by departments and government institutions, regional development, project aid and other development expenditures, amounted to Rp 2,555 billion in 1978/79. Regional development, subsidies on fertilizer (included in other development expenditure) and project aid contributed to most of the increase. Expenditure on project aid was Rp 987 billion in 1978/79.

Development expenditure for departments and institutions rose to Rp 851 billion in 1978/79, an increase of 14% compared to an increase of 26% in the previous year. The lower increase was the result of, among other factors, the delays in the implementation of several development projects following contract renegotiation after the November 15, 1978 measures.

Regional development expenditures reached Rp 431 billion, which was 18% higher than in the previous year, reflecting mainly the

increased allocation of development funds to provincial governments, larger IPEDA receipts and higher allocation to regional governments to finance primary school development and INPRES regreening projects.

The amount of development subsidy given to each village remained at Rp 350 thousand. However, due to the increase in the number of villages eligible to this subsidy, the total amount spent rose to Rp 24 billion or an increase of 3%.

A similar moderate increase of 3% was also recorded by development subsidy given to regencies, or "kabupatens", which totalled Rp 71 billion in 1978/79. This rise reflected increased population in each kabupaten and a raise in the minimum subsidy from Rp40 million in 1977/78 to Rp50 million in the fiscal year 1978/79. It should be noted that for the calculation of the amount of subsidy the per capita subsidy remained at Rp 450.

Development subsidy for provinces throughout Indonesia amounted to Rp 87 billion or 15% higher than in fiscal year 1977/78. This reflected an increase in the amount allocated to each province in 1978/79, ranging from Rp200 million to Rp500 million. Besides, minimum subsidy for each province was also increased from Rp 1.5 billion to Rp 2 billion. In addition to this development subsidy, the Government also provided a special development subsidy for East Timor and Irian Jaya amounting to Rp 5 billion and Rp 6 billion respectively. This expenditure was intended to speed up economic development in these provinces which had been falling behind the others.

Subsidy for the development of primary schools, which commanded the largest share

in regional development expenditures, reached Rp 112 billion or 32% over the previous year's level. This significant increase was, *inter alia*, utilized for the construction and renovation of school buildings, recruiting additional teachers, and for the provision of school facilities.

Development subsidy for public health care amounted to Rp 27 billion in 1978/79, which was mainly used for building 300 public health centers in transmigration and new resettlement areas and housing facilities for physicians. In addition, the Government also increased the number of mobile clinics in order to spread health care services to isolated areas.

In 1978/79, subsidies for reforestation and greening reached Rp 36 billion or increased by 47%, which financed the restoration of 689 thousand hectares of critical areas and reforestation of 288 thousand hectares. The increase in the subsidies was in line with the expansion in area covered.

The subsidy extended for construction and

renovation of market places amounted to Rp 1 billion in 1978/79, which was the payment of interest on loans granted by banks for that purpose to local governments. These loans have been granted since 1976/77 to support small traders belonging to the economically-weak group. The total amount of subsidies paid up to the end of 1978/79 reached Rp 2.5 billion. Other development expenditures, including fertilizer subsidy and Government capital participation in business enterprises, amounted to Rp 286 billion in 1978/79, declining by 7% compared to the previous year. The fertilizer subsidy recorded a very substantial increase of 159% to reach Rp 83 billion, while Government capital participation and other expenditures declined by 26%. The substantial increase in the fertilizer subsidy reflected a sharp rise in fertilizer import prices after November 15, 1978 exchange rate adjustment and the higher domestic costs of production and distribution.

TABLE 25 – GOVERNMENT REVENUES
(millions of Rupiahs)

	1974/75 Actual	1975/76 Actual	1976/77 Actual	1977/78 Actual	1978/79		1979/80 Original Budget
					Original Budget	Actual	
I. Domestic Revenues							
1. Direct taxes	1,753,663	2,241,850	2,905,990	3,535,454	3,970,000	4,266,075	5,440,500
– Income tax	1,228,621	1,592,028	2,046,613	2,511,332	2,808,000	2,996,286	4,113,100
– Corporation tax	43,257	61,725	84,179	104,566	138,300	122,215	144,600
– Corporate tax on oil	91,163	128,136	127,249	169,532	195,300	226,473	228,200
– Withholding tax (MPO)	973,100	1,249,059	1,619,400	1,948,700	2,067,400	2,308,705	3,344,800
– Land tax (IPEDA)	83,265	97,308	148,396	201,750	312,000	232,469	289,900
– Others	27,977	34,600	42,150	52,473	57,500	63,107	64,100
	9,859	21,200	25,239	34,311	37,500	43,317	41,500
2. Indirect taxes	458,397	539,413	740,903	880,505	1,042,700	1,078,366	1,160,100
– Sales tax	84,899	119,231	162,284	203,379	259,200	221,079	277,400
– Sales tax on imports	68,904	72,442	102,241	114,556	132,100	125,513	112,800
– Excises	74,402	97,307	130,658	181,859	225,100	252,902	298,500
– Import duties	160,635	174,011	257,407	286,944	326,200	295,287	280,600
– Export tax	70,300	61,600	61,700	81,250	82,400	166,187	172,800
– Net profit from oil	-15,933	-1,078	15,899	---	---	---	---
– Others	15,190	15,900	10,714	12,517	17,700	17,398	18,000
3. Non tax receipts	66,645	110,409	118,474	143,617	119,300	191,423	167,300
II. Development Receipts							
1. Program aid	232,046	491,639	783,800	773,368	856,300	1,035,501	1,493,500
	36,146	20,269	10,200	35,800	45,100	48,201	64,700
2. Project aid	195,900	471,370	773,600	737,568	810,200	987,300	1,428,800
T o t a l	1,985,709	2,733,489	3,689,790	4,308,822	4,826,300	5,301,576	6,934,000

Source : Department of Finance

TABLE 26 – GOVERNMENT EXPENDITURES
(millions of Rupiahs)

	1974/75 Actual	1975/76 Actual	1976/77 Actual	1977/78 Actual	1978/79		1979/80 Original Budget
					Original Budget	Actual	
I. Routine expenditures							
1. Personnel expenditures	1,016,112	1,332,572	1,629,759	2,148,856	2,371,600	2,743,672	3,445,900
– Rice allowances	420,124	593,946	636,583	893,237	1,027,400	1,001,578	1,361,300
– Salaries and pensions	59,513	111,877	114,853	126,251	131,200	132,802	185,000
– Food Allowances	301,706	399,977	424,761	672,886	797,200	760,306	1,002,300
– Other domestic personnel expenditures	24,422	43,537	45,700	47,822	51,200	51,246	108,900
– External	24,685	25,821	36,945	31,504	31,700	33,588	36,100
– External expenditures	9,798	12,734	14,324	14,774	16,100	23,636	29,000
2. Material expenditures	175,218	304,862	339,747	376,829	406,300	419,500	519,400
– Domestic	158,426	283,120	320,825	358,614	388,800	398,384	490,200
– External	16,792	21,742	18,922	18,215	17,500	21,116	29,200
3. Subsidies to local government	201,906	284,454	313,000	478,355	522,300	522,300	649,400
– Irian Jaya	14,289	18,700	19,700	21,700	22,100	22,100	24,500
– Other local governments	187,617	265,754	293,300	456,655	500,200	500,200	624,900
4. Interest and instalments on debt	73,698	78,510	189,486	228,264	346,100	534,470	606,700
– Domestic	6,445	6,800	24,429	7,344	8,500	8,770	9,200
– Foreign	67,253	71,710	165,057	220,920	337,600	525,700	597,500
5. Others	145,166	70,800	150,943	172,171	69,500	265,824	309,100
II. Development expenditures							
1. Department/Institutions and Dept.of Defense	961,817	1,397,727	2,054,485	2,156,848	2,454,747	2,555,648	3,488,100
2. Regional development	221,659	384,896	590,900	744,535	1,029,809	850,981	1,359,200
– Subsidies to villages	158,279	234,245	285,030	366,164	425,580	431,100	508,600
– Subsidies to Kabupaten/Kotamadya	11,400	15,929	19,794	23,174	23,955	23,955	31,000
– Irian Jaya	42,500	59,072	62,400	69,070	70,896	70,896	87,000
– East Timor	4,000	5,500	5,000	5,500	5,500	5,900	—
– Subsidies to provinces	—	—	—	—	—	—	—
– Rural development	47,408	54,022	61,500	75,420	86,524	86,784	100,700
– Primary schools	27,977	34,600	42,150	52,473	57,500	63,107	64,100
– Pasar INPRES	19,703	49,900	57,325	84,987	112,305	111,782	135,500
– Public health centers	—	—	—	—	—	—	—
– INPRES penghijauan and reboisasi	5,291	15,222	20,846	26,293	26,900	26,900	30,000
– Infrastructure INPRES	—	—	16,000	24,500	36,000	36,000	40,800
3. Other development expenditures	—	—	—	—	—	—	13,000
– Subsidies on fertilizer	385,979	307,216	404,955	308,581	188,158	286,267	191,500
– Government capital participation	227,210	134,500	107,272	31,841	38,000	82,620	38,000
– Others	91,107	108,677	217,911	166,901	68,668	128,514	28,000
3. Project aid	67,662	64,039	79,772	109,839	81,490	75,133	125,500
Total	195,900	471,370	773,600	737,568	811,200	987,300	1,428,800
	1,977,929	2,730,299	3,684,244	4,305,704	4,826,300	5,299,320	6,934,000

Source : Department of Finance

VI. INTERNATIONAL ECONOMIC AND MONETARY DEVELOPMENTS

A. World economic conditions

In 1978, economic growth in the industrial OECD countries continued to be sluggish. Real GNP in the OECD countries as a whole expanded at a lower rate than in the preceding year. Inflation remained a problem and the rate of unemployment did not decline significantly.

Table 27 shows that real GNP in OECD countries only increased by an average of 3.5% in 1978 compared with 3.7% in 1977. Among the major industrial countries, only Japan achieved a rate of growth above 5% while Italy recorded the lowest rate of only 2%.

The average rate of inflation in OECD countries continued high, at 8.2% in 1978. Only Japan succeeded in reducing the rate significantly from 8.1% in 1977 to 3.3% in 1978, while the Federal Republic of Germany again recorded the lowest rate at 2.1%. Despite a decline from 17% to 12% in 1978, Italy continued to register the highest rate of inflation among these countries.

Besides the sluggish economic growth and high inflation rate, the unemployment rate in OECD countries declined slightly from 5.4% in 1977 to 5.3% in 1978. Among the countries with a declining rate were the United States, the United Kingdom and the Federal Republic of Germany, whereas an increasing rate was recorded in Japan and France.

TABLE 27 — GROSS NATIONAL PRODUCT AND CONSUMER PRICE INDEX IN OECD COUNTRIES
(percentage change)

	Gross National Product			Consumer Price Index		
	1976	1977	1978	1976	1977	1978
O E C D	5.4	3.7	3.5	8.6	8.9	8.2
European OECD	3.7	2.2	2.7	10.8	11.2	8.8
Canada	4.9	2.7	3.5	7.5	8.0	8.7
France	5.2	3.0	3.0	9.6	9.8	9.3
Germany, Fed.Rep.of	5.6	2.6	3.0	4.5	3.9	2.1
Italy	5.6	1.7	2.0	16.8	17.0	12.0
Japan	6.3	5.2	5.8	9.3	8.1	3.3
United Kingdom	0.9	1.6	3.0	16.5	15.9	7.8
United States	6.0	4.9	3.8	5.8	6.5	8.9

Sources : — OECD Economic Outlook, December 1978
— OECD Main Economic Indicators, April 1979
— IMF Documents, 1979

The growth rate of the *United States* continued to decline in 1978. Real GNP increased by only 3.8% compared with 4.9% in the preceding year. The slower growth was partly attributable to a prolonged coal miners' strike and severe weather conditions during the period of January-March 1978. The trade account of the United States deteriorated further in 1978 and registered a deficit of \$ 34.2 billion compared with \$ 31.1 billion in 1977. Although the larger trade deficit was partly offset by higher net receipts in the services account, the current account nevertheless showed a deficit of \$ 16.3 billion in 1978. Inflation rose from 6.5% in 1977 to 8.9% due partly to the increase in the minimum wage rate and the depreciation of the US dollar. Despite an increase in the labor force and a sluggish growth in output, the unemployment rate was reduced to 5.8% at the end of 1978 from 6.6% at the end of 1977.

With a 5.8% real growth of GNP in 1978, *Japan* continued to achieve the highest rate of economic growth among the OECD countries. This growth was mainly attributable to a higher level of consumer spending and government expenditures. Domestic consumption reduced the importance of exports as the impetus to growth in output. Nevertheless, Japan's trade surplus increased substantially from \$ 17.3 billion in 1977 to \$ 25.1 billion in 1978. Accordingly, the current account surplus rose from \$ 10.7 billion in 1977 to \$ 16.7 billion in 1978. Japan was also successful in bringing down its inflation rate from 8.1 % in 1977 to only 3.3% in 1978. This decline was attributable to higher productivity of labor and a decline in import prices of industrial raw materials reflecting the

appreciation of the yen. The average rate of unemployment, however, rose from 2% in 1977 to 2.3% in 1978, partly reflecting the cautious attitude of businessmen who preferred to increase overtime work rather than recruiting labor.

In the *Federal Republic of Germany*, growth of real GNP accelerated to 3.0% in 1978 compared with 2.6% in the preceding year. In fact, economic activity only picked up in the second half of 1978, mainly on account of higher consumption and domestic investment. The trade surplus of the Federal Republic of Germany also increased from \$ 19.4 billion in 1977 to \$ 24.4 billion in 1978. This surplus more than offset the deficit on the services account, which led to an increase in the current account surplus from \$ 3.7 billion in 1977 to \$ 8.1 billion in 1978. The lower rate of inflation reflected the decline in import prices resulting from the substantial appreciation of the Deutsche mark. The inflation rate was 2.1% in 1978 compared with 3.9% in the preceding year, and the rate of unemployment declined from 4.5% in 1977 to 4.3%, mainly because of higher economic activity.

In the *United Kingdom*, real GNP increased by only 3.0% in 1978, although this was a substantial improvement compared with 1.6% in the preceding year. The stronger output growth was caused by a higher level of domestic consumption and investment and a larger output of North Sea oil. Despite an acceleration of import growth and a slowdown in export growth, the trade deficit of the United Kingdom declined from \$ 2.9 billion in 1977 to \$ 2.1 billion in 1978. The sizable surplus on the services account resulted in a current account

surplus of \$ 0.2 billion in 1978. Due to the higher rate of economic growth, the rate of unemployment declined from 6.1 % at the end of 1977 to 5.6% at the end of 1978. Moreover, the United Kingdom succeeded in reducing the rate of inflation significantly from 15.9% in 1977 to 7.8%, inter alia due to lower prices of imports and selected foodstuffs and the implementation of an income policy by the Government.

France maintained the same growth rate of 3% as in the preceding year. Exports and domestic consumption expanded, but the rate of economic activity was restrained by the limitation of government expenditures as part of the stabilization program. The trade deficit of \$ 2.7 billion in 1977 reversed into a surplus of \$ 1.3 billion, while the services account also improved, with the result that the current account deficit of \$ 3.3 billion in the preceding year also swung into a surplus of \$ 2.2 billion in 1978. The inflation rate, however, was reduced from 9.8% to 9.3% by restraining government expenditures; the resulting side effect was an increase in the unemployment rate from 5.4% in 1977 to 5.8%.

B. International monetary developments

Different rates of economic growth and inflation in the industrial countries, in addition to imbalances in world trade, continued to have a severe impact on international monetary developments during the year under report. As reported earlier, a number of countries, notably Japan and the Federal Republic of Germany, continued to have a sizable surplus on current account, whereas the United States

recorded increasing deficits in the last two years. This situation reduced the public's confidence in the US dollar which resulted in the weakening of the currency. On the other hand, the currencies of other major industrial countries with a strong balance of payments position appreciated, particularly the yen, Deutsche mark, and Swiss franc.

The international monetary developments affected interest rates in a number of industrial countries during 1978. In order to stabilize domestic conditions and to encourage capital inflows, the U.S. Federal Reserve System raised the discount rate. Consequently, the interest rate in the short-term money market in the United States soared to 11.9%, i.e. the same height as achieved during the monetary crisis in 1974. In contrast, short-term interest rates in Japan and in Western Europe, except in the United Kingdom, declined in 1978 following the implementation of monetary measures to discourage capital inflows.

Besides the aforementioned measures taken by the respective countries, IMF increased its efforts to raise multilateral funds so as to be in a better position to provide balance of payments assistance to its members. In this context the Supplementary Financing Facility (SIFF) was created which officially commenced operations in February 1979. At the end of 1978 there were 13 donor countries, contributing a total of SDR 7,754 million in various currencies. Moreover, the amount of financial assistance available through other IMF facilities was enhanced with the enlargement of quotas of member countries under the Sixth Quota Increase.

In January 1979, IMF issued an allocation

of SDR 4 billion which was international liquidity. This allocation was the first part of a total allocation amounting to SDR 12 billion agreed for issue in 1979-1981. It may further be mentioned that on December 28, 1978, it was agreed that SDRs may be used in debt repayments and extension of loans.

C. Economic and financial development of ASEAN Countries

Regional cooperation among the member countries of ASEAN made further progress since the Heads of Governments of the ASEAN countries held their Second Summit Meeting in Kuala Lumpur in August 1977. As a follow-up to this meeting, the possibility of expansion of cooperation in various fields was further explored. During the year under report, cooperation materialized in the fields of trade, finance and industry.

Under the Preferential Trading Arrangements, which became effective on January 1, 1978, the number of items enjoying tariff concessions among the ASEAN countries was extended by 755 items to a total of 826 items with effect from September 1, 1978. Furthermore, with effect from March 15, 1979, the list was expanded by 500 items to comprise 1,326 items in total. The tariff concessions only applied to goods with an ASEAN content of not less than 60%.

In the field of monetary cooperation, the ASEAN Swap Arrangement was extended for another year in August 1978. Under the extended Swap Arrangement, the total amount available was doubled from \$ 100 million to \$ 200 million, with each participant contributing

\$ 40 million instead of \$ 20 million previously. Consequently, the amount that each participant in the event of a temporary liquidity shortage could swap was also increased from \$ 40 million to \$ 80 million.

At their seventh meeting in December 1978, the ASEAN Economic Ministers agreed to the establishment of the ASEAN Food Security Reserve comprising 50,000 tons of rice which would at any time be available to cope with food shortages in a member country. The agreement committed each ASEAN member country to contribute to the aforementioned food reserve out of its national stock, i.e. Indonesia 12,000 tons, Malaysia 6,000 tons, Philippines 12,000 tons, Singapore 5,000 tons and Thailand 15,000 tons.

In 1978, economic activity accelerated in all ASEAN countries, with Thailand achieving the highest rate of growth.

Singapore recorded a 8.5% rate of growth compared with 7.8% in 1977. The stronger growth mainly originated in the manufacturing, transportation and communication sectors. The unemployment rate declined accordingly from 3.9% to 3.6%, in 1978. Imports and exports increased by 16.7% and 14.0%, respectively, compared with the preceding year, while consumer prices rose by 4.8% in 1978, compared with 3.2% in 1977.

Malaysia's gross national product (GNP) rose by 7.5% in 1978, compared with 7.2% in the preceding year. The higher rate of growth mainly occurred in manufacturing industry, mining and trade. Agricultural output increased by only 2%, which was the same rate as in the preceding year. In 1978, exports also increased at approximately the same rate, i.e.

11.4%, whereas imports rose by 24.4% in 1978 compared with 16.3% in the preceding year. The unemployment rate only declined slightly from 6.3% to 6.2% in 1978, while prices rose by 4.9% compared with 4.7% in 1977.

In 1978, *the Philippines*, recorded a growth rate of 5.8% compared with 6.3% in the preceding year. This decline was mainly attributable to the production performance of agriculture, mining and manufacturing. Exports increased by only 2% in 1978 compared with 22% in 1977 while imports rose by 15.6% compared with only 7.7% in the preceding year. The inflation rate tapered off from 7.9% in 1977 to 7.7%.

Thailand achieved an economic growth rate of 8.7% compared with 6.9% in 1977. This increase mainly occurred in the agricultural, manufacturing, construction and mining sectors. In 1978, exports and imports increased at the same rate, i.e. 15.6%, compared with a 17.1 % export increase and a 34% import increase in the preceding year, while the inflation rate was 8.5% compared with 7.2% in 1977.

D. Relations between Indonesia and international financial institutions

a. International Monetary Fund (IMF)

During the year under report, transactions with the Fund included the Fund's use of Rupiahs in transactions with other member countries in the context of the Fund's operational budget, receipt of an SDR allocation, receipt of SDRs for US dollars, purchase of gold at the official price and receipt of part of the profit from the Fund's gold auctions.

During the year under report, Indonesia was included three times in the operational budget (before May 1978 known as the currency budget) for a total amount of SDR 10 million. This meant that Indonesia must make Rupiahs available for the Fund to an amount equivalent to SDR 10 million which the Fund could use in transactions with other countries. In the context of this operational budget, in 1978/79 Rupiahs were used by Jamaica to an amount equivalent to SDR 3 million. Till the end of the year under report, Indonesia made Rupiahs available ten times for a total cumulative amount of SDR 90 million out of which SDR 23 million was used by other countries.

In January 1979, the Fund issued an SDR 4 billion allocation to participants. Indonesia received SDR 49.9 million out of this amount, making its total cumulative allocation SDR 140.1 million.

In 1978/79, under the quarterly designation plans Indonesia was committed four times to make US dollars available to a total amount of SDR 63 million. In this context, US dollars were exchanged for SDRs up to SDR 32.6 million. The receipt of the allocation, receipt of SDRs for US dollars under designation plans and other SDR transactions caused Indonesia's SDR holdings to increase to SDR 114.3 million from SDR 22.6 million at the end of the preceding year.

In the year under report, the Fund implemented the third stage of the gold restitution to member countries which involved a quantity of 25 million troy ounces in total. In this context, 55,633 troy ounces of gold at the official value of SDR 1.9 million was restituted to Indonesia, adding up to a total of 166,892 troy ounces.

Besides restituting gold to its member countries, the Fund sold 25 million, troy ounces of gold on the open market. Part of the profit, i.e. the difference between market prices and the official price, would be distributed in stages to developing member countries. Indonesia's share in the profit received during the year under report amounted to \$ 11.6 million.

As mentioned in the previous Annual Report, under the Sixth Quota Review the Fund increased the quotas of its member countries from a total of SDR 29.2 billion to SDR 39.0 billion. In this context, with effect from May 31, 1978, Indonesia's quota was increased from SDR 260 million to SDR 480 million.

b. Bank Group

In the year under report, *International Development Association (IDA)* approved credits for a rural and polytechnic project amounting to \$ 79.0 million. Thereby, until the end of 1978/79 total credits approved amounted to \$ 680.8 million for 40 projects. The IDA credits were subject to a repayment period of 50 years including 10 years grace and carried no interest. A service charge of 0.75% per annum was payable on the disbursed amount.

Under the \$ 7.6 billion IDA Fifth Replenishment, Indonesia should pay the Rupiah equivalent of \$ 168,400 in three equal annual installments. The first and second installments were made in December 1977 and November 1978, respectively.

New loans approved by *International Bank for Reconstruction and Development (IBRD)* during 1978/79 amounted to \$ 377 million for projects in the fields of irrigation, agriculture,

mining, urban development and electricity. At the end of the reporting year, total loans approved thereby came to \$ 1.9 billion for 37 projects. The loans were subject to a repayment period of 15 to 30 years including 3 to 6 years grace, and interest between 7% and 8.85% per annum. Moreover, a commitment charge was payable amounting to 0.75% per annum for the undisbursed portion of the loan.

Under IBRD's capital increase from \$ 27 billion to \$ 34 billion, Indonesia's subscription was raised by \$ 168.8 million and became \$ 388.8 million (in terms of 1944 US dollars) with effect from May 5, 1978. The amount consisted of 90% "callable subscription" and 10% "paid-in subscription". Pursuant to the effective provisions, 10% of the paid-in subscription was paid in convertible currency and 90% in Rupiahs.

Until the end of the reporting year, total investments of *International Finance Corporation (IFC)* in Indonesia amounted to \$ 41.7 million. The investments were made in 9 private companies, including companies in the field of textile, cement, tourism, electricity and a non-bank financial institution. As usual, other institutions joined IFC in financing the companies in which IFC made investments.

In order to expand its financing activities, IFC increased its authorized capital by \$ 540 million to \$ 650 million. In this connection, Indonesia's subscription was increased by \$ 6.1 million, and became \$ 7.4 million with effect from October 21, 1978.

c. Asian Development Bank (ADB)

During the reporting year, ADB approved new loans to Indonesia amounting to \$ 198.7

million for the financing of nine projects in the fields of electricity, irrigation, manufacturing industry, urban development and communication. The loans originated from Ordinary Resources and Special Funds. Loans from Ordinary Resources were subject to a repayment period of 10 to 30 years including 2 to 8 years grace and interest between 7.5% and 9.1 % per annum. Loans from Special Funds were subject to a repayment period of 40 years including 10 years grace and a service charge of 1% per annum. At the end of the reporting year, total loan approvals amounted to \$ 711.3 million compared with \$ 512.5 million at the end of 1977/78.

d. Islamic Development Bank (IDB)

In 1975 Indonesia became a member of the Islamic Development Bank with a subscription of ID (Islamic Dinar) 25 million (ID 1 = SDR 1) payable in US dollars in five equal annual installments.

In 1978/79, IDB approved the first loan to Indonesia amounting to \$ 10 million for **co-financing the South-East Sulawesi transmigration** project. The loan had a repayment period of 20 years, carried no interest and was subject to a service fee of ID 2.55 million payable in semi-annual installments during the repayment period of the loan. It should be noted that being an Islamic financial institution, IDB did not charge interest, but was not barred from receiving a reward in the form of share in the profit of its undertakings. Therefore, IDB continued its efforts to increase its financial assistance to Indonesia by explor-

ing modes of financing other than lending, such as equity participation, profit sharing and leasing.

As mentioned in the previous Annual Report, the Central Bank Governors of member countries of the Islamic Conference would meet every year in conjunction with the Annual Meeting of IDB. In the second meeting held in March 1979, the Governors approved the report of the study on financial institution in member countries, methods to increase the flow of trade and to develop a money and capital market among member countries. As a follow up to this study, it was agreed to explore the possibility of expanding trade through export credits, other export facilities, and mutual tariff reductions.

e. Inter-Governmental Group On Indonesia (IGGI)

The 21st IGGI meeting, held in Amsterdam on May 22-23, 1978, agreed to provide \$ 2.5 billion aid in 1978/79. The amount included \$ 1.75 billion in concessional aid from donor countries and multilateral financial institutions while the remainder (\$ 0.75 billion) was expected to constitute export credit facilities. The amount of concessional aid actually pledged by donor countries and multilateral financial institutions at the meeting was \$ 1.62 billion. The greater part of the amount (85%) was project aid and the balance was made up by food aid and technical assistance.

Until the end of March 1979, loan agreements signed amounted to \$ 11.6 billion, out of which \$ 7.7 billion was disbursed.

VII. INDONESIA'S BALANCE OF PAYMENTS

A. Balance of payments policy

Balance of payments policy is an integral part of the economic policies pursued by the Government to achieve objectives of development planning. In its implementation, the balance of payments policy has been directed to increase export earnings for financing imports which are required to induce productive activities and to meet domestic consumption. The policy has also been aimed at saving foreign exchange through import substitution and use of foreign resources, both in the form of loans and investments, and at expanding employment opportunities as well as ensuring equitable distribution of the fruits of development.

In pursuing this policy, the Government has taken a set of measures which has come to be known as the "November 15, 1978 package". As mentioned in the chapter on Monetary Developments, the measures were taken to promote domestic production (i.e. production of export commodities and import substitutes) and to strengthen the competitiveness of Indonesia's export commodities in the world markets and of domestic products against import commodities. The essentials of the November 15, 1978 package were the Rupiah devaluation of 33.6% (from Rp 415.- to Rp 625.- per US dollar) and the adoption of a managed floating scheme for the Rupiah vis-a-vis a basket of selected currencies. It is worth noting that the overvaluation of Rupiah during the last few years until November 15, 1978, was one of the causes which led to the weak-

ening of the competitiveness of Indonesia's economy as reflected in faster growth of imports relative to exports.

Some fiscal measures were also introduced to support the implementation of the aforesaid measures, viz. A reduction in custom duties and import sales tax on raw materials and auxiliary materials used to produce goods for export or for domestic market. In addition, steps were taken with respect to trade procedures in order to facilitate flows of exports and imports. With respect to capital transfers and services payments, the Government simplified the procedure of investment application and offered some additional fiscal incentives to attract foreign investment.

