

Bank Indonesia

**Report for the Financial Year
1979/1980**

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

LHOKSE UMAWE

PEMATANG SIANTAR

PURWOKERTO

SIBOLGA

TASI KMALAYA

TEGAL

TERNATE

Position as per end of March 1980

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

In the fiscal year of 1979/80, the economy of Indonesia experienced a large balance of payments surplus, a significant rise in the overall price level and a relatively low rate of economic growth. These developments were attributable to the devaluation of the rupiah in November 15, 1978, the steps taken by the Government following the devaluation, a substantial increase in import and export prices and a small increase in rice production.

As expected, the devaluation had a more immediate impact on the volume of non-traditional export commodities, such as textile products and handicrafts, which increased significantly in the reporting year. Traditional exports, consisting mainly of agricultural commodities, were not significantly affected by the devaluation due to limited production capacity and the longer period required for capacity to increase. However, the value of these exports increased sharply as world market prices rose substantially despite the sluggish economic conditions abroad, especially in the developed countries. The value of imports also increased at a higher rate than last year, although the increase was much lower than that of exports. As a result, the balance of payments showed a larger surplus in 1979/80 than in the previous year, and at the end of March 1980 foreign exchange reserves reached the highest level ever recorded.

The efforts of the Government to prevent unwarranted price increases during the months immediately after the devaluation de-

layed the impact of the devaluation on domestic prices until well into 1979/80. Price increases in 1979/80 were also caused by the upward adjustments in prices for domestic oil products and Bulog's domestic rice procurements as well as by the rise in export and import prices in the world market. However, due to fiscal measures and tight monetary policy implemented by ceilings on bank credits, price increases were restrained. As a result, the improvement in the competitive position accorded by the devaluation has largely been maintained.

Due to the improved competitive position, production of some exportables, such as textiles and handicrafts showed a significant increase. However, the devaluation also caused necessary adjustments in consumers and producers spending. This adjustment, and the temporary wait-and-see attitude of the business community immediately after devaluation led to lower rate of investment and production in certain manufacturing industries, especially those catering to domestic markets. This situation, and only a small increase in rice production, were the main factors behind the relatively low rate of economic growth in 1979.

The growth of Indonesian economy, measured by Gross Domestic Product (GDP), was 4.9% in 1979 compared to 6.8% in 1978. Production in agriculture, manufacturing and construction showed a smaller increase. Mining production, after a decline in the previous year, basically stagnated.

The rate of increase of agricultural production in 1979 was less than in the preceding year; it rose by 2.2% compared to 5.2% in 1978. This was due to the small increase in rice production, which also rose by only 2.2% to 17.9 million tons in 1979, following the increase of 10.4% in 1978. The lower rate of increase in rice production was mainly caused by pest attack and plant disease. In order to meet domestic demand and to maintain an adequate stock of rice, rice imports were raised, reaching 2.6 million tons in 1979 compared with 1.2 million tons in the previous year. Of other food crops, soybean and copra production increased 9% and 6%, respectively, while production of corn and peanut declined by 18% and 6%, respectively. Except palm oil production, which rose by 20% in 1979, production of export crops did not rise significantly.

Overall increase in manufacturing production in 1979 was less than in the previous year, 9.2% compared with 11.2% in 1978. Except those industries catering to domestic consumption, production from most manufacturing industries increased, but many at a slower pace than in the previous year. In the reporting year, textile and yarn production rose by 8% and 13%, respectively, compared with 18% and 23% in 1978/79. With the commencement of production of the new Kujang fertilizer plant in West Java and the capacity expansion of a petrochemical fertilizer plant in East Java, urea and non-urea fertilizer production expanded by 27% and 91 %, respectively, compared with the increase of 45% and 51 % in the previous year. Cement production

rose by 30% in the reporting year compared with 26% in 1978/79, due to expanded capacity of the Tonasa cement plant in South Sulawesi and the Padang cement plant in West Surnatera.

Production in the mining sector did not change significantly. Crude oil production, which began to decline in 1978/79, continued to fall from 589 million barrels in 1978/79 to 577 million barrels in the reporting year. This development reflected mainly the slowdown in oil exploration in 1975 - 1977. Although the exploration activity has revived since 1978, its impact on production will be noticed only in the coming years. As the result of investments made in the previous year, production and use of natural gas continued to increase in the reporting year, by 22% and 29%, respectively. Among the other mineral products, nickel and tin increased significantly.

Construction activity rose by a lower rate than in the previous year, by 6% compared with 14% in 1979. This was caused by the postponement of several projects due to the need to make a revaluation of contracts for government and private projects after the November 15, 1978 devaluation. The relatively lower production increase in construction, mining and agriculture was also reflected in overall investment, which rose only 5.6% in 1979 compared with 15.1% in the previous year.

The favorable prices of traditional export commodities in the world markets and the expansion in the volume of non traditional exports contributed to the strong balance of pay-

ments performance in the reporting year. The balance of payments surplus rose from \$ 708 million in 1978/79 to \$ 1,690 .million in 1979/80. As a result, the official foreign exchange reserves increased to \$ 4,606 at the end of 1979/80.

The total value of exports rose 54% in 1979/80 and amounted to \$ 17,489 million compared with the increase of 5% in the previous year. Both the main categories of Indonesia's exports, namely oil and liquefied natural gas, and others experienced the same rate of increase. Although the volume of crude oil exports declined from 503 million barrels in 1978/79 to 442 million barrels in 1979/80, oil export value rose by 46% to \$ 9,979 million, reflecting increased prices. In 1979/80, the price of crude oil rose eight times and on average increased by 66%. Both price and volume of liquefied natural gas exports rose in 1979/80, leading to an increase in value from \$ 516 million in 1978/79 to \$ 1,345 million in the reporting year. The total value of other exports rose from \$ 3,979 million in 1978/79 to \$ 6,165 million in 1979/80. Except tea, the value of all other export commodities increased in the reporting year. Large increases were recorded for timber, rubber, coffee, palm oil, tin and shrimp, mainly resulting from higher prices. Despite the decline in the export volume of timber and shrimp, their export values rose by 74% and 14%, respectively. Substantial increases were also recorded by textiles and handicrafts exports, mainly due to the improved competitive position of domestic producers and exporters after the devaluation.

The value of imports increased by 18% to

\$ 9,962 million in 1979/80. Imports of rice rose substantially, due to the insignificant rise in rice production and the need to raise the rice stock. Although the increase in the value of imports in 1979/80 was higher than in the previous year, it amounted to only one third of the increase of exports.

The 1979/80 government budget, which is balanced, amounted to Rp 6,934 billion or 31 % above the previous year's level. Actual government expenditures and receipts were 16% above their budgeted amounts and reached Rp 8,078 billion and Rp 8,076 billion, respectively, mainly due to a large increase of oil corporation tax and export taxes reflecting increased world market prices. Adjusting for the rate inflation in 1979/80 of 19%, real government expenditures and receipts increased by 33%.

Government receipts, grouped into domestic and foreign, increased by 57% and 33%, respectively, and amounted to Rp 6,697 billion and Rp 1,381 billion in 1979/80. Oil corporation tax, which was the largest item in the Government's domestic receipts (64%), increased substantially, or by 85% during the reporting year. A considerable increase was also recorded for the export tax, which rose by 134%. These favorable developments were due to the sharp price increases of Indonesian export commodities in the world market. As domestic budget receipts rose considerably, the share of foreign aid in financing government development expenditures declined from 41% in 1978/79 to 34% in 1979/80.

In order to speed up the implementation of development projects and to expand the community participation in the development efforts, the Government changed in 1979/80 the funding and implementation procedures of development projects, introduced the new DIP (Project Proposal List) system and gave a higher preference to economically-weak groups in conducting project implementation. This policy of giving higher priority to the economically weak groups is known as Keppres 14 (Presidential decision No. 14).

As a result of the above improvement in budget expenditure implementation, government expenditures, especially on development, accelerated sharply. Government expenditures, divided into routine and development expenditures, increased by 48% and 57%, respectively, and reached Rp 4,062 billion and Rp 4,014 billion. All items under routine and development expenditures showed a significant rise in 1979/80. In routine expenditures, a substantial increase was recorded for personnel expenditures, due to the payments of the 13th and 14th civil servants' salaries and the 13th pension of the year, and by material expenditures, which rose by 42% and 36%, respectively. Under development expenditures, large increases were recorded by expenditures for expanding business activity, manufacturing, housing and resettlement, improvement of government agencies, health and social welfare, and employment and transmigration. The expenditures for expanding business activity consists mainly of government participation in business enterprises.

During the reporting year, prices increased

by 19.1 % compared to 11.8% in the previous year. The higher rate of price increases in 1979/80 was caused mainly by the delayed impact of the November 1978 devaluation, higher prices for domestic oil products and Bulog's rice procurements as well as increases in prices of export and import commodities in the world market. The adjustment in domestic prices after the November 1978 devaluation was not completed in 1978/79 because of Government's efforts to restrain price increases. Prices rose at an average rate of 2.6% per month until the end of August 1979. Price increases slowed from September 1979, to register an average rate of 0.83% per month until March 1980. Developments show that price increases in the reporting year were not the result of monetary expansion, since expansion of the monetary aggregates were limited.

In view of the above non-monetary factors and the large balance of payments surplus, the Government adopted a relatively tight monetary policy. This policy was implemented by setting relatively restrictive ceilings on the expansion of banks' net domestic assets. In 1979/80, the banks' net domestic assets increased by 18% compared with 23% in the previous year.

Despite the expansionary impact of the large balance of payments surplus, the monetary expansion, measured by total liquidity and the money supply was restrained to 39% and 34%, respectively, mainly due to the tight monetary policy. The money supply at the end of March 1980 amounted to Rp 3,759 billion. In constant prices, the money supply in-

creased by only 11% in the reporting year compared with 19% in 1978/79.

Besides ceilings on bank credits as an instrument to control monetary expansion, bank credits were also channelled to finance exports and domestic production with preference for the economically-weak groups. Several requirements for obtaining investment loans for the financing of replanting, rehabilitation, expansion of area of cultivation of export crops such as rubber, coconut, coffee, pepper, tea and cocoa were relaxed. To induce the expansion of domestic production and at the same time to promote the activities of the economically-weak groups, the requirements for KIK and KMKP loans were also relaxed and credits on the basis of the viability of the projects were made available. For those credits, the evaluation now emphasizes more the probability of success of the project to be financed rather than the collateral available. As the results of the preference given and the relaxation of the requirements for KIK and KMKP loans, total KIK and KMKP credits increased by 74% and 95%, respectively, to Rp 118 billion and Rp 181 billion in the reporting year. The number of KIK applications approved also showed a substantial rise to 79 thousand at a value of Rp 190 billion, and the number of KMKP applications approved was 665 thousand at a value of Rp 349 billion. Similarly, other credits available to the economically-weak groups such as Mini credits, Inpres Pasar and Candak Kulak also increased significantly.

To assist the low-salaried groups in purchasing houses, housing credits have been

extended by State Savings Banks since 1978/79. For houses built by Perumnas (the National Housing Development Corporation) the funds have been provided by the Government budget, and for houses built by private companies by Bank Indonesia and Bank Tabungan Negara. Up to the end of 1979/80, housing loans extended amounted to Rp 30 billion.

Efforts to expand the capacity of national private banks and local development banks for granting credits continued during the year. Bank Indonesia's credit facility available to these banks was enlarged to the maximum of 3 to 6 1/2 times their net worth. In addition to their viability, the amount of credit obtainable by banks was also determined by the nature of their ownership, activities with respect to promoting the business of economically-weak groups, mergers and the status of foreign exchange banks. For local development banks, a credit facility for strengthening their capital base has been made available. In addition, banks have been allowed to extend overdraft facilities to meet urgent and temporary needs of their customers.

To promote the development of nonbank financial institutions, the establishment of financial institutions specializing in housing finance has been made possible. In addition, the limitation on the participation of financial institutions in other activities was reduced and the rediscount facility, given in April 1978, has been extended. During 1979/80, non-bank financial institutions recorded a remarkable development. The funds collected and investments made increased by 46% and 45% and reached Rp 257 billion and Rp 274 billion, re-

spectively, mostly in the form of short-term papers such as promissory notes and commercial papers.

The capital market, which was reactivated in 1977, made significant progress with respect to its organization, procedures and activities. Regulations were issued on bond offerings by business enterprises, share offerings by banks, and functions and responsibility of security brokers and other institutions participating in buying securities in the capital market. The increased activity in the capital market is indicated by the number of companies that have gone public, with three more companies doing so in 1979/80, and by the shares transacted, which amounted to 7,816 thousand at a value of Rp 25 billion in 1979/80. Up to the end of 1979/80, 4 companies had been participating in the capital market, with the total share value of Rp 29 billion.

As a guide to capital investment in Indonesia, a new DSP (investment priority list) has been in effect since February 1980. In the 1980 DSP there are 526 business activities open for PMDN (Domestic Capital Investment) and 340 for PMA (Foreign Capital Investment). In contrast to previous DSPs, tax holidays or investment allowances are provided to all open activities in the 1980 DSP. The approved

PMDN decreased from Rp 762 billion in 1978 to Rp 689 billion in 1979. The approved PMA increased substantially from \$ 470.6 million in 1978 to \$ 1,714.0 million in 1979, mainly due to the large planned investments in the Asahan aluminium project, the ASEAN fertilizer project in Aceh and the nickel project in Soroako. However, the implementation of PMA declined from \$ 405.2 million in 1978 to \$ 318.6 million in 1979.

From the overview above it can be concluded that Indonesia's economy performed satisfactorily in 1979/80, despite the sluggishness and inflation encountered in the world economy. The substantial balance of payments surplus provided ample resources for financing economic development and for raising foreign exchange reserves. Although the 1978 devaluation had still some undesirable impact on prices, investment and the rate of economic growth, the improved competitiveness and the larger foreign exchange reserves are new important elements for economic development in the coming years.

Governor of Bank Indonesia

RACHMAT SALEH

I. MONETARY DEVELOPMENT

A. Monetary development and policy

The global economic situation, residual effects from the November 15, 1978 measures and the increase in domestic oil prices were the principal factors affecting internal monetary conditions in 1979/80. Rising prices in the international market for Indonesia's export and import commodities, the -devaluation of rupiah from Rp 415.00 to Rp 625.00 per \$ on November 15, 1978 and a 36% to 56% increase in domestic prices of oil products in April 1979, all contributed to an acceleration of inflation. In addition, buoyant exports, which expanded at a much higher rate than imports, due to the devaluation and favorable international prices, resulted in a substantial balance of payments surplus, with a potentially large expansionary impact on domestic liquidity.¹⁾

Given these developments, monetary policy has attempted to restrain liquidity expansion so as to moderate inflationary pressures, but yet be sufficient to accommodate domestic production. Monetary policy was reinforced by various other measures, notably in the spheres of taxation, customs duties and the supply of essential commodities. These measures were considered necessary to enable business enterprises to capitalize on the competitive gains created by the devaluation.

Inflation, which began to accelerate in the last quarter of fiscal year 1978/79, retained its momentum through August 1979. In the period from April through August 1979, the domestic price level increased by an average monthly rate of 2.6% compared with only 0.7 % during the corresponding period of the previous year. As a result of monetary restraint and the subsiding of cost-push pressures arising from the November 15, 1978 measures, the average monthly increase in prices fell to only 0.8 % in the period from September 1979 to March 1980. For all of fiscal year 1979/80, inflation thereby was contained to 19.1 %.

In line with the increased demand for money to finance the relatively rapid price increases in the April - August period of 1979, overall, liquidity expanded at a monthly rate of 2.9% during that period, as against 2.2% in the corresponding period of 1978/79. As inflation began to subside in September 1979, the rate of growth in domestic liquidity fell to a monthly rate of 2.4% in the September -December period of 1979. However, due to the large expansionary impact of the balance of payments as well as increased budget spending, the rate of liquidity expansion increased again to 3.5% a month during the last quarter of 1979/80, resulting in a growth rate of 38.7% for the financial year as a whole.

The large expansionary impact of the balance of payments and the budget have necessitated greater restraint on the growth in bank credit in order to prevent the reemergence of inflationary pressures. In the report-

1) Domestic liquidity comprises currency, demand deposits and quasi-money.

ing year, total net domestic assets ²⁾ of the banking system grew by only 18%, well below the 23% rate registered in the previous year.

B. Money supply and factors affecting changes in money

The money supply, comprising currency and demand deposits, rose by 34.3% during fiscal year 1979/80 to Rp 3,759 billion, approximately the same rate of increase as in 1978/79. However, given the rise in the price level during the year, money supply in real terms grew by only 11 % in 1979/80, compared with 19% in 1978/79.

As shown in Table 4, increases in net foreign assets and claims on business enterprises and individuals were the major factors contributing to the expansion in money supply in 1979/80, accounting for Rp 2,623 billion and Rp 808 billion, respectively. Contractionary impacts arose from changes in net claims on Government (Rp 1,218 billion), increases in time and savings deposits (Rp 650 billion) and net other items (Rp 604 billion).

The substantially larger expansionary impact of the foreign sector, amounting to Rp 2,623 billion as against Rp 802 billion in 1978/79, reflected the very strong performance of the balance of payments in the reporting year. This was mainly attributable to the higher in-

ternational prices registered for Indonesian major export commodities, particularly oil, as well as to the effects of the November 15, 1978 measures.

Increased claims on business enterprises and individuals contributed Rp 808 billion to the expansion in money supply in 1979/80, compared with Rp 998 billion ³⁾ in the previous year, which were due to the increase of loans to public enterprises (Rp 250 billion) and to private enterprises and individuals (Rp 558 billion). The amount of loans given to either public or private enterprises was, nevertheless, smaller than in the previous year, when the former received Rp 406 billion ³⁾ and the latter Rp 592 billion. ³⁾ This reflected the more stringent credit policy in 1979/80.

Government budget operations provided a major offset to the above expansionary factors, by generating a monetary surplus amounting to Rp 1,218 billion, Rp 927 billion larger than in the previous year. The larger surplus is attributable to the sharp rise in government oil corporation tax receipts resulting from export price increases.

Time and savings deposits increased substantially in 1978/79, providing a contractionary impact in narrow money amounting to Rp 650 billion, compared with Rp 191 billion in 1978/79. Most of the increase was accounted for by foreign-currency denominated deposits.

2) Loans and certain other domestic assets which affect money supply.

3) Excluding increases from valuation adjustments of foreign currency denominated loans resulting from the November 15, 1978 devaluation.

As in previous years, other factors (net) were contractionary on money supply in 1979/80 by an amount of Rp 604 billion, representing mainly profits made by banks.

C. Monetary prospects for 1980/81

The gloomy situation of the world economy, with recessionary tendencies in some industrial countries, and persistently high rate of inflation, will have repercussions on domestic monetary developments in 1980/81. In addition, increased Government expenditures, which have been budgeted to rise by 31 % over the realized level for 1979/80, measures undertaken to speed up the completion of development projects and another upward adjustment of domestic prices of oil products are expected to bring some inflationary pressures on the economy. On the other hand, however, the November 15, 1978 devaluation, which has been the major factor behind inflation pre-

viously, should no longer have any significant influence on price development in 1980/81.

In terms of the factors affecting domestic liquidity, the external sector will continue to exert a large expansionary influence, and overall government budget operations are expected to have a less contractionary impact. The ceiling on the expansion of banks' net domestic assets has been set at 21 % for 1980/81, significantly higher than the 18% rate achieved in 1979/80. Given projected developments in the three major factors, domestic liquidity is expected to continue to expand at a relatively high rate. However, with much better prospect for economic growth and in view of the measures taken to increase the supply of goods in the domestic market, the impact of the liquidity expansion on the domestic price level in 1980/81 is expected to remain within tolerable limits.

TABEL 1 - DOMESTIC LIQUIDITY
(Billions of Rupiah)

End of period 1)	Domestic Liquidity 2)			Money Supply 3)		Quasi Money 4)	
	Total Rp	Changes (%)		Out-standing Rp	% of Total	Out-standing Rp	% of Total
		Annual	Quarterly				
1970	330	41.6		250	75.8	80	24.2
1970/71	365	37.3		270	74.0	95	26.0
1971	469	42.1		321	68.4	148	31.6
1971/72	548	50.1		360	65.7	188	34.3
1972	695	48.2		475	68.3	220	31.7
1972/73	768	40.2		530	69.0	238	31.0
1973	987	42.1		669	67.8	318	32.2
1973/74	1,203	56.6		784	65.2	419	34.8
1974	1,452	47.1		938	64.6	514	35.4
1974/75	1,584	31.7		1,027	64.8	557	35.2
1975	1,978	36.2		1,250	63.2	728	36.8
1975/76	2,262	42.8	14.4	1,428	63.1	834	36.9
1976/77							
June	2,314		2.3	1,433	61.9	881	38.1
September	2,566		10.9	1,608	62.7	958	37.3
December	2,631	33.0	2.5	1,603	60.9	1,028	39.1
March	2,844	25.7	8.1	1,815	63.8	1,029	36.2
1977/78							
June	3,026		6.4	1,961	64.8	1,065	35.2
September	3,123		3.2	2,014	64.5	1,109	35.5
December	3,131	19.0	0.3	2,006	64.1	1,125	35.9
March	3,275	15.1	4.6	2,111	64.5	1,164	35.5
1978/79							
June	3,482		6.3	2,241	64.4	1,241	35.6
September	3,639		4.5	2,371	65.2	1,268	34.8
November 15	3,666			2,412		1,254	
December	3,809 ⁵⁾	21.6	4.7	2,488	65.3	1,321 ⁵⁾	34.7
March	4,155 ⁶⁾	26.9	9.1	2,800	67.4	1,355 ⁶⁾	32.6
1979/80							
June	4,492		8.1	3,021	67.2	1,471	32.8
September	4,886		8.8	3,180	65.1	1,706	34.9
December	5,216	36.9	6.7	3,379	64.8	1,837	35.2
March	5,765	38.7	10.5	3,759	65.2	2,006	34.8

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 currency deposits held by domestic private sector

5) Includes revaluation of foreign currency deposits amounting to Rp 83 billion

6) Includes an additional revaluation of foreign currency deposits amounting to Rp 16 billion

TABEL 2 - MONEY SUPPLY
(Billions of Rupiah)