1 . Export measures

In an effort to improve the competitiveness and production of export goods, companies producing those goods were granted fiscal incentives for imports of raw materials, auxiliary materials and spare parts/equipment used in the manufacturing process. Imports of this type which are subject to fast wear and tear and which were used for manufacturing industrial products for export were exempted from import duty, import sales tax and "MPO Impor/WAPU"¹⁾ (import withholding tax/tax collector). To companies exporting industrial products, which paid the aforesaid duties on the items specified above, the exemption was granted in the form of Export Certificates. The value of Export Certificates is stated in Rupiah, and

1) Decree of the Minister of Finance No. 434/KMK.01/1978 dated November 15, 1978.

determined on the basis of a certain percentage of the export check prices of the industrial products and the volume of the goods exported. Export Certificates are negotiable documents and can be used for payment of tax or encashed at designated local Treasury Offices.²⁾ The same facilities were also given to domestic companies which were awarded a contract under an international tender for a domestic project financed with a foreign loan in regard to imports of raw materials, auxiliary materials and spare parts/equipment subject to fast wear and tear which were used for manufacturing of industrial products to be sold under the said contract.³⁾

Companies operating in certain areas (such as Bonded Warehouses and Export and Industrial Processing Zones) manufacturing products exclusively for export were exempted from payment of import duty, import sales tax and "MPO Impor/WAPU" with respect to imports of raw materials and auxiliary materials used in manufacturing the products. Domestic raw materials and auxiliary materials were also exempted from domestic sales tax.⁴⁾

Various measures have been taken to support the export expansion program, such as simplification of procedure governing the issue of exporter's licenses, provision of certain facilities, and simplification in the use of export documents. An Exporter's Identification Number, abbreviated "APE" (stand-

ing for "Angka Pengenal Eksportir"), could previously only be issued to wholesalers and had a validity of 3 years, however, as from November 15, 1978, it could be issued to any holder of Trade Business Permit ("Surat Izin Usaha Perdagangan"), whether big, medium or small, and is valid for a period of 5 years.⁵⁾ Moreover, the validity of the Restricted Exporter's Identification Number, abbreviated "APET" (standing for "Angka Pengenal Eksportir Terbatas"), issued to companies operating under Act No. 1 of 1967 (foreign investment) and Act No. 6 of 1968 (domestic investment) was also prolonged from 2 to 5 years.⁶⁾

In addition, other facilities were granted such as an extension of the kinds of goods eligible for export under Usance Letter of Credit⁷⁾ and an extension of the kinds of handicraft products which were not subject to the regular report procedure and the foreign exchange surrender requirement.⁸⁾

In order to meet domestic demand and to maintain price stability, the Government restricted, on the other hand, the export of several domestically produced commodities through annual export quotas, determined on

2) Decree of the Minister of Finance No. 462/KMK.O1/1978 dated November 27, 1978

3) Decree of the Minister of Finance No. 435/KMK.01/1978 dated November 15, 1978

4) Decree of the Minister of Finance No. 470/KMK.05/1978 dated December 4, 1978

5) Decree of the Minister of Trade and Cooperatives No. 237/Kp/XI/1978 dated November 15, 1978 and Decision of the Director General of External Trade No. 04/Daglu/Kp/X11/1978 dated December 9, 1978.

6) Decision of the Director General of External Trade No. 03/Daglu/Kp/X11/1978 dated December 9, 1978.

7) Decree of the Minister of Trade and Cooperatives No. 235/Kp/XI/1978 dated November 15, 1978.

8) Decree of the Minister of Trade and Cooperatives **No. 233/Kp/XI/1978** dated November 15, 1978.

9) Decree of the Minister of Trade and Cooperatives **No. 268/Kp/XII/1978** dated December 11, 1978 and **No. 15/Kp/1/1979** dated January 12, 1979.

the basis of domestic production and demand.⁹⁾

In an effort to encourage the domestic timber industry and export of processed wood, the export prohibition of logs was made to cover sandal wood¹⁰⁾ and “ramin”¹¹⁾ during the year under report. In addition, under the policy to prohibit the export of luxury wood, the banks were no longer allowed since July 1978 to extend new or additional loans and to extend the time of repayment of loans for such exports¹²⁾.

In order to expand the marketing of export commodities, measures were taken to regulate the trade between Indonesia and the East European Socialist countries. In this regard, PT (Persero) Panca Niaga was appointed as the liaison.¹³⁾

In the context of trade promotion among ASEAN countries, the types of Indonesian export commodities enjoying preferential treatment under the ASEAN Preferential Trading Arrangements were increased from 56 to 1,060 items¹⁴⁾ in the year under report.

As a follow up of the steps which were taken to promote the export of goods and services to the Middle East, the state-owned foreign

exchange banks were allowed to issue bank guarantees denominated in foreign exchange, and also to extend foreign exchange credits to Indonesian contractors subject to interest rates which enabled them to compete with foreign contractors.¹⁵⁾

2. Import measures

In order to improve the competitiveness of domestic products against imports, the Government decided, in the context of the November 15, 1978 measures, to grant a 50% exemption from payment of import duty and import sales tax on imports of raw materials and auxiliary materials used in domestic production.¹⁶⁾ With the issuance of the aforementioned decree, the Government revoked as of December 1978 the Joint Decree of the Ministers of Trade, Finance and Industry of 1976 concerning import of goods in the context of protection of domestic industry¹⁷⁾

In connection with the efforts directed at encouraging trade with other ASEAN countries, the number of import items eligible for preferential treatment under the ASEAN Preferential Trading Arrange-

10) Bank Indonesia Circular Letter, SE No. 11/21/ ULN dated June 22, 1978.

11) Decree of the Minister of Trade and Cooperatives **No. 124/Kp/V11/1978** dated **July 27, 1978**.

12) Bank Indonesia Circular Letter, SE No. 11/14/UPK dated July 26, 1978

13) Decree of the Minister of Trade and Cooperatives **No. 234/Kp/XI/1978** dated **November 15, 1978**.

14) Instructions of the Director General of External Trade No. HLN **200/DAGLU/INS/09/1978** dated September **19, 1978** and No. **03/DAGLU/INS/I 11/1979** dated **March 15, 1979**

15) Bank Indonesia Circular Letter, SE No.. 11/18/ULN dated June 9, 1978.

16) Decree of the Minister of Finance No. **433/KMK. 05/ 1978** dated **November 15, 1978**.

17) Joint Decree of the Ministers of Trade and Cooperatives, Finance and Industry No. 271/KPB/X11/78, No. 489/KMK.05/1978 and No. 243/M/SK/12/1978 dated December 13, 1978.

18) Instruction of the Director General of External Trade No. 03/DAGLU/INS/I11/1979 dated March 15, 1979.

ments was enlarged from 15 to 266.¹⁸⁾ Similarly, in order to expand trade with the East European Socialist countries, as mentioned earlier, the Government has regulated the trade between Indonesia and said countries.¹⁹⁾

In order to encourage the development of domes industries, the total number of products eligible for import under Usance L/Cs was increased from 199 to 273.²⁰⁾ Meanwhile, in order to help importers overcome the problem of cash shortage, the payment period of Usance L/Cs opened before November 15, 1978 was extended since November 15, 1978 from 180 days to 12 months after the date of shipment.²¹⁾

3. Policy on capital movements and service payments

a. Oil sector

During the year under report, efforts were continuously made to induce oil exploration and exploitation. In this context, the issue of calculation and payment of corporation tax and tax on interest, dividend and royalty by US oil contractors was settled with the US Internal Revenue Service (IRS) in May 1978. It may be mentioned that in April 1976 the IRS ruled that payments made by US oil companies to foreign governments under production sharing contracts were no longer treated as tax

payments, but as royalties. The ruling, therefore, disallowed the companies from claiming foreign tax credits in the US for these payments. Accordingly, the steps unfavorably affected the interest of contractors to increase investments in oil exploration and exploitation activities in Indonesia. Since the enforcement of this regulation, the Indonesian Government had been negotiating with the US Government to avoid such double taxation, and an agreement was reached in May 1978. Based on this agreement, the Government of Indonesia issued in July 1978 a regulation concerning the calculation and payment of corporation tax and tax on interest, dividend and royalty by foreign oil companies under production sharing contracts.²²⁾ According to the regulation, corporation tax amounted to 45% of taxable profit, while tax on interest, dividend and royalty amounted to 20% of taxable profit after payment of corporation tax with retroactive effect as from January 1, 1978. Under this method of calculation, the corporation tax paid by the US oil companies in Indonesia would be regarded as tax credit. The above provisions were also applied to oil contractors operating under contracts of works.²³⁾ The agreement reached between the Governments of Indonesia and the United States was, principally, an agreement to amend the calculation of profit sharing so as to meet the IRS requirement without affecting Indonesia's share.

It is worth noting that as a result of the ef-

19) Decree of the Minister of Trade and Cooperatives No. 234/Kp/XI/1978 dated November 15, 1978.

20) Decree of the Minister of Trade and Cooperatives No. 165/Kp/IX/1978 dated September 20, 1978.

21) Bank Indonesia Circular Letter, SE No. 11/70/ULN dated February 3, 1979.

22) Decree of the Minister of Finance No. 267/KMK.012/1978 dated July 19, 1978.

23) Decree of the Minister of Finance No. 514/KMK.012/1978 dated December 29, 1978.

forts to encourage oil exploration and exploitation, 7 new contracts were signed, i.e. 4 contracts of works and 3 production sharing contracts during the year under report.

b. Non-oil sector

In order to adjust to the developments in domestic and international money markets, a number of amendments were made in the provisions on swap transactions between Bank Indonesia and foreign exchange banks. Previously, swap transactions were concluded for not less than one month and not more than 6 months, and subject to a premium of $\frac{1}{2}\%$ a month. According to amended provisions, swap transactions could be concluded for one month, 3 months and 6 months, subject to a premium of $\frac{2}{4}\%$, $\frac{2}{2}\%$ and $\frac{23}{4}\%$ per annum respectively. Swap transactions are still limited to US dollars in multiples of \$ 10,000²⁴⁾

Furthermore, a tax concession was granted in the year under report on the increase of share capital originating from retained profit in order to accelerate investments, including foreign investments.²⁵⁾ The measure was part of a series of fiscal policies designed to stimulate business activities in Indonesia as mentioned earlier in the chapter on Government Finance.

To encourage companies operating under the foreign investment law and foreign companies engaged in export activities and pro-

duction of export goods, the Government has reduced since April 1, 1978 the interest rate on bank loans for export and production of export goods from $13\frac{1}{2}\%$ to 12% per annum.²⁶⁾

More detailed information on investment is provided in Chapter VIII.

B. Balance of payment developments

1. Main features

During the year under report, Indonesia's balance of payments showed a substantial improvement with an overall surplus of \$ 708 million as compared with \$ 651 million in the preceding year (see Table 28). As a result, net foreign exchange reserves increased to \$ 2,916 million at the end of March 1979.

The aforementioned balance of payments surplus does not include the net increase of \$ 110 million in the foreign exchange position of foreign exchange banks. With the inclusion of this increase, the overall balance of payments surplus would in fact be \$ 818 million as against \$ 977 million in 1977/78.

In value terms, total exports in 1978/79 showed an increase of 5% over the preceding year's level. It may be noted that exports of non-oil/Liquefied Natural Gas (LNG) increased by a substantial 13%, exports of oil and LNG were practically constant, whereas oil exports declined by 5%. The commodity composition indicated that the export of most commodities

24) Bank Indonesia Circular Letter, SE No. 11/215/UD dated January 29, 1979.

25) Decree of the Minister of Finance No. 113/KMK.04/1979 dated March 27, 1979.

26) Bank Indonesia Circular Letter, SE No. 11/70/ULN dated February 3, 1979.

other than oil showed increases. This was particularly so for tin, rubber, timber as well as animals and animal produce. Cement was until recently imported in sizable quantities. However, cement imports declined gradually and since October 1978 a certain type of cement is even being exported.

The total value of imports rose by 7% which was attributable to a 15% increase in imports by oil and LNG enterprises and a 6% in other imports.

It is worthy of note that during the year under report rice imports decreased significantly in volume as well as in value, compare with the increase of the preceding year. Imports of consumer goods declined both in value and in percentage of total imports. On the contrary, imports of raw material increased.

In line with the continuing improvement of Indonesia's economy and balance of payments, the Government entered international capital markets by launching foreign bond issues denominated in yen, Deutsche mark and Netherlands guilder.

2. Current account

The current account recorded a deficit of \$ 1,155 million in 1978/79, compared with that of \$ 690 million in 1977/78. This larger deficit was due to an increase in the deficit on services account and a decline in the surplus on balance of trade. The deficit on services account amounted to \$ 4,065 million in 1978/79 while the surplus on balance of trade was only \$ 2,910 million, as compared with \$ 3,684 million and \$ 2,994 million respectively in the preceding year. The increase in the deficit on ser-

vices account was mainly attributable to PERTAMINA'S expenditures on services.

a. Balance of trade

As mentioned before, the surplus on balance of trade declined in 1978/79 relative to the preceding year, due to a larger increase in imports (\$ 577 million) than in exports (\$ 493 million).

The following figures exhibit the balance of trade during the last five years (in millions of \$).

	Exports (f.o.b)	Imports (f.o.b)	Balance (+=Surplus, -=Deficit)
1974/75	7,186	5,097	+ 2,089
1975/76	7,146	5,409	+ 1,737
1976/77	9,213	7,173	+ 2,040
1977/78	10,860	7,866	+ 2,994
1978/79	11,353	8,443	+ 2,910

a.1. Exports

Total exports in 1978/79 amounted to \$ 11,353 million, an increase of only 5% compared with 18% in the preceding year (see Table 29). The relatively small increase in aggregate exports resulted because exports of oil and LNG hardly increased even though non-oil/ LNG exports went up by 13%.

The increase in the value of nonoil/LNG exports was attributable to a *higher volume* and price of certain commodities. The decline in the oil export value was closely related to a decrease in production, whereas the increase in the export value of LNG was mainly caused by a larger volume.

Japan was still the main country of destination for Indonesia's exports (40%), followed by the United States of America (25%), while ASEAN countries accounted for 13% of the total export value.

i. Non-oil/LNG exports

In 1978/79 the value of non-oil/LNG exports rose by 13% to \$ 3,979 million as compared with 22% in 1977/78. The increase was mainly attributable to exports of timber, rubber, tin, palm oil, as well as animals and animal produce (particularly shrimps). On the contrary, exports of coffee and tea decreased.

Among the countries of Indonesia's export destination, Japan ranked first (24%), followed by the United States of America (16%). The share of exports to the ASEAN countries in the year under report rose significantly to 17% compared with 12% in 1977/78.

The development in the exports of selected commodities is described below.

Timber

Timber was the main contributor to foreign exchange receipts, and accounted for 28% of the total non-oil/LNG export value. In 1978/79 the export value of timber amounted to \$ 1,130 million, an increase of 20% compared with only 7% in 1977/78. The increase was caused by a 17% rise in price and a 3% increase in volume. Timber was mainly exported to Japan (46%), South Korea (25%) and Taiwan (14%).

The value and volume of timber exports in the last five years are shown below.

	Value (millions of \$)	Volume (thousands of tons)
1974/75	615	12,434
1975/76	527	11,385
1976/77	885	15,770
1977/78	943	15,651
1978/79	1,130	16,050

Rubber

In the year under report, rubber replaced coffee as the second most important commodity among non-oil/ LNG exports. The value of rubber exports rose by a sizable 27% in 1978/79, compared with only 5% in 1977/78. The increase was due to a 21 % increase in price and a 5% increase in volume.

Singapore and the United States of America were the main importers of Indonesia's rubber, and respectively accounted for 40% and 37% of Indonesia's total rubber exports.

The following figures show the rubber export value and volume during the last five years.

	Value (millions of \$)	Volume (thousands of tons)
1974/75	425	842
1975/76	381	846
1976/77	577	892
1977/78	608	873
1978/79	774	920

Coffee

Although in 1978/79 the volume of coffee exports rose significantly by 29%, its value declined by 19% to \$ 508 million. This was in contrast to a sharp increase of 90% experienced in the preceding year. During the year under report, the export value of coffee declined on account of the drop in the world market coffee price, following an increase in coffee supply from Brazil, where production was recovering from frost damages.

Coffee was mainly exported to the United States of America (28%) and the Netherlands (13%).

The value and volume of coffee exports during the last five years were as follows.

	Value (millions of \$)	Volume (thousands of tons)
1974/75	92	105
1975/76	112	142
1976/77	330	143
1977/78	626	179
1978/79	508	231

Tin

Similar to the preceding year, the value of tin exports in 1978/79 increased by 28% to \$ 324 million. The increase was due both to price and volume which rose by 23% and 4% respectively.

Japan ranked first among the countries of destination by accounting for 28% of Indonesia's tin exports, followed by the Netherlands (27%) and Singapore (23%).

It may be mentioned that considering the soaring price of tin in the world market, the International Tin Council (ITC) increased the floor price by 12.5% to M\$ 1,350 per picul and the ceiling price by 13.3% to M\$ 1,700 per picul.²⁷⁾ The new floor and ceiling prices became effective as from July 14, 1978.

Tin exports in the last five years were as follows.

	Value (millions of \$)	Volume (thousands of tons)
1974/75	166	24
1975/76	158	21
1976/77	181	27
1977/78	253	25
1978/79	324	26

Palm oil

Despite a 6% decline in the export volume of palm oil during the year under report, due to a price increase of around 16%, the export value increased by 9% to \$ 221 million, compared with a sharp increase of 37% in 1977/78. The decline in the export volume was caused by an increase in the demand for palm oil by cooking oil factories to meet domestic consumption, although palm oil output rose by 4% in 1978/79. It may be mentioned that the Government had directed that palm oil producers must make a part of their output available for use by domestic cooking oil factories.

Palm oil was primarily exported to Iraq (26%), the Netherlands (17%) and India (9%).

The value and volume of palm oil exports during the last five years were as follows.

	Value (millions of \$)	Volume (thousands of tons)
1974/75	184	303
1975/76	142	417
1976/77	147	415
1977/78	202	438
1978/79	221	413

Animals and animal produce

Similar to the preceding year, the export value of animal produce in 1978/79 rose significantly, i.e. by 18% to \$ 212 million. The increase was the result of a 10% rise in price and an 8% increase in volume. The major part of the export value came from shrimps which

27) 1 picul = 60.5 kilograms

accounted for 88% of the said export value. The export value of shrimps in 1978/79 amounted to \$ 187 million, a 21 % increase over the 1977/78 level. The main country of destination was Japan which took up 83% of Indonesia's total shrimp export. Beside shrimps, the export of animals and animal produce primarily consisted of selected species of sea fish.

The following figures show the trend of animals and animal produce exports during the last five years.

	Value (millions of \$)			Volume (thousands of tons)		
	Shrimp	Others	Total	Shrimp	Others	Total
1974/75	78	14	92	39	37	76
1975/76	91	14	105	38	32	70
1976/77	132	14	146	42	40	82
1977/78	154	25	179	46	32	78
1978/79	187	25	212	52	32	84

Tea

In 1978/79 the export value of tea amounted to \$ 98 million which was 18% below the 1977/78 level. The decrease resulted from a 27% decline in price although a 12% increase in volume was recorded. The decline in the tea price was in consonance with the decline in the price of coffee.

Indonesia's tea was mainly exported to the United States of America (23%), Australia (18%), Pakistan (13%) and the United Kingdom (11 %).

The value and the volume of tea exports in the last five years were as follows.

	Value (millions of \$)	Volume (thousands of tons)
1974/75	50	51
1975/76	50	60
1976/77	64	64
1977/78	120	60
1978/79	98	67

ii. Oil and LNG exports

The oil export value decreased by 5% to \$ 6,858 million during 1978/79, due to a 6% decrease in export volume from 533 million barrels to 503 million barrels²⁸⁾ The lower export volume was attributable to a 5% decline in crude oil exports and a 16% decline in the export of oil products. The decline in crude oil exports was closely related to the 4% decline in output from 616 million to 589 million barrels, while the decline in the export of oil products was a consequence of difficulties in marketing LSWR.²⁹⁾ It may be noted that the export volume of oil products rose by 32% in the preceding year.

Net of expenditures for imports and services related to oil, the receipts from oil exports stood at \$ 3,785 million in the year under report which was 13% less than in the preceding year. Besides a lower export volume, the decrease in net oil receipts was due to an increase in expenditures for imports and services of 13% and 3% respectively.

28) 1 barrel = 158.9985 litres

29) LSWR (Low Sulphur Waxy Residue) = a variety of oil refinery products

In accordance with the decision taken in the OPEC meeting on December 20, 1977 in Caracas, there were no changes in oil prices till the end of 1978. The OPEC meeting held on December 16 and 17, 1978, in Abu Dhabi decided to increase oil prices in four stages on a cumulative basis, i.e. by 5.0% with effect from January 1, 1979, 3.8% from April 1, 1979, 2.3% from July 1, 1979, and 2.7% from October 1, 1979, coming up to the new price of \$ 14.54 per barrel. Subsequent to this decision, Indonesia raised the export price of crude oil by only 3.3% from January 1 to March 31, 1979, since certain other crudes had previously been overpriced. The OPEC decision taken in Abu Dhabi was reviewed in Geneva on March 27, 1979, when it was decided to raise the base price of crude oil by 9.05% with effect from April 1, 1979, resulting in the price which would take effect as from October 1, 1979 as decided in Abu Dhabi. The meeting in Geneva also decided that OPEC members be allowed to impose a surcharge of not more than \$ 4 per barrel.

Japan and the U.S.A. were still the major importers of Indonesian oil, accounting for 43% and 35% respectively of Indonesia's exports of oil and oil products, followed by Trinidad and Tobago, Singapore and the Philippines.

Since the completion of the LNG plant in Arun (Aceh), LNG exports increased considerably from \$ 162 **million in 1977/78** to \$ 516 million in 1978/79. It may be mentioned that LNG exports remained limited, as Japan was the only country of destination and exports to the U.S.A. were still under negotiation in the year under report. The value of LNG exports,

net of expenditures for imports and services relating to LNG production, amounted to \$ 225 million in 1978/79.

a. 2. Imports

Compared with 1977/78, total merchandise imports increased by 7% to \$ 8,443 million, because of a 6% rise in non-oil/LNG imports (\$ 6,732 million) and a 15% rise in imports of oil companies (\$ 1,711 million) (Table 31). Most of the non-oil/LNG imports were financed with general foreign exchange and foreign borrowings, amounting to \$ 4,425 million and \$ 1,797 million respectively. Those two sources financed 92% of total non-oil/LNG imports, whereas the remaining 8% were imports under direct investment and imports under other capital inflows. Imports financed with general foreign exchange rose only by 13% compared with 55% in the preceding year. The considerable increase in imports financed with general foreign exchange in 1977/78, as stated in the 1977/78 report, was mainly due to an increase in rice and sugar imports and a shift from Merchant L/Cs to general foreign exchange as a source of import financing. The lower rate of increase in imports in 1978/79 primarily resulted from the decrease in imports of rice, sugar and cement.

Imports under project loans increased by 2% to \$ 1,703 million in the year under report, while imports under direct investment and other capital inflows decreased by 7% to \$ 510 **million, largely** because of lower imports for an LNG plant of which the construction has since been completed.

Government program imports amounted to \$ 619 million of which \$ 525 million or 85% was financed with general foreign exchange and \$ 94 million or 15% with foreign aid. Compared with 1977/78, these imports decreased by 27%, largely due to a 48% decline in rice imports. This decline in the value of rice imports was in line with a decrease in volume from 2.5 million tons valued at \$ 650 million (C&F) to 1.2 million tons valued at \$ 341 million (C & F), which was attributable to an improvement in domestic rice production during 1978/79. The value of wheat imports, by contrast, rose by 43% to \$ 195 million (C & F) resulting from an increase in volume and price of around 21%. The higher level of wheat imports was meant to maintain adequate stocks to meet domestic demand.

Imports of cement continued to decrease markedly and dropped by 65% in 1978/79 following the rise in domestic production. Cement imports in 1978/79 were only 297 thousand tons compared with 1,741 thousand tons in 1975/76.

A breakdown of imports by economic categories indicates that import of raw materials ranked first replacing capital goods. The share of raw material imports in total nonoil/LNG imports rose from 32% to 39%, while the share of capital goods imports remained at 36%. Imports of consumer goods, ranking second in the preceding year, shifted to the third place, and accounted for 25% of total non-oil/LNG imports. The increase in percentage share of raw material imports reflected the effect of the November 15, 1978 devaluation, while the decrease in percentage share of consumer goods was largely due to lower rice imports.

The trend in the composition of imports by economic category during the last five year was as follows.

	(In percentage)		
	Consumer goods	Raw materials	Capital goods
1974/1975	22.0	49.8	28.2
1975/1976	17.1	25.8	57.1
1976/1977	28.9	30.9	40.2
1977/1978	32.1	31.7	36.2
1978/1979	24.5	39.0	36.5

The value of imports by oil and LNG companies in 1978/79 rose by 15% to \$ 1,711 million compared with a decrease of 15% in the preceding year. Imports by foreign oil companies and PERTAMINA rose by 12% and 14% respectively.

The pattern of imports by country of origin hardly changed during the year under report. Most of them, i.e. 59% of total imports, came from Asian countries, while imports from European and American countries accounted for a share of 22% and 16% respectively. Japan, as in the preceding years, was still the major country of origin, accounting for 30% of total imports, followed by the U.S.A. and West Germany with a share of 13% and 9%, respectively, while 10% of total imports came from ASEAN countries.

b. Services account

The services account in 1978/79 showed a deficit of \$ 4,065 million, an increase of 10% over the preceding year, largely as a result of increases in payments for profit remittance from \$ 1,826 million to \$ 1,925 million and for other services from \$ 558 million to \$ 853 million (Table 28).

3. Capital movement and monetary gold

a. Capital movement

The capital movement in the non monetary sector showed a net surplus of \$ 1,843 million compared with \$ 1,509 million in the preceding year. The increase occurred both in the Government and the private sector. Overall Government capital inflow on Government account remained at approximately the same level as in the preceding year, standing at \$ 2,101 million which included the proceeds of a \$ 100 million Government bond issues abroad. After a deduction of \$ 632 million for repayments of principal on Government debt compared with \$ 761 million in 1977/78, capital movement in the Government sector showed a surplus of \$ 1,451 million, an increase of 9% over the preceding year. The decrease in repayments of principal on **Government debt** resulted from the replacement of a syndicate loan in January 1978.

Private capital movements in the reporting year showed a surplus of \$ 392 million, an increase of 123% over the preceding year. It may be noted that since IMF issued another SDR allocation in early January 1979, Indonesia received an allocation of SDR 49.9 million or \$ 64 million which in turn affected the surplus in balance of payments in the year under report.

b. Foreign exchange reserves and monetary gold

Gross foreign assets amounted to \$ 2.989 million at the end of March 1979 compared with \$ 2,281 million at the end of March 1978. After deducting short-term liabilities and deposits of non residents, net foreign exchange reserves of cen-

tral monetary authorities stood at \$ 2,916 million or were \$708 million higher than those in the preceding year.

It may be mentioned that the amount of net foreign exchange reserves mentioned above takes no account of changes in net foreign assets of commercial banks. Since gross foreign assets of commercial banks reached \$ 1,098 million while gross foreign liabilities amounted to \$ 555 million, net foreign assets of commercial banks stood at \$ 543 million or were \$ 110 million larger than the preceding year.

4. External debt

At the end of March 1979 external debt amounted to \$ 13,291 million compared with \$ 11,505 million at the end of March 1978. By definition the amount of external debt equals total disbursements minus total debt repayments. The amount outstanding thereof at end of March 1979 included Government debt and debt of state enterprises amounting to \$ 11,466 million and \$ 1,825 million respectively.

A breakdown of external debt outstanding at the end of March 1979 follows below.

	(millions of \$)
I. Government debt	11,466
A. Old debt	2,162
B. New debt	9,304
1. IGGI	7,070
a. ODA ³⁰⁾	(5,147)
b. Non-ODA	(1,923)
2. Non-IGGI	2,234
a. ODA	(650)
b. Non-ODA	(1,584)
II. Debt of state enterprises	1,825
Total	13,291

The aforesaid amount of Government debt included \$ 2,162 million, being the balance of old debt for which loan agreements were signed prior to July 1966. The new debt totaling \$ 9,304 million, consisted of borrowings from IGGI members and non-IGGI members, amounting to \$ 7,070 million and \$ 2,234 million respectively.

Soft-term borrowings (ODA) as part of the IGGI borrowings consisted of an amount of \$ 3,941 million, while multilateral borrowings from international and regional financial institutions i.e. IBRD, IDA and ADB amounted to \$ 1,206 million. At the end of March 1979 outstanding borrowings from IGGI on semiconcessional (non-ODA)³⁰⁾ terms amounted to \$ 1,923 million, mainly consisting of export credits. With regard to non-IGGI debt, outstanding soft-term loans and semiconcessional loans amounted to \$ 650 million and \$ 1,584 million respectively. The aforesaid semi-concessional loans inter alia included a syndicated loan and a bond loan issued abroad.

30) ODA = Official Development Assistance.

5. Balance of payments prospect for 1979/80

The balance of payments improvement in 1978/79 is expected to accelerate in 1979/80. Based on prudent assumptions the balance of payments is projected to show a surplus of around \$ 1.5 billion. The value of total exports and imports is estimated to increase by 40% and 22% respectively. This high rate of export growth is based on the assumption that there would be an increase in the price of crude oil and an insignificant decline in volume. Moreover, the value of LNG exports is expected to increase considerably, mainly due to a rise in volume, while the value of non-oil/LNG exports is also projected to rise substantially. The expected increase in the value of imports will mainly result from an increase in imports under development project loans and Government programs, and imports of oil and LNG companies, whereas non-program imports (financed with general foreign exchange) are projected to increase by about 18%. Service payments are expected to increase by 27%.

TABLE 28 – INDONESIA'S BALANCE OF PAYMENTS
(millions of \$)

	1974/75	1975/76	1976/77	1977/78	1978/79
A. Goods and services	<u>- 138</u>	<u>- 854</u>	<u>- 802</u>	<u>- 690</u>	<u>- 1,155</u>
1. Merchandise goods: Exports, f.o.b.	+ 7,186	+ 7,146	+ 9,213	+ 10,860	+ 11,353
Imports, f.o.b.	- 5,097	- 5,409	- 7,173	- 7,866	- 8,443
2. Non-monetary gold	---	---	---	---	---
3. Freight and insurance services on imports	- 662	- 714	- 938	- 1,031	- 982
4. Other transportation	- 64	- 82	- 116	- 129	- 145
5. Travel	- 58	- 70	- 100	- 96	- 120
6. Investment income	- 1,256	- 1,268	- 1,249	- 1,826	- 1,925
6.1. Oil and LNG sector	(- 1,051)	(- 838)	(- 531)	(- 961)	(- 910)
6.2. Direct investments and others	(- 205)	(- 430)	(- 718)	(- 865)	(- 1,015)
7. Government, not included elsewhere	- 16	- 30	- 40	- 44	- 40
8. Other services	- 171	- 427	- 399	- 558	- 853
Balance of goods and services (1 through 8)	- 138	- 854	- 802	- 690	- 1,155
Balance of goods (1 and 2)	+ 2,089	+ 1,737	+ 2,040	+ 2,994	+ 2,910
Balance of services (3 through 8)	- 2,227	- 2,591	- 2,842	- 3,684	- 4,065
B. Grants	<u>+ 62</u>	<u>+ 16</u>	<u>+ 74</u>	<u>+ 12</u>	<u>+ 18</u>
9. Private	---	---	---	---	---
10. Government	+ 62	+ 16	+ 74	+ 12	+ 18
C.11. Special Drawing Rights (SDRs)	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>+ 64</u>
Total (1 through 11)	<u>- 76</u>	<u>- 838</u>	<u>- 728</u>	<u>- 678</u>	<u>- 1,073</u>
D. Capital and Monetary Gold	<u>+ 387</u>	<u>+ 1,191</u>	<u>+ 620</u>	<u>+ 858</u>	<u>+ 1,135</u>
<i>Non-monetary sector</i>	<u>+ 378</u>	<u>+ 827</u>	<u>+ 1,621</u>	<u>+ 1,509</u>	<u>+ 1,843</u>
12. Private sector	- 131	- 1,075	+ 38	+ 176	+ 392
12.1. Long-term liabilities	- 144	- 1,089	+ 70	+ 226	+ 392
a. Direct investments	(+ 538)	(+ 454)	(+ 287)	(+ 285)	(+ 263)
b. Others	(- 682)	(- 1,543)	(- 217)	(- 59)	(+ 129)
12.2. Long-term assets	---	---	---	---	---
a. Direct investments	(- ---	(- ---	(- ---	(- ---	(- ---
b. Others	(- ---	(- ---	(- ---	(- ---	(- ---
12.3. Short-term liabilities	+ 13	+ 14	- 32	- 50	---
12.4. Short-term assets	---	---	---	---	---
13. Government sector	+ 509	+ 1,902	+ 1,583	+ 1,333	+ 1,451
13.1. Long-term liabilities	+ 509	+ 1,902	+ 1,583	+ 1,333	+ 1,451
13.2. Long-term assets	---	---	---	---	---
13.3. Short-term liabilities	---	---	---	---	---
13.4. Short-term assets	---	---	---	---	---
<i>Monetary sector</i>	<u>+ 9</u>	<u>+ 364</u>	<u>- 1,001</u>	<u>- 651</u>	<u>- 708</u>
14. Central Bank	---	---	---	---	---
14.1. I.M.F. position (net)	- 65	+ 87	---	- 82	- 6
14.2. Short-term liabilities	---	+ 206	+ 31	- 164	---
14.3. Movement in foreign exchange holdings (- = increase)	+ 74	+ 71	- 1,032	- 405	- 702
14.4. Movement in monetary gold holdings (- = increase)	---	---	---	---	---
15. Foreign exchange banks	---	---	---	---	---
15.1. Short-term liabilities (net)	---	---	---	---	---
15.2. Movement in foreign exchange holdings (- = increase)	---	---	---	---	---
Net errors and omissions	- 311	- 353	+ 108	- 180	- 62

TABLE 29 – VALUE OF EXPORTS (f.o.b.)
(millions of \$)

	1974/ 75	1975/ 76	1976/ 77	1977/ 78	1978/79				
					I	II	III	IV	Total
A. Non oil/LNG exports	<u>2,033</u>	<u>1,873</u>	<u>2,863</u>	<u>3,507</u>	<u>826</u>	<u>909</u>	<u>1,130</u>	<u>1,114</u>	<u>3,979</u>
Timber	615	527	885	943	229	247	307	347	1,130
Rubber	425	381	577	608	162	182	212	218	774
Coffee	92	112	330	626	120	151	142	95	508
Palm oil	184	142	147	202	39	53	76	53	221
Animals and animal produce	92	105	146	179	43	51	60	58	212
– Shrimps	(78)	(91)	(132)	(154)	(39)	(44)	(51)	(53)	(187)
– Others	(14)	(14)	(14)	(25)	(4)	(7)	(9)	(5)	(25)
Tea	50	50	64	120	25	23	26	24	98
Foodstuffs	77	54	62	61	18	16	30	29	93
– Tapioca	(30)	(17)	(10)	(13)	(4)	(2)	(8)	(14)	(28)
– Others	(47)	(37)	(52)	(48)	(14)	(14)	(22)	(15)	(65)
Pepper	22	25	55	62	11	21	22	12	66
Tobacco	36	40	41	59	17	23	8	10	58
Copra cakes	22	32 ¹⁾	36	33	7	8	12	7	34
Hides	9	12	23	19	5	7	8	10	30
Mining products	296	257	320	363	82	97	126	118	423
– Tin	(166)	(158)	(181)	(253)	(66)	(65)	(98)	(95)	(324)
– Copper	(102)	(74)	(95)	(74)	(7)	(22)	(17)	(18)	(64)
– Others	(28)	(25)	(44)	(36)	(9)	(10)	(11)	(5)	(35)
Miscellaneous	113	136	177	232	68	30	101	133	332
B. Exports of crude oil and oil products	<u>5,153</u>	<u>5,273</u>	<u>6,350</u>	<u>7,191</u>	<u>1,768</u>	<u>1,655</u>	<u>1,740</u>	<u>1,695</u>	<u>6,858</u>
C. Exports of LNG	<u>—</u>	<u>—</u>	<u>—</u>	<u>.162</u>	<u>103</u>	<u>141</u>	<u>128</u>	<u>144</u>	<u>516</u>
Total exports (A + B + C)	7,186	7,146	9,213	10,860	2,697	2,705	2,998	2,953	11,353

1) Includes copra amounting to \$ 3 million

TABLE 30 – VOLUME OF EXPORTS

	1974/ 75	1975/ 76	1976/ 77	1977/ 78	1978/79				
					I	II	III	IV	Total
A. Non oil/LNG exports (thousands of tons)									
Timber	12,434	11,385	15,770	15,651	3,827	3,916	4,337	3,970	16,050
Rubber	842	846	892	873	221	234	235	230	920
Coffee	105	142	143	179	54	73	61	43	231
Palm oil	303	417	415	438	78	98	139	98	413
Animals and animal produce	76	70	82	78	19	20	24	21	84
— Shrimps	(39)	(38)	(42)	(46)	(12)	(12)	(14)	(14)	(52)
— Others	(37)	(32)	(40)	(32)	(7)	(8)	(10)	(7)	(32)
Tea	51	60	64	60	17	16	18	16	67
Foodstuffs	1,381	965	967	875	259	235	425	403	1,322
— Tapioca	(455)	(234)	(133)	(184)	(61)	(39)	(122)	(211)	(433)
— Others	(926)	(731)	(834)	(691)	(198)	(196)	(303)	(192)	(889)
Pepper	14	17	33	31	5	12	14	7	38
Tobacco	26	23	21	27	8	11	5	3	27
Copra cakes	236	396 ¹⁾	375	301	68	77	115	63	323
Hides	5	5	8	5	1	2	2	2	7
Mining products	2,761	2,079	2,538	2,260	465	477	614	507	2,063
— Tin	(24)	(21)	(27)	(25)	(6)	(6)	(7)	(7)	(26)
— Copper	(222)	(189)	(230)	(188)	(18)	(61)	(47)	(42)	(168)
— Others	(2,515)	(1,869)	(2,281)	(2,047)	(441)	(410)	(560)	(458)	(1,869)
Miscellaneous	227	325	300	800	213	188	213	296	910
B. Exports of crude oil and oil products (millions of barrels)									
	427	422	495	533	131	122	129	121	503
C. Exports of LNG (millions of MMBTU)²⁾									
	---	---	---	71	43	58	51	64	216

1) Includes 34 thousand tons of copra

2) MMBTU = Million BTU (British Thermal Unit)

TABLE 31 – VALUE OF IMPORTS (f.o.b.)
(millions of \$)

	1974/75	1975/76	1976/77	1977/78	1978/79
1. General foreign exchange imports	2,481	2,496	2,530	3,916	4,425
2. Foreign aid imports	566	837	1,556	1,828	1,797
– Aid foreign exchange	(77)	(31)	(2)	(—)	(—)
– Food aid	(84)	(11)	(50)	(38)	(16)
– PL—480 (rice, bulgur, wheat grains)	(9)	(28) ¹⁾	(95) ¹⁾	(119) ¹⁾	(78) ¹⁾
– Project aid	(396)	(767)	(1,409)	(1,671)	(1,703)
3. Imports under foreign capital inflow	286	593	760	547	510
– Direct investment	(286)	(246)	(290)	(364)	(318)
– Other foreign capital inflow	(—)	(347)	(470)	(183)	(192)
4. Imports under Merchant's L/C	489	553	574	85	—
Total (1 through 4)	3,822	4,479	5,420	6,376	6,732
5. Imports by oil and LNG enterprises	1,275	930	1,753	1,490	1,711
Total (1 through 5)	5,097	5,409	7,173	7,866	8,443

1) Initial payments of 15% are included into general foreign exchange imports

TABLE 32 — OIL EXPORTS BY COUNTRY OF DESTINATION
(millions of barrels and \$)

	1974/75		1975/76		1976/77		1977/78		1978/79	
	Barrel	\$	Barrel	\$	Barrel	\$	Barrel	\$	Barrel	\$
1. The United States of America	104.1	1,285.6	151.3	1,902.7	184.1	2,375.3	180.3	2,453.5	176.1	2,420.8
— % share	25.6	25.4	35.9	36.1	37.2	37.4	33.8	34.1	35.0	35.3
— Crude oil	102.3	1,262.0	143.5	1,820.9	181.5	2,344.1	173.9	2,370.1	170.3	2,344.4
— Oil products	1.8	23.6	7.8	81.8	2.6	31.2	6.4	83.4	5.8	76.4
2. Japan	253.6	3,183.8	207.0	2,600.8	229.5	2,932.5	265.8	3,565.7	226.4	2,976.3
— % share	62.3	62.9	49.0	49.3	46.4	46.2	49.9	49.6	45.0	43.4
— Crude oil	223.1	2,750.2	181.1	2,289.9	199.0	2,558.3	231.3	3,116.3	199.7	2,632.4
— Oil products	30.5	433.6	25.9	310.9	30.5	374.2	34.5	449.4	26.7	343.9
3. Other countries	49.2	591.0	63.7	767.7	81.2	1,041.9	87.0	1,171.9	100.7	1,460.7
— % share	12.1	11.7	15.1	14.6	16.4	16.4	16.3	16.3	20.0	21.3
— Crude oil	44.8	537.4	56.8	697.4	77.0	989.6	78.8	1,065.1	92.1	1,335.2
— Oil products	4.4	53.6	6.9	72.3	4.2	52.3	8.2	106.8	8.6	125.5
4. Total	406.9	5,060.4	422.0	5,273.2	494.8	6,349.7	533.1	7,191.1	503.2	6,857.8
— % share	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
— Crude oil	370.2	4,549.6	381.4	4,808.2	457.5	5,892.0	484.0	6,551.5	462.1	6,312.0
— Oil products	36.7	510.8	40.6	465.0	37.3	457.7	49.1	639.6	41.1	545.8

TABLE 33 — EXPORT PRICES OF SELECTED INDONESIAN CRUDE OIL
(\$ per barrel)

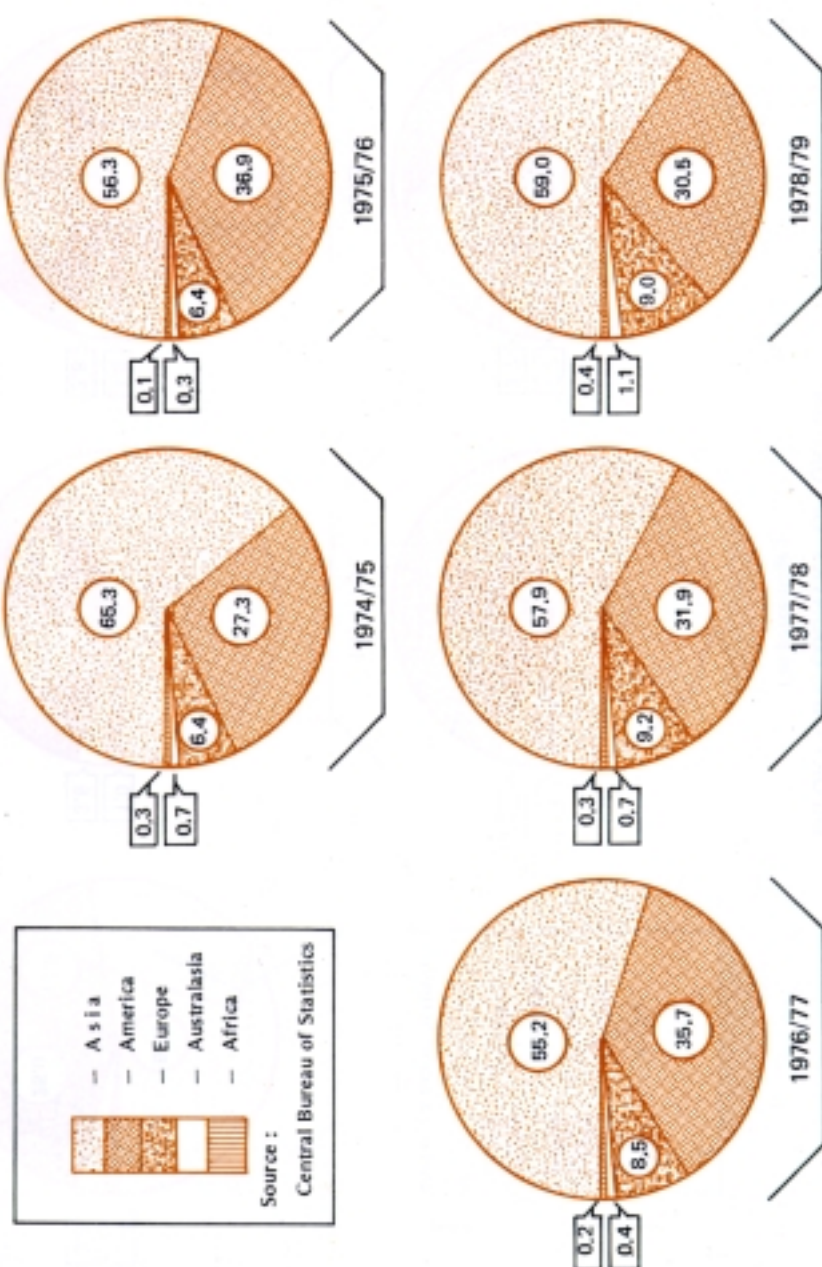
Selected crude oil	Effective since									
	1972	1973		1974		1975	1976	1977	1978	1979
	April	April	October	January	April	July	October	February	January	March
Minas	2.96	3.73	4.75	10.80	11.70	12.60	12.80	12.80	13.55	13.90
Arjuna	2.86	3.73	6.00	10.80	11.70	12.60	12.80	12.60	13.70	14.40
Cinta	2.96	3.73	6.00	10.80	11.70	12.60	12.40	12.40	13.15	13.50
Attaka	2.80 ¹⁾	3.73	6.00	10.80	11.70	12.60	12.80	12.80	14.10	14.95
Handil	—	—	—	—	—	12.60	12.40	12.40	13.30	13.95
Walio	—	5.00 ²⁾	6.00	10.80	11.70	12.60	12.10	12.00	13.00	13.65
Bekapai	—	—	—	—	—	—	—	12.80	14.10	14.95
Badak	—	—	—	—	—	12.60	12.80	12.80	14.10	14.95
North Sumatra	2.65	3.73	6.50	10.80	11.70	12.60	13.00	13.00	14.40	15.25

1) Effective since October 1, 1972

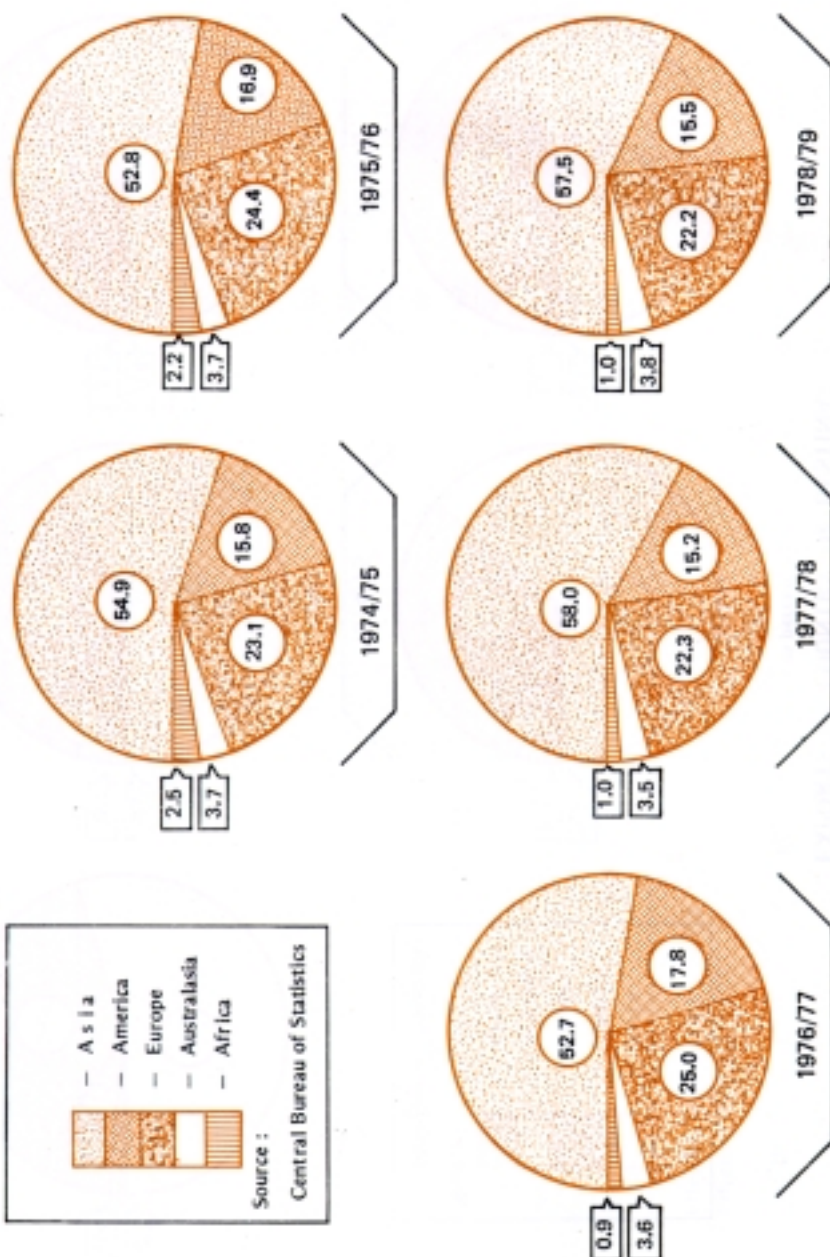
2) Effective since July 1973

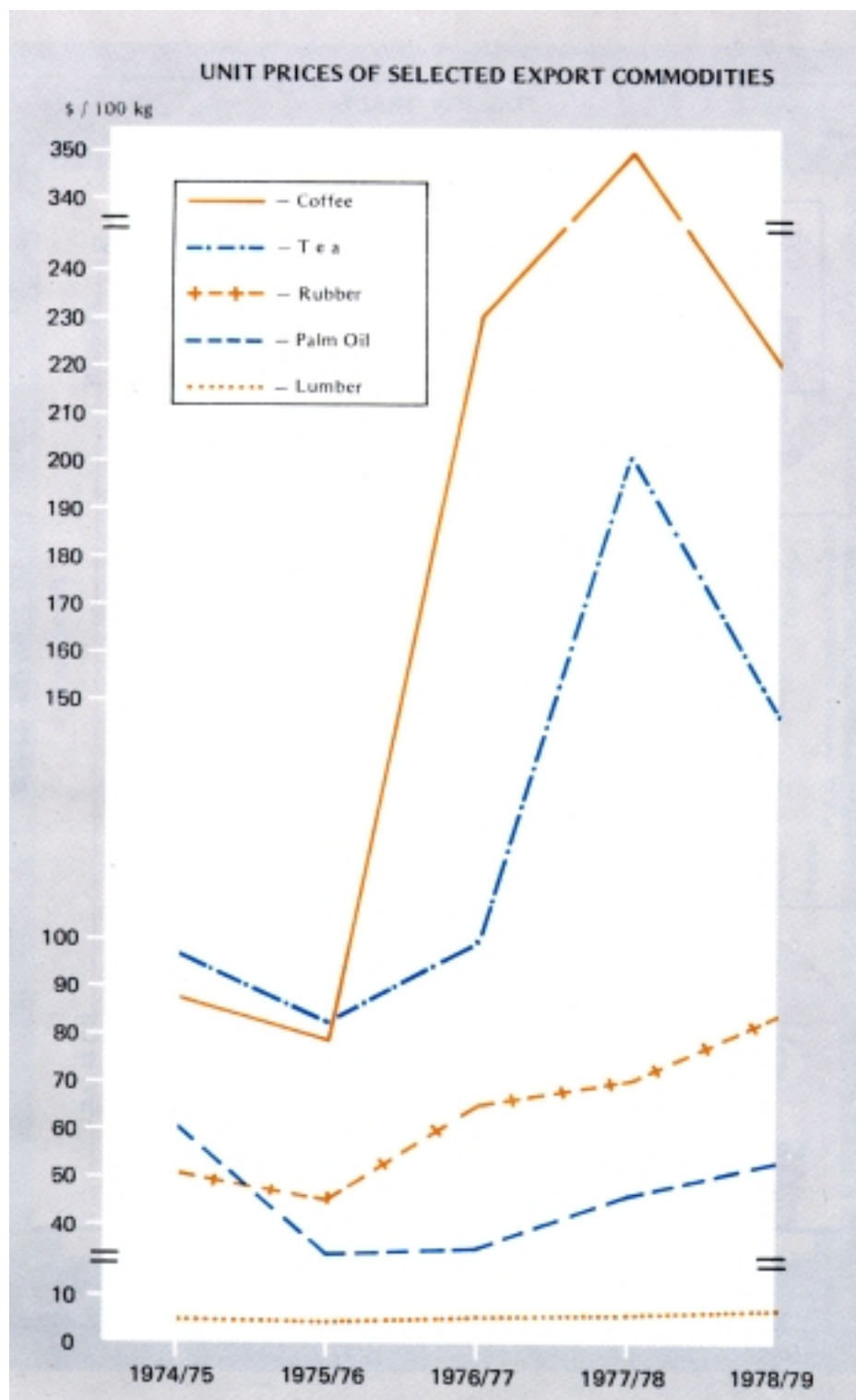
Source: Department of Mining and Energy

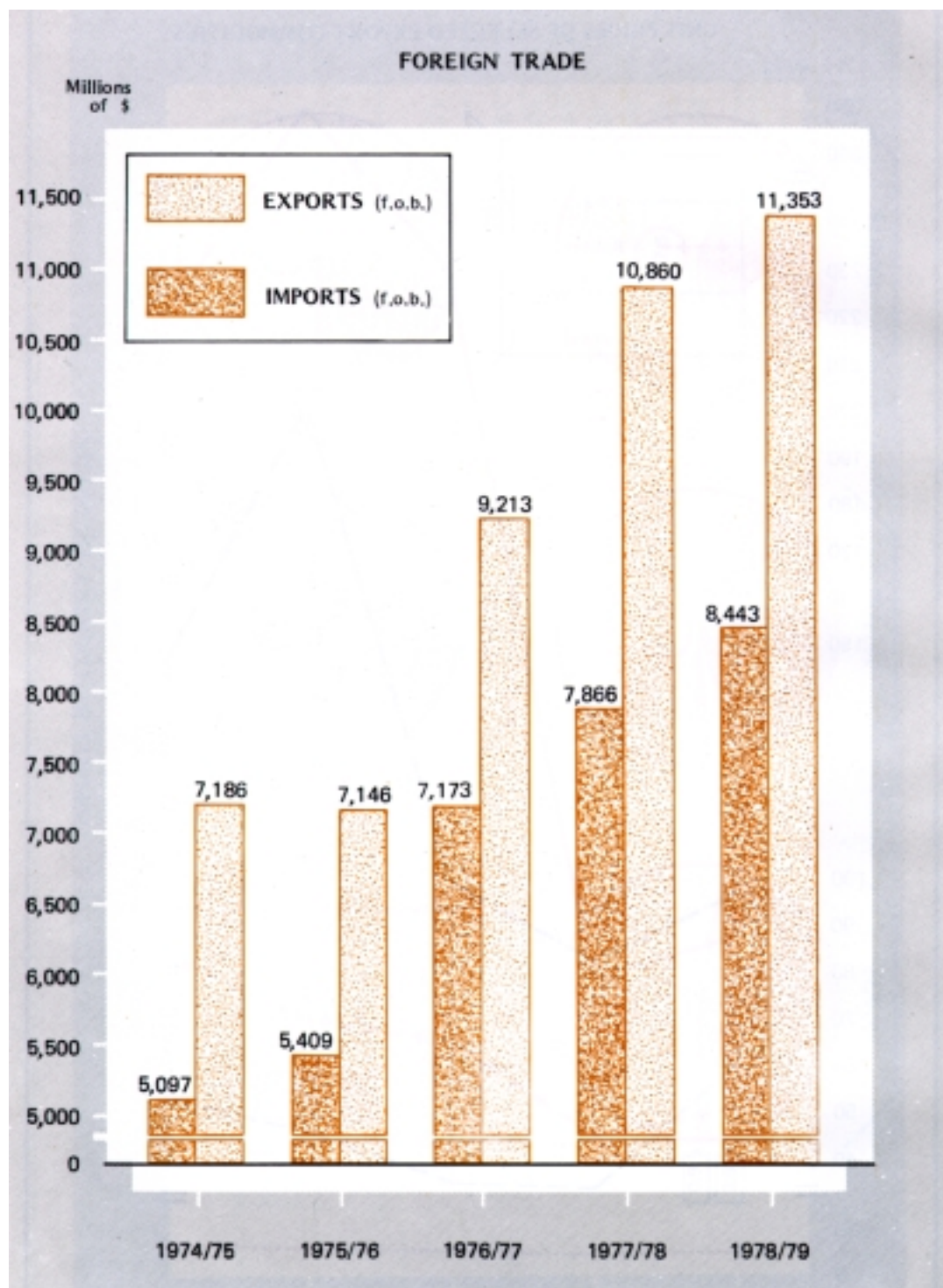
EXPORTS BY COUNTRY OF DESTINATION (In percentage)



IMPORTS BY COUNTRY OF ORIGIN (in percentage)





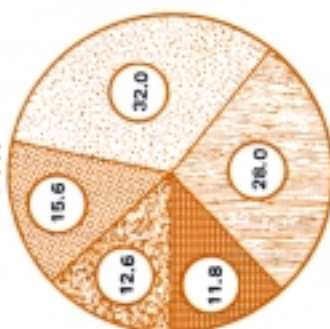


WORLD EXPORTS IN 1977
(in percentage)

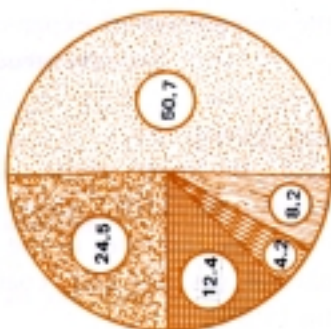
PALM OIL



TIN



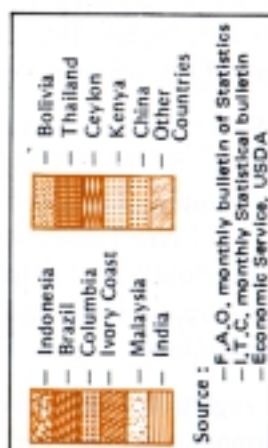
RUBBER



COFFEE



TEA



VIII. PRODUCTION, INFRASTRUCTURE AND PRICES

A. National income

The national development efforts made by the Government through the five Year Development Plans had satisfactory results as reflected in the rate of economic growth. During the Second Five Year Development Plan, Gross Domestic Product (GDP) increased at an annual average rate of 6.9%. Although this rate was lower than those attained by a number of Asian countries, it was higher than that of the industrial OECD member countries.