End of period 1)	Money Supply			Currency		Demand Deposits	
	Total Rp	Changes (%)		Out- standing Rp	% of Total	Out- standing Rp	% of Total
		Annual	Quart- erly				
1970	250	36.4		155	62.0	95	38.0
1970/71	270	28.2		167	61.9	103	38.1
1971	321	28.4		199	62.0	122	38.0
1971/72	360	33.3		210	58.3	150	41.7
1972	475	48.0		272	57.3	203	42.7
1972/73	530	47.2		291	54.9	239	45.1
1973	669	41.8		375	56.0	294	44.0
1973/74	784	47.9		421	53.7	363	46.3
1974	938	40.2		494	52.7	444	47.3
1974/75	1,027	31.0		538	52.4	489	47.6
1975	1,250	33.3		625	50.0	625	50.0
1975/76	1,428	39.0	14.2	659	46.2	769	53.8
1976/77							
June	1,433		0.3	680	47.5	753	52.5
September	1,608		12.2	800	49.8	808	50.2
December	1,603	28.2	-0.3	781	48.7	822	51.3
March	1,815	27.1	13.2	853	47.0	962	53.0
1977/78							
June	1,961		8.0	925	47.2	1,036	52.8
September	2,014		2.7	971	48.2	1,043	51.8
December	2,006	25.1	-0.4	979	48.8	1,027	51.2
March	2,111	16.3	5.2	1,036	49.1	1,075	50.9
1978/79							
June	2,241		6.2	1,110	49.5	1,131	50.5
September	2,371		5.8	1,156	48.8	1,215	51.2
November 15	2,412			1,164	48.3	1,248	51.7
December	2,488	24.0	4.9	1,240	49.8	1,248	50.2
March	2,800	32.6	12.5	1,369	48.9	1,431	51.1
1979/80							
June	3,021		7.9	1,509	50.0	1,512	50.0
September	3,180		5.3	1,500	47.2	1,680	52.8
December	3,379	35.8	6.3	1,546	45.7	1,833	54.3
March	3,759	34.3	11.2	1,736	46.2	2,023	53.8

1) Fiscal year ends March 31

TABEL 3 - MONEY SUPPLY AND INDEX OF REAL MONEY
(Billions of Rupiah)

End of period ¹⁾	Money Supply (billions of Rp)	Price Index (April 1977— March 1978 – 100)	Money Supply in Real Terms (billions of Rp)	Index of Real Money (March 1979 100)
1970	250	32.32	774	33.67
1970/71	270	34.19	790	34.36
1971	321	33.12	969	42.15
1971/72	360	34.48	1,044	45.41
1972	475	41.68	1,139	49.54
1972/73	530	41.64	1,273	55.37
1973	669	53.07	1,261	54.85
1973/74	784	61.35	1,278	55.59
1974	938	70.74	1,326	57.68
1974/75	1,027	73.69	1,394	60.64
1975	1,250	84.68	1,476	64.20
1975/76	1,428	88.26	1,618	70.38
1976/77				
June	1,433	91.87	1,560	67.85
September	1,608	96.57	1,665	72.42
December	1,603	96.70	1,658	72.12
March	1,815	98.95	1,834	79.77
1977/78				
June	1,961	101.38	1,934	84.12
September	2,014	105.30	1,913	83.21
December	2,006	108.13	1,855	80.69
March	2,111	108.93	1,938	84.30
1978/79				
June	2,241	108.92	2,057	89.47
September	2,371	110.72	2,141	93.13
December	2,488	115.36	2,157	93.82
March	2,800	121.77 ²⁾	2,299 ²⁾	100.00 ²⁾
1979/80				
June	3,021	132.27	2,284	99.34
September	3,180	139.78	2,275	98.96
December	3,379	143.07	2,362	102.74
March	3,759	147.14	2,555	111.12

¹⁾ Fiscal year ends March 31

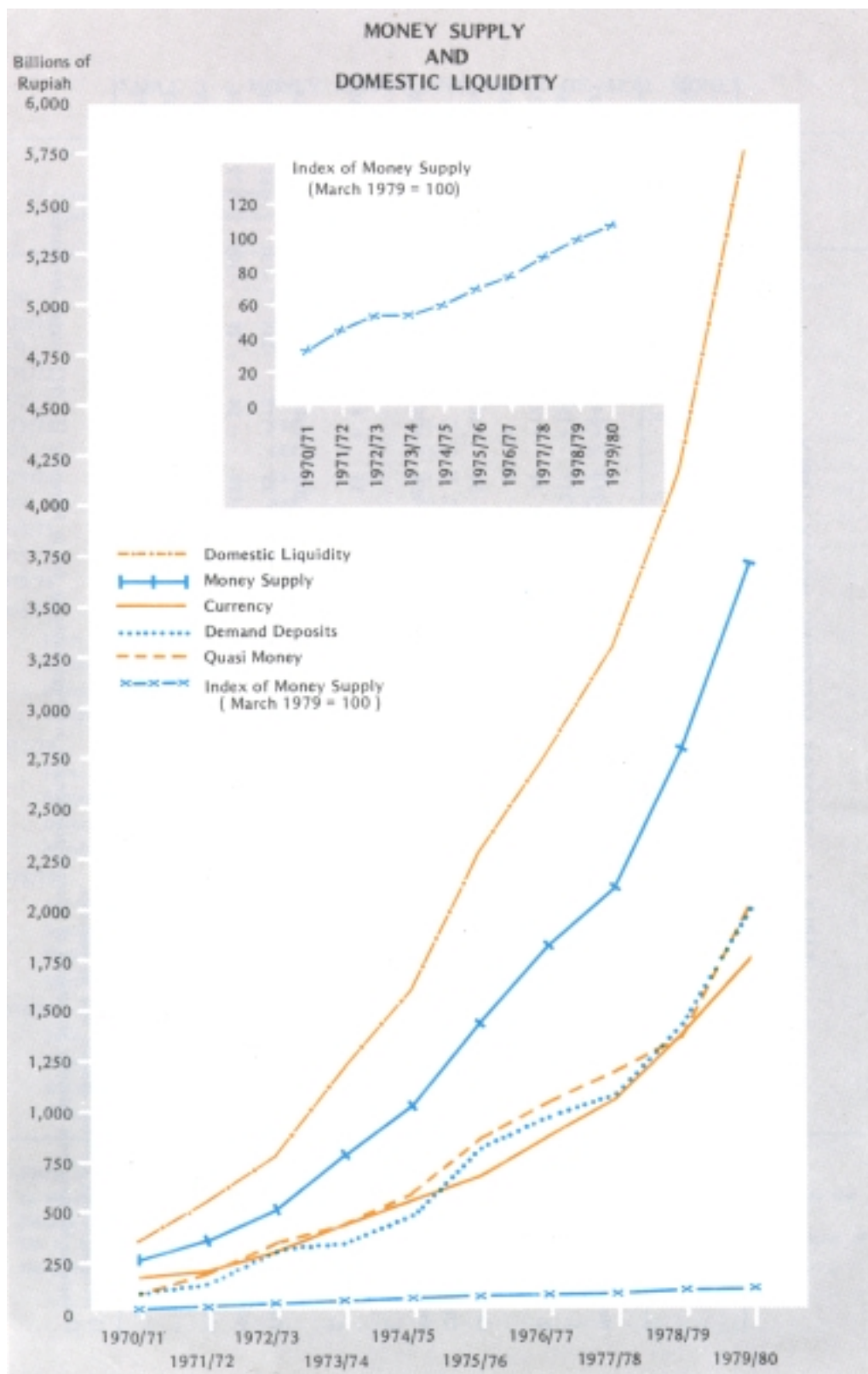
²⁾ In March 1979, the Cost of Living Index for Jakarta covering 62 goods and services, was replaced by the Jakarta Consumer Price Index
Up to March 1979, the Cost of Living Index for Jakarta was also used to measure changes in the cost of living in Indonesia

TABEL 4 - FACTORS AFFECTING MONEY SUPPLY
(Billions of Rupiah)

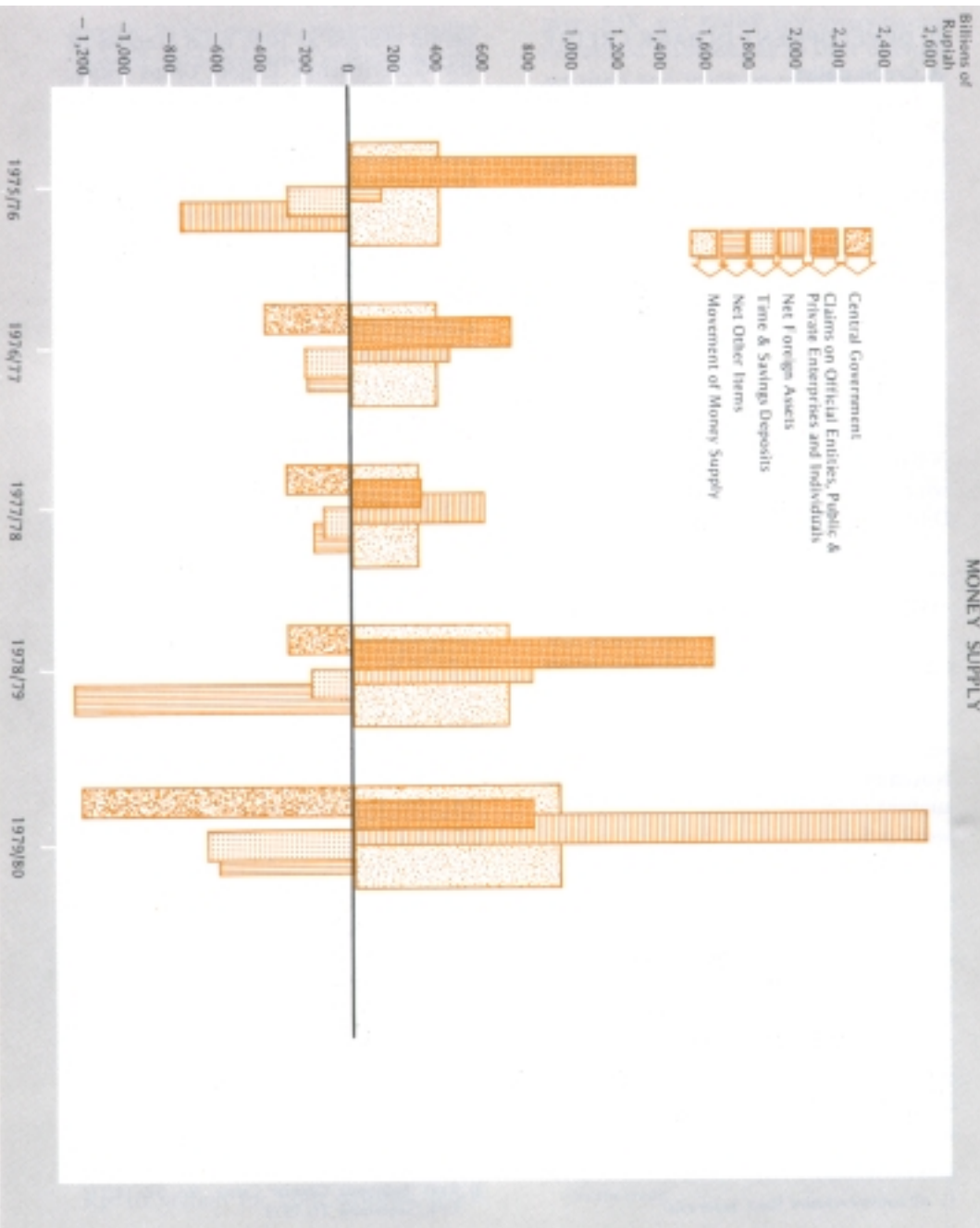
Items	1976/77	1977	1977/78	1978 ²	1978/79	1979	1 9 7 9				1980	1979/80
							I	II	III	IV		
Net Foreign Assets	+ 445	+ 636	+ 590	+ 641	+ 802	+ 1,864	+ 250	+ 349	+ 383	+ 882	+ 1,009	+ 2,623
1. Foreign Exchange Reserves	+ 414	+ 511	+ 274	+ 582	+ 899	+ 1,018	+ 217	+ 156	+ 109	+ 537	+ 284	+ 1,086
2. Other Foreign Assets	+ 31	+ 125	+ 316	+ 59	— 97	+ 846	+ 33	+ 193	+ 274	+ 345	+ 725	+ 1,537
(Of which Blocked Account)	(— 31)	(+ 67)	(+ 149)	(— 77)	(— 155)	(+ 85)	(+ 4)	(+ 9)	(+ 42)	(+ 30)	(—)	(+ 81)
Central Government	— 387	— 275	— 293	— 265	— 291	— 871	— 39	— 208	— 291	— 294	— 425	— 1,218
Claims on Entities/Enterprises and Individuals	+ 719	+ 319	+ 308	+ 1,487	+ 1,606	+ 1,042	+ 256	+ 290	+ 330	+ 51	+ 137	+ 808
1. Claims on Official Entities and Public Enterprises	+ 402	+ 35	— 57	+ 900	+ 974	+ 487	+ 55	+ 88	+ 54	+ 174	— 66	+ 250
2. Claims on Private Enterprises and Individuals	+ 317	+ 284	+ 365	+ 587	+ 632	+ 555	+ 201	+ 202	+ 276	— 123	+ 203	+ 558
Time and Savings Deposits ¹⁾	— 195	— 97	— 135	— 195	— 191	— 523	— 35	— 116	— 234	— 131	— 169	— 650
Net Other Items	— 195	— 180	— 175	— 1,186	— 1,237	— 684	— 120	— 94	— 29	— 309	— 172	— 604
Money Supply	+ 387	+ 403	+ 295	+ 482	+ 689	+ 828	+ 312	+ 221	+ 159	+ 199	+ 380	+ 959
— Currency	+ 194	+ 198	+ 182	+ 261	+ 333	+ 306	+ 129	+ 140	— 9	+ 46	+ 190	+ 367
— Demand Deposits	+ 193	+ 205	+ 113	+ 221	+ 356	+ 522	+ 183	+ 81	+ 168	+ 153	+ 190	+ 592

1) Includes foreign currency deposits held by residents

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



FACTORS AFFECTING MONEY SUPPLY



II. DEVELOPMENT IN BANK CREDIT

A. Credit policy

During the reporting year, credit policy continued to be adapted to the objectives and the late effects of the rupiah devaluation on November 15, 1978. It was directed to encourage exports and domestic production with an emphasis on Supporting the economically-weak groups, while helping to curb inflationary pressures.

As in previous years, monetary policy aimed at curbing inflation was, in part, implemented through the imposition of ceilings on credit expansion, which is a main factor affecting liquidity. During the fiscal year, the ceiling on the expansion of commercial bank credits¹⁾ initially set at 17% (Rp 587 billion) over the previous year's level, was revised upward to 23%, which was about the same percentage as that of the preceding year. This additional increase was necessary to meet the liquidity needs as a result of the higher prices following the November 15, 1978 measures, and to support exports and the economically weak group.

The concessionary nature of this facility is reflected, inter alia, in the maturity of credits which is fixed at a maximum of 20 years including a 7-year grace period applied to rubber and nonhybrid coconut, and a maximum maturity of 10 years including a 3 year grace

period with respect to coffee, pepper, tea, cocoa and hybrid coconut. In addition, interest payments during the grace period charged at 10%, is on account of the Government's Export Crops Fund, while during the repayment period 6% is paid by the borrower and the difference (41/2%) is on account of the Government's Export Crop Fund. In comparison, the maximum maturity of regular investment credits is 10 years including a 4-year grace period at 10 1/2% interest, for Category I (up to Rp 75 million), 12% for Category II (Rp 75 million-Rp 200 million), and 13 1/2% for Category III (Rp 200 million Rp 500 million) and Category IV (above Rp 500 million).

²⁾ As in the case of other investments, commercial bank credits under the PRPTE scheme also have access to Bank Indonesia's refinancing facilities of up to 80% of credits extended, bearing an interest of 3% per annum.

Efforts to encourage domestic production and strengthen the economically-weak entrepreneurs have been implemented, among others, by increasing the role of the viability of a project over the roles of collaterals and self-financing requirements in the assessment of extending credits commonly known as "viability credits" (kredit kelayakan). ³⁾ Furthermore, the terms and condition of KIK and KMKP have been more relaxed. In addition, an investment credit facility has been extended to local governments to finance development

1) All banks exclusive Bank Indonesia

2) Bank Indonesia Circular Letter i,4o. SE 10/17/UPK, December 30, 1977

3) Bank Indonesia Circular Letter No. SE 12/11/UPK, September 21, 1979

and renovation of shopping or trade centers provided for economically-weak groups. In the case of investment credits granted to cooperative enterprises, the relief was in the form of reduction in the self-financing requirement.

In September 1979, steps were taken to relieve the collateral requirement and self-financing obligation on credits with the maximum of Rp 75 million, extended to economically-weak groups used either for working capital or investment. The approval of this credit is now predominantly based on the prospects of the project or the activity to be financed. The main security of this credit is the project or undertaking itself, although handling banks are permitted to secure physical collateral amounting to not more than 50% of the credit extended. With regard to investment credit, the amount of the compulsory self-financing has been set at 10% of the project cost compared with 25% for regular investment credits. All types of credits which are granted such a relief are called "viability credits". Other terms and conditions of "viability credits", such as the rate of interest and maturity are the same as those applied to regular credits. Viability credits are primarily intended to finance production for exports, production and distribution of the nine basic commodities, the implementation of DIP and Inpres projects, and the procurement of goods and services for the Government.

With respect to credits under the KIK and KMKP programs, for which only the economically-weak groups are eligible, the ceiling on such credits has been increased from

Rp 5 million to Rp 10 million for both schemes. More over, KIK and KMKP borrowers having performed satisfactorily in their business activities and being on schedule in their debt repayments, are allowed to borrow an additional amount provided that total outstanding borrowings will not exceed Rp 15 million under each program. Furthermore, the maturity for KIK, which was previously 5 years including a 2-year grace period in the reporting year was extended to 10 years including a 4 year grace period. With regard to KMKP, the maturity remains at 3 years, although each time it may be extended to a maximum of 3 years without a clean up period, provided that the borrower is performing well in his undertaking and that service payments are on schedule.

Since June 1979, in line with the conditions of viability credits, the assessment of KIK and KMKP application no longer emphasized physical collaterals, but more stress has been placed on the future prospect of the project or the undertaking to be financed. Within this context, the amount of collateral that a handling bank may require is limited to 50% of the credit extended.⁴⁾ Previously, the amount of collateral was not regulated. Since early 1980, a borrower who has already borrowed from KIK and KMKP, can receive other types of credit, such as "viability credits", regular investments or regular short-term loans, without any obligation to prepay the outstanding amount under KIK and KMKP, provided the sum of those credits does not exceed Rp 75 million.

4) Underwritten goods outside the project financed by the credit.

In August 1979, in an effort to support the development of cooperatives, the relaxation was made on the self-financing requirements of investment credits granted to the Cooperative Village Units (KUD), of which 90% or more was insured by the Cooperative Credit Insurance Institution (LJKK)⁵⁾, from 25% to 12½% of total project cost. In the case of loan to the model KUDs, of which 90% or more is also insured by LJKK, the amount of selffinancing is even lower than 12½%, and varies according to the capacity of the respective Model KUDs.⁶⁾

In order to promote economically weak groups in the field of trade, an investment credit facility has been provided to local governments for financing the development and renovation of shopping and trade centers. Furthermore, local governments have been exempted from the obligation to provide self-financing, while all other terms are the same as those applied to regular investment credits. With respect to shopping and trade centers financed under this scheme, at least 60% of the available shops should be allocated to indigenous small traders, who, to pay for these shops, have access to KIK.⁷⁾ This credit is a new facility in addition to credits granted for financing development and renovation of Inpres markets which have been in effect since 1976.

In addition to the above measures, the re-

payment terms of Development Loans through the Banking System (DLBS) were relaxed and a classification was introduced on DLBS credits to conform to those applied to regular investment credits.⁸⁾ The maturity was set at 15 years including a 6 year grace period. Previously, such credits were not classified, maximum maturity was 12 years including a 3-year grace period, and interest rate was 12½% (except rescheduled credits 15%). The only DLBS so far realized were related to Japanese OECF aid granted within the period of 1973-1977.

B. Volume and allocation of credits

Total bank credits outstanding amounted to Rp 6,327 billion at the end of the reporting year, an increase of 15% compared with 23%⁹⁾ in the previous year. The smaller increase reflected mainly the slower growth of Bank Indonesia's direct credit to Pertamina, the state oil company, and Bulog, the state food agency. Total commercial bank credits grew by 24%, slightly larger than the previous year's increase.

The development of bank credits by economic sector is shown in Table 6. Bank credits in all economic sectors increased; in manufacturing by Rp 449 billion or 27%, agriculture by Rp 47 billion or 13%, trade by Rp 138 billion or 12%, mining by Rp 49 billion or 3% and service industry by Rp 13 billion or 3%.

5) Bank Indonesia Circular Letter No. SE 12/9/UPK, August 13, 1979

6) Bank Indonesia Circular Letter No. SE 12/18/UPK, February 6, 1980

7) Bank Indonesia Circular Letter No. SE 12/14/UPK, October 30, 1979

8) Bank Indonesia Circular Letter No. SE 12/17/UPK, December 26, 1979

9) Excluding the increase caused by the revaluation of foreign currency denominated credits following the devaluation.

TABEL 5 - INVESTMENT CREDITS OUTSTANDING ¹⁾
(Billions of Rupiah)

Type of Credit	March 31				June 30, 1979	Sep.30, 1979	Dec.31, 1979	March 31, 1980
	1976	1977	1978 ⁴⁾	1979				
Investment Credit under Bank Indonesia Scheme ²⁾	196	263	287	343	356	381	397	463
KIK	25	40	53	68	74	86	99	118
Others ³⁾	1,036	1,252	1,292	2,096	2,189	2,255	2,334	2,260
Total	1,257	1,555	1,632	2,507	2,619	2,722	2,830	2,841

1) Excludes foreign exchange component of project aid credit

2) Based on the Announcement of the Board of Directors of Bank Indonesia No. Peng.I/DIR/1969, March 7, 1969

3) Mainly credits to PN Pertamina, PT Krakatau Steel and Perumtel

4) Since March 31, 1978, excludes interest in arrears

The large increase in credit extended to the manufacturing sector, reflected the resurgence of demand for several domestically produced goods after the rupiah devaluation on November 15, 1978. The increase in credits in manufacturing was mainly extended for fertilizer and pesticide, steel, cement, and construction industries. With respect to agricultural sector, it was primarily used to finance Bimas and Inmas, smallholders' plantations, and for the trade sector it was mainly extended to small businessmen under the KIK and KMKP schemes and exporters. The rise in credits for the service industry resulted, inter alia, from the expansion in credits for public transportation. With the above developments, the role of the manufacturing sector increased from 30% to 34%, whereas mining declined from 32% to 28% and other sectors did not register any significant changes.

As shown in Table 7, of total bank credits outstanding at the end of the reporting year, working capital credits amounted to Rp 3,486 billion or 55%, and investment credits to Rp 2,841 billion, an increase of 17% and 13%, respectively. Credits for working capital were primarily extended to manufacturing (38%) and trade (34%). Investment credits were mainly granted to mining (57%), while the remainder was largely used for manufacturing (28%) and service industries (9%).

At the end of 1979/80, the outstanding amount of investment credits comprised the 1969 Bank Indonesia Investment Credits Scheme, KIK, and others amounted to Rp 463 billion (16%), Rp 118 billion (4%) and Rp 2,260 billion, respectively. It is worth noting that the share of other investment credits rose sharply

in 1975/76, when Bank Indonesia extended large credits to Pertamina to repay its foreign debts. The figures on investment credits are presented in Table 5.