In 1978, the Indonesian economy experienced a fairly high rate of growth, namely 7.2% compared with 7.4% in 1977 (see Table 34). This rate of growth was closely related to the relatively high production increases in agriculture and manufacturing.

With regard to the development of each economic sector, the value added in the agricultural and manufacturing sectors increased by 7.2% and 14.7%, respectively, whereas the value added in the mining sector decreased by 2.8%. In the agricultural sector, rice production registered the highest rate of increase ever reached during the last few decades, that is 10.8% to become 17.6 million tons. This performance was attributable to favorable weather conditions and reduced damage caused by pests. Production of other food crops as well as some export crops, such as palm oil, tea and tobacco also registered encouraging increases. In the manufacturing sector, the increase in value added was mainly attributable to the production of fertilizer (Urea)

and cement which went up by 44.8% and 26.4% respectively, consequent upon the completion of expansion of existing plants and the construction of new ones. The decrease in value added in the mining sector was mainly attributable to lower crude oil production, namely by 3.0%, which could not be offset by increases in the production of natural gas (51.1%), coal (14.6%) and tin (5.8%).

GDP at current market prices, amounted to Rp 21,788.4 billion in 1978 compared with Rp 18,705.9 billion in the preceding year. With mid-year population estimates of 135.3 million in 1978 and 132.6 million in 1977, the corresponding per capita GDP in 1978 amounted to Rp 161,038.- (\$ 372)¹⁾ compared with Rp 141,070.- (\$ 340) in 1977.

In so far as the contribution of economic sectors to GDP was concerned, the agricultural sector continued to be the most significant contributor, although its importance had been gradually declining, that is from 49.0% of GDP in 1969 (the first year of the First Five Year Development Plan) to 34.1% at the end of the Second Five Year Development Plan. On the other hand, the contribution of other sectors, particularly the mining and manufacturing sectors, increased from 5.2% to 11.1 and from 8.8% to 12.3% respectively. This phenomenon reflected the success of the development efforts made during the First and Second Plan periods to enhance the role of nonagricultural sectors.

1). Converted on the basis of time-weighted average exchange rates which prevailed during 1978, namely Rp 115: per \$ 1 through November 15, 1978, and Rp 625.- thereafter

TABLE 34 – GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN
(billions of Rupiahs)

	1973	1974	1975	1976*	1977*	1978*
I. At current market prices						
Agriculture, forestry & fishery	2,710	3,497	4,003	4,812	5,789	6,781
– Farm food crops	(1,573)	(2,096)	(2,555)	(3,044)	(3,605)	(4,221)
– Others	(1,137)	(1,401)	(1,448)	(1,768)	(2,184)	(2,560)
Mining and quarrying	831	2,374	2,485	2,930	3,600	3,869
Manufacturing	650	890	1,124	1,453	1,612	2,034
Electricity, gas and water supply	30	52	70	98	106	116
Construction	262	406	590	813	962	1,130
Transport and communications	257	442	521	663	829	1,023
Trade, finance and other services	2,013	3,047	3,850	4,698	5,808	6,835
Gross Domestic Product	6,753	10,708	12,643	15,467	18,706	21,788
II. At constant 1973 market prices						
Agriculture, forestry & fishery	2,710	2,811	2,811	2,944	2,990	3,204
– Farm food crops	(1,573)	(1,681)	(1,696)	(1,756)	(1,735)	(1,901)
– Others	(1,137)	(1,130)	(1,115)	(1,188)	(1,255)	(1,303)
Mining and quarrying	831	859	828	952	1,070	1,040
Manufacturing	650	755	848	930	1,010	1,159
Electricity, gas and water supply	30	37	41	46	49	53
Construction	262	320	365	384	457	494
Transport and communications	257	288	303	343	404	451
Trade, finance and other services	2,013	2,199	2,435	2,557	2,781	2,991
Gross Domestic Product	6,753	7,269	7,631	8,156	8,761	9,392

Source : Central Bureau of Statistics

TABLE 35 — EXPENDITURE ON GROSS DOMESTIC PRODUCT
(billions of Rupiahs)

	1973	1974	1975	1976*	1977*	1978*
I. At current market prices						
— Private consumption ¹⁾	4,791	7,259	8,744	10,464	12,312	14,535
— Government consumption	716	841	1,254	1,590	2,019	2,331
— Gross domestic capital formation	1,208	1,797	2,572	3,205	3,726	4,422
— Export of goods & non-factor services	1,354	3,105	2,851	3,430	4,466	4,535
Less : Import of goods & non-factor services	1,316	2,294	2,778	3,222	3,817	4,035
— Gross Domestic Product	6,753	10,708	12,643	15,467	18,706	21,788
— Net factor income to abroad	— 245	—507	—556	—432	—679	—847
— Gross National Product	6,508	10,201	12,087	15,035	18,027	20,941
Less : Net indirect taxes	328	447	519	691	845	874
Less : Depreciation	439	696	821 ^r	1,006	1,216	1,416
— National Income	5,741	9,058	10,746	13,338	15,966	18,651
II. At constant 1973 market prices						
— Private consumption ¹⁾	4,791	5,454	5,679	6,031	6,372	6,755
— Government consumption	716	641	836	897	1,014	1,065
— Gross domestic capital formation	1,208	1,440	1,650	1,749	2,009	2,272
— Export of goods & non-factor services	1,354	1,403	1,267	1,425	1,744	1,619
Less : Import of goods & non-factor services	1,316	1,669	1,801	1,946	2,378	2,318
— Gross Domestic Product	6,753	7,269	7,631	8,156	8,761	9,392
— Net factor income to abroad	—245	—369	—360	—366	—423	—486
— Gross National Product	6,508	6,900	7,271	7,790	8,338	8,906
Less : Net indirect taxes	328	352	371	399	426	456
Less : Depreciation	439	472	496	531	569	611
— National Income	5,741	6,076	6,404	6,860	7,343	7,839

1) Residual

Source : Central Bureau of Statistics

The composition of GDP by type of expenditures also exhibited an encouraging facet namely that gross domestic capital formation as a percentage of GDP increased from an average of 14.5% during the First Plan period to 19.6% during the Second Plan. In 1978, gross domestic capital formation accounted for 20.3% of GDP (see Table 35).

As the amount of foreign investments in Indonesia exceeded Indonesia's investments abroad, Gross National Product (GNP) was smaller than GDP. GNP at current market prices in 1977 and 1978 amounted to Rp 18,027.4 billion and Rp 20,941.8 billion, respectively. On the basis of mid-year population estimates, per capita GNP amounted to Rp 135,953.- (\$ 328) in 1977 and Rp154,780.-(\$ 357)²⁾ in 1978.

B. Capital investment

It was stated in the previous annual report that as an incentive to domestic production activities and capital investment, the Government had introduced a number of measures, such as simplification of the procedure for approving capital investment applications, reduction in bank lending rates and relaxation of terms of credit, as well as amendment of the Priority List (DSP). Furthermore, on November 15, 1978, the Government introduced a series of measures designed to improve the competitiveness of domestically produced

goods in international as well as domestic markets, which was expected to boost production and capital investments. Besides, the adjustment of the Rupiah exchange rate vis-a-vis foreign currencies, the above mentioned measures also included tax concessions, such as exemption from and reduction of import duties and sales tax on certain raw materials/ semi finished goods used by domestic manufacturing industries. On March 27, 1979, a tax regulation was also issued, which inter alia reduced the rates of corporation tax, capital stamp duties and tax on interest, dividend and royalties payable by entrepreneurs.

1. Domestic capital investment

During 1978, the Government approved 299 domestic investment projects with an intended capital investment of Rp 761.8 billion. Compared with the preceding year, the number of projects and intended capital approved in 1978 increased by 19% and 33%, respectively (see Table 36). These increases were mainly the outcome of Government policies as stated above, particularly those concerning the simplification of the procedure for approval of investment applications as of October 1977, and the amendment of the Priority List in February 1978, which provided greater opportunities to the domestic investor.

As in the preceding years, most of the domestic investment projects approved in 1978 were in manufacturing sector, namely 218 projects (73%) with an intended capital investment of Rp 531.2 billion (70%). Other sectors which also attracted domestic investors to a considerable extent were forestry (36 projects

2). converted on the basis of time-weighted average exchange rates which prevailed during 1978, namely Rp 415.- per \$ 1 through November 15, 1978, and Rp 625,-thereafter.

TABLE 36 — APPROVED DOMESTIC INVESTMENT PROJECTS BY SECTOR ¹⁾, 1968–1978
(billions of Rupiahs)

Sector	1968-1974		1975		1976		1977		1978		Total	
	Number of Projects	Investment Plan	Number of Projects	Investment Plan	Number of Projects	Investment Plan	Number of Projects	Investment Plan	Number of Projects	Investment Plan	Number of Projects	Investment Plan
Agriculture, Forestry and Fishery	343	241.8	27	26.6	21	47.4	66	113.9	58	158.9	515	588.6
— Agriculture, fishery and cattle breeding	(84)	(70.4)	(14)	(19.3)	(14)	(42.3)	(12)	(49.9)	(22)	(100.4)	(146)	(282.3)
— Forestry	(259)	(171.4)	(13)	(7.3)	(7)	(5.1)	(54)	(64.0)	(36)	(58.5)	(369)	(306.3)
Mining	13	50.0	—	—	—	—	—	—	3	18.4	16	68.4
Manufacturing	1,643	925.9	130	199.4	94	174.6	166	401.4	218	531.2	2,251	2,232.5
— Textiles	(374)	(366.7)	(21)	(38.8)	(43)	(42.5)	(35)	(75.1)	(49)	(167.6)	(522)	(690.7)
— Chemicals	(340)	(127.4)	(25)	(51.4)	(4)	(- 2.2)	(28)	(98.6)	(30)	(103.0)	(427)	(378.2)
— Electrical appliances	(61)	(22.1)	(3)	(2.2)	(—)	(—)	(—)	(—)	(—)	(—)	(64)	(24.3)
— Others	(868)	(409.7)	(81)	(107.0)	(47)	(134.3)	(103)	(227.7)	(139)	(260.6)	(1,238)	(1,139.3)
Construction	6	14.2	—	—	-1	-1.2	—	—	1	2.6	6	15.6
Hotel/tourism	100	78.4	4	1.4	12	6.8	-1	4.1	3	11.5	118	102.2
Housing/offices	9	77.1	4	15.2	10	41.3	10	35.2	3	15.1	36	183.9
Other services	114	103.5	7	8.3	-6	7.4	10	19.9	13	24.1	138	163.2
Total	2,228	1,490.9	172	250.9	130	276.3	251	574.5	299	761.8	3,080	3,354.4

1) Includes cancellations and projects formerly under the Foreign Capital Investment Law

Source : Investment Coordinating Board

involving Rp 58.5 billion) and agriculture (22 projects involving Rp 100.4 billion).

The total number of domestic capital investment projects approved by the Government since the effectiveness of the Domestic Investment Law in July 1968 through the end of 1978 totalled 3,080 with an intended capital of Rp 3,354.4 billion. Out of this total, 2,251 projects (73%) with an intended capital of Rp 2,232.5 billion were in manufacturing. Of the investment projects in manufacturing, Rp 690.7 billion (31 %) were in textile industry, Rp 378.2 billion (17%) in chemical industry, Rp 326.6 billion (15%) in food industry and Rp 289.5 billion (13%) in nonmetallic mineral industry.

In terms of geographic distribution of the projects, Jakarta was the area absorbing most of the domestic investment projects, i.e. 745 projects (24%), successively followed by West Java with 669 projects (22%), East Java with 363 projects (12%), Central Java with 269 projects (9%), North Sumatra with 185 projects (6%) and East Kalimantan with 152 projects (5%). In terms of amount of intended capital investment, however, West Java ranked first with 26%, followed by Jakarta (20%), East Java (14%), South Sumatra (7%), North Sumatra (6%) and Central Java (6%).

2. Foreign capital investment

Foreign investment projects approved by the Government in 1978 totalled 39, compared with 29 in 1977. However, as there were no projects with a fairly large amount of capital, total intended capital investments in 1978 were 46% lower than in 1977 and came to \$ 362.1 million (see Table 37).

Out of the total projects approved in 1978, 25 projects (63%) involving \$ 202.0 million (56%) were in manufacturing, and 7 projects involving \$ 45.6 million (13%) were in forestry. Since the enactment of the 1967 Foreign Investment Law through the end of 1978, the Government approved 808 foreign investment projects with a total intended capital of \$ 7,124.5 million. Out of this total, most of the projects, that is 481 projects (59%) with total intended capital of \$ 4,185.2 million (59%) were in manufacturing, while mining and forestry covered 13 projects with an intended capital of \$ 1,448.4 million and 86 projects with \$ 610.1 million, respectively. Within the manufacturing sector, the largest amount of intended investment was in the basic metal industry, followed by the textile industry, non-metal mineral industry, metal industry and chemical industry. As in the case of the geographical distribution of domestic capital investment, most of the foreign investment projects approved by the Government were located in the Jakarta area, that is 308 projects (38%). Other regions with a fairly large number of foreign investment projects were West Java with 153 projects (19%), East Java with 80 projects (10%), North Sumatra with 48 project (6%), East Kalimantan with 23 projects (3%) and Central Java with 20 projects (3%). Based on the value of intended capital, West Java ranked first with 24%, followed by Jakarta (18%), North Sumatra (15%), East Kalimantan (6%) and East Java (5%).

In aggregate terms, foreign capital investments implemented till the end of 1978 amounted to \$ 3,374.7 million, compared with \$ 2,969.5 million at the end of the preceding

TABLE 37 — APPROVED FOREIGN INVESTMENT PROJECTS BY SECTOR, 1967–1978
(millions of \$)

Sector	1967–1974				1975	1976	1977	1978	1967–1978	
									Investment plan	Number of projects
Agriculture, Forestry and Fishery										
– Agriculture	639.8	20.5	50.9	75.0	68.9				855.1	161
– Forestry	(102.3)	(1.0)	(8.2)	(41.1)	(2.2)				(154.8)	(55)
– Fishery	(492.7)	(5.9)	(36.9)	(29.0)	(45.6)				(610.1)	(86)
	(44.8)	(13.6)	(5.8)	(4.9)	(21.1)				(90.2)	(20)
Mining	721.5	507.2	3.6	200.0	16.1				1,448.4	13
– Metal	(570.5)	(507.2)	(3.6)	(200.0)	(—)				(1,281.3)	(8)
– Other	(151.0)	(—)	(—)	(—)	(16.1)				(167.1)	(5)
Manufacturing Industry	2,092.9	1,159.5	349.4	381.4	202.0				4,185.2	481
– Food	(132.0)	(23.5)	(67.6)	(7.7)	(13.3)				(244.1)	(57)
– Textiles & leather	(901.0)	(31.2)	(24.2)	(92.0)	(57.0)				(1,105.4)	(72)
– Wood & wood products	(18.1)	(21.9)	(5.5)	(—)	(1.0)				(46.5)	(13)
– Paper and paper products	(15.6)	(18.5)	(66.2)	(9.7)	(0.5)				(110.5)	(14)
– Chemicals & rubber	(256.0)	(60.4)	(35.7)	(78.2)	(17.5)				(447.9)	(128)
– Non-metallic minerals	(252.5)	(99.6)	(72.0)	(99.0)	(16.8)				(539.9)	(31)
– Basic metals	(301.7)	(875.6)	(11.9)	(18.3)	(0.7)				(1,208.2)	(26)
– Metal products	(208.9)	(28.8)	(66.1)	(76.5)	(88.3)				(468.6)	(131)
– Others	(7.0)	(—)	(0.2)	(—)	(6.9)				(14.1)	(9)
Construction	60.9	10.3	1.3	3.4	4.2				80.1	63
Trade & Hotels	134.4	21.3	14.2	0.6	9.7				180.2	15
– Trade	(11.5)	(—)	(0.7)	(—)	(—)				(12.2)	(4)
– Hotels	(122.9)	(21.3)	(13.5)	(0.6)	(9.7)				(168.0)	(11)
Transportation & Communication	32.5	20.3	4.0	5.0	36.5				98.3	20
– Transportation	(26.4)	(16.9)	(4.0)	(—)	(—)				(47.3)	(19)
– Communication	(6.1)	(3.4)	(—)	(5.0)	(36.5)				(51.0)	(1)
Service	209.7	9.5	27.3	6.0	24.7				277.2	55
– Trade & personal services	(192.7)	(9.5)	(27.3)	(6.0)	(22.7)				(258.2)	(40)
– Other services	(17.0)	(—)	(—)	(—)	(2.0)				(19.0)	(15)
Total	3,891.7	1,748.6	450.7	671.4	362.1				7,124.5	808

TABLE 38 — IMPLEMENTATION OF FOREIGN INVESTMENT PROJECTS BY SECTOR, 1967–1978
(millions of \$)

Sector	1967–1974	1975	1976	1977	1978	1967–1978	
						Investment Plan	Number of projects
Agriculture, Forestry and Fishery							
— Agriculture	280.2	48.9	39.2	37.4	38.6	444.3	145
— Forestry	(29.0)	(3.2)	(8.0)	(12.5)	(10.1)	(62.8)	(51)
— Fishery	(203.2)	(34.4)	(22.7)	(22.1)	(15.0)	(297.4)	(78)
	(48.0)	(11.3)	(8.5)	(2.8)	(13.5)	(84.1)	(16)
Mining	216.4	40.4	42.4	20.1	57.3	376.6	11
Manufacturing Industry	1,033.0	392.4	301.2	186.2	267.0	2,179.8	387
— Food	(111.7)	(13.9)	(10.8)	(11.9)	(14.9)	(163.2)	(49)
— Textiles & leather	(443.3)	(181.8)	(91.8)	(27.9)	(31.4)	(776.2)	(54)
— Wood & wood products	(5.5)	(10.6)	(4.6)	(1.4)	(0.4)	(22.5)	(8)
— Paper & paper products	(13.9)	(0.7)	(3.3)	(9.6)	(11.8)	(39.3)	(11)
— Chemicals & rubber	(146.3)	(45.9)	(45.7)	(28.0)	(71.7)	(337.6)	(115)
— Non-metallic minerals	(85.3)	(54.2)	(71.3)	(42.9)	(9.0)	(262.7)	(20)
— Basic metals	(37.8)	(43.3)	(30.7)	(27.8)	(37.8)	(177.4)	(22)
— Metal products	(179.9)	(41.1)	(42.4)	(35.4)	(89.9)	(388.7)	(101)
— Others	(9.3)	(0.9)	(0.6)	(1.3)	(0.1)	(12.2)	(7)
Construction	22.1	7.9	4.5	3.0	1.4	38.9	49
Trade & Hotels	54.0	8.2	17.6	6.2	17.2	103.2	12
— Trade	(9.8)	(0.1)	(0.2)	(—)	(0.7)	(10.8)	(3)
— Hotels	(44.2)	(8.1)	(17.4)	(6.2)	(16.5)	(92.4)	(9)
Transportation & Communication	9.7	2.2	4.4	2.0	4.7	23.0	19
— Transportation	(4.3)	(1.2)	(4.2)	(1.8)	(1.3)	(12.8)	(18)
— Communication	(5.4)	(1.0)	(0.2)	(0.2)	(3.4)	(10.2)	(1)
Services	122.7	47.1	16.2	3.9	19.0	208.9	38
— Trade & personal services	(40.5)	(23.7)	(12.3)	(3.8)	(14.0)	(94.3)	(38)
— Other services	(82.2)	(23.4)	(3.9)	(0.1)	(5.0)	(114.6)	(—)
Total	1,738.1	547.1	425.5	258.8	405.2	3,374.7	661

year (see Table 38). By type of industry, the largest amount of foreign capital investment was implemented in manufacturing, namely 65% of the total implemented foreign capital investment, followed by mining (11 %), forestry (8%) and services (6%).

By country of origin, Japan was the largest investor, accounting for 36% of the total intended foreign investments. Other countries with sizable capital investments were Hongkong, the United States and the Philippines, each covering 12%, 6% and 4% of the total intended investment. In terms of the implementation of foreign capital investments, Japan also took up the largest share, that is 38%, followed by Hongkong (11 %), the United States (5%), Australia (2%) and multinationals (32%).

C. Agriculture, forestry and fishery

During the Second Five Year Development Plan (PELITA II), the Government development policy in the field of agriculture was primarily designed to increase production, to expand employment opportunities and to raise farmers' incomes. The policy also aimed at encouraging the growth of manufacturing industries, particularly those which process agricultural produce and increase foreign exchange earnings.

The efforts to increase food production continued to include intensification such as development and use of high yielding seeds, irradiation of pests and diseases, increased use of appropriate fertilizers, and improvement of irrigation and cultivation techniques. Besides these efforts, usually known as "Panca Usaha

Tani", measures were also taken to expand the area under cultivation (i.e. extensification). The policy with respect to estate agriculture was designed at increasing production through rehabilitation of neglected plantations, extensification of the replanted area, and intensification. The policy on forestry aimed at reforestation and greening, better control of forest cutting, prohibition of low quality timber exports and promotion of domestic wood processing industries. Fishery development comprised modernization of sea fishcatching methods, development of fresh water fish catching methods and expansion of fresh water fishing grounds.

The aforementioned efforts resulted in an increase in the output of nearly all types of agricultural products in 1978 (see Table 39). This was reflected in the magnitude of agricultural output in GDP which increased by 7.2% in 1978 as against 1.6% in the preceding year.

1. Agriculture

a. Production of foodcrops

In the reporting year, the efforts to increase the output of foodcrops through intensification continued through BIMAS and INMAS programs. As is well known, BIMAS is an intensification program implemented through "Panca Usaha Tani" coupled with BIMAS credit in cash for cost of living and purchase of high quality seed and credit in kind, i.e. fertilizer and insecticide. INMAS is similar to BIMAS but only provides for credit in kind, i.e. fertilizer and insecticide. Besides, extensification has been

TABLE 39 – AGRICULTURAL PRODUCTION
(thousand tons)

	1974	1975	1976	1977	1978*
1. Foodstuffs					
— Rice	15,276	15,185	15,845	15,876	17,598
— Corn	3,011	2,903	2,572	3,143	3,855
— Cassava	13,031	12,546	12,191	12,488	12,968
— Sweet potatoes	2,469	2,433	2,381	2,460	2,583
— Peanuts	307	380	341	409	439
— Soybeans	589	590	522	523	571
2. Forestry ¹⁾					
— Timber	23,280	16,296	21,427	22,939	31,094
3. Fishery	1,337	1,390	1,483	1,572	1,655
— Sea	(949)	(997)	(1,082 ^r)	(1,158)	(1,225)
— Inland	(388)	(393)	(401 ^r)	(414)	(430)
4. Plantation crops					
— Rubber	817	782	856	838	844
a. Smallholder	(571)	(536)	(610 ^r)	(584)	(572)
b. Estate	(246)	(246)	(246)	(254)	(272)
— Copra	1,341	1,375	1,532 ^r	1,518	1,467
— Palm oil	348	397	431	483	519
— Palm kernels	73	81	83	93	103
— Granulated sugar	987	1,004	1,054	1,086	1,308
— Tea	65	70	73	76	85
a. Smallholder	(14)	(14)	(13)	(14)	(14)
b. Estate	(51)	(56)	(60)	(62)	(71)
— Coffee	149	160	194	197	187
a. Smallholder	(132)	(144)	(178 ^r)	(181)	(171)
b. Estate	(17)	(16)	(16)	(16)	(16)

¹⁾ Thousand M³

Source : Supplement to the President's Report to Parliament, August 16, 1979

conducted through expansion of tidal irrigated land and the opening up of transmigration areas.

During the year under report, the area under BIMAS and INMAS intensification programs for paddy increased by 4.7% and came to 5,669 thousand hectares, while the area under BIMAS and INMAS programs for secondary crops increased by 4.9% and came to 1,692 thousand hectares. Particularly with the objective to promote the implementation of BIMAS and INMAS programs, 40 BRI village units were added which raised the total to 3,310. BRI village units were initially designed for channeling of BIMAS/INMAS credits, but were later also entrusted with channeling of small credits and handling of TABANAS deposits.

Meanwhile, in the context of extensification, the Government opened 87 thousand hectares of tidal irrigated land in Riau, South Sumatra, Jambi, West Kalimantan and South Kalimantan in 1978/79. As a result, the area of tidal irrigated land was expanded to 282 thousand hectares by the end of the Second Five Year Development Plan.

In order to serve the farmers better, the Government increased the quality and the total number of KUDs which were mainly entrusted with the allocation of agricultural input, cost of living allowances to farmers and marketing of farm output. The quality of KUDs ;vas improved through training and guidance of their managers. The need for operating capital was met by soft bank loans through BRI village units. At the end of the year under report there were 4,427 KUDs, of which 104 were "Model KUDs".

In order to stimulate paddy production and to increase farmers' incomes, the Government raised from February 1, 1979 the purchase price of dried rice-in-the-husk from Rp 74.- per kg to Rp 85.- per kg at village level and of rice from Rp 119.50 per kg to Rp 140,per kg. The Government concurrently rehabilitated and added the number of rice mills and hullers to a total of 38.4 thousand units with a capacity of 16.1 million tons at the end of 1978. The trend in the number and capacity of rice mills and hullers during the last five years was as follows.

Year	Number of rice mills and hullers (thousand units)	Capacity of rice production per year (million tons)
1974	29.0	13.5
1975	29.2	13.6
1976	31.7	14.2
1977	36.5	15.9
1978*	38.4	16.1

Source: Department of Agriculture

a.1. Rice

Compared with the preceding year, rice output in 1978 rose by a substantial quantity of 1,722 thousand tons (or 10.8%) to a total of 17,598 thousand tons. This was mainly attributable to favorable weather, effective pest control, and improved intensification efforts. The harvested area expanded by 6% and came to 8,893 thousand hectares and the average yield per hectare increased from 1.90 tons in 1977 to 1.98 tons. The trends in output, harvested area and average yield per hectare during the last ten years were as follows.

In order to keep the price of paddy/ rice at farmer's level, higher than the floor price, the

Year	Output (thousand tons)	Harvested area (thousand hectares)	Average yield (tons/Ha)
1969	12,249	8,014	1.53
1970	13,140	8,125	1.62
1971	13,724	8,325	1.65
1972	13,183	7,898	1.67
1973	14,607	8,403	1.74
1974	15,276	8,509	1.80
1975	15,185	8,495	1.79
1976	15,845	8,569	1.89
1977	15,876	8,369	1.90
1978*	17,598	8,893	1.98

Source: Supplement to the President's Report to Parliament, August 16, 1979

Government purchased paddy/rice in the domestic market. Following the 1978 , increase in rice output, the Government purchased 882 thousand tons of rice domestically, compared with 404 thousand tons in the preceding year. This larger domestic purchase enabled the Government to reduce rice imports from 2.5 million tons in 1977/78 to 1.2 million tons in 1978/79.

Since 1974/75, the Government had been building storage rooms all over Indonesia in order to keep the increasingly larger stocks of rice. Until the end of PELITA II, a total of 323 storage rooms were built with the capacity of 1,131 thousand tons.

The movements in rice prices in several cities during 1978/79 are shown in Table 40. The price of medium quality rice in Jakarta was Rp 137.78 per kg in March 1978 which declined to Rp 128.90 per kg in April 1978 and remained practically constant through September 1978. The decline was in consonance with the successful major harvest around March 1978. In subsequent months the price increased till it reached Rp 152.10 per kg in March 1979. The increase was attributable to

the past relatively slack harvest season and the Government's announcement to increase the price of paddy/rice.

a.2. Secondary crops

In 1978, the output of secondary crops generally increased. This increase was mainly attributable to an expansion of the harvested area and an increase in the average yield per hectare. The latter was a reflection of the increasingly larger area under BIMAS and INMAS intensification programs for secondary crops.

The output of corn rose by 23% to 3,855 thousand tons in 1978. This rise was closely related to an expansion of the harvested area by 18% to 3,028 thousand hectares and a 4% increase in the average yield to 12.7 quintals per hectare.