As can be seen, the outstanding amount of Bank Indonesia's investment credit scheme of 1969 rose by 35% to Rp 463 billion at the end of the reporting year, a larger rise than in the preceding year. This rapid increase was also reflected in the amount of credits approved by commercial banks, which rose by 48% (Rp 214 billion) to Rp 662 billion by the end of March 1980 (see Table 8). This was primarily caused by the greater need for liquidity resulting from price rises during the reporting year, in addition to the impacts of the relaxation of the collateral and selffinancing requirements for certain investment credits.

Investment credits under KIK also showed a remarkable rise, i.e. by 74% to Rp 118 billion by the end of the reporting year. As shown in Table 9, the value of KIK applications approved in the reporting year also rose strongly, i.e. by 68% to Rp 190 billion, whereas the number of borrowers increased by 38% to 79 thousand. In the reporting year, the value of KIK applications approved and the number of borrowers rose by 43% and 36%, respectively. The steady rise in value was closely related to the relaxation of certain KIK requirements granted in the reporting year, and the intensified business activities of the economically-weak groups. As stated in the previous report, under the Project for the Development of Small Entrepreneurs (PPPK)

coordinated by Bank Indonesia, a \$ 40 million loan was obtained from the World Bank. The loan was utilized for expanding KIK in several areas, financing consultant services and training commercial banks' officers on the procedures of extending credits to small entrepreneurs. In the reporting year, cooperation with the European Economic Community (EEC) was also established. Under this cooperation, \$ 3.2 million in aid funds from the EEC for the financing of consultant services and researchers for the promotion of economically weak groups in several areas have been approved.

Other investment credits were mainly extended to Pertamina, PT Krakatau Steel and Perumtel with different terms from those under Bank Indonesia's investment credit scheme of 1969. Unlike the credits extended to Pertamina, those extended to PT Krakatau Steel and Perumtel were channeled through state commercial banks. In the reporting year, other investment credits rose by 8%, which primarily resulted from the increase in credits for PT Krakatau Steel.

As in the case of the KIK, other credit programs intended to promote undertakings of economically-weak groups, i.e. the KMKP, Mini Credit and Inpres Market Credit continued to develop favorably.

Significant developments in the KMKP scheme were shown by the number of applications approved and the balance outstanding during the year under report, which increased by 86% and 95% to reach Rp 349

billion and Rp 181 billion, respectively, compared with the previous year's increases of 50% and 43%. The number of borrowers reached 665 thousand, an increase of 52% over the previous year.

As commonly known, Mini Credit is extended in a small amount (up to Rp 100,000.00) to indigenous small-scale enterprises for investment or working capital with soft terms. As of end March 1980, the outstanding amount was Rp 20 billion, an increase of 25% or Rp 4 billion during the reporting year. For that purpose, a fund has been provided by the Government Budget amounting to Rp 21 billion at the end of the reporting year, including an additional amount of Rp 4 billion provided during the year under report.

Credit to local governments for financing development and renovation of Inpres markets increased by Rp 10 billion to Rp 35 billion. This increase was smaller than the maximum amount of Rp 30 billion, set by the Government for 1979/80.

To assist low-income wage earners to purchase low-cost houses, the Government has since 1978/79 extended housing loans known as House Purchase Credit (KPR) which are made available through Bank Tabungan Negara (State Savings Bank). For houses built

by PERUMNAS (the National Housing Development Corporation) the funds are provided by the Government Budget, while for houses constructed by private developers the funds are provided by the banking system. Total credits granted through PERUMNAS, which started in 1979/80, was Rp8 billion at the end of March 1980, while the funds available from the Government was Rp 20 billion. At the end of March 1980, KPR extended by the banking system reached Rp 22 billion, a Rp 16 billion increase from the previous year. Hence, total housing loans reached Rp 30 billion by the end of the reporting year.

In addition to the above mentioned credit schemes, the Government has been channelling financial aid for economically-weak groups in villages through the KUDs (Village Cooperative Units) known as Kredit Candak Kulak (KCK). During 1979/80, loans extended under this program amounted to Rp 19 billion, making the total disbursement of Rp 36 billion at the end of March 1980, out of which Rp 33 billion had been repaid. The rapid expansion of KCK resulted from the increase of funds provided by Government for such purpose, which was Rp 4 billion through the end of 1978/79 to Rp 6 billion at the end of 1979/80. The number of KUDs participating in the scheme remained 2,196.

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

Particulars	March 31					June 30, 1979	Sep.30, 1979	Dec.31, 1979	March 31, 1980
	1975	1976	1977	1978 ⁵⁾	1979 ⁶⁾				
Bank Credits	<u>1,755</u>	<u>2,989</u>	<u>3,717</u>	<u>3,945</u>	<u>5,490</u>	<u>5,736</u>	<u>6,097</u>	<u>6,268</u>	<u>6,327</u>
– Agriculture ²⁾	121	260	286	297	365	381	385	438	412
– Mining ³⁾	100	807	1,100	1,044	1,752	1,802	1,838	1,893	1,801
– Manufacturing ⁴⁾	402	780	1,070	1,178	1,671	1,796	1,918	1,933	2,120
– Trade	613	791	812	919	1,115	1,177	1,333	1,338	1,253
– Service Rendering Industry	135	200	271	331	403	392	405	422	416
– Others	384	151	178	176	184	188	218	244	325
Credits in Rupiah	<u>1,450</u>	<u>2,005</u>	<u>2,524</u>	<u>2,830</u>	<u>5,103</u>	<u>5,321</u>	<u>5,680</u>	<u>5,858</u>	<u>5,915</u>
– Agriculture	121	252	274	297	364	380	380	437	411
– Mining	14	100	209	187	1,752	1,802	1,838	1,893	1,801
– Manufacturing	402	550	807	933	1,312	1,409	1,532	1,536	1,722
– Trade	590	767	794	908	1,095	1,159	1,316	1,333	1,248
– Service Rendering Industry	135	190	264	329	398	387	400	418	411
– Others	188	146	176	176	182	184	214	241	322
Credits in Foreign Exchange	<u>305</u>	<u>984</u>	<u>1,193</u>	<u>1,115</u>	<u>387</u>	<u>415</u>	<u>417</u>	<u>410</u>	<u>412</u>
– Agriculture	...	8	12	---	1	1	5	1	1
– Mining	86	707	891	857	---	---	---	---	---
– Manufacturing	...	230	263	245	359	387	386	397	398
– Trade	23	24	18	11	20	18	17	5	5
– Service Rendering Industry	...	10	7	2	5	5	5	4	5
– Others	196	5	2	---	2	4	4	3	3

1) Excludes interbank credits, credit to government, credit to non-residents, special liquidity credit and foreign exchange component of project aid

2) Processing of agricultural products is classified under "manufacturing", following International Standard Industrial Classification (ISIC) 1968

3) Includes credits to PERTAMINA for financing its debt services. Since March 1979 credits in foreign exchange to PERTAMINA has been converted to credits in rupiah

4) Includes credits to PT Krakatau Steel

5) Since March 31, 1978, excludes interest in arrears

6) Includes increases from valuation adjustments due to the exchange rate revision on November 15, 1978, amounting Rp 497 billion for mining, Rp 124 billion for manufacturing, Rp 2 billion for trade, Rp 1 billion for services and Rp 1 billion for other sectors

**TABEL 7 - BANK CREDITS IN RUPIAH AND FOREIGN EXCHANGE
BY MATURITY AND ECONOMIC SECTORS ¹⁾
(Billions of Rupiah)**

Specification	March 31				June 30, 1979	Sep.30, 1979	Dec.31, 1979	March 31, 1980
	1976	1977	1978 ²⁾	1979				
Short-term Credits	<u>1,732</u>	<u>2,162</u>	<u>2,313</u>	<u>2,983</u>	<u>3,117</u>	<u>3,375</u>	<u>3,438</u>	<u>3,486</u>
— Agriculture	213	232	236	293	306	306	304	312
— Mining	78	268	253	217	216	199	179	184
— Manufacturing	409	571	598	1,022	1,093	1,193	1,264	1,315
— Trade	755	772	873	1,062	1,121	1,270	1,247	1,183
— Service Rendering Industry	137	146	186	215	202	203	222	167
— Others	140	173	167	174	179	204	222	325
Investment Credits	<u>1,257</u>	<u>1,555</u>	<u>1,632</u>	<u>2,507</u>	<u>2,619</u>	<u>2,722</u>	<u>2,830</u>	<u>2,841</u>
— Agriculture	47	54	61	72	75	79	134	100
— Mining	729	832	791	1,535	1,586	1,639	1,714	1,617
— Manufacturing	371	499	580	649	703	725	669	805
— Trade	36	40	46	53	56	63	91	70
— Service Rendering Industry	63	125	145	188	190	202	200	249
— Others	11	5	9	10	9	14	22	---
Total	2,989	3,717	3,945	5,490	5,736	6,097	6,268	6,327

1) Excludes foreign exchange component of project aid credit

2) Since March 31, 1978, excludes interest in arrears

**TABEL 8 - INVESTMENT CREDITS BASED ON BANK INDONESIA REGULATION
BY ECONOMIC SECTORS AND SOURCE OF FUNDS ¹⁾**
(Billions of Rupiah)

Particulars	March 31					June 30,	Sep.30,	Dec.31,	March 31,
	1975	1976	1977	1978	1979	1979	1979	1979	1980
Credits Outstanding	<u>143</u>	<u>196</u>	<u>263</u>	<u>287</u>	<u>343</u>	<u>356</u>	<u>381</u>	<u>397</u>	<u>463</u>
By Economic Sector									
— Agriculture	14	29	41	57	70	72	74	73	78
— Mining	—	5	4	3	2	2	2	1	2
— Manufacturing	72	82	97	109	118	124	134	140	158
— Service Rendering Industry	47	70	111	106	144	149	161	173	207
— Others	10	10	10	12	9	9	10	10	18
By Source of Funds									
— Bank Indonesia	76	105	127	155	196	174	202	210	211
— State Banks	63	87	133	131	146	181	178	186	251
— Government Budget ²⁾	4	4	3	1	1	1	1	1	1
Approved by Banks	<u>198</u>	<u>269</u>	<u>343</u>	<u>362</u>	<u>448</u>	<u>466</u>	<u>537</u>	<u>566</u>	<u>662</u>
By Economic Sector									
— Agriculture	19	36	48	69	86	87	96	109	114
— Mining	—	5	5	5	11	5	5	5	6
— Manufacturing	100	109	137	143	153	164	183	189	212
— Service Rendering Industry	66	104	137	127	185	195	239	249	306
— Others	13	15	16	18	13	15	14	14	24
By Source of Funds									
— Bank Indonesia	130	179	230	245	306	311	366	376	393
— State Banks	62	85	108	114	140	153	169	188	267
— Government Budget ²⁾	6	5	5	3	2	2	2	2	2

¹⁾ Based on the Announcement of the Board of Directors of Bank Indonesia No. Peng.1/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, through the Government Budget, rupiah financing for investment credits is no longer provided

**TABEL 9 - SMALL INVESTMENT CREDITS (KIK), PERMANENT WORKING
CAPITAL CREDITS (KMKP) AND MINI CREDITS
(Billions of Rupiah)**

Particulars	March 31					June 30,	Sep.30,	Dec.31,	March 31,
	1975	1976	1977	1978	1979	1979	1979	1979	1980
I. Small Investment Credits									
— Number of Applications Approved (in thousands)	11	20	31	42	57	61	66	72	79
— Value of Applications Approved	19	34	55	79	113	122	140	163	190
— Credit Outstanding	15	25	40	53	68	74	85	99	118
II. Permanent Working Capital Credits									
— Number of Applications Approved (in thousands)	16	83	184	336	438	511	611	644	665
— Value of Applications Approved	18	41	75	125	188	214	262	305	349
— Credit Outstanding	14	27	46	65	93	109	130	155	181
Total I + II									
— Number of Applications Approved (in thousands)	27	103	215	378	495	572	677	716	744
— Value of Applications Approved	37	75	130	204	301	336	402	468	539
— Credit Outstanding	29	52	86	118	161	183	215	254	299
III. Mini Credits									
— Investment	—	1	1	2	3	3	3	3	3
— Working Capital Short-term	2	4	7	9	13	14	15	15	17

III. MOBILIZATION OF FUNDS

The mobilization of funds through financial institutions is a very important part of the efforts to encourage domestic savings for financing development, and as a tool to support monetary policy. Such efforts to mobilize funds have been in effect, guided and programmed through institutional development, promotion of savings consciousness, and the extension of necessary incentives. Institutionally, the efforts comprised the establishment of new financial institutions, reactivation of the stock market, and expansion of the interbank money market. Meanwhile, various programs have been launched in order to encourage the savings habit in 'the society. Such programs include the Inpres time deposit scheme, a national savings deposit program intended for development purposes called Tabanas and Taska, and ONH savings deposit for haj-pilgrimage expenses. Incentives have also been granted by means of attractive interest rates, and tax-free status of interest earnings. To achieve these objectives, continuous improvement in procedures has been made in line with economic and monetary developments.