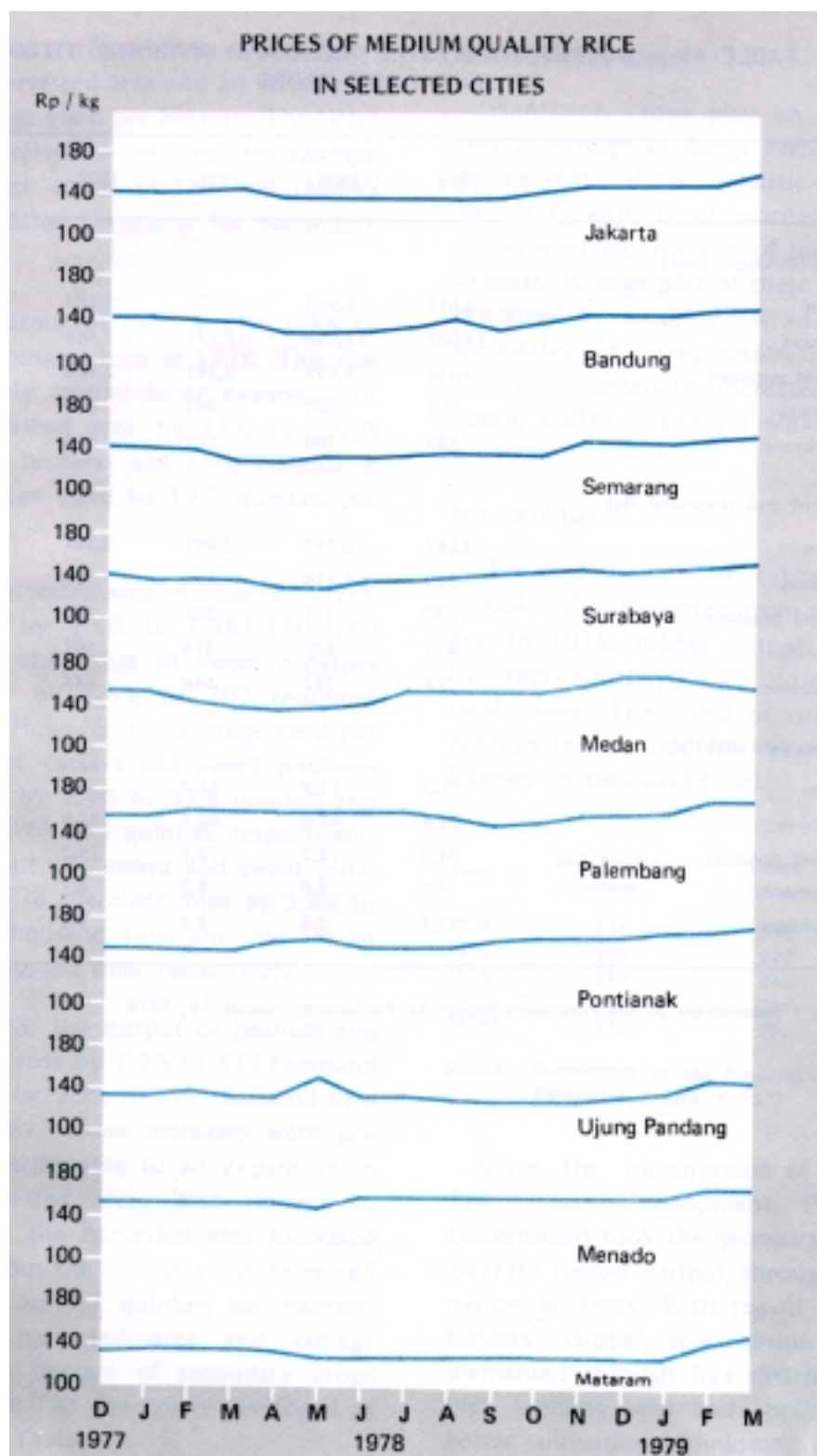
The harvested area of cassava increased only by 1.4% to 1,383 thousand hectares while that of sweet potatoes decreased by 5.8% to 307 thousand hectares. However, the average yield per hectare of cassava and sweet potatoes increased by 2.4% to 93.8 quintals and by 11.4% to 84.1 quintals, respectively. The output of cassava and sweet potatoes in 1978, therefore, rose by 3.8% to 12,968 thousand tons and by 5 % to 2,583 thousand tons respectively.

In 1978, the output of peanuts and soybeans rose by 7.3% to 439 thousand tons and by 9.2% to 571 thousand tons respectively. These increases were primarily attributable to an expansion in the harvested area. With respect to soybeans, the harvested area increased by 15%, but the average yield decreased by 4.9% to 7.7 quintals per hectare.

TABLE 40 – PRICES OF MEDIUM QUALITY RICE IN SELECTED CITIES
(Average price in Rp/Kg)

	Jakarta	Bandung	Semarang	Surabaya	Medan	Palembang	Pontianak	Ujung Pandang	Menado	Mataram
1973 December	84.12	85.12	80.53	75.20	115.80	120.—	126.50	74.80	118.88	74.32
1974 December	90.76	88.42	88.27	89.99	108.07	101.22	115.62	100.—	120.—	74.97
1975 December	125.83	127.68	122.88	124.88	133.47	122.38	135.—	107.50	126.60	97.50
1976 December	123.31	125.—	124.—	128.90	135.20	139.04	140.—	122.50	140.—	126.—
1977 March	126.02	124.42	116.63	121.13	127.28	142.50	140.—	119.50	140.—	126.76
June	125.93	126.34	120.—	122.71	135.—	142.13	140.—	113.46	139.23	110.—
September	125.—	125.—	128.02	131.20	139.23	142.33	140.—	110.—	135.—	119.60
December	133.54	134.11	132.14	132.53	144.50	147.23	142.50	126.75	145.—	125.80
1978 January	134.91	134.79	131.01	128.78	143.94	146.36	142.50	125.—	145.—	126.—
February	135.46	132.50	130.—	129.50	135.—	152.65	142.50	130.—	145.—	126.—
March	137.78	130.—	120.—	129.—	130.—	150.—	142.50	125.—	145.—	127.50
April	128.90	122.15	120.30	122.52	128.26	151.60	150.—	126.—	149.—	125.22
May	128.55	123.91	125.91	121.43	130.73	151.83	153.46	142.50	140.—	118.26
June	128.35	124.42	125.13	128.25	134.27	152.43	145.38	125.—	150.—	117.61
July	129.72	129.48	127.53	133.30	146.10	152.46	145.—	125.—	150.—	119.68
August	129.15	133.88	129.48	134.81	144.65	147.86	146.92	125.—	150.—	120.—
September	128.36	127.72	132.25	136.78	144.66	141.91	152.29	121.45	150.—	120.—
October	135.55	136.53	138.90	139.57	145.15	145.06	155.—	120.—	150.—	120.—
November	140.29	141.84	140.91	142.46	154.54	151.04	155.—	123.80	150.—	120.—
December	140.32	141.60	139.89	139.39	161.17	152.94	157.91	125.—	150.—	120.—
1979 January	140.56	140.79	139.69	141.41	162.90	155.12	160.19	130.77	152.98	122.50
February	144.58	146.41	144.58	144.63	156.83	164.11	163.89	142.39	160.—	134.24
March	152.10	146.92	148.93	148.22	150.—	164.96	166.11	140.—	160.—	142.41

Source : Body for Logistic Affairs



**TABLE 41 – OUTPUT, HARVESTED AREA AND AVERAGE YIELD
OF SECONDARY CROPS**

	1974	1975	1976	1977	1978*
Output (thousand tons)					
– Corn	3,011	2,903	2,572	3,143	3,855
– Cassava	13,031	12,546	12,191	12,488	12,968
– Sweet potatoes	2,469	2,433	2,381	2,460	2,583
– Peanuts	307	380	341	409	439
– Soybeans	589	590	522	523	571
Harvested area (thousand Ha)					
– Corn	2,667	2,445	2,095	2,567	3,028
– Cassava	1,509	1,410	1,353	1,364	1,383
– Sweet potatoes	330	311	301	326	307
– Peanuts	411	475	414	507	514
– Soybeans	768	752	646	646	741
Average yield (Qt/Ha)					
– Corn	11.3	11.9	12.3	12.2	12.7
– Cassava	86.4	89.0	90.1	91.6	93.8
– Sweet potatoes	74.8	78.2	79.1	75.5	84.1
– Peanuts	7.5	8.0	8.2	8.1	8.5
– Soybeans	7.7	7.8	8.1	8.1	7.7

Source : Supplement to the President's Report to Parliament, August 16, 1979

Output, harvested area and average yield per hectare of secondary crops during the last few years developed as shown in Table 41.

b. Plantation crops

Plantation crops play an important role as foreign exchange earners as well as raw material for domestic industries. In 1978, exports of plantation crops constituted around 45% of total non-oil exports. A large part of these crops was produced by smallholder and the rest by estates. In 1978, output of plantation crops generally increased, except copra, coffee and cloves which showed a decline.

b.1. Rubber

The major part of rubber output (about 70%) originated from smallholders. In 1978, rubber output increased by approximately 0.7% to 844 thousand tons. The trend of rubber production in the last five years was as follows (in thousand tons).

Since the introduction of the First Five Year Development Plan, the Government took the necessary steps to increase rubber output through rejuvenation of trees. With regard to smallholders' rubber, rejuvenation was implemented through free distribution of high yielding seed and application of better cultivation techniques.

The smallholders were guided by the local Agricultural Service and, over the last few years, by PN Perkebunan as well. However, due to financial constraints, the rejuvenation efforts have not shown appreciable results, as the total of old trees still exceed the young

Year	Smallholder's rubber	Estate rubber	Total
1974	571	246	817
1975	536	246	782
1976	610 ^r	246	856
1977	584	254	838
1978*	572	272	844

Source: Supplement to the President's Report to Parliament, August 16, 1979

trees. Rejuvenation of estate rubber trees, initiated in the past few years, was continued. Meanwhile, the credit program to private national estates, introduced since 1976/77, was expanded. This facility was designed for the financing of rejuvenation efforts and rehabilitation of processing equipment.

In order to increase the quality of rubber, the Government has since 1969 encouraged the processing of smallholders rubber into crumb rubber. Since then crumb rubber production has been increasing, but in 1978 declined by 8% to 445 thousand tons compared with the preceding year.

The trend of crumb rubber production in the last five years was as follows (in thousand tons).

The major part of crumb rubber produced consisted of SIR 20 and SIR 50. This was due to the availability of raw material to produce those types of crumb rubber.

In 1978/79, rubber ranked second after timber among the non-oil/LNG export commodities. The value of exports of rubber increased by 27% to \$ 774 million. The increase was attributable to soaring world market prices of rubber. This phenomenon was closely related to the higher price of crude oil which is a raw material for synthetic rubber production.

World production of natural and synthetic

TABLE 42 – WORLD RUBBER PRODUCTION AND CONSUMPTION
(thousand tons)

Year	Rubber production			Rubber consumption		
	Natural	Synthetic	Total	Natural	Synthetic	Total
1969	2,995	5,533	8,528	2,915	5,365	8,280
1970	3,103	5,892	8,995	2,990	5,635	8,625
1971	3,085	6,215	9,300	3,092	6,185	9,277
1972	3,120	6,765	9,885	3,230	6,730	9,960
1973	3,505	7,757	11,262	3,403	7,575	10,978
1974	3,445	7,575	11,020	3,518	7,450	10,968
1975	3,315	6,855	10,170	3,368	7,028	10,396
1976	3,565	8,030	11,595	3,505	7,915	11,420
1977	3,590	8,500	12,090	3,710	8,450	12,160
1978 *	3,690	8,720	12,410	3,710	8,690	12,400

Source : IRSG, Rubber Statistical Bulletin
Vol. 33, No.8, May 1979

Year	Rubber	Crumb Rubber	Share of crumb rubber in total output
1974	817	374	45.8
1975	782	397	50.8
1976	856	423	49.4
1977	838	485	57.9
1978*	844	445	52.7

Source: Department of Trade and Cooperatives

rubber, which was 12,090 thousand tons in 1977, increased by 3% to 12,410 thousand tons in 1978. Meanwhile, world consumption of rubber, which was 12,160 thousand tons in 1977, increased by 2% to 12,400 thousand tons in 1978. World rubber production and consumption during the last 10 years is shown in Table 42.

The above table reveals that the share of natural rubber production in total world rubber production was 30% in 1978 as against 35% in 1969. This means that during the last 10 years the share of natural rubber production in total world rubber production declined by approximately 5%.

b.2. Copra

Copra output, mostly originating from smallholders, did not progress satisfactorily during the last few years. Production could not meet the increasingly higher level of consumption. Consequently the export of copra, which used to be a major export commodity, was gradually suspended, and in 1977 copra was even imported. In 1978 copra output decreased slightly to 1,467 thousand tons compared with 1,518 thousand tons in 1977, mainly due to overaged trees. Copra output during the last five years developed as follows (in thou-

Year	Output
1974	1,341
1975	1,375
1976	1,532 ^r
1977	1,518
1978*	1,467

Source: Supplement to the President's Report to Parliament, August 16, 1979

sand tons).

In order to increase output, the Government has been making efforts to rejuvenate coconut trees by using high yielding seeds and application of better cultivation techniques.

In the last few years, a high yielding hybrid seed was developed to grow high yielding trees in relatively short periods of time. Till the end of 1978/79, a total of 4.7 million hybrid seedlings were distributed, originating from seed stations in Aceh, Nias, West Java, South Sulawesi, North Sulawesi and Lampung.

b.3. Palm oil

Among plantation crops, palm oil output has been increasing continuously. This increase materialized because since 1960, the Govern-

Year	Production
1968	181
1969	189
1970	217
1971	249
1972	270
1973	289
1974	348
1975	397
1976	431
1977	483
1978*	519

Source: Supplement to the President's Report to Parliament, August 16, 1979

ment has regularly replanted and expanded the area under cultivation with high yielding seeds, introduced improved cultivation techniques and rehabilitated factories. As a result, palm oil production rose continuously and increased by 7% to 519 thousand tons in 1978. During the last 10 years, palm oil production increased by nearly 200% as shown below (in thousand tons).

In consonance with the increase in production, the volume of palm oil exports also increased continually in the preceding years. However, in the reporting year the volume of palm oil export declined by 6% to 413 thousand tons, mainly due to a rise in domestic demand for palm oil as raw material to produce cooking oil as a substitute for coconut oil. Nevertheless, the export value increased by 9% to \$ 221 million, mainly on account of an increase in the world market price of palm oil. The average price of palm oil in the London market quoted at \$ 558.96 per long ton in 1977/78, rose by 17% to \$ 655.42 per long ton in the year under report.

b.4. Granulated sugar

The Government's efforts to increase production of granulated sugar was mainly channeled through an intensification program for sugar cane farmers (TRI Program), which was also designed to increase their incomes. Besides, measures were undertaken to expand the area under sugar cane cultivation and to increase the production capacity of the existing sugar mills. The result of these measures is reflected in the following figures on granulated sugar production (in thousand tons).

Year	Production
1974	987
1975	1,004
1976	1,054
1977	1,086
1978*	1,308

Source : Supplement to the President's Report to Parliament, August 16, 1979

The area under the TRI Program in 1978/79 covered a cultivated area of 77,632 hectares compared with a total area under sugar cane of approximately 200,000 hectares. The area covered till the end of 1978 was below the target, nevertheless it was 33% more than the preceding year.

Although granulated sugar output increased, it was still inadequate to meet the expanding domestic demand and therefore, sizable imports were necessary.

Granulated sugar imports in 1978/79 at 496 thousand tons were practically unchanged compared with the preceding year.

b.5. Tea

Most of Indonesia's tea is produced by estates. The output thereof, which in the main is black tea, increased by 15% to 71 thousand tons, while that of green tea produced by smallholders remained at about the same level as of the preceding year. The increased estate tea output was, inter alia, attributable to the expansion of the area under tea cultivation and rehabilitation of the existing tea factories.

The trend of tea production during the last few years was as follows (in thousand tons).

A large part of the production of estate tea was exported. In the year under report tea

Year	Smallholder's tea	Estate tea	Total
1974	14	51	65
1975	14	56	70
1976	13	60	73
1977	14	62	76
1978*	14	71	85

Source : Supplement to the President's Report to Parliament, August 16, 1979

exports increased by 12% to 67 thousand tons, but its value declined by 18% to \$ 98 million because of lower prices abroad. The average tea price in London market for instance, which was f 1.23 per kg in 1977/78, declined by 37% to f 0.78 per kg in the year under report.

b.6. Coffee

Most of Indonesia's coffee output originated from smallholders. The volume thereof declined in 1978 by 5% to 187 thousand tons. The figures on coffee production during the last five years are as follows (in thousand tons).

As in the case of estate tea, most of the coffee was destined for export. In 1978/79, the volume of coffee exports increased by 29% to reach 231 thousand tons, but its value declined by 19% to \$ 508 million, so as to relegate its proceeds, which ranked second in total non-oil foreign exchange earnings in 1977/78 to the third position. The lower earnings were closely related to the decline of coffee price in world markets, mainly due to the recovery of coffee production in Brazil after having experienced a decline in 1976.

Year	Smallholder's coffee	Estate coffee	Total
1974	132	17	149
1975	144	16	160
1976	178 ^r	16	194
1977	181	16	197
1978*	171	16	187

Source : Supplement to the President's Report to Parliament, August 16, 1979

b.7. Tobacco

Most of tobacco production originated from smallholders, mainly in East and Central Java. Efforts to increase production and to improve the quality of smallholder tobacco were continued, especially through better cultivation and processing techniques and provision of concessional loans. Tobacco production in 1978 increased by 18% to reach 99 thousand tons. Figures on tobacco production during the last five years are as follows (in thousand tons).

Besides domestic consumption, tobacco was exported mainly to West Germany. In 1978/79, the export volume of tobacco was at about the same level as that in the preceding year, i.e. 27 thousand tons, but its value declined by 2% to \$ 58 million.

Year	Smallholder's tobacco	Estate tobacco	Total
1974	69	8	77
1975	74	8	82
1976	78 ^r	11	89
1977	72	12	84
1978*	86	13	99

Source : Supplement to the President's Report to Parliament, August 16, 1979

b.8. Spices

About 90% of spices, such as pepper, nutmeg and cloves, are produced by smallholders. The production trend of these three types of spices in the last five years was as follow (in thousand tons).

Year	Pepper	Nutmeg	Cloves
1974	27	13	15
1975	23	15	15
1976	37	14	20 ^r
1977	43	15	39
1978*	44	17	23

Sources: — Supplement to the President's Report to Parliament, August 16, 1979
— Department of Agriculture

Pepper production, consisting of white and black pepper, increased by 2% to reach 44 thousand tons in 1978. Most of the output was destined for export, whose volume increased by 23% to 38 thousand tons in 1978, while its value rose by only 6% to \$ 66 million. The smaller rate of increase in value relative to volume was attributable to the declining price of black pepper in world markets due to the emergence of Brazil as a new pepper producing country. The average price of black pepper in New York, for example, which was \$ 1.14 per lb in 1977/78 declined by 12% to \$ 1.00 per lb in 1978/79.

Nutmeg production in 1978 increased by 13% to reach 17 thousand tons. Export volume of nutmeg in that year increased by 4.4% to 7.4 thousand tons, while its value rose by only 2.5% to \$ 11 million. This was mainly due to the decline in the average price of nutmeg abroad, i.e. from Sin. \$ 345.0 per picul³⁾ in 1977/78 to Sin. \$ 291.3 per picul in 1978/79.

In 1978 cloves production decreased by 41 % to 23 thousand tons. It fell short of domestic demand, therefore necessitating imports which amounted to 10 thousand tons in 1978 valuing \$ 49 million. In order to reduce imports, the Government has continuously made efforts to increase clove production through intensification and extensification programs.

2. Forestry

Forestry products play an important role in Indonesia's economy, because, in addition to serving needs of raw material for domestic industries, they rank as the largest non-oil foreign exchange earner. The most important forestry product is timber, while others meriting specific mention are rattan, resin and copal.

Year	Reforestation	Greening
1974	50.7	149.8
1975	89.7	70.6
1976	170.5	302.7
1977	204.1	632.7
1978*	265.1	689.3

Source : Supplement to the President's Report to Parliament, August 16, 1979

Efforts to expand forestry produce were continued with due regard to the conservation of natural resources. This found expression through control on forestry exploitation as well as forestation and greening measures. The results of reforestation and greening efforts during PELITA II were as follows (in thousand hectares).

3) 1 picul = 60.5 kg

Year	Production
1974	23,280
1975	16,296
1976	21,427
1977	22,939
1978*	31,094

Source : Supplement to the President's Report to Parliament, August 16, 1979

Timber production in 1978 increased by 36% to reach 31,094 thousand cubic meters. This significant increase was mainly attributable to higher timber prices in domestic as well as in international markets.

The production of timber during the last five years was as follows (in thousand m')

In order to develop domestic timber industry, the Government has, since January 1978, discouraged exports of logs by increasing export tax thereon from 10% to 20%, and by exempting processed timber from export tax. Besides, companies selling logs to domestic timber processing industries were also exempted from sales tax.

In 1978/79, the export volume of timber increased from 15.7 million tons to 16.1 million tons, while its value increased by 20% to reach \$ 1,130 million. Most of timber exports consisted of meranti. Other types of wood which were exported included keruing, ramin, pulai, agathis and teak wood.

Based on Forest Exploitation Rights issued through December 31, 1978, the number of companies licensed to operate in forest exploitation under the Domestic Capital Investment Law as well as Foreign Capital Investment Law totalled 382, covering an area of 36 million hectares and an intended capital investment of approximately \$ 1.1. billion.

In 1978, exports of other forestry products, except rattan, such as resin and copal, registered declines in volume as well as in value.

	Volume (thousand tons)			Value (million \$)		
	1976	1977	1978	1976	1977	1978
Rattan	65.0	79.9	72.8	9.1	18.2	28.6
Resin	5.5	4.7	4.8	0.7	0.6	0.4
Copal	3.4	5.2	1.8	0.5	0.8	0.3

The trend of exports of these products during the last few years was as follows.

3. Fishery

Fishery undertaking is mainly carried out by small fishermen and fish breeders. Besides, fishcatching is also done by fishery companies using modern equipments, which product is mainly destined for export.

Year	Sea fishery	Inland fishery	Total
1974	949	388	1,337
1975	997	393	1,390
1976	1,082 ^r	401 ^r	1,483
1977	1,158	414	1,572
1978*	1,225	430	1,655

Source : Supplement to the President's Report to Parliament, August 16, 1979

In order to increase fishery production and to improve the standard of living of small fishermen and fish breeders, the Government has provided guidance with respect to fish cultivation and assisted in the construction of facilities such as public fish auctions, hatcheries and fish fry markets. Besides, the banking sector continuously has increased the availability

of credit under the Small Investment Credit and Permanent Working Capital Credit programs.

In order to protect small fishermen and to preserve fishery resources, the Government has made classification of fishing boats and made restrictions with respect to their respective area of operation.

Fishery production in 1978 increased by 5% to reach 1,655 thousand tons. The trend of fishery production during the last five years was as follows (in thousand tons).

In 1978, exports of fishery products increased by 10% to 64 thousand tons in volume and by 18% to \$ 193 million in value. Most of it was shrimp and the main countries of destination were Japan, Taiwan and South Korea. Exports of fishery products during the last five years is shown in the following figures.

Year	Volume (thousand tons)				Value (million \$)
	Shrimps	Fresh fish	Others	Total	
1974	32.7	7.1	15.1	54.9	92.3
1975	25.1	4.7	10.9	40.7	88.2
1976	31.5	7.0	15.9	54.4	131.4
1977	31.6	11.0	14.8	57.4	163.0
1978*	32.6	13.9	17.0	63.5	193.4

Source : Supplement to the President's Report to Parliament, August 16, 1979

D. Mining

Mining maintained its important role in Indonesia's economy during the year under report, both as a source of foreign exchange and of Government revenue. The Government therefore, continued to encourage mining activities, as inter alia reflected in the share of mining in the Government development bud-

get which was increased by 222% to Rp 58 billion. As a result of the policy measures introduced in earlier years, the total number of foreign contractors in the field of crude oil and natural gas exploitation increased by 6 to 39, while the total number of those engaged in the exploitation of other mineral products increased by 1 to 10.

In 1978/79, natural gas, tin and coal output increased, while that of other mineral products such as crude oil, copper concentrate, nickel ore, bauxite, iron sand concentrate, gold and silver decreased.

1. Crude oil

After a substantial increase in 1976/77 and 1977/78, crude oil output in 1978/79 declined by 4% to 589 million barrels or 1.6 million barrels per day on the average. Exploration activity, decreasing since 1976 however, increased again in 1978. A total of 154 wells were drilled in 1978, compared with 148 and 135 in 1976 and 1977 respectively. This increase was a consequence of the incentives provided to foreign contractors operating under contracts of work or production sharing contracts or in joint ventures with PERTAMINA.

Year	Production	Average production per day
1974/75	485.5	1.33
1975/76	497.9	1.36
1976/77	568.3	1.56
1977/78	616.0	1.69
1978/79*	589.2	1.61

Source : Supplement to the President's Report to Parliament, August 16, 1979

Crude oil production during the last few years was as follows (in million barrels).

Out of the 589 million barrels of crude oil produced in 1978/79, 462 million barrels (78%) were exported, while the rest was refined domestically to meet the internal demand for fuels. As domestic refinery output could not yet suffice domestic demand, 23 million barrels of fuels had to be imported in the year under report. The total domestic need for fuels in 1978/79 amounted to 117 million barrels.

The domestic price of fuels in 1978/79 remained practically constant, i.e. Rp 90: per liter for super, Rp 70.- for avtur, avgas and premium, Rp 25.- for automotive diesel oil, Rp 22.- for industrial diesel and fuel oil, and Rp 18: for kerosene. As the production cost of fuels exceeded their price in 1978/79, the Government paid Rp 197 billion as subsidy compared with Rp 65 billion in the preceding year.

2. Natural gas

With the completion of the liquefied natural gas (LNG) plant in Arun (Aceh) during the year under report, there are now 2 LNG plants in Indonesia. The first plant was constructed in Badak (East Kalimantan) in 1977. Both plants are able to process 1,130 thousand MSCF⁴⁾ of natural gas per day into 8.1 million tons of LNG per year. Natural gas has, therefore, been put to better use as a source of energy for domestic and export purposes.

Meanwhile, in the year under report, construction was completed of a network in West

Year	Production	Use
1974	202.3	72.2
1975	222.3	82.4
1976	312.4	88.1
1977	542.8	282.9
1978 ⁴⁾	820.1	596.6

Source : Supplement to the President's Report to Parliament, August 16, 1979

Java to pipe natural gas to a number of factories such as Krakatau Steel, the Kujang fertilizer plant, the Cibinong cement plant and the State Gas Corporation. Since then, Indonesia had 4 networks of pipes for natural gas, i.e. in South Sumatra, East Kalimantan, Aceh and West Java.

In consonance with the aforementioned developments, the output and use of natural gas in 1978 increased by 51 % and 111 %, respectively.

The production and use of natural gas⁵⁾ during the last few years was as follows (in million MSCF).

3. Tin

In the year under report, tin output increased by 5% to 28 thousand tons. This increase was attributable to enhanced offshore exploration activity, among other through the addition of a dredger with an annual capacity of 1,500 tons of tin.

Output of tin-in-concentrate during the last five years was as follows. (In thousand tons).

5) The output of natural gas consists of associated gas and non associated gas. The use of natural gas is the total volume of natural gas actually used for several purposes. Part of the natural gas output, (especially associated gas), not or not yet used, was burned locally to prevent pollution and fires

4) MSCF = Mile Standard Cubic Feet

Years	PT Timah	PT Koba Tin	PT BHPI	Total
1974/75	24.8	...	—	24.8 ¹⁾
1975/76	24.3	0.8	...	25.1 ²⁾
1976/77	22.1	1.0	0.2	23.3
1977/78	23.8	2.2	0.3	26.3
1978/79*	23.9	3.1	0.5	27.5

1) Only PT Timah

2) Excluding PT BHPI

Sources:—Supplement to the President's Report to Parliament, August 16, 1979

—Department of Mines and Energy

Along with the increase in production, the volume and value of tin exports also increased in 1978/79, i.e. by 4% to 26 thousand tons and by 28% to \$ 324 million respectively. As mentioned in the 1977/78 report, there are currently 4 companies engaged in tin mining, namely PT Timah, PT Koba Tin, PT Broken Hill Proprietary Indonesia (PT BHPI) and Billiton Exploratie Maatschappij Indonesia NV (BEMI NV).

Pursuant to Act No. 1 of 1967 concerning foreign investment, companies established under this Act shall be incorporated under Indonesian law. Consequently, in December 1977, BEMI NV established PT Riau Tin Mining (PT RITIN) which, since March 1978, has officially taken over all activities of BEMI NV. In the year under report, activities of PT RITIN were confined to preparations for exploitation.

4. Nickel

Nickel ore production in 1978/79 decreased by 11% to 1,178 thousand tons, inter alia due to the depletion of nickel ore reserves in the old mining areas. Mining in new areas was not yet undertaken because of the weak world nickel market.

Nickel ore output during the last five years was as follows (in thousand tons).

Year	Production
1974/75	781.1
1975/76	751.2
1976/77	1,177.4
1977/78	1,316.7
1978/79*	1,178.0

Source : Supplement to the President's Report to Parliament, August 16, 1979

The aforementioned nickel ore output was partly exported, and partly processed into ferro nickel and nickel matte. Ferro nickel was produced by PT Aneka Tambang while nickelmatte was produced by PT Inco.

Ferro nickel and nickel-matte production during the last three years was as follows (in tons)¹⁾

Year	Ferro nickel	Nickel Matte ²⁾
1976/77	4,343.7	—
1977/78	4,820.7	2,077
1978/79*	4,403.3	5,729

1) Nickel equivalent

2) Calendar year

Source : Supplement to the President's Report to Parliament, August 16, 1979

Mining and processing of nickel ore on the island of Gag by PT Nickel Indonesia, initially expected to be completed in 1983, was delayed. Hopefully production would resume in 1984. Meanwhile, the Government has given approval to PT Aneka Tambang for mining of nickel ore on the island of Gebe (Halmahera) in order to enable the continuation of tin ore exports.

5. Bauxite

In the year under report, bauxite production decreased by 21 % to 965 thousand tons. This was a consequence of the decrease in demand from Japan, the only country purchasing bauxite. In 1978/79 the value and volume of exports declined by 15% to 982 thousand tons and by 6% to \$ 8,722 thousand respectively. To date, the whole bauxite output has been exported, as it cannot yet be processed domestically.

Bauxite production in the last few years was as follows (in thousand tons).

Years	Production
1974/75	1,284.2
1975/76	935.8
1976/77	1,048.5
1977/78	1,221.8
1978/79*	964.9

Source : Supplement to the President's Report to Parliament, August 16, 1979

6. Coal

Coal production, primarily intended to meet domestic needs, increased by 3% to 256 thousand tons in 1978/79. The increase was attributable to the rehabilitation efforts commenced in 1977 and an increase in domestic demand.

Coal production in the last five years was as follows (in thousand tons).

Besides increasing the capacity of the existing coal mines, i.e. Bukit Asam and Ombilin, the Government continued its efforts to open new mines. According to the latest estimates, total coal reserves in the area are 10.2 billion

Years	Production
1974/75	171.6
1975/76	204.0
1976/77	183.3
1977/78	248.5
1978/79*	256.0

Source : Supplement to the President's Report to Parliament, August 16, 1979

tons. As mentioned in the previous annual report, Shell Mijnbouw NV, a Dutch company, conducted explorations in Bukit Asam under a production sharing contract. It has terminated its activity since July 1978, as the marketing prospect and price trend of that particular type of coal were unfavorable.

7. Copper

The output of copper concentrate which was only produced by PT Freeport Indonesia Inc. in the mountain range of Ertsberg (Gunung Bijih), Irian Jaya, declined by 1% to 185 thousand tons during 1978/79. The decline was attributable to a decrease in the world market

Years	Production
1974/75	208.1
1975/76	210.0
1976/77	212.2
1977/78	186.8
1978/79*	184.9

Source : Supplement to the President's Report to Parliament, August 16, 1979

price and increasing depletion of the copper ore reserves in the mining area.

Copper concentrate production during the last few years was as follows (in thousand tons dry concentrate).

Along with the decline in output and price;

the volume and value of exports also decreased by 11 % to 168 thousand tons and by 14% to \$ 64 million respectively.

To increase production in the near future, PT Freeport Indonesia Inc. has planned to mine underground in the eastern area of Ertsberg which was scheduled to commence production in 1982. It may be added that in September 1978, a joint venture company, PT Coperindo Utama, has signed a contract of work to conduct exploration in Karang Nunggal, Tasikmalaya.

8. Iron

Production of iron concentrate, which is one of the raw materials for steel and cement production, declined by 62% to 120 thousand tons in 1978/79 as exports to Japan, the only country of destination, have stopped since June 1978 because there was no agreement regarding price and export volume.

Iron concentrate production in the last few years was as follows (in thousand tons).

Due to stoppage of exports from June 1978, the volume and value of iron concentrate exported in 1978/79 were only 67 thousand tons valued at \$ 0.6 million, compared with 219 thousand tons or \$ 1.8 million in the preceding year.

It may be noted that research is being con-

Years	Production
1974/75	349.2
1975/76	346.2
1976/77	299.7
1977/78	317.2
1978/79*	120.2

Source : Supplement to the President's Report to Parliament, August 16, 1979

ducted for the processing of iron sand into pellet iron in the area South of Yogyakarta. The pellet iron so derived is planned to serve as raw material for PT Krakatau Steel.

9. Gold and silver

Gold and silver are mined exclusively by PT Aneka Tambang in the area of Cikotok and Cirotan in West Java. As the declining trend in production continued during the year under report, gold and silver output fell by 13% to 220 kgs and by 21 % to be 2,216 kgs respectively. The decline was due to the depletion of reserves and the increasingly higher sulphide content which made processing difficult.

The gold and silver production in the last few years exhibited the following trend (in kgs).

Meanwhile, PT Aneka Tambang continued

Years	Gold	Silver
1974/75	260.0	6,129
1975/76	321.5 ^r	4,224
1976/77	349.2 ^r	3,138
1977/78	252.3	2,788
1978/79*	220.3	2,216

Source : Supplement to the President's Report to Parliament, August 16, 1979

exploration in search for new reserves. It was also engaged in research to extract lead and zinc from gold and silver ore.

E. Manufacturing industry

In the year under report, the policy with respect to industry was still directed toward efforts to support the agriculture sector and to develop the construction material and textile industry. Those efforts had gained satisfactory

TABLE 43 — SELECTED INDUSTRIAL PRODUCTION

	Units	1974/75	1975/76	1976/77	1977/78	1978/79*
— Textiles	million meters	974.0	1,017.1	1,247.0	1,332.5	1,400.0
— Yarn	thousand bales	364.0	445.4	622.9	678.3	900.0
— Urea fertilizer	thousand tons	209.1	387.4	406.0	990.0	1,434.0
— ZA fertilizer	thousand tons	129.1	113.8	105.2	93.3	116.0
— Cement	thousand tons	828.9	1,241.4	1,979.3	2,878.6	3,639.7
— Paper	thousand tons	43.2	46.7	54.4	83.5	165.9
— Salt	thousand tons	70.0 ¹⁾	147.2	560.0	786.0	165.0
— Automobile tyres	thousand units	1,704.0	1,796.0	1,883.3	2,339.1	2,640.9
— Motor cycle tyres	thousand units	792.4	1,000.0	1,520.0	2,429.4	2,490.0
— Coconut oil	thousand tons	265.0	268.4	276.2	276.3	319.1
— Cooking oil	thousand tons	29.4	30.6	32.6	31.3	37.8
— Laundry soap	thousand tons	148.9	164.6	175.5	194.9	234.8
— Detergent	thousand tons	7.0 ²⁾	34.9	33.4	38.5	48.7
— Clove cigarettes	million units	30,600.0	33,300.0	37,900.0	40,900.1	45,200.0
— White cigarettes	million units	21,865.0	23,500.0	22,637.0	23,100.0	24,200.0
— Matches	million boxes	707.0	780.0	772.0	506.1	503.7
— Tooth paste	million tubes	46.0	107.8	103.6	104.4	119.3
— Reinforcing steel bars	thousand tons	115.0	202.0	296.3	240.0	300.0
— Steel wire	thousand tons	30.0	43.4	84.6	98.0	112.0
— Galvanized iron sheet	thousand tons	70.0	145.0	156.0	185.0	185.0
— Electric/Telecommunication cord	thousand tons	7.0	9.0	9.0	12.5	13.1
— Steel pipe	thousand tons	94.0	97.0	107.0	120.0	118.3
— Diesel engine	thousand units	8.0	8.0	24.0	25.3	30.4
— Hand tractors	units	—	30	30	44	280
— Sprayers	thousand units	20.0	15.0	20.0	15.3	24.2
— Sewing machines	thousand units	400.0	520.0	400.0	484.0	500.9
— Hullers	units	3,500	3,000	1,000	830	2,200
— Automobiles	thousand units	65.6	78.9	75.3	83.9	98.6
— Three wheel vehicles	thousand units	1.1	3.7	4.8	5.3	...
— Motor cycles	thousand units	251.0	300.0	267.6	271.8	320.0
— Batteries	thousand units	180.0	220.0	480.0	575.0	800.0
— New steel vessels	thousand BRT	17.8	15.0	18.5	13.2	11.5
— Aeroplanes	units	—	2	3	7	16
— Helicopters	units	—	—	13	6	33
— Dry batteries	million units	144.0	240.0	420.0	442.0	420.0
— B & W television sets	thousand units	135.0	165.5	210.0	460.0	573.0
— Color television sets	thousand units	—	—	2.8	22.0	38.0
— Radio sets	thousand units	1,000.0	1,000.0	1,100.0	1,000.0	1,128.0
— Radio cassette recorder	thousand units	160.0	227.0	325.0	547.6	488.0
— Light bulbs/TL tubes	million units	18.9	21.5	26.0	24.8 ^f	29.0
— Refrigerators	thousand units	25.0	40.0	50.0	65.0	75.0

1) Excluding small-scale industry production

2) Excluding detergent cream

Sources : — Supplement to the President's Report to Parliament, August 16, 1979
 — Department of Industry

results, which were reflected in the increase of fertilizer, cement and textile production. Besides, production of vehicle tires, paper and basic metal also showed an encouraging development (see Table 43). The aforesaid production increase was achieved through rehabilitation and expansion of existing plants and construction of new ones as well as the issuance of Government's policies with respect to taxes, credit and foreign exchange. Those efforts were also supported by the availability of Government development budget for the manufacturing sector which was increased by 26% to Rp 164 billion. Besides, bank credits extended to the manufacturing sector also showed a significant increase, so that at the end of the reporting year it amounted to Rp 1,707 billion, compared to Rp 1,233 billion at the end of the preceding year.

With respect to capital investment in manufacturing industry, an intended investment of Rp 531 billion for 218 projects under the Domestic Capital Investment Law and \$ 202 million for 25 projects under the Foreign Capital Investment Law were approved by the Government in 1978.

1. Textile

To meet the increasing domestic demand for textiles, efforts have been continuously made since the last few years to develop the textile industry.

Along with those developments measures have also been taken to increase the supply of raw materials, primarily through the extension of weaving yarn and synthetic fibre production.

One of the difficulties faced by domestic

textile industry was the competition in marketing vis-a-vis imported textile. To overcome this difficulty, particularly in 1976, the Government had introduced a number of measures, such as import restrictions on selected items of textiles which could be produced domestically and the imposition of higher import duties⁶⁾. With the issuance of the November 15, 1978 measures, which strengthen the competitiveness of the domestic products, the former measures which were particularly designed to protect domestic textile production were abolished.⁷⁾

Textile production in the reporting year amounted to 1,400 million meters, i.e. 5% higher than that in the preceding year. Meanwhile, weaving yarn production, as a raw material for textile production, increased by 33% to 900 thousand bales in the year under report. It should be added that the textile export value showed an encouraging increase to reach \$ 27 million in 1978/79 compared to \$ 11 million in the preceding year. The above mentioned increase in production and exports of textile were closely related to the effects of the November 15, 1978 measures.

Textile and weaving yarn production during the last few years were as follows.

2. Fertilizer

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- 6) Joint Decision of three Ministers (Minister of Finance, Minister of Trade and Minister of Industry) No.314/KPB/X11/76; No. KEP1699/MK/III/ 12/1976; No.475/M/SK/12/76, December 31, 1976.
 - 7) Joint Decision of three ministers (Minister of Finance, Minister of Trade & Cooperatives and Minister of Industry) No.271/KPB/X11/1978, No. 489/KMK/05/1978; No.243/M/SK/12/1978, December 13, 1978

Year	Textile (million meters)	Yarn (thousand bales)
1974/75	974.0	364.0
1975/76	1,017.1	445.4
1976/77	1,247.0	622.9
1977/78	1,332.5	678.3
1978/79*	1,400.0	900.0

Source : Supplement to the President's Report to Parliament, August 16, 1979

In the year under report, the construction of the Urea fertilizer plant "Kujang" in Cikampek, West Java, has been completed, with an annual production capacity of 570 thousand tons. With the completion of the plant, the total production capacity of Urea fertilizer increased by 34% to reach 2,235 thousand tons. Meanwhile, the annual production capacity of Ammonium Sulphate fertilizer remained unchanged, that is 150 thousand tons.

Along with the additional production capacity, the Urea production increased sharply from 990 thousand tons to 1,434 thousand tons in the year under report. Ammonium Sulphate, produced only by PT Petro Kimia in Gresik, showed a production increase of 24% to reach 116 thousand tons.

Due to the production increases during the last few years, the Urea production was not only able to fulfill the domestic needs, but it has also been exported. The first export was realized in 1977, and in the year under report it amounted to 262 thousand tons with an export value of \$ 37 million. Yet, to fulfill the domestic needs for other kinds of fertilizer, 180 thousand tons of TSP and Ammonium Sulphate were imported in 1978.

Under ASEAN cooperation, a plan has been made to build a Urea fertilizer plant in

Aceh, with an annual production capacity of 570 thousand tons. The plant is a joint venture of the ASEAN member countries, the shares of which are mainly owned by Indonesia, i.e. 60%, while those owned by Malaysia, Thailand and the Philippines totalled 13 %, respectively, and Singapore 1 %. The plant is estimated to commence production in 1982. Another Urea fertilizer plant, i.e. Kaltim I, in East Kalimantan, with an annual production capacity of 570 thousand tons, was also under construction and was estimated to be completed in 1982.

3. Cement

In the year under report the expansion of portland cement plants implemented by PT Indocement in Cibinong and PT Semen Gresik in Gresik, have been completed, adding the production capacity of each plant by 1 million tons. With the addition, the total annual production capacity of cement increased by 53% to 5,750 thousand tons.

The increase in the production capacity was reflected in the cement production which increased by 26% to reach 3,640 thousand tons in 1978/79. The development of cement production in the last few years is shown in the following figures (in thousand tons).

Due to the increasing production, imports of cement had been reduced, and even port-

Year	Production
1974/75	828.9
1975/76	1,241.4
1976/77	1,979.3
1977/78	2,878.6
1978/79*	3,639.7

Source : Supplement to the President's Report to Parliament, August 16, 1979

land cement began to be exported in the year under report, totalling 106 thousand tons with an export value of \$ 4.8 million. It can be stated that in the reporting year 297 thousand tons of cement was imported, most of which was white cement that was not produced domestically.

4. Motor vehicle tires

In the year under report, the annual production capacity of automobile tires has been increased by 11 % to reach 2,766 thousand pieces. Following the expansion in capacity, the output of automobile tires increased by 13/0 to 2,641 thousand pieces. Meanwhile, the output of motorcycle tires also increased, i.e. by 2% to 2,490 thousand pieces. The development of tires production during the last few years was as follows (in thousand pieces).

Year	Automobile tires	Motorcycle tires
1974/75	1,704.0	792.4
1975/76	1,796.0	1,000.0
1976/77	1,883.3	1,520.0
1977/78	2,339.1	2,429.4
1978/79*	2,640.9	2,490.0

Source : Supplement to the President's Report to Parliament, August 16, 1979

5. Paper

To meet the increasing demand for paper, the annual production capacity of paper had been expanded during the year under report, i.e. by a significant 127% to reach 291 thousand tons. The said increase was due to the completion of 11 new factories and expansion

of 8 factories. With the additional new factories, the number of paper factories totalled 27.

Following the increase in capacity, paper production increased significantly in the reporting year, i.e. by 99% to 166 thousand tons. The development of production capacity and paper output during the last few years was as follows (in thousand tons).

Year	Production capacity	Production
1974/75	48.2	43.2
1975/76	49.7	46.7
1976/77	77.6	54.4
1977/78	127.8	83.5
1978/79*	291.3	165.9

Sources: — Supplement to the President's Report to Parliament, August 16, 1979
— Department of Industry

Types of paper produced up to the year preceding the year under report were mainly writing paper, printing paper, cigarette paper, wrapping paper and some types of cardboard. In the year under report, some other types of cardboard had also been produced, such as coated multiple board, liner board, duplex board and corrugated board.

Although paper production increased significantly in the reporting year, it could, however, only meet about 30% of the domestic demand. Consequently, paper imports in that year amounted to 246 thousand tons with an import value of \$ 123.1 million, mainly consisting of newsprint and wrapping paper for cement.

6. Salt

Salt production, which is one of the nine essential commodities, mostly originated from

smallholders (around 65%), especially in Central and East Java (including Madura), while the rest is produced by P.N. Karam. In the reporting year, salt production dropped sharply from 786 thousand tons to 165 thousand tons, due to prolonged rainy season. Nevertheless, the domestic salt consumption could be fulfilled by previous year's stock.

The development of salt production during the last few years was as follows (in thousand tons).

Year	Smallholder	PN. Garam	Total
1974/75	...	70	...
1975/76	94	53	147
1976/77	350	210	560
1977/78	494	292	786
1978/79*	100	65	165

Source : Department of Industry

As it was stated in the previous annual report, in addition to its function as a producer, P.N. Karam was also assigned to maintain the price stability of salt, mainly to protect smallholder's salt producers. In this context, the floor price for small holder's salt procurement by PN Garam, which was introduced since 1977, remained unchanged in the reporting year, i.e. Rp 7.-/kg for grade I and Rp 5.-/kg for grade II.

7. Metal

Metal production in the reporting year showed an encouraging development. Production of reinforcing steel, which was the most important metal product, rose by 25% to 300 thousand tons in the year under report. The increase was mainly due to the higher domes-

tic prices of reinforcing steel, which was closely related to the effects of the November 15, 1978 measures. Meanwhile, the production of electric/ telecommunication cord and steel wire rose by 5% to 13 thousand tons and 14% to 112 thousand tons. Respectively, while galvanized iron sheet production was at about the same level as the previous year, i.e. 185 thousand tons.

It is worth noting, that in the reporting year PT Krakatau Steel has succeeded in producing "sponge iron" and "billet". Meanwhile, PT Barata has completed the construction of a steel foundry center in Surabaya, which produce i.a. grinding balls, small railway vans and components of road rollers.

8. Machinery, factory equipment and electronic appliances

Production of machinery, factory equipment and electronic appliances in the reporting year showed a significant increase. Production of agricultural equipment rose sharply, i.a. hand tractors from 44 to 280 units, rice hullers from 830 to 2,200 units, and insecticide hand sprayers from 15 thousand to 24 thousand units. Moreover, production of diesel engines rose from 25 thousand to 30 thousand units and sewing machine from 484 thousand to 501 thousand units. Due to the expansion of the use of electricity and television transmission network, output of electronic appliances generally increased. Production of television set rose by 27% to 611 thousand units, radio receiver by 13% to 1,128 thousand units, light bulbs/TL tubes by 17% to 29 million pieces and refrigerators by 15% to 75 thousand units.

9. Vehicles

In the year under report, production of vehicles generally increased. Automobile production increased by 18% to 99 thousand units and motor-cycle by 18% to 320 thousand units. Meanwhile, CASA-212 aircraft assembled by PT Nurtanio increased by 9 units to 16 units, whereas BO-105 helicopters rose from 6 units to 33 units. It is worthy to note that in the year under report, 2 CASA-212 aircrafts were exported. Production of steel ships in the reporting year totalled 114 units (12 thousand BRT) compared to 78 units (13 thousand BRT) in the preceding year.

F. Electric power and gas

In order to increase the output and use by consumers of electric power and gas, the Government has made numerous efforts such as increasing the production capacity and extension in the area of distribution.

In 1978, the electric power generating capacity of PLN (State Electricity Corporation) increased by 18% to 2,200 MW. The additional production capacity was mostly in East Java, i.e. 170 MW, raising the total capacity in that region to 427 MW. The progress of installed capacity of PLN during the last few years was as follows (in Mega Watt) .

Year	Electric Generator				Total
	Diesel Generated	Steam Generated	Hydro Generated	Gas Generated	
1974	264	250	279	126	919
1975	267	250	279	171	967
1976	316	250	321	333	1,220
1977	447	250	322	838	1,857
1978*	519	450	350	881	2,200

Source : State Electricity Corporation

In line with the increasing capacity, electric power output increased by 20% to 5,449 million KWH. Out of the total, 13% was generated outside the framework of PLN. Electric power generation during the last few years is shown below (in million KWH).

Year	Generated by PLN	Generated outside of PLN	Total
1974	2,567	679	3,246
1975	2,894	777	3,671
1976	3,363	678	4,041
1977	3,792	756	4,548
1978*	4,721	728	5,449

Source : State Electricity Corporation

Production and sales of gas by Perusahaan Gas Negara (State Gas Corporation) in 1978 increased to 80 million cubic meters and 68 million cubic meters respectively. Production and sales of gas during the last few years was as follows (in million cubic meters).

Year	Production	Sales to		
		Households	Enterprises	Total
1974	57.4 ^r	17.8	27.5	45.3
1975	71.0	16.6	42.9	59.5
1976	75.3 ^r	16.0	45.6	61.6
1977	78.6 ^r	16.5 ^r	49.2	65.7
1978*	80.0	18.0	50.3	68.3

Source : State Gas Corporation

Due to the completion of the construction of gas pipelines network in West Java, the State Gas Corporation in Jakarta has been able to utilize natural gas produced in Cemara oil field, West Java. The said natural gas replaced diesel oil which was thus far used as raw material.

G. Communications

Efforts to augment the availability and use of transportation and communication facilities made during the previous years in land, sea and air transportation as well as in postal and telecommunication services were continued in the year under report.

Due to the increase in investment and exploitation cost for the production of communication services, mainly after the introduction of the November 15, 1978 measures, the Government took some measures in the year under report to increase rates for certain communication services⁸⁾. Charges for highway transportation were increased by an average of 16.7%, while for railway transportation by 26.0% for passenger on main routes and by 24.6% for certain commodities (in bulk). Charges for sea and domestic air transportation were increased by 7.9% and 35.0% respectively, while for postal and giro services by 40% to 50% and telephone services by 100% to 257%. It may be noted, that fares for buses in certain cities, for local railways and for the transportation of 9 essential commodities remained unchanged.

The salient features of the production of services in each communication sector during the year under report are described below.

8) Decrees of the Minister of Communications, dated February 27, 1979

- a. No. 63/PR.303/PHB -- 79
- b. No. 64/PR.301/PHB - 79
- c. No. 65/PR.301/PHB - 79
- d. No. 66/PR.304/PHB - 79
- e. No. 67/PR.304/PHB -- 79
- f. No. 68/PR.302/PHB - 79

1. Land transportation

In order to improve land transportation services, the capacity and the quality of roads and bridges have been continuously improved through a renovation program as well as the construction of new roads and bridges. During the year under report, a total of 2,226 km roads and 4,560 m bridges have been renovated, besides construction of 60 km new roads and 913 m new bridges. In aggregate terms, 7,484 km roads and 23,683 m bridges have been renovated and 693 km new roads and 5,771 m new bridges have been built during the second plan period.

Along with improvement of the above mentioned infrastructure, the number of land transportation vehicles also showed a noteworthy increase in 1978. Commercial vehicles, such as buses and trucks, increased by 24% and 22% respectively, while passenger cars and motorcycles both rose by 13%. The position of the number of land transportation vehicles during the last few years was as follows (in thousands).

Year	Buses	Trucks/ cargo vehicles	Passenger cars	Motor cycles
1974	31.4	166.4	337.7	945.2
1975	35.9	189.5	378.0	1,151.0
1976	39.4	220.7	419.2	1,407.3
1977	46.6	268.1	471.1	1,719.5
1978*	57.8	328.0	531.2	1,940.0

Source : Supplement to the President's Report to Parliament, August 16, 1979

With respect to railway transportation, efforts were continued to recondition and to augment the availability of facilities during the preceding year. In addition, efforts have been

made to improve the services and the operation schedules of passenger and goods trains, particularly for medium and long distance transportation to maintain the balance between railway and highway transportation systems. The above mentioned efforts have resulted in increased turnover of railway transportation services. In 1978, passengers and cargo carried increased by 24% to 26,001 thousand passengers and by 19% to 4,744 thousand tons respectively. The position of railway transportation during the last few years was as follows.

Year	Passengers (thousands)	Passengers/km (millions)	Cargo (thousand tons)	Cargo ton/km (millions)
1974	25,416	3,466.3	4,540	1,116.2
1975	23,854	3,534.2	3,871	959.3
1976	20,060	3,371.0	3,322	701.0
1977	20,960	3,082.4	3,998	813.7
1978*	26,001	4,063.0	4,744	762.0

Source : Supplement to the President's Report to Parliament, August 16, 1979

As auxiliary to land transportation, measures had also been taken to improve river, lake and ferry transportation, with emphasis on the construction of supporting networks overheads, such as piers and terminals, and the provision of ferry boats, water-buses and river beacons. The trend in river, lake and ferry transportation is reflected by the following figures.

Year	Passengers (thousands)	Cargo (thousand tons)
1974	10,252	2,650
1975	8,870	2,869
1976	10,009	2,862
1977	12,351	2,522
1978*	13,586	2,648

Source : Department of Communications

2. Sea transportation

Maritime services have mainly been provided by the national merchant fleet, pioneer sailings and the ocean going fleet in accordance with the needs of an archipelago. Compared with the preceding year, the number of vessels, capacity and cargo transportation of the national merchant fleet in 1978 did not show a significant change, as may be seen from the following figures.

Year	Total Vessels	Capacity (thousand DWT)	Cargo Transportation (thousand tons)
1974/75	300	240	2,775
1975/76	305	263	3,040
1976/77	340	277	3,509
1977/78	316	311	3,635
1978/79*	322	312	3,529

Source : Supplement to the President's Report to Parliament, August 16, 1979

Pioneer sailings continued to receive attention, mainly to facilitate transportation among isolated regions which were generally unattractive for shipping companies. Regions served by the pioneer sailings were the west coast of Sumatra, Riau islands, West and East Nusa Tenggara, the coast of North, South and Central Sulawesi, Maluku and Irian Jaya. The number of vessels operated and cargo transported by the pioneer sailings during the last five years was as follows.

Year	Total Vessels	Capacity (DWT)	Cargo Transportation (tons)
1974/75	15	10,990	14,702
1975/76	16	11,181	39,687
1976/77	19	11,539	47,037
1977/78	20	12,872	62,888
1978/79*	21	11,171	70,226

Sources:— Supplement to the President's Report to Parliament, August 16, 1979
— Department of Communications

The number of vessels operated by the ocean going fleet decreased from 54 to 52 in 1978, but the capacity increased from 491 thousand DWT to 513 thousand DWT. This increase was due to the replacement of vessels of a higher capacity. However, the volume of cargo transported by ocean going fleet during 1978 decreased by 5% to 5,635 thousand tons. The development of the ocean going fleet and services provided during the last few years were as follows.

Year	Total Vessels	Capacity (thousand DWT)	Cargo Transportation (thousand tons)
1974/75	45	337 ^r	9,094
1975/76	47	412	6,185
1976/77	50	450	5,462
1977/78	54	491	5,891
1978/79*	52	513	5,635

Sources:—Supplement to the President's Report to Parliament, August 16, 1979
— Department of Communications

3. Air transportation

In an effort to establish an integrated national air transportation, the Government transferred in 1978 the management of the Government's capital invested in PT Merpati Nusantara Airlines (MNA) to PT Garuda Indonesian Airways (GARUDA) ⁹⁾. Accordingly, MNA became an affiliated company of GARUDA, and inter alia assured charge of pioneer air transportation, transportation of transmigrants and chartered flights for tourists.

9) Government Regulation No.30/1978, October 26, 1978.

The number of airplanes operated by scheduled airlines, served by 6 companies, increased from 114 in 1977 to 119 in 1978. The air transportation fleet during the last few years progressed as follows.

Year	Type of Airplanes			Total
	Piston engined	Turbo-prop	Turbojet	
1974	14	30	20	64
1975	20	35	32	87
1976	20	39	46	105
1977	8	50	56	114
1978*	8	53	58	119

Source: Supplement to the President's Report to Parliament, August 16, 1979

Along with the development of the air transportation fleet, efforts have been continuously made to gradually increase the capacity of the airports. Among existing airports, 4 have landing capability for DC-10 airplanes, 7 for DC-8, 14 for DC-9 and 35 for F28 airplanes. With improved capacity of the airports, all provincial capital cities, except Palangkaraya in Central Kalimantan, are presently connected by jet airplanes. Moreover, attention was also being paid to the improvement of airports for non-jet airplanes, mainly for pioneer air transportation.

The above mentioned efforts resulted in a significant increase in the output of domestic as well as international air transportation services. Passengers and cargo carried on domestic flights increased by 18% and 9% respectively, while those carried on international flights increased by 10% and 8% respectively. The progress of air transportation services during the last few years was as follows.

Year	Passengers Carried (in thousands)		Cargo Carried (in tons)	
	Domestic flights	Inter- national flights	Domestic flights	Inter- national flights
1974	2,126	110	19,252	3,574
1975	2,323	135	22,619	3,635
1976	2,783	170	28,781	3,318
1977	3,373	245	32,908	3,953
1978	3,980	270	35,822	4,257

Source : Supplement to the President's Report to Parliament, August 16, 1979

4. Postal and giro services

In order to provide extension in services to the public, an additional 74 post offices have been built during 1978, thereby increasing the number to 1,351. Besides, a number of mobile postal units played an important role. As a result, the performance of postal and giro services showed a significant improvement in 1978. Postal deliveries, drafts, giro & cheques, and parcels increased by 6%, 14%, 27% and 8% respectively.

Postal and giro services also assisted Bank Tabungan Negara (State Savings Bank) in its operations to promote public savings under the TABANAS and TASKA schemes. In 1978, total savings mobilized by Post and Giro offices increased by a significant 45% to reach Rp 16

billion. Postal and giro services during the last few years were as follows.