In 1979/80, further regulations concerning time deposits, savings deposits, and capital market were enacted. In November 1979, the Government emphasized that the exemption of tax on interest, dividend and royalties, income tax, corporate tax and "white washing" facilities on time deposits did not apply to rupiah and foreign currency deposits held by nonresidents, as the aforementioned facilities

were designed to increase rupiah deposits held by residents.¹⁾ This decision also applied to residents' rupiah deposits of less than one month maturity so as to promote rupiah deposits of longer maturities. Furthermore, in an effort to support the national savings deposits program, a training was launched for school teachers and officials of the Department of Education and Culture on ways to enhance the savings habit inside as well as outside schools.

With respect to the stock market, the Government has developed procedures for offering stocks and bonds by companies, including national private banks, designated authorized corporate bodies or other institutions to buy securities in the stock market, and drawn up the requirements to be met by stock brokers.

A. Savings deposits

1. Time deposits

Time deposits currently comprise mainly the 1968 rupiah Inpres time deposits, other rupiah time deposits and foreign currency time deposits. At the end of the reporting year, total rupiah and foreign currency time deposits outstanding for both amounted to Rp 1,082 billion, an increase of 16% from the end of the previous year (Table 11). This was a considerable expansion compared with the 3% increase in 1978/79. The increase was par-

1) Decree of the Minister of Finance No. S-927/MK-04/1979, November 26, 1979.

ticularly, discernible in foreign currency time deposits and in rupiah time deposits other than Inpres time deposits. As in the previous year, Inpres time deposits continued to increase at a lower rate, thereby falling in proportion from 76% to 67% by the end of March 1980. This was due to interest rate increases and certain other attractive features on other than Inpres time deposits, while the interest rates for Inpres time deposits remained unchanged since January 1978.²⁾

a. Inpres time deposits

Toward the end of the reporting year, Inpres time deposits reached the level of Rp 725 billion, an insignificant increase over the position at the end of the previous year. This low rate of increase, especially in the past two years, was mainly caused by a combination of increasing inflation and the existence of other more attractive investment alternatives.

Despite the slight increase in total Inpres time deposits, those with 3 month and 6-month maturities have increased notably by 40% and 29%, respectively. This development was the result of the changes in preference from deposits of 12 months and 24 months to those of shorter maturities. In the case of 3-month deposits, the change was closely related to the flexibility granted to the depository banks in adjusting interest rates and other features along with changing economic conditions. With respect to the 6-month deposits the change was a consequence of the severe penalty im-

posed on premature withdrawal of 12-month and 24-month deposits.³⁾

In 1979/80, the Government continued to pay an interest subsidy to the depository banks for Inpres time deposits of 24-month maturity. Since January 1, 1978, the subsidies have been 4.5% on deposits bearing 15% interest, and 1.5% for those bearing 12% interest (see Table 12). In the reporting year the interest subsidy paid out by the Government to banks amounted to Rp 18 billion compared with Rp 33 billion in the preceding year.

b. Other time deposits

Rupiah time deposits other than Inpres deposits amounted to Rp 238 billion at the end of March 1980, an increase of 70% during the reporting year compared to a decline of 12% in the previous year, due to the increasing need of liquidity for transaction purposes following the rupiah devaluation on November 15, 1978. The expansion was the result of more attractive interest rates and other features offered to this type of deposits relative to those of Inpres time deposits. The changes in interest rates on deposits offered since 1978/79 by private commercial banks, both national and foreign, is presented in Table 14.

2) See Tables 12 and 14.

3) As reflected by the low rates of interest paid for premature withdrawal of 12-month and 24-month time deposits, i.e. 3% p.a. on deposits withdrawn after 6 months but less than 12 months, and 6% p.a. for deposits withdrawn after 12 months but less than 24 months (Decision of Board of Directors of Bank Indonesia No. 10/ 104/Kep/Dir/UPUM, December 30, 1977)

Time deposits in foreign currency increased as high as 45% in the reporting year to Rp 119 billion, as against only 5% in the preceding year.

⁴⁾ The higher rate of increase during 1979/80 was primarily due to the rising interest rates in line with interest rates changes in the international market. The Government decision not to grant tax exemption and “white washing” for time deposits in foreign exchange resulted in a slower rate of growth for these deposits since February 1980.

2. Savings deposits

Savings deposits, currently consist mainly of Tabanas, Taska and savings for Haj pilgrimage expenses (ONH), which are carried out by state banks and some national private banks. Tabanas, which was initiated in 1971, has become the most important source of funds after demand and time deposits. In an effort to expand Tabanas, the Perata P-3 savings program for youth, students and scouts was adopted in 1974, and an Employee Savings Scheme for both civil servants and military personnel was introduced in 1976. The main objective of the Perata P-3 program is to develop savings habits among youths, for which an increase in the number of depositors is considered more important than the total amount of savings deposits. Taska, a savings deposit scheme with life insurance features was initiated at the same time as the Tabanas program. ONH savings deposits are temporary and seasonal, meant to assist the financing of haj-pilgrimage.

4) Excluding increase due to rupiah devaluation.

a. Tabanas and Taska

In the reporting year, simplified procedures for deposits and withdrawal were introduced so as to make Tabanas more attractive to depositors.⁵⁾

Besides encouraging the savings habits of the society, upgrading courses for school teachers, scout leaders, youth leaders and officials of the Department of Education and Culture all over the country were organized in 1979/80 as a preparation for the inclusion of savings drive in school curricula.

Following these improvements, Tabanas continued to show a favorable expansion during 1979/80. At the end of the fiscal year, the amount of deposits was Rp 237 billion, an increase of 18%, and the number of depositors increased by 9% to 8.3 million. These rates of increase were the same as those of the preceding year.

Included in the total Tabanas deposits mentioned above were Perata P-3 savings deposits of Rp 662 million held by 854,000 depositors. This was an increase of 20% in total savings and 2% in the number of depositors, compared with 50% and 2%, respectively, in the previous reporting year.

During 1979/80, Employee savings deposits registered a substantial increase both in value and the number of depositors; total de-

5. Bank Indonesia Circular Letter No. SE 12/7/UPUM, February 4, 1980.

posits rose by 26% to Rp 9.5 billion and the number of depositors rose by 3% to 847,000, compared with 32% and 6%, respectively, in the preceding year.

Taska, which was introduced in 1971, did not expand as expected, thus contributing insignificantly to total savings deposits. This was due to its life insurance features, which was out completed by life insurance companies offering more attractive terms.

b. ONH (Haj-Pilgrimage Expenses) savings deposits

The total ONH savings deposits in the reporting year was Rp 59 billion, deposited by 39,935 depositors. The amount deposited registered an increase of 7% over the previous year, while the number of prospective pilgrims declined by 45%. The decline in depositors was mainly due to the increase in ONH cost fixed by the Government, from Rp 766,000.00 to Rp 1,490,000.00⁶⁾ following the rupiah devaluation on November 15, 1978. The banks designated to receive these ONH deposits remained Bank Negara Indonesia 1946, Bank Rakyat Indonesia, and for the Irian Jaya province, Bank Ekspor Impor Indonesia.

B. Money market

1. Interbank funds

The activities of the interbank money market in Jakarta, activated in 1974, was sluggish

in 1979/80. Monthly average call money transactions were Rp 136 billion, a decrease of 5% compared with the 55% increase during the previous year. This decline was attributable to a new method of accounting the ceiling on bank credit expansion in early 1980, having a restrictive impact on interbank credits. It should be noted that most transactions in the interbank money market during the previous year conducted between state banks as lenders, and private banks, especially foreign banks, as borrowers.

Transaction and interest rates in the interbank money market in Jakarta are as follows.

Period	Volume of Transactions (billions Rp)	Weighted Average Interest Rates (in per cent per annum)
1977		
January-March	229	7.30
April - June	246	7.33
July - September	221	7.20
October- December	327	7.21
1978		
January - March	326	5.96
April - June	386	6.56
July - September	384	7.21
October - December	426	9.42
1979		
January - March	527	12.79
April - June	358	13.21
July - September	413	12.97
October - December	497	13.96
1980		
January	151	14.55
February	116	14.57
March	100	15.17

2. Certificates of deposits (CDs)

Up to the end of the reporting year, the issuance of CDs, as a money market paper introduced in 1971, was made only by state

6) Presidential Decision ho. 8/1979, March 16, 1979.

**TABEL 10 - INTEREST/DISCOUNT RATES ON CERTIFICATES OF DEPOSIT
(Annual Percentage Rates)**

Maturity	1 9 7 9				1980
	March	June	September	December	March
1 week	--	--	2.5 -- 9.0	2.5 -- 10.0	2.5 -- 12.5
2 weeks	--	--	8.5 -- 9.0	9.7 -- 11.0	9.75 -- 13.0
1 month	3.0 -- 9.0	3.0 -- 9.0	3.0 -- 10.25	3.0 -- 11.5	3.0 -- 14.25
2 months	3.25 -- 6.0	3.25 -- 6.0	3.0 -- 6.0	3.0 -- 7.5	3.0 -- 7.5
3 months	3.0 -- 10.0	3.0 -- 10.0	4.0 -- 11.25	4.0 -- 12.5	4.0 -- 14.5
4 months	3.75 -- 7.0	3.75 -- 7.0	4.5	4.5	4.5
5 months	4.0	4.0	5.0	5.0	5.0
6 months	4.25 -- 11.0	4.25 -- 11.0	6.0 -- 13.0	6.0 -- 13.5	6.0 -- 15.25
9 months	4.75	4.75	7.0	7.0	7.0
12 months	5.25 -- 11.5	5.25 -- 11.5	8.0 -- 13.0	8.0 -- 13.5	8.0 -- 14.25

commercial banks and some private foreign banks.

After experiencing a marked decrease in 1978/79, the amount of CDs rose substantially by 57% in 1979/80, reaching Rp 47 billion at the end of March 1980. This increase coincided with the expansion of time deposits other than Inpres deposits, reflecting more attractive interest rates. The growth in the outstanding CDs was mainly due to the increased sales by certain state banks toward the end of the reporting year. The outstanding CDs issued by state banks almost doubled, reaching Rp 28 billion at the end of March 1980, while outstanding CDs with foreign banks increased by 33% to Rp 19 billion. The share of

state banks in the total amount of outstanding CDs thereby rose from 53% to 60%. Interest rates on CDs in the past two years are shown in Table 10.

3. Non-Bank Financial Institutions (NBFI) papers

Mobilization of funds through the issuance of money market papers by non-bank financial institutions, mainly in the form of promissory notes, expanded significantly during the reporting year. For investment finance companies, the issuance of such papers has become their primary source of funds, while development finance companies this source of funds covered 24% of total funding.

The total short-term papers issued by both investment and development finance companies reached Rp 165 billion at the end of the reporting year compared with Rp 88 billion at the end of the previous reporting year. This substantial increase was, among others, the result of Bank Indonesia regulation, enacted in September 1979, which enabled local development banks to invest funds deposited with them by local governments in short-term papers issued by NBFIs. Along with that, a facility was provided for those banks to rediscount their papers, at any time, with Bank Indonesia.

C. Capital market

The stocks and bonds market, as a means of mobilizing long-term funds, has been reactivated since August 1977. Since then significant progress has been made in its organization, procedures and activities. In the reporting year, the Government introduced new regulations on public offerings of stocks and bonds, broker's obligations, and institutions eligible to purchase stocks in the market.

It was stated that bonds could only be sold in the market by corporate bodies established under Indonesian law, domiciling in Indonesia and profit oriented, and by other corporate bodies to be designated by the Minister of Finance.⁷⁾ Moreover, the aforementioned companies shall have an authorized capital of not less than Rp 500 million, of which not less than Rp 100 million shall be paid-in and shall have net assets of not less than Rp 100 million. For two consecutive years the com-

pany shall have made a profit; in the latter year the ratio of profit to shareholder's equity shall be not less than 100%. The bonds offered shall be denominated in rupiah, amounting to not more than 100% of the company's net assets or not less than Rp 100 million. The number of bonds issued shall be not less than 5,000, with a nominal value or Rp 5,000.00 each.

In view of the nature of the banking business, which is rather different from other types of business activities, the Government introduced some specific requirements to be met by national private banks going public in addition to those applicable to other business enterprises.⁸⁾

A Government regulation, issued in 1976, stated that only Indonesian nationals could buy stocks in the capital market. In the year under report, however, it was determined that public institutions and public entities and national private business companies were thenceforth also permitted to buy stocks on the capital market.⁹⁾

In order to ensure that the activities of brokers are supportive to the rapid development of capital market, new guidelines were issued, governing the qualifications to be met by brokers and supervision of brokerage practices.¹⁰⁾

7) Decree of the Minister of Finance No. 520/KMK, 011/1979, December 4, 1979.

8) Decree of the Minister of Finance No. 380/KM K. 011 /1979, September 1, 1979. See Chapter I V.

9) Decree of the Minister of Finance No. 313/KM K. 011/1979, July 13, 1979.

10) Decree of the Minister of Finance No. 401/KMK. 011/1979, September 18, 1979.

Under the new regulations, the rights and obligations of brokers were more specified to increase the confidence of the public.

Furthermore, greater authority has been assigned to Bapepam in order to enable this body to supervise brokers and their activities more effectively.

The marked expansion of stock market activity was reflected in the number of companies going public. At the end of 1978/79, there was only one company listed on the stock exchange, which had placed around 342 thousand shares with a total sales value of Rp3,422 million. A year thereafter, there were three other companies joined, i.e. one cigarette manufacturing company and two textile manufacturing companies. The three companies sold 7,816 thousand shares with a total sales value of about Rp 25 billion. Thus, at

the end of 1979/80 four companies were listed on stock market, which together had collected a total sales value of Rp 29 billion.

During the reporting year, the prices of almost all stocks quoted on the stock market listed, showed an increasing trend, while the number of shares traded in the secondary market reached 168 thousand shares compared with only 47 thousand shares in the preceding year.

Besides acting as a seller and buyer of companies' stocks, PT Danareksa also issued and sold share certificates based on the face value of companies' stock prices. In 1979/80, PT Danareksa sold 220 thousand share certificates at a sales value of Rp 1,2 billion. Hence, at the end of the reporting year, 412 thousand share certificates were already outstanding with a value of Rp 2.9 billion.

TABEL 11 - TIME DEPOSITS
(Billions of Rupiah)

End of Period	Rupiahs		Foreign Exchange ²⁾	Total
	Inpres	Others ¹⁾		
1972	146	23	17	186
1973	149	45	21	215
1974	239	64	27	330
1975	386	77	35	498
1976				
March	447	92	38	577
June	503	98	35	636
September	556	104	37	697
December	612	102	55	769
1977				
March	631	118	52	801
June	644	132	46	822
September	667	129	48	844
December	692	148	44	884
1978				
March	687	160	52	899
June	707	174	51	932
September	721	184	52	957
December	707	160	78	945
1979				
March	708	140	82	930
June	708	154	94	956
September	712	174	129	1,015
December	715	211	148	1,074
1980				
January	720	217	155	1,092
February	724	235	143	1,102
March	725	238	119	1,082

1) Private Banks and Local Development Banks

2) Through September 1978 based on exchange rate of Rp 415.00 per U.S. dollar, thenceforth Rp 625.00 per U.S. dollar

TABEL 12 - INPRES TIME DEPOSIT RATES
(Annual Percentage Rates)

Maturity	Since April 9, 1974	Since December 28, 1974	Since January 13, 1977	Since January 1, 1978
Less than 3 months	6	6	3	— 1)
3 months	9	9	6	— 1)
6 months	12	12	9	6
12 months	18	15	12	9
18 months ²⁾	24	21	—	—
24 months	30	24	18	12/15 ³⁾

1) Determined by individual banks

2) Since January 13, 1977, the 18-month time deposits were eliminated

3) 15% p.a. on amounts up to Rp 2.5 million and 12% p.a. on any excess over Rp 2.5 million

TABEL 13 - INPRES TIME DEPOSITS ¹⁾
(Billions of Rupiah)

End of Period	24 months	18 months	12 months	6 months	3 months	Less than 3 months	Total
1971			75	16	13	1	105
1972			107	29	9	1	146
1973			129	14	4	1	148
1974	180	8	37	8	4	1	238
1975	336	10	27	9	4	---	386
1976							
March	394	7	29	12	4	---	446
June	430	5	40	19	7	2	503
September	471	4	47	24	8	2	556
December	518	4	48	25	14	3	612
1977							
March	543	4	49	24	9	2	631
June	555	3	42	31	12	1	644
September	578	2	34	43	9	1	667
December	605	2	33	41	10	1	692
1978							
March	616	1	35	34	1	---	687
June	622	---	39	45	2	---	708
September	624	---	39	56	2	---	721
November 15	620	---	40	58	3	---	721
December	609	---	42	52	4	---	707
1979							
March	608	---	36	58	5	---	707
June	617	---	30	55	6	---	708
September	615	---	29	65	3	---	712
December	607	---	30	75	4	---	716
1980							
January	609	---	31	76	4	---	720
February	611	---	31	74	8	---	724
March	611	---	32	75	7	---	725

¹⁾ According to Presidential Decree No. 28/1968

**TABEL 14 - MAXIMUM INTEREST RATES ON TIME DEPOSITS
WITH PRIVATE BANKS
(Annual Percentage Rates)**

Maturity	1978/79		1979/80	
	Rp	Foreign Currency	Rp	Foreign Currency
1. National Private Banks				
Less than 3 months	10.5	7.0	15.0	10.0
3 months up to 6 months	12.0	11.0	16.0	12.0
6 months up to 12 months	15.0	12.0	18.0	11.0
Above 12 months	15.0	10.0	19.0	--
2. Foreign Banks				
Less than 3 months	12.0	8.0	15.0	15.0
3 months up to 6 months	12.0	9.0	15.25	15.75
6 months up to 12 months	12.0	11.0	15.25	13.50
Above 12 months	13.0	7.0	14.75	13.0

TABEL 15 - TABANAS AND TASKA SAVINGS DEPOSITS
(Millions of Rupiah)

End of Period	TABANAS		TASKA		TOTAL	
	Number of depositors	Out-standing	Number of depositors	Out-standing	Number of depositors	Out-standing
1971	867,239	4,992	19,967	35	887,206	5,027
1972	2,388,778	25,574	17,870	99	2,406,648	25,673
1973	2,862,264	32,486	11,784	84	2,874,048	32,570
1974	3,550,463	43,942	8,742	74	3,559,205	44,016
1975	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	98,672	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
December	7,458,963	191,462	6,873	120	7,465,836	191,582
1979						
March	7,600,382	199,954	6,296	117	7,606,678	200,071
June	7,693,490	202,792	5,939	122	7,699,429	202,914
September	7,835,935	196,656	5,545	125	7,841,480	196,781
December	7,987,864	212,219	6,052	113	7,993,916	212,332
1980						
January	8,031,941	222,519	5,624	109	8,037,565	222,628
February	8,160,463	231,181	5,605	110	8,166,068	231,291
March	8,293,844	237,186	5,544	118	8,299,388	237,304

TABEL 16 - CERTIFICATES OF DEPOSIT 1)
(Billions of Rupiah)

End of Period	State Banks	Foreign Banks	Total
1971	2	—	2
1972	5	4	9
1973	24	8	32
1974	65	8	73
1975	71	11	82
1976			
March	70	24	94
June	52	20	72
September	38	21	59
December	25	19	44
1977			
March	15	32	47
June	15	33	48
September	20	20	40
December	23 ^r	31	54
1978			
March	16 ^r	44	60
June	15 ^r	48	63
September	14 ^r	49	63
November 15	11	48	59
December	14	33	47
1979			
March	16	14	30
June	19	15	34
September	16	19	35
October	17	18	35
November	15	15	30
December	14	19	33
1980			
January	13	21	34
February	15	22	37
March	28	19	47

1) Certificates of Deposits outstanding at the end of a period represent the amount outstanding at the end of the previous plus the amount sold and less the amount redeemed during the period

IV. BANKING AND OTHER FINANCIAL INSTITUTIONS

A. Banking

1. Policy on banking supervision

In the past few years, the Government has been implementing several measures in the field of banking supervision, designed mainly to achieve a sound and effective banking system as an element in support of economic development. These measures were materialized through financial assistance from Bank Indonesia, especially in the form of financing facilities, and technical assistance to comply with the requirements of sound banking.

Within this context, the solvency of state banks was improved through an increase in the blocked proportion of liquidity credits from Bank Indonesia to strengthen state banks' reserves. Meanwhile, efforts to expand the operational activities by improving the efficiency of the staff and the effectiveness of the internal control of state banks continued to be pursued. The national private banks and local development banks also implemented these steps in order to enhance their role.

In the reporting year, financial assistance from the Central Bank to national private commercial banks and local development banks was expanded. Provisions were also established forgoing public which enabled these

banks to increase their capital through the issue of shares.

In order to improve the role of national private commercial banks and local development banks, since September 1979, Bank Indonesia increased the amount of credits to the aforementioned banks, making a distinction according to their soundness. The amount of credits available for banks categorized as "sound" was changed from 1 to 3 times into 1 to 3½ times the amount of the share capital, while for banks classified as "fairly sound" it was changed from 1/2 to 2 times into 1/2 to 2½ times.¹⁾ However, the amount of credits which could be extended to national private commercial banks under both conditions ("sound" and "fairly sound"), was also related to the regulations on the status of ownership (indigenous and non-indigenous), efforts to educate indigenous customers and in compliance with the Government's inducement to merge. Moreover, national private commercial banks and national private development banks involved in the extension of Small Scale Investment Credits (KIK) and Permanent Working Capital Credits (KMKP) were also entitled to receive additional credits from Bank Indonesia. The amount of additional credit ranged from 1 to 2 times the amount of share capital with respect to banks classified as "sound", and 1 to 1½ times the amount of share capital for those classified as "fairly sound". The distinction according to the aforementioned criteria also applied to national private com-

1) Bank Indonesia Circular Letter No. SE 12/12/UPK, September 21, 1979.

mercial banks classified as “sound” and “fairly sound”. Furthermore, with respect to export credits and credits for production of export goods, private foreign exchange banks were eligible for refinancing from Bank Indonesia. The amount of credit to which they were entitled was equal to their share capital in the case of banks considered “sound” and half their share capital if they were “fairly sound”.