Postal and Giro Services	1974	1975	1976	1977	1978
Regular/express delivery (millions)	187	200	201	237	252
Post parcels (thousands)	614	794	772	848	913
Postal drafts (billion Rp)	63	81	99	122	139
Postal giro & cheques (billion Rp)	326	426	471	661	840
Savings with the State Savings Bank (billion Rp)	2	4	7	11	16
Number of Post Offices					
Central Post Offices	196	174	178	185	193
Subsidiary Post Offices	138	147	155	169	180
Auxiliary Post Offices	830	875	890	923	978

Source: Supplement to the President's Report to Parliament, August 16, 1979

5. Telecommunication

Progress in telecommunication services showed a gratifying result from year to year as was reflected in the increasing capacity of the telephone and telex services. In 1978, the telephone capacity increased significantly by 46% to 477 thousand subscribers, which was

Year	Automatic		Manual		Total	
	Telephone exchanges	Capacity	Telephone exchanges	Capacity	Telephone exchanges	Capacity
1974	37	126,000	507	104,042	544	230,042
1975	39	144,100	507	99,562	546	243,662
1976	52	160,600	507	103,886	559	264,486
1977	54	218,320	506	107,293	560	325,613
1978*	69	374,600	493	102,030	562	476,630

Source : Department of Communications

made possible by the use of the PALAPA Domestic Satellite Communication System, in addition to other telecommunication systems, such as the microwave transmission network and the troposcatter system. The number of telephone exchanges and their capacity developed as follows during the last few years.

The above mentioned progress had increased telecommunication services as was reflected in the extension of the use of Long Distance Direct Connections (SLJJ). In 1978, SLJJ was extended to several cities, including Bogor, Karawang, Banda Aceh and Bukittinggi, thus making the number of cities included in the SLJJ network a total of 32 cities at the end of 1978.

In order to take extensive advantage of the PALAPA Domestic Satellite Communication System, the possibility of cooperation with some ASEAN member countries, i.e. the Philippines, Malaysia and Thailand was explored. The probable use of a submarine cable communication system (SKKL) jointly with Malaysia for communications between Medan and Penang was also investigated.

6. Tourism

Efforts to expand the tourist trade were continued through propagation of tourism promotion abroad and the development of tourist attractions in Indonesia. In addition to the tourism promotion centers already existing in Frankfurt, San Francisco and Tokyo, a new one was established in February 1979 at Singapore to serve the ASEAN region. Besides, efforts to advertise Indonesia's tourist attractions abroad were also made through international tourism exhibitions.

The development of tourism has also been supported by the improvement of transportation services during the last few years and the rendering of better services to foreign tourists through speeding up the issuance of visas and related formalities.

Attention has also been given to accommodation facilities, which showed an increase from 54,776 rooms in 1977 to 59,223 rooms in 1978, mostly in Java & Bali (39,802 rooms) and in Sumatra (3,803 rooms). The number of foreign tourists visiting Indonesia during the last few years is shown by the following figures (in thousands).

Year	Total
1974	313.5
1975	366.3
1976	401.2
1977	486.8
1978*	488.6

Source: Supplement to the President's Report to Parliament, August 16, 1979

The figures above show that the number of foreign tourists increased from 486.8 thousands in 1977 to 488.6 thousands in 1978. Based on an estimated average length of stay of 5 days and a daily expenditure of \$ 35,- per tourist, foreign exchange earnings from tourism were estimated at \$ 86 million.

H. Prices

The trend in prices usually measured by the Jakarta Cost of Living Index, showed an increase of 11.9% in 1978/79, compared with the rise of 10.1% in the preceding year. The higher increase in the year under report primarily reflected the effect of the Rupiah ex-

TABLE 44 – COST OF LIVING INDEX IN JAKARTA
(September 1966 = 100)

	Food- stuffs	Housing	Cloth- ing	Others	General Index	Change (%)	
						Annual/ Quarterly	Monthly
1976							
March	1,986	1,695	846	1,635	1,709		
1976/77						<u>12.1</u>	
June	2,052	1,857	885	1,708	1,779	4.1	
September	2,150	1,997	930	1,800	1,870	5.1	
December	2,146	2,057	934	1,800	1,873	0.2	
March	2,199	2,144	944	1,826	1,916	2.3	
1977/78						<u>10.1</u>	
June	2,251	2,181	958	1,890	1,963	2.5	
September	2,342	2,245	997	1,959	2,039	3.9	
December	2,412	2,326	1,002	2,001	2,094	2.7	
March	2,432	2,356	1,005	2,008	2,109	0.7	
1978/79						<u>11.9</u>	
April	2,493	2,356	1,015	2,015	2,147		1.8
May	2,470	2,372	1,017	2,020	2,137		-0.5
June	2,419	2,381	1,017	2,028	2,109	0	-1.3
July	2,448	2,381	1,017	2,116	2,143		1.6
August	2,482	2,381	1,035	2,137	2,170		1.3
September	2,438	2,381	1,035	2,138	2,144	1.7	-1.2
October	2,452	2,391	1,036	2,169	2,159		0.7
November	2,511	2,391	1,061	2,239	2,210		2.4
December	2,520	2,391	1,087	2,316	2,234	4.2	1.1
January	2,583	2,410	1,123	2,389	2,292		2.6
February	2,663	2,424	1,154	2,399	2,345		2.3
March	2,681	2,426	1,166	2,404	2,359	5.6	0.6

Source : Central Bureau of Statistics

TABLE 45 — PRICE INDEX OF 9 ESSENTIAL COMMODITIES
(October 1966 = 100)

		Index	Change (%)	
			Annual/Quarterly	Monthly
<hr/>				
1976				
	March	1,506		
1976/77			<u>0.9</u>	
	June	1,471	-2.3	
	September	1,507	2.4	
	December	1,505	-0.1	
	March	1,520	1.0	
1977/78			<u>4.4</u>	
	June	1,525	0.3	
	September	1,523	-0.1	
	December	1,570	3.1	
	March	1,587	1.1	
1978/79			<u>3.1</u>	
	April	1,583		-0.3
	May	1,581		-0.1
	June	1,575	-0.8	-0.4
	July	1,590		1.0
	August	1,594		0.3
	September	1,587	0.8	-0.4
	October	1,594		0.4
	November	1,607		0.8
	December	1,597	0.6	-0.6
	January	1,603		0.4
	February	1,623		1.2
	March	1,636	2.4	0.8

Source : Central Bureau of Statistics

TABLE 46 – PRICES OF SELECTED EXPORT COMMODITIES (JAKARTA)
(Rupiah/kg)

	Rubber RSS I	Coffee Robusta	White Pepper	Black Pepper	B O P T e a	Copra
1976						
March	243.59	507.00	455.37	379.82	301.64	89.18
1976/77						
June	299.84	781.25	442.50	401.35	380.00	126.55
September	266.68	835.00	559.00	453.12	480.00	153.75
December	273.50	1,500.00	665.00	654.38	480.00	178.75
March	278.29	2,090.00	1,000.00	888.00	800.00	215.50
1977/78						
June	268.02	1,212.50	796.25	668.29	850.00	193.75
September	301.73	1,050.00	893.75	588.12	700.00	201.65
December	302.66	1,037.50	968.75	672.50	586.67	210.80
March	306.47	862.50	917.50	651.25	600.00	233.33
1978/79						
April	303.71	843.75	850.00	607.81	600.00	229.69
May	313.28	825.00	899.00	598.14	600.00	230.91
June	337.97	750.00	930.00	637.50	600.00	241.00
July	345.72	706.25	839.75	545.00	600.00	255.83
August	367.46	735.00	756.00	404.00	600.00	240.17
September	386.17	875.00	765.00	412.50	600.00	235.83
October	404.68	940.00	839.51	493.93	600.00	243.35
November	503.18	921.25	1,057.50	591.25	637.50	268.54
December	571.76	1,231.25	1,237.25	591.25	675.00	254.79
January	585.58	1,090.00	1,330.00	764.00	675.00	256.67
February	615.15	1,075.00	1,315.00	778.75	700.00	246.50
March	617.12	1,169.00	1,276.25	740.00	700.00	259.19

Source : Central Bureau of Statistics

change rate adjustment made on November 15, 1978. Till the end of October 1978, prices showed a gentle rise, that is only 2.4% compared with 6.7% during the same period in the preceding year. Due to the price adjustments following the November 15, 1978 measures, the rate of inflation of 9.3% during the period from November 1978 through March 1979 tended to be steep (see Table 44).

The increase in the Cost of Living Index in 1978/79 was particularly marked in the Clothing and Miscellaneous components, which registered rises of 16.0% and 19.7% respectively. In contrast, the Food index increased by 10.2% (compared with 10.6% in 1977/78), which was attributable to higher prices of foodstuffs, except rice. Despite its decision to increase the floor price of domestically procured rice by 13.0%, the Government managed to keep the rice price stable. This success was achieved through the availability of an adequate supply of rice, on account of an increase in domestic rice production. The price index for Housing did not show a significant increase, that is only 3.0%, due to, among others, the stable price of kerosene and electricity.

The relative price stability during 1978/79 can also be gauged from the movement of the price index of 9 essential commodities, which rose by only 3.1%, compared with 4.4% in 1977/78 (see Table 45). The subdued increase during the year under report was mainly attributable to the 0.3% decline in the price of rice, coupled with increases in the prices of some other commodities, such as cooking oil (16.0%), textiles (15.8%), granulated sugar (13.5%) and batiks (11.4%). With the excep-

tion of cooking oil, the increase in other prices occurred almost entirely after the adoption of the November 15, 1978 measures.

The domestic price of certain export commodities of Indonesia generally increased during the year under report (see Table 46). Price increases before November 1978 were closely related to spurts in world market prices, whereas those occurring thereafter particularly reflected the result of the Rupiah exchange rate adjustment. The average domestic rubber price of RSSI increased significantly in 1978/79, that is by 47.9% to reach Rp 430.42 per kg. Besides the boost provided by the Rupiah exchange rate adjustment, the increase was also caused by a 28.2% rise in the world rubber prices, resulting from, among others, the expansion in the demand of industrial countries for natural rubber due to the increasing production cost of synthetic rubber.

In contrast with the preceding year, the average coffee price (Robusta) in Jakarta decreased by 21.8% to Rp908.41 per kg in 1978/79. This price development followed the 35.5% decrease in the world average coffee prices mainly attributable to the recovery of Brazil's coffee output.

Due to the increase in output of some producing countries, the world tea supply also expanded, resulting in a price decline. In the London market, the price of BOP tea declined by 36.6% to £ 0.78 per kg. This price development adversely affected the domestic tea price in Jakarta, which registered a decrease of 13.5% to Rp 626.14 per kg for BOP tea.

The average domestic price of white pepper recorded an increase of 8.1 % to reach Rp 983.55 per kg in 1978/79. This increase

was particularly the outcome of the November 15, 1978 measures, since prices in the world market did not show any significant change. However, the average price of black pepper declined by 14.0% to Rp 564.54 per kg, in line with the 11.9% decrease to \$ 1.00 per kg in the world market.

I. Wages and salaries

The average rate of wage and salary for workers (with wife and 2 children) paid by enterprises engaged in various economic activities, serves as an indicator to monitor changes in wages and salaries in Indonesia. On the basis thereof, the average minimum and maximum wages at the end of 1978 increased by 14% and 12% respectively compared with that in 1977. Since the cost of living index only rose by 6.7% during the same period, it can be concluded that their real income did rise.

The monthly rates of minimum and maximum wages paid by enterprises to workers engaged in various economic activities at the end of 1977 and 1978 were as follows (in Rupiahs).

As mentioned in the 1977/78 annual report, the Government, within the scheme of minimum wage regulations still directed its efforts on the stipulation of minimum wages for specific economic sectors in certain regions due to the price differences therein. For this purpose, the Regional Wage Councils, which have been established by the Government in 22 provinces, have to make studies on minimum wage levels considered reasonable for their respective regions and recommend their assessments to the Central Government for approval.

	Average Minimum wages		Average Maximum wages	
	Dec.'77	Dec.'78	Dec.'77	Dec.'78
Agricultural estates	12,866	14,067	170,151	180,396
Mining	51,911	56,720	377,684	427,114
Manufacturing industry	28,265	30,486	314,229	363,844
Construction	25,881	25,881	217,317	320,736
Electricity	14,262	20,375	189,595	210,797
Trade	33,775	44,696	380,838	407,847
Communication	32,212	40,265	179,383	190,799
Services	27,263	27,263	285,878	285,878
Others (civil servants)	16,280	16,280	241,200	241,200
Average	26,968	30,670	261,808	292,068

Source : Department of Manpower and Transmigration

J. Manpower

Based on the figures of the Intercensal Population Survey conducted in 1976, population growth in Indonesia was estimated at annual rate of 2.0%, compared with 2.3% obtained from the data of the 1971 census.¹⁰⁾ On the basis thereof, the labor force in 1978 was projected at 54.8 million people.

In view of the growing labor force and the inadequacy of employment opportunities, the creation of employment opportunities had become a serious matter, which need adequate attention. In this connection, the Government's policy still places emphasis on measures to implement and stimulate labor intensive development activities, such as the construction of infrastructures and regional development projects as well as the development of smallscale industries and handicrafts. These efforts were also supported by investment and credit policies such as Small Investment Credits (KIK) and Permanent Working Capital Credits (KMKP), Candak Kulak and Mini Credits.

10) As a result, the population of Indonesia in 1978.

Besides expansion of employment opportunities, the Government's policy also gave weightage to the regional distribution of the labor force which was projected at 136.6 million people would be realized through the transmigration program and the dispersion of investment projects to regions outside Java.

It may be added that on the basis of the results of the above mentioned Intercensal Population Survey, the employment distribution in 1976 was 66.0% in the agricultural sector, 25.1 in the services sector, 6.7% in the manufacturing sector, 2.1 % in construction and 0.1 % in mining sector.

K. Transmigration

In line with the Second Five Year Development Plan strategy, which gave priority to the development of the agricultural sector, the transmigration policy was also directed towards efforts to increase the production of foodcrops and agricultural export commodities. To support the said policy, the implementation of transmigration programs had been connected to various development activities, such as the construction of roads, irrigation facilities and the extensification of smallholding estates.

The target for transmigration program during the Second Plan period was set at 250.0

thousand families. Only 57.9 thousand families, covering 254.2 thousand people, had been transmigrated, of which 2.4 thousand families covering 10.5 thousand people moved in the year under report. It may be added that the dispersion of transmigrants during the Second Plan period was 57% in Sumatra, 24% in Sulawesi, 18% in Kalimantan, and the remainder in Maluku and Irian Jaya.

The failure to meet the transmigration target during the Second Plan period was attributable, inter alia, to obstacles in preparing resettlement areas, which were closely related to coordinative problems. To overcome these problems the Government has established a Transmigration Coordinating Board (Badan Koordinasi Penyelenggaraan Transmigrasi)¹¹⁾, whose membership consists of ministers of several Departments; the Board is chaired by the Minister of Manpower and Transmigration. The main job of the Board is to assist the Minister of Manpower and Transmigration in formulating integrated transmigration programs and coordinating the implementation thereof. The progress of the implementation of transmigration program during the last few years is shown in Table 47.

11) Presidential Decree No.26/1978, August 31, 1978.

TABLE 47 — REALIZATION OF TRANSMIGRATION

Province of Settlement	PELITA I				1974/75				1975/76				1976/77				1977/78				1978/79*				PELITA II			
	Number of Fam-ilies	Per-sons	Number of Fam-ilies (%)	Number of Fam-ilies	Per-sons	Number of Fam-ilies	Per-sons	Number of Fam-ilies	Per-sons	Number of Fam-ilies	Per-sons	Number of Fam-ilies	Per-sons	Number of Fam-ilies	Per-sons	Number of Fam-ilies	Per-sons	Number of Fam-ilies	Per-sons	Number of Fam-ilies	Per-sons	Number of Fam-ilies	Per-sons	Number of Fam-ilies	Per-sons	Number of Fam-ilies	Per-sons	Number of Fam-ilies (%)
— Aceh	700	3,131	1.51	—	—	300	1,417	500	2,075	—	—	—	—	—	—	800	3,492	—	—	—	—	—	—	800	3,492	—	—	1.38
— North Sumatra	200	894	0.43	500	1,880	—	—	—	—	—	—	—	—	—	—	500	1,880	—	—	—	—	—	—	500	1,880	—	—	0.86
— West Sumatra	450	2,111	0.97	500	1,739	—	—	2,250	9,990	1,200	4,747	200	977	4,150	17,453	7.17												
— Riau	500	2,339	1.08	200	833	—	—	—	—	500	2,309	—	—	700	3,142	1.21												
— Jambi	1,714	8,248	3.70	1,150	4,994	1,000	4,325	3,000	14,840	5,310	23,286	—	—	10,460	47,445	18.06												
— South Sumatra	8,604	38,142	18.59	3,000	13,898	1,000	4,556	700	3,003	2,000	8,935	600	2,774	7,300	33,166	12.61												
— Bengkulu	1,950	7,903	4.21	600	2,608	500	2,455	500	2,515	2,000	9,495	698	2,682	4,298	19,755	7.42												
— Lampung	12,156	55,719	26.27	1,000	4,666	1,000	4,427	500	2,272	2,000	8,504	200	918	4,700	20,787	8.12												
— West Kalimantan	952	4,421	2.06	300	1,271	500	2,016	300	1,162	1,000	4,239	—	—	2,100	8,688	3.63												
— Central Kalimantan	1,253	5,809	2.71	200	865	—	—	500	2,239	—	—	—	—	700	3,104	1.21												
— South Kalimantan	2,140	10,013	4.62	300	1,280	1,000	4,346	1,000	4,230	2,000	8,788	—	—	4,300	18,644	7.43												
— East Kalimantan	2,675	11,345	5.78	500	2,086	—	—	500	2,238	2,400	10,578	—	—	3,400	14,902	5.87												
— North Sulawesi	1,309	5,906	2.83	500	1,523	—	—	550	2,496	—	—	—	—	1,050	4,019	1.81												
— Central Sulawesi	4,128	18,392	8.92	800	2,998	1,000	4,556	1,490	6,631	2,800	12,396	500	2,260	6,590	28,841	11.38												
— South Sulawesi	4,468	20,774	9.65	1,100	4,370	—	—	1,000	4,828	1,200	5,728	200	923	3,500	15,849	6.05												
— South East Sulawesi	2,633	12,447	5.69	250	1,007	1,700	6,408	900	3,679	—	—	—	—	2,850	11,094	4.92												
— Maluku	350	1,713	0.76	200	595	—	—	—	—	—	—	—	—	200	595	0.35												
— Irian Jaya	100	494	0.22	—	—	100	479	110	425	90	448	—	—	300	1,352	0.52												
Total	46,282	209,801	100.00	11,100	46,613	8,100	34,985	13,800	62,623	22,500	99,453	2,398	10,534	57,898	254,208	100.00												

Source : Department of Manpower and Transmigration

APPENDICES

APPENDIX A

BANK INDONESIA CONDENSED BALANCE SHEET as per March 31, 1979 (millions of Rupiahs)

ASSETS		LIABILITIES	
FOREIGN EXCHANGE ASSETS		CURRENCY IN CIRCULATION	
a. Gold and foreign exchange 1)	1,868,115		1,492,778
b. Other foreign assets	<u>761,463</u>	FOREIGN EXCHANGE LIABILITIES	
	2,629,578	a. Foreign liabilities 1)	45,260
CLAIMS ON GOVERNMENT		b. Others	<u>1,345,520</u>
a. Advances to Government	198,305		1,390,780
b. Transactions/payment on account of membership in International Financial Institutions		DEPOSITS AND OTHER LIABILITIES	
— in gold	7,011	a. Government	294,486
— in Rupiahs	<u>16,173</u>	b. Aid counterpart funds	886,918
c. DICS Promissory Notes	23,184	c. International Financial Institutions	75,109
	<u>485</u>	d. Third parties	
LOANS	221,974	— Banks	503,223
a. Financial Institutions 2)	883,056	— Others	<u>27,696</u>
b. Others	<u>2,143,920</u>		530,919
	3,026,976	CAPITAL AND RESERVES	1,787,432
PREMISES, FURNITURE AND FIXTURES	24,649	OTHER LIABILITIES	125,141
OTHER ASSETS	192,498		1,299,544
Total	<u>6,095,675</u>	Total	<u>6,095,675</u>

1) Regarded as a component of international reserves

2) Bank and non-Bank

BANK INDONESIA
PROFIT AND LOSS ACCOUNT
as per March 31, 1979
(millions of Rupiahs)

EXPENDITURES		REVENUES	
EXPENSES			
— Personnel/Material/Operational	26,647	— Interest	198,765
— Currency issue	12,093	— Commission	261
— Miscellaneous	73,176	— Miscellaneous	13,062
— Depreciation	37,761		
	<u>149,677</u>		
PROFIT			
— Profit before tax	62,411		
Total	<u>212,088</u>	Total	<u>212,088</u>

APPENDIX B

MANAGEMENT OF BANK INDONESIA As per March 31, 1979

Government Commissioner : Soegiono

BOARD OF MANAGING DIRECTORS

Governor : Rachmat Saleh
Managing Director : Marathon Wirija Mihardja
Managing Director : Soeksmono Besar Martokoesoemo
Managing Director : Arifin Mohamad Siregar
Managing Director : Durmawel Ahmad
Managing Director : J.E. Ismael
Managing Director : M. Djoko Soedomo
Managing Director : Kamardy Arief

GENERAL MANAGERS

Office of the Board : Soetomo Administration and
Administration and
Organization Department : R. Soejatno Soemardjo
Budget Department : P. Siregar
Foreign Exchange Department : W. Kidarsa
Economics and Statistics
Department : R. Paryono
Legal Department : Darmadji Hardjakusumah
International Department : T.M. Zahirsjah
General Services Department : A. Nelwan
Money and Capital Market
Department : Sutadi
Loan Department : R. Djamu Achmad
Bank Supervision Department : Abdullah Ali
Internal Control Department : Lulu Prawira Subrata
Issue Department : Nandang Komar
Credit Planning and Credit
Supervision Department : Sidharta S.P. Soerjadi
Personnel Department : H.P. Toar

REPRESENTATIVES

Kuala Lumpur and Singapore : Muljana Wiraatmadja
London : Marjanto Danusaputro
New York : Achmad Effendie
Tokyo : Eddy Suwardi

BRANCH MANAGERS

Ambon	: Azwahin
Banda Aceh	: Sugiono
Bandung	: Suparto Wignyasubrata
Banjarmasin	: Tom Hartono
Bengkulu	: R. Husni Djojoseputro
Cirebon	: Sutedja Trisnaatmadja
Denpasar	: Saenan Soesanto
Jambi	: Soetrisno
Jayapura	: A.A. Ngurah Alit Mahawan
Jember	: Kamaruddin
Kediri	: Purtomo
Kendari	: Thamrin Soerawisastra
Kupang	: Usman Sugiarto
Malang	: R. Poewarso Djoko Joewono
Mataram	: Mohamad Zain Sidin
Medan	: Mahfud Jakile
Menado	: Ph. K. Intama
Padang	: R. Suyatno
Palembang	: A. Sulaeman Gandabrata
Palu	: R. Saptadi Baroto
Pekanbaru	: R. Soetrisno
Pontianak	: Muchtar Abdullah
Samarinda	: Sofjan Lumad
Semarang	: Bambang Susilo
Solo	: Sahrudin Siata
Surabaya	: R. Sujanto
Telukbetung	: Abdul Kadir Hadi
Ujung Pandang	: Ahmad Sirod
Yogyakarta	: Isbianto Poerwodinoto

CASH OFFICE MANAGERS

Balikpapan	: Samidjo
Lhokseumawe	: M. Junus Abdurachman
Pematang Siantar	: Purwoko
Purwokerto	: Judjono Gandasubrata
Sibolga	: Jatno Soesilarto
Tasikmalaya	: Afnan
Tegal	: Aibar Durin
Ternate	: R. Muhammad Komar

**TABLE I – CEILING ON BANK LOANS AND OTHER ASSETS
OF COMMERCIAL BANKS**
(millions of Rupiahs)

	March 31				
	1975	1976	1977	1978	1979 ²⁾
1. State banks					
Base figure ¹⁾	984,180	1,218,545	1,538,598	1,773,536	2,014,620
Ceiling	324,720	417,750	416,638	342,500	441,200
Actual	291,237	320,053	320,393	241,084	420,368
Ratio (%)					
– Ceiling/base figure	33.0	34.3	27.1	19.3	21.9
– Actual/base figure	29.6	26.3	20.8	13.6	20.9
– Actual/ceiling	89.7	76.6	76.9	70.4	95.3
2. National private banks					
Base figure ¹⁾	117,238	135,362	185,614	246,650	344,064
Ceiling	40,000	67,332	69,266	94,681	129,370
Actual	18,124	50,075	61,953	97,414	120,083
Ratio (%)					
– Ceiling/base figure	34.1	49.7	37.3	38.4	37.6
– Actual/base figure	15.5	37.0	33.4	39.5	34.9
– Actual/ceiling	45.3	74.4	89.4	102.9	92.8
3. Foreign banks					
Base figure ¹⁾	142,043	154,679	161,176	185,357	209,798
Ceiling	21,437	20,284	21,720	24,592	51,487
Actual	12,670	6,497	24,508	24,441	53,662
Ratio (%)					
– Ceiling/base figure	15.1	13.1	13.5	13.3	24.5
– Actual/base figure	8.9	4.2	15.2	13.2	25.6
– Actual/ceiling	59.1	32.0	112.8	99.4	104.2
4. Commercial banks					
Base figure ¹⁾	1,243,461	1,508,586	1,885,388	2,205,543	2,568,482
Ceiling	386,157	505,366	507,624	461,773	622,057
Actual	322,031	376,625	406,854	362,939	594,113
Ratio (%)					
– Ceiling/base figure	31.1	33.5	26.9	20.9	24.2
– Actual/base figure	25.9	25.0	21.6	16.5	23.1
– Actual/ceiling	83.4	74.5	80.1	78.6	95.5

1) Bank loans and other assets level at the end of last financial year

Due to adjustments the base figure at the beginning of a financial year is not necessarily equal to the sum of the base figure and the actual in the preceding year

2) Excludes increase caused by foreign exchange revaluation at November 15, 1978 are as follows :

- State banks 5,597 million
- National private banks 1,470 million and
- Foreign banks 32,595 million

TABLE II – STATE BANK LENDING RATES AND REDISCOUNT RATES AND PERCENTAGE OF REFINANCING FACILITIES PROVIDED BY BANK INDONESIA

	Bank lending rates (Annual)		Rediscount rates (Annual)		Percentage of loan refinancable by Bank Indonesia	
	Effective Jan. 1, 1978	Before Jan. 1, 1978	Effective Jan. 1, 1978	Before Jan. 1, 1978	Effective Jan. 1, 1978	Before Jan. 1, 1978
Short-term credits						
– <i>Category I</i>						
1. Supply and distribution of rice, paddy & corn by BUUDs/KUDs	9	9	3	3	100	100
– <i>Category II</i>						
2. BIMAS and INMAS credits for rice and secondary crops	12	12	3	3	100	100
3. Collection and distribution of smallholders salt by BUUDs/KUDs and PN Garam and Working Capital Credit for PN Garam	12	12	4	6	75	80
4. Operation of wheat flour mills	12	12	4	6	75	70
5. Export and production of export goods	12	12	4	5	75	70
6. Production, import and distribution of fertilizer and insecticides for use by smallholders	12	12	4	6	75	85–80
7. Aid financed imports and distribution of non-food commodities	12	12	4	6	75	100–50
8. Collection and distribution of agricultural produce, animal husbandry and fishery by BUUDs/KUDs and Cooperatives	12	12–18	4	6–10	75	
9. Smallholders agriculture and handicraft	12	15	4	10	75	70
10. Smallholders animal husbandry, poultry farming and fishery	12	15–18	4	10	75	50–70
– <i>Category III</i>						
11. Manufacturing and service rendering industries						
a. Rice mills/hullers	13,5	15	6	10	70	70
b. Sugar mills	13,5	15	6	10	70	70
c. Coconut oil & palm oil	13,5	18	6	10	70	50
d. Textile	13,5	15	6	10	70	70
e. Agricultural equipment	13,5	18	6	10	70	50
f. Paper	13,5	18	6	10	70	50
g. Cement	13,5	18	6	10	70	50
h. Public transportation	13,5	15	6	10	70	70
i. Printing and publishing	13,5	18	6	10	70	50
j. Tourism	13,5	24	6	—	70	—
12. Other production activities	13,5	18	6	10	70	50
13. Import and distribution of supervised goods	13,5	18	6	10	70	50
14. Sugar stock	13,5	18	6	10	70	50
15. Domestic trade	13,5	18	6	10	70	50
16. Contractors of DIP, INPRES and local government financed projects and contractors of low-cost housing projects	13,5	21	6	10	70	20
– <i>Category IV</i>						
17. Other contractors	15	21	6	10	60	20
– <i>Category V</i>						
18. Imports and distribution of other import goods	18	24	6	—	40	—
– <i>Category VI</i>						
19. Others, n.i.e.	21	24	6	—	25	—
Investment credits						
– <i>Category I</i>						
– <i>Category II</i>	10,5	12	3	4	80	80
– <i>Category III</i>	12	12	4	4	75	75
– <i>Category IV</i>	13,5	15	4	6	70	70
– <i>Category V</i>	13,5	15	4	6	65	65
– <i>Category VI</i>	10,5	12	3	4	80	80
Small Investment Credits (KIK)	12	15	4	8	75	70
Permanent Working Capital Credits (KMKP)						

TABLE III – INVESTMENT CREDITS BASED ON BANK INDONESIA REGULATION ¹⁾
(millions of Rupiahs)

	March 31				June 30, 1978	Sept. 30, 1978 *	Dec. 31, 1978 *	March 31, 1979 *
	1975	1976	1977	1978				
Credit outstanding	<u>126,098</u>	<u>168,829</u>	<u>221,550</u>	<u>224,897</u>	<u>229,955</u>	<u>228,084</u>	<u>257,283</u>	<u>264,426</u>
1. By economic sectors								
– Agriculture	9,545	16,338	18,966	21,303	23,744	20,187	20,605	19,990
– Mining	147	5,143	4,278	3,277	3,276	3,276	3,276	3,276
– Manufacturing	61,404	67,740	79,254	83,505	85,524	85,933	86,191	90,954
– Service rendering industry	46,672	70,346	110,608	106,545	103,112	104,242	132,574	135,420
– Others	8,330	9,262	8,444	10,267	14,299	14,446	14,637	14,786
2. By source of funds								
– Bank Indonesia	61,454	81,368	92,337	105,281	102,399	99,425	115,161	118,711
– State banks	60,696	83,628	126,065	118,759	126,699	127,202	141,266	144,859
– Government Budget ²⁾	3,948	3,833	3,148	857	857	857	856	856
Approved by banks	<u>177,071</u>	<u>224,825</u>	<u>290,829</u>	<u>284,993</u>	<u>303,008</u>	<u>309,548</u>	<u>345,226</u>	<u>356,078</u>
1. By economic sectors								
– Agriculture	12,139	17,955	20,421	28,160	31,134	28,258	29,290	26,208
– Mining	221	5,154	5,296	5,296	5,296	5,296	5,296	5,296
– Manufacturing	86,837	84,430	114,081	108,898	120,637	127,197	134,054	145,114
– Service rendering industry	65,916	103,741	137,156	126,969	127,597	129,722	156,752	158,841
– Others	11,958	13,545	13,875	15,670	18,344	19,075	19,834	20,619
2. By source of funds								
– Bank Indonesia	111,827	138,416	184,848	183,623	196,224	200,259	224,600	231,778
– State banks	59,485	81,305	101,804	98,948	104,642	107,147	118,484	122,158
– Government Budget ²⁾	5,759	5,104	5,177	2,422	2,142	2,142	2,142	2,142

1) Based on Announcement of the Board of Directors of Bank Indonesia No.Peng.I/DIR/1969, March 7, 1969.