Since February 1980, local development banks categorized as “sound” and “fairly sound” were eligible for credits amounting to not more than 5 times the estimated revenue in one fiscal year, subject to 3% interest per annum. Revenue comprised profits earmarked for reserves, 10% of total land rent (IPEDA) and part of the local government budget (APBD)²⁾ allocation. The financial assistance was designed to increase the capital base of local development banks so that they could function as a “development bank” and help small indigenous businessmen within their respective area. In the reporting year, a survey was conducted covering 20 local development banks classified as “sound” and “fairly sound”, with a view to providing technical assistance for the improvement of their operational procedures and administrations. This survey was designed to assess the potential of the region served by local development banks, and the type of technical assistance and training needed.

As mentioned in Chapter I I I, national pri-

vate banks going public shall adhere to special regulations aside from the prevailing provisions applicable to non-bank institutions. The special regulations inter-alia stated that the bank’s statutory capital shall be not less than Rp 6 billion, out of which not less than Rp 3 billion shall be paid-up. Furthermore, as a minimum, the bank must be classified as “sound” in the last year and “fairly sound” in the preceding two years. Banks which had acquired a license as a foreign exchange bank pursuant to Bank Indonesia’s regulation of September 20, 1977 (indicating, inter alia, that the ownership must be indigenous) shall not have the composition of their ownership affected as a consequence of going public.

In the reporting year, the prohibition on overdrafts (in effect since 1966) was revoked to enable banks finance transactions which were urgent and of a temporary nature. However, certain limitations were imposed, in order that this facility be implemented according to “sound” banking practices. One of the limitations was the amount that could be drawn and treated as an overdraft. The maximum amount was fixed at 10% of the effective current account balance,³⁾ and 5% of the amounts stated in the credit agreement. Overdrafts may be granted for not longer than 7 days and were subject to an interest rate which was 1 9/0 above the highest monthly interest rate charged by the respective banks.⁴⁾

2) Bank Indonesia Circular Letter No. SE 12/19/UPK, February 14, 1980.

3) Effective current account balance was defined as balances on current accounts which were under the direct supervision of the relevant bank, excluding checks not yet accounted for through the clearing mechanism.

4) Bank Indonesia Circular Letter No. SE , 12/3/UPPB, July 20, 1979.

As banks were thenceforth allowed to grant overdrafts, the regulations against issue of bad checks and transfer orders (as regulated in 1975) was amended accordingly. Pursuant to the amended regulation, checks and transfer orders drawn in excess of the effective current account balance were not regarded as bad checks and transfer orders if the relevant bank agreed to grant an overdraft for an equal amount.⁵⁾

2. Banking development

As 2 national private commercial banks merged in 1979/80, the number of commercial banks declined by 1 to become 93 at the end of March 1980. The number of national private commercial banks decreased from 78 to 77 while that of state commercial banks and foreign banks (including one joint venture) remained the same, at 5 and 11, respectively. The total number of commercial bank offices (excluding Village Units of Bank Rakyat Indonesia) rose from 982 to 994, as 13 new offices were opened and 2 were closed.

In the reporting year, the number of development banks remained at 28, comprising 1 state development bank, 26 local development banks and 1 national private development bank. However, the number of development bank offices rose to 162, since 6 new local development bank offices were opened in the reporting year. This increase reflected an expansion of the banks' activities in line with the Government's policy.

With regard to savings banks, 2 private savings banks merged with 1 private commercial bank. The number of savings banks therefore declined to 3, of which 1 was a state savings bank, while the number of savings bank offices decreased to 10, i.e. 8 state savings bank offices and 2 private savings bank offices.

There was a decline from 5,870 to 5,833 in the number of offices of rural banks (consisting of village banks, paddy banks, petty traders' banks and employees' banks), mainly because the licenses of the banks, which did not meet the requirements, were revoked.

Besides the foreign commercial banks (of which the number was restricted to 11) there were 49 representative offices of foreign banks at the end of the reporting year, showing an increase by 1 over the year. Since 1972, foreign banks have been permitted to establish representative offices in Indonesia to collect information on economic activities in Indonesia and expedite communications between their head offices abroad and their customers in Indonesia.

The operations of deposit money banks, measured in terms of total assets, total funds and loans extended, continued to increase significantly. In the reporting year, the aforementioned aggregates rose by 44%, 54% and 18% to reach Rp 7,686 billion, Rp 5,178 billion and Rp 4,355 billion, respectively. Judging from their respective shares in total assets, there was an increase in the role of the state banks and the local development banks,

5) Bank Indonesia Circular Letter No. SE 12/8/UPPB, August 9, 1980.

**TABEL 17 - THE SHARE OF GROUP OF BANKS IN TOTAL ASSETS,
FUNDS AND LOANS OUTSTANDING
(In Percentage)**

Group of Banks	Assets		Funds		Loans	
	March 1979	March 1980	March 1979	March 1980	March 1979	March 1980
State Banks	78.7	79.0	75.7	76.6	81.4	80.1
National Private Banks	9.3	8.9	10.0	9.6	8.7	9.9
Local Development Banks	3.3	3.5	4.3	4.3	1.9	2.1
Foreign Banks	8.7	8.6	10.0	9.5	8.0	7.9

but a slight decline in the role of national private banks and foreign banks (see Table 17). An increasing role of the state banks was also discernible in the mobilization of funds, while the role of the local development banks in this matter was about the same as in the preceding year. The shares of the national private banks and the foreign banks, however, were declining. With respect to lending activities, there was a significant increase in the role of the national private banks, and the local development banks, whereas the role of the state banks declined and that of the foreign banks remained practically constant.

In the reporting period, total liquid assets of the banks declined from 25% to 24% of current liabilities. The local development banks, which traditionally were very liquid, recorded the most significant decline. This decline was closely related to the rediscount facility of Bank Indonesia, whereby these banks were enabled to invest their funds in money market instruments (see Chapter III).

As touched upon in last year's report, the large amount of excess liquidity of the local development banks was closely related to the origin of the funds; the funds were mainly owned by local government authorities and were subject to withdrawal at call.

For more detailed information on banking activities, see Table 21 and Table 22.

B. Other financial institutions

1. Non-bank financial institutions

Efforts to develop non-bank financial institutions, which were an important element in the development of the money and capital market, continued to be made. In the reporting year, the established non-bank financial institutions, namely 9 of the investment type and 3 of the development financing type, were given a greater opportunity to participate in business enterprises. Moreover, the Govern-

ment provided an opportunity to establish a new type of nonbank financial institution for financing of house ownership.

The efforts to enlarge the participation of nonbank financial institutions in enterprises were implemented by modifying the concept of equity participation and by increasing the upper limit of participation permitted. The concept of equity participation was no longer limited to unsubscribed capital but could thenceforth also include subscribed capital but not yet paid-up. Non-bank financial institutions were also permitted to participate in business enterprises operating under the Foreign Capital Investment Law, by taking over paid-up shares, provided that they were held by foreigners.⁶⁾ Especially with regard to enterprises owned by the economically-weak groups, the maximum participation permitted by non-bank financial institutions of the development type was raised from 25% to 50% of paid-up capital, while the maximum applicable to non-bank financial institutions of the investment type remained at 25%.⁷⁾

The non-bank financial institutions must publish their quarterly balance sheet and profit and loss account in the newspapers to keep the public informed about their activities.⁸⁾ Prior to this regulation it was considered sufficient that the above financial information be announced in their respective offices and in public places.

The opportunity to establish a nonbank financial institution of the development type for financing of house ownership was intended to meet the need for housing of the middle-income class.⁹⁾ This institution may be established as a limited liability company under Indonesian Law by Indonesians or on a joint venture basis with foreigners. The aforementioned institutions mobilized funds from the public through the issues of medium or long-term bonds (housing bonds) and savings of prospective homeowners, and extended medium or long-term loans to prospective homeowners. Moreover, these financial institutions were permitted to invest their idle funds in securities.

In line with the on-going development of the financial market, the mobilization of funds by non-bank financial institutions continued to increase markedly. The amount of funds acquired by the financial institutions (excluding share capital) rose by 46% to reach Rp 257 billion at the end of March 1980. Their investments also increased steadily from Rp 189 billion to Rp 274 billion. The non-bank financial institutions of the investment type mainly invested in shortterm securities, while those of the development type invested about half of their funds in medium and long-term credits. Investments in short-term securities by all nonbank financial institutions, increased by 45% to Rp 243 billion in the reporting year.

6) Bank Indonesia Circular Letter No. SE 12/4/UPUM, July 18, 1979.

7) Bank Indonesia Circular Letter No. SE 12/6/UPUM December 11, 1979.

8) Bank Indonesia Circular Letter No. SE 12/3/UPUM, May 10, 1979.

9) The Decree of the Minister of Finance No. 75/KMK.O11/1980, February 15, 1980.

The major portion (90%) of these short-term securities consisted of commercial paper, promissory notes and other securities issued by enterprises other than financial institutions, while the remainder consisted of securities issued by banks and non-bank financial institutions.

As mentioned in last year's report, since April 1978 Bank Indonesia provided rediscount facilities to non-bank financial institutions against securities bought from enterprises. This facility was subject to a time limit which, however, was extended several times, the latest extension was from February 20 to August 31, 1980. It was concurrently determined that the rediscount rate for securities issued by indigenous enterprises was lower than for those issued by other enterprises. Likewise, securities with two or more endorsements were subject to a lower rediscount rate than those with only one endorsement. The upper limit of the rediscount facility which non-bank financial institutions may avail them-

selves of was fixed at 20% of current liabilities as of December 31, 1979.

2. Pawnshops

Pawnshops were a type of non-bank financial institution which continued to play an important role in meeting the cash requirements of the low-income group. The total amount of credits extended in 1979 increased by 53% and reached Rp 90 billion at the end of December 1979, while total redemptions increased by 48% to Rp 83 billion. Therefore, the total amount of outstanding credits rose from Rp 7 billion to Rp 23 billion at the end of December 1979. Table 18 sets forth the development of pawnshop activities.

3. Insurance companies

In the last few years, insurance companies also became increasingly important in mobilizing funds from the public which could be used for development financing. During the

TABEL 18 - DEVELOPMENT OF PAWNSHOP ACTIVITIES
(Billions of Rupiah)

Particulars	1974	1975	1976	1977	1978	1979
Number of Offices	440	441	441	441	446	448
Total Loans Extended	23	31	38	46	59	90
Redemption	21	29	35	44	56	83
Loans Outstanding	7	8	11	13	16	23

Source : Pawnshop Service

reporting year, the total amount of funds collected by insurance companies in the form of insurance premiums rose by 43% and amounted to Rp 295 billion (see Table 19). This increase reflected the growing interest of the public for the services rendered by insurance companies. The funds mobilized by the insurance companies were generally invested in time deposits and short-term securities.

There were 3 categories of insurance companies operating in Indonesia, i.e. those engaged in indemnity insurance, life insurance and social welfare insurance, respectively. In the last few years, the activities of the insurance companies were generally expanding.

At the end of 1979, there were 57 companies dealing with indemnity insurance. The total funds mobilized by this type of insurance companies amounted to Rp 79 billion at the end of December 1979, indicating an increase

of 170 compared with a year earlier, while their investments rose by 25% and became Rp 49 billion at year end.

Among the indemnity insurance companies there were two dealing with credit insurance, namely PT Askrindo and the Insititute for Insurance