Excludes foreign exchange component and Rupiah financing of project aid.

See Table IV and V.

2) Since 1971 the Government Budget no longer provides Rupiah financing for investment credits.

TABLE IV – INVESTMENT CREDITS FOR RUPIAH (LOCAL)
COST OF PROJECT AID
(millions of Rupiahs)

	March 31				June 30, 1978	Sept. 30, 1978 *	Dec. 31, 1978 *	March 31, 1979 *
	1975	1976	1977	1978				
Credit outstanding	<u>16,581</u>	<u>27,564</u>	<u>41,116</u>	<u>62,596</u>	<u>65,834</u>	<u>70,827</u>	<u>71,969</u>	<u>72,728</u>
1. By economic sectors								
– Agriculture	3,890	12,994	21,838	35,467	36,820	41,030	41,273	42,556
– Mining	—	—	—	—	—	—	—	—
– Manufacturing	10,977	14,120	17,688	25,748	27,677	28,460	29,403	28,879
– Service rendering industry	—	—	—	—	—	—	—	—
– Others	1,714	450	1,590	1,381	1,337	1,337	1,293	1,293
2. By source of funds								
– Bank Indonesia	14,284	23,407	34,041	50,077	52,667	56,662	57,575	58,182
– State banks	2,297	4,157	7,075	12,519	13,167	14,165	14,394	14,546
– Government Budget	—	—	—	—	—	—	—	—
Approved by banks	<u>21,232</u>	<u>44,631</u>	<u>52,415</u>	<u>76,578</u>	<u>79,245</u>	<u>83,144</u>	<u>83,127</u>	<u>85,126</u>
1. By economic sectors								
– Agriculture	6,873	17,914	27,927	41,311	43,782	47,681	47,681	51,810
– Mining	—	—	—	—	—	—	—	—
– Manufacturing	12,768	25,126	22,803	33,582	33,778	33,778	33,761	31,631
– Service rendering industry	—	—	—	—	—	—	—	—
– Others	1,591	1,591	1,685	1,685	1,685	1,685	1,685	1,685
2. By source of funds								
– Bank Indonesia	18,481	41,152	46,122	61,262	63,396	66,515	66,502	68,101
– State banks	2,751	3,479	6,293	15,316	15,849	16,629	16,625	17,025
– Government Budget	—	—	—	—	—	—	—	—

**TABLE V – INVESTMENT CREDITS FOR FOREIGN EXCHANGE
COMPONENT OF PROJECT AID**
(millions of Rupiahs)

	March 31				June 30, 1978*	Sept. 30, 1978*	Dec. 31, 1978*	March 31, 1979*
	1975	1976	1977	1978				
Credit outstanding	<u>79,032</u>	<u>100,521</u>	<u>131,618</u>	<u>197,939</u>	<u>183,914</u>	<u>194,835</u>	<u>232,123</u>	<u>283,053</u>
1. By economic sectors								
— Agriculture	21,927	29,227	28,707	30,577	34,064	37,100	38,233	41,442
— Mining	9,637	11,268	10,571	9,755	9,202	8,956	8,110	6,831
— Manufacturing	33,970	42,527	71,584	139,027	117,436	123,691	159,919	209,520
— Service rendering industry	8,789	11,088	9,364	11,380	10,324	12,294	12,782	12,270
— Others	4,709	6,411	11,392	7,200	12,888	12,794	13,079	12,990
2. By source of funds	79,032	100,521	131,618	197,939	183,914	194,835	232,123	283,053
— Bank Indonesia	78,571	100,395	130,940	168,868	156,878	166,194	198,000	241,444
— State banks	461	126	678	29,071	27,036	28,641	34,123	41,609
— Government Budget	---	---	---	---	---	---	---	---
Approved by banks	<u>116,141</u>	<u>161,161</u>	<u>259,917</u>	<u>445,281</u>	<u>413,623</u>	<u>438,184</u>	<u>522,045</u>	<u>636,586</u>
1. By economic sectors								
— Agriculture	40,037	49,291	54,309	57,914	53,812	57,008	67,918	82,820
— Mining	13,800	12,895	13,443	14,725	13,690	14,504	17,280	21,071
— Manufacturing	50,401	51,187	142,475	289,807	269,185	285,170	339,747	414,290
— Service rendering industry	8,123	30,613	31,923	50,818	47,194	49,997	59,565	72,634
— Others	3,780	17,175	17,767	32,017	29,739	31,505	37,535	45,771
2. By source of funds	116,141	161,161	259,917	445,281	413,623	438,184	522,045	636,586
— Bank Indonesia	116,141	161,161	259,917	442,635	411,183	435,599	518,965	632,830
— State banks	---	---	---	2,646	2,440	2,585	3,080	3,756
— Government Budget	---	---	---	---	---	---	---	---

TABLE VI – DEVELOPMENT EXPENDITURE BY SECTOR
(billions of Rupiahs)

Sector ¹⁾	1974/ 75	1975/ 76	1976/ 77	1977/ 78	1978/79		1979/80
					Budget	Actual	Budget
– Agriculture and Irrigation	301.8	257.0	356.1	380.0	413.1	450.3	419.4
– Industry and Mining	70.7	124.1	194.9	139.0	221.5	205.0	401.9 ²⁾
– Electric power	79.0	127.7	218.1	223.3	266.2	271.6	392.9 ³⁾
– Communication and Tourism	123.5	311.6	428.8	354.8	388.7	413.1	512.2
– Trade and Cooperatives	4.2	3.5	9.5	7.9	11.1	12.4	25.5
– Manpower and Transmigration	4.5	11.9	27.1	60.7	121.9	94.7	165.6
– Regional development	135.9	172.9	190.0	250.6	271.1	275.1	330.1
– Religion	3.0	2.5	5.5	7.5	9.5	7.5	19.0
– Education, National culture and Development of young generation	47.2	113.7	135.5	210.6	269.1	251.2	356.1 ⁴⁾
– Health, Family planning and Social welfare	25.3	37.7	48.2	71.4	87.2	79.4	132.9 ⁵⁾
– Housing and Water supply	6.5	13.3	30.4	89.5	59.5	55.6	77.9 ⁶⁾
– Law & Order and Law Enforcement	1.9	4.6	7.4	10.9	14.1	11.2	30.6
– Defense and National security	22.7	35.8	59.5	56.3	115.6	159.4	254.3
– Information and Communication	2.7	17.1	46.5	10.8	11.8	10.9	17.4 ⁷⁾
– Science and Technology, Research and Statistics	11.2	17.1	24.8	37.6	46.9	42.4	58.2
– Government apparatus	23.9	31.8	47.0	55.9	65.2	54.3	103.5
– Government capital participation	97.8	115.4	225.2	190.0	82.2	161.6	68.9 ⁸⁾
– Natural resources and life environment	—	—	—	—	—	—	121.7
Total	961.8	1,397.7	2,054.5	2,156.8	2,454.7	2,555.7	3,488.1

1) Sector specification was based on REPELITA II, except in fiscal year 1979/80 was based on REPELITA III

2) Excludes mining

3) This item was expanded to include mining

4) This item was changed to include education, national culture, youth guidance and the so-called "Believe in God" cult

5) This item was expanded to include woman emancipation

6) This item was changed to include housing and resettlement and exclude fresh water supply

7) This item was expanded to include development of the press

8) This item was changed to include activities for development of business sector

Source : Ministry of Finance

**TABLE VII – DEVELOPMENT EXPENDITURE BY SECTOR
EXCLUDING PROJECT AID**
(billions of Rupiahs)

Sector 1)	1974/ 75	1975/ 76	1976/ 77	1977/ 78	1978/79		1979/80
					Budget	Actual	Budget
– Agriculture and Irrigation	275.5	214.0	249.4	234.5	311.9	315.1	270.0
– Industry and Mining	6.6	47.7	57.6	43.6	53.6	6.0	48.6 ²⁾
– Electric power	40.5	38.0	52.9	59.4	80.8	63.8	113.3 ³⁾
– Communication and Tourism	81.3	85.1	125.0	141.9	190.1	163.5	268.8
– Trade and Cooperatives	3.6	2.9	9.4	7.3	9.9	11.1	14.5
– Manpower and Transmigration	4.3	11.3	26.1	50.9	110.3	83.1	142.5
– Regional development	135.5	172.5	188.5	242.7	263.1	267.2	312.0
– Religion	3.0	2.5	5.5	7.5	9.5	7.5	19.0
– Education, National culture and Development of young generation	39.4	106.4	130.2	181.1	247.4	215.8	313.3 ⁴⁾
– Health, Family planning and Social welfare	17.9	30.8	42.3	56.6	65.5	57.7	98.5 ⁵⁾
– Housing and Water supply	5.4	10.5	27.5	61.4	41.2	37.3	49.8 ⁶⁾
– Law & Order and Law Enforcement	1.9	4.6	7.4	10.9	14.1	11.2	30.6
– Defense and National security	22.7	35.8	59.5	56.3	65.0	108.8	100.0
– Information and Communication	2.3	7.0	10.2	7.4	8.1	7.1	12.6 ⁷⁾
– Science and Technology, Research and Statistics	11.0	16.7	24.5	35.0	42.6	33.9	51.1
– Government apparatus	23.9	31.8	47.0	55.9	61.7	50.8	82.9
– Government capital participation	91.1	108.7	217.9	166.9	68.7	128.5	28.0 ⁸⁾
– Natural resources and life environment	—	—	—	—	—	—	103.8
Total	765.9	926.3	1,280.9	1,419.3	1,643.5	1,568.4	2,059.3

1) Sector specification was based on REPELITA II, except in fiscal year 1979/80 was based on REPELITA III

2) Excludes mining

3) This item was expanded to include mining

4) This item was changed to include education, national culture, youth guidance and the so-called "Believe in God" cult

5) This item was expanded to include woman emancipation

6) This item was changed to include housing and resettlement and exclude fresh water supply

7) This item was expanded to include development of the press

8) This item was changed to include activities for development of business sector

Source : Ministry of Finance

TABLE VIII – PROJECT AID
(billions of Rupiahs)

Sector 1)	1974/ 75	1975/ 76	1976/ 77	1977/ 78	1978/79		1979/80
					Budget	Actual	Budget
– Agriculture and Irrigation	26.3	43.0	106.7	145.5	101.2	135.2	149.5
– Industry and Mining	64.1	76.4	137.3	95.4	167.9	199.0	353.3 ²⁾
– Electric power	38.5	89.7	165.2	163.9	185.3	207.8	279.6 ³⁾
– Communication and Tourism	42.2	226.5	303.8	212.9	198.5	249.6	243.4
– Trade and Cooperatives	0.6	0.6	0.1	0.6	1.3	1.3	11.0
– Manpower and Transmigration	0.2	0.6	1.0	9.8	11.6	11.6	23.1
– Regional development	0.4	0.4	1.5	7.9	7.9	7.9	18.1
– Religion	—	—	—	—	—	—	—
– Education, National culture and Development of young generation	7.8	7.3	5.3	29.5	21.7	35.4	42.8 ⁴⁾
– Health, Family planning and Social welfare	7.4	6.9	5.9	14.8	21.7	21.7	34.4 ⁵⁾
– Housing and Water supply	1.1	2.8	2.9	28.1	18.3	18.3	28.1 ⁶⁾
– Law & Order and Law Enforcement	—	—	—	—	—	—	—
– Defense and National security	—	—	—	—	50.6	50.6	154.3
– Information and Communication	0.4	10.1	36.3	3.4	3.8	3.8	4.8 ⁷⁾
– Science and Technology, Research and Statistics	0.2	0.4	0.3	2.6	4.4	8.5	7.1
– Government apparatus	—	—	—	—	3.5	3.5	20.6
– Government capital participation	6.7	6.7	7.3	23.1	13.5	33.1	40.8 ⁸⁾
– Natural resources and life environment	—	—	—	—	—	—	17.9
Total	195.9	471.4	773.6	737.5	811.2	987.3	1,428.8

1) Sector specification was based on REPELITA II, except in fiscal year 1979/80 was based on REPELITA III

2) Excludes mining

3) This item was expanded to include mining

4) This item was changed to include education, national culture, youth guidance and the so-called "Believe in God" cult

5) This item was expanded to include woman emancipation

6) This item was changed to include housing and resettlement and exclude fresh water supply

7) This item was expanded to include development of the press

8) This item was changed to include activities for development of business sector

Source : Ministry of Finance

TABLE IX – PLANNED AND ACTUAL GOVERNMENT REVENUES AND
EXPENDITURES DURING REPELITA I PERIOD 1969/70 – 1973/74
(billions of Rupiahs)

	1969/70		1970/71		1971/72		1972/73		1973/74		Total	
	Repe- lita I	Act.	Repe- lita I	Act.	Repe- lita I	Act.	Repe- lita I	Act.	Repe- lita I	Act.	Repe- lita I	Act.
Domestic revenues	228.0	243.7	276.0	344.6	324.0	428.0	374.0	590.6	428.0	967.7	1,630.0	2,574.6
Routine expenditures	204.0	216.5	243.0	288.2	281.0	349.1	319.0	438.1	357.0	713.3	1,404.0	2,005.2
Government savings	24.0	27.2	33.0	56.4	43.0	78.9	55.0	152.5	71.0	254.4	226.0	569.4
Development revenues	99.0	91.0	120.0	120.4	180.0	135.5	209.0	157.8	225.0	203.9	833.0	708.6
a. Project aid	(36.0)	(25.3)	(45.0)	(41.5)	(95.0)	(45.0)	(124.0)	(62.3)	(140.0)	(114.1)	(440.0)	(288.2)
b. Program aid	(63.0)	(65.7)	(75.0)	(78.9)	(85.0)	(90.5)	(85.0)	(95.5)	(85.0)	(89.8)	(393.0)	(420.4)
Development funds	123.0	118.2	153.0	176.8	223.0	214.4	264.0	310.3	296.0	458.3	1,059.0	1,278.0
Development expenditures	123.0	118.2	153.0	169.6	223.0	195.9	264.0	298.2	296.0	450.9	1,059.0	1,232.8
a. Rupiah	(87.0)	(92.9)	(108.0)	(128.1)	(128.0)	(150.9)	(140.0)	(235.9)	(156.0)	(336.8)	(619.0)	(944.6)
b. Project aid	(36.0)	(25.3)	(45.0)	(41.5)	(95.0)	(45.0)	(124.0)	(62.3)	(140.0)	(114.1)	(440.0)	(288.2)
Surplus (+) / Deficit (-)	---	---	---	+7.2	---	+18.5	---	+12.1	---	+7.4	---	+45.2

TABLE X – PLANNED AND ACTUAL GOVERNMENT REVENUES AND
EXPENDITURES DURING REPELITA II – III PERIOD 1974/75 – 1979/80
(billions of Rupiahs)

	REPELITA II										REPELITA III	
	1974/75		1975/76		1976/77		1977/78		1978/79		Total	
	Repe- lita II	Act.	Repe- lita II	Act.	Repe- lita II	Act.	Repe- lita II	Act.	Repe- lita II	Act.	Repe- lita II	Budget
Domestic revenues	1,203.4	1,155.1	2,013.1	2,241.2	2,211.4	2,506.0	2,801.1	3,333.4	3,088.1	4,266.1	11,410.9	14,703.1
Routine expenditures	961.6	1,016.1	1,293.9	1,332.6	1,427.9	1,629.8	1,629.9	2,148.9	1,905.1	2,743.7	7,218.4	8,871.1
Government savings	401.8	737.6	779.8	909.3	849.5	1,276.2	977.8	1,386.5	1,183.6	1,522.4	4,192.5	5,832.0
Development revenues	213.9	232.0	191.8	491.6	208.0	783.8	218.4	773.4	224.6	1,035.5	1,056.7	3,316.3
a. Project aid	(--)	(195.9)	(--)	(471.4)	(--)	(773.6)	(--)	(737.6)	(--)	(987.3)	(--)	(3,074.8)
b. Program aid	(--)	(36.1)	(--)	(20.2)	(--)	(10.2)	(--)	(35.8)	(--)	(48.2)	(--)	(150.5)
Development funds	615.7	969.6	971.6	1,400.9	1,057.5	2,060.0	1,196.2	2,159.9	1,408.2	2,557.9	5,249.2	9,148.2
Development expenditures	615.7	961.8	971.6	1,397.7	1,057.5	2,054.5	1,196.2	2,156.8	1,408.2	2,555.6	5,249.2	9,126.4
a. Rupiah	(--)	(765.9)	(--)	(926.3)	(--)	(1,280.9)	(--)	(1,419.2)	(--)	(1,568.3)	(--)	(5,960.6)
b. Project aid	(--)	(195.9)	(--)	(471.4)	(--)	(773.6)	(--)	(737.6)	(--)	(987.3)	(--)	(3,165.8)
Surplus (+) / Deficit (—)	--	+7.8	--	+3.2	--	+5.5	--	+3.1	--	+2.3	--	+21.9

TABLE XI – INDONESIA'S BALANCE OF PAYMENTS
(millions of \$)

	1974/75	1975/76	1976/77	1977/78	1978/79*
A. Current Account	<u>- 138</u>	<u>- 854</u>	<u>- 802</u>	<u>- 690</u>	<u>-1,155</u>
– Oil (net)	2,638	3,138	3,710	4,352	3,785
– LNG (net)	—	—	—	93	225
– Non-oil /LNG (net)	-2,776	-3,992	-4,512	-5,135	-5,165
a. Exports (f.o.b.)	(2,033)	(1,873)	(2,863)	(3,507)	(3,979)
b. Imports (c & f)	(-4,341)	(-5,090)	(-6,167)	(-7,241)	(-7,543)
c. Services	(- 468)	(- 775)	(-1,208)	(-1,401)	(-1,601)
B. Special Drawing Rights (SDRs)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>64</u>
C. Official Transfer & Capital	<u>660</u>	<u>1,995</u>	<u>1,823</u>	<u>2,106</u>	<u>2,101</u>
– Program aid	180	74	147	157	94
– Project aid	480	872	1,676	1,949	2,007
– Cash loans	—	1,049	—	—	—
D. Official Debt Repayments (principal)	<u>- 89</u>	<u>- 77</u>	<u>- 166</u>	<u>- 761</u>	<u>- 632</u>
E. Miscellaneous Capital	<u>- 131</u>	<u>-1,075</u>	<u>38</u>	<u>176</u>	<u>392</u>
– Direct Investments	538	454	287	285	263
– Trade credits	13	14	- 32	- 50	—
– Others	- 682	-1,543	- 217	- 59	129
F. Total (A through E)	<u>302</u>	<u>- 11</u>	<u>893</u>	<u>831</u>	<u>770</u>
G. Net errors and omissions	<u>- 311</u>	<u>- 353</u>	<u>108</u>	<u>- 180</u>	<u>- 62</u>
H. Monetary movement	<u>9</u>	<u>364</u>	<u>-1,001</u>	<u>- 651</u>	<u>- 708</u>

TABLE XII – EXPORTS BY COUNTRY OF DESTINATION
(millions of \$)

Country	1974/75	1975/76	1976/77	1977/78	1978/79
Europe					
Belgium & Luxemburg	11	12	16	24	16
Denmark	8	9	31	49	40
France	18	15	36	60	56
Germany, Federal Republic of	171	131	209	248	236
Italy	16	33	81	110	150
Netherlands	166	158	272	387	360
Norway	2	2	5	5	3
Sweden	4	2	3	6	3
United Kingdom & Rep.of Ireland	23	36	54	88	55
Others	58	54	88	57	144
Total	477	452	795	1,034	1,063
Share	6.4%	6.4%	8.5%	9.2%	9.0%
America					
Canada	33	10	18	25	31
United States of America	1,546	1,969	2,728	2,967	2,904
Others	461	643	596	602	668
Total	2,040	2,622	3,342	3,594	3,603
Share	27.3%	36.9%	35.7%	31.9%	30.5%
Africa	20	4	20	31	46
Share	0.3%	0.1%	0.2%	0.3%	0.4%
Asia					
Burma	15	3	—	—	—
Hongkong	25	27	26	32	51
India	5	8	9	34	20
Iraq	—	14	16	50	53
Japan	3,940	3,008	3,854	4,597	4,737
Malaysia	82	56	17	20	29
Pakistan	44	33	35	54	32
Philippines	4	33	128	154	167
Singapore	555	609	729	1,083	1,323
Thailand	7	3	1	7	26
Others	187	202	362	489	521
Total	4,864	3,996	5,177	6,520	6,959
Share	65.3%	56.3%	55.2%	57.9%	59.0%
Australasia					
Australia	24	24	30	74	112
New Zealand	1	1	3	2	18
Oceania — Hawaii	30	—	—	—	1
Total	55	25	33	76	131
Share	0.7%	0.3%	0.4%	0.7%	1.1%
Others	2	3	4	5	4
Share	—	—	—	—	—
Grand total	7,458	7,102	9,371	11,260	11,806

Source : Central Bureau of Statistics

TABLE XIII – IMPORTS BY COUNTRY OF ORIGIN
(millions of \$)

Country	1974/75	1975/76	1976/77	1977/78	1978/79
Europe					
Belgium & Luxemburg	44	63	87	46	34
Czechoslovakia	2	12	3	16	5
France	86	85	231	182	164
Germany, Democratic Rep. of	1	—	3	2	3
Germany, Federal Rep. of	359	365	519	490	591
Italy	55	80	67	50	56
Netherlands	107	138	257	183	136
Spain	2	2	3	13	12
Sweden	16	15	25	20	34
Switzerland	32	40	39	50	53
United Kingdom & Rep. of Ireland	169	146	202	231	208
Others	152	191	67	100	186
Total	1,025	1,137	1,503	1,383	1,482
Share	23.1%	24.4%	25.0%	22.3%	22.2%
America					
Canada	45	62	66	58	92
United States of America	638	704	980	780	885
Others	18	23	26	105	56
Total	701	789	1,072	943	1,033
Share	15.8%	16.9%	17.8%	15.2%	15.5%
Africa	112	101	54	63	69
Share	2.5%	2.2%	0.9%	1.0%	1.0%
Asia					
Burma	21	31	85	80	51
China	186	169	97	155	113
Hongkong	122	51	68	62	141
India	25	79	104	62	140
Japan	1,326	1,422	1,568	1,729	2,007
Malaysia	16	19	19	21	24
Pakistan	54	12	24	20	41
Philippines	12	15	15	23	85
Singapore	288	356	613	480	463
Thailand	86	33	203	319	97
Others	303	278	370	644	584
Total	2,439	2,465	3,166	3,595	3,838
Share	54.9%	52.8%	52.7%	58.0%	57.5%
Australasia					
Australia	149	156	196	189	221
New Zealand & Oceania	15	17	22	30	36
Total	164	173	218	219	257
Share	3.7%	3.7%	3.6%	3.5%	3.8%
Others	—	—	—	—	—
Share	—	—	—	—	—
Grand total	4,441	4,665	6,013	6,203	6,679

Source : Central Bureau of Statistics

TABLE XIV – LONG – TERM FOREIGN BORROWINGS ¹⁾
(millions of \$)

Country/Institution	1974/75	1975/76	1976/77	1977/78	1978/79*
Country					
Abu Dhabi	---	---	---	---	2
Australia	---	---	---	---	12
Belgium	1	17	110	24	33
Canada	33	22	15	189	19
Denmark	3	2	---	57 ^r	---
France	38	65	189	258 ^r	95
Germany, Federal Rep. of	16	64	174	151	235
India	---	---	---	2	9
Iran	---	1	39	49	111
Japan	276	257	171	299 ^r	373
Korea	---	---	---	46	---
Kuwait	---	---	---	---	2
Netherlands	19	145	138	115	48
New Zealand	---	1	1	---	---
Norway	---	---	---	102	---
Saudi Arabia	---	---	7	25	31
Sweden	---	---	---	---	49
Switzerland	---	1	---	---	50
United Kingdom	9	76	118	54	102
United States of America	96	1,005	440	239	221
Yugoslavia	---	---	3	100	11
Institution					
ADB	26	29	30	33	104
CCC – USDA ²⁾	---	---	29	---	---
IDA – IBRD	81	294	210	301	476
Syndicate Bank	---	---	75	50	100
Total	598	1,979	1,749	2,094	2,083

1) Represent disbursements

2) Commodity Credit Corporation – United States Department of Agriculture

TABLE XV — G R A N T S
(millions of \$)

Country/Institution	1974/75	1975/76	1976/77	1977/78	1978/79*
Country					
Australia	16	3	60	3	10
Belgium	3	—	—	1	—
Canada	—	3	10	—	—
France	4	3	—	1	2
Germany, Federal Rep.of	4	—	—	—	—
Italy	—	2	3	1	2
Japan	8	—	—	5	4
Netherlands	16	5	1	—	—
United Kingdom	1	—	—	—	—
United States of America	—	—	—	—	—
Institution					
EEC	10	—	—	1	—
Total	62	16	74	12	18

TABLE XVI – AREA AND POPULATION OF MAIN ISLANDS

	Area (thousands) sq.km	Number of population			
		1971 ¹⁾		1978 ²⁾	
		(million persons)	%	(million persons)	%
Jawa & Madura	132.2	76.1	63.8	86.6	63.4
Sumatra	473.6	20.8	17.4	25.3	18.5
Sulawesi	189.2	8.5	7.1	9.8	7.2
Kalimantan	539.5	5.2	4.4	6.2	4.5
Bali	5.6	2.1	1.8	2.4	1.8
Irian Jaya	422.0	0.9	0.8	0.2	0.1
Other Islands	142.5	5.6	4.7	6.2	4.5
Indonesia	1,904.6	119.2	100.0	136.7	100.0

1) Result of the 1971 Census

2) Projected on the basis of the results of the 1976 Intercensal Population Survey

Source : Central Bureau of Statistics

TABLE XVII — LIVESTOCK POPULATION
(thousand of heads)

	1974	1975	1976	1977	1978*
— Cows	6,380	6,242	6,237	6,217	6,149
— Buffaloes	2,415	2,432	2,284	2,292	2,275
— Sheep	3,403	3,374	3,603	3,864	4,101
— Goats	6,517	6,315	6,904	7,232	7,419
— Horses	600	627	631	659	689
— Pigs	2,906	2,707	2,947	2,979	2,890
— Ducks	13,620	14,182 ^r	15,182	16,032	17,541
— Cultivated chickens	3,450	3,903	4,878	5,807	6,071
— Non-cultivated chickens	89,650	94,572	97,504	101,686	108,916

Source : Supplement to the President's Report to Parliament, August 16, 1979

TABLE XVIII — PRODUCTION OF MEAT, EGG AND MILK
(thousand tons)

	1974	1975	1976	1977	1978*
— Meat	403.1	435.0	448.7	467.7	477.4
— Egg	98.1	112.2	115.6	131.4	145.7
— Milk ¹⁾	56.9	51.0	58.0	60.7	62.3

1) In million liters

Source : Supplement to the President's Report to Parliament, August 16, 1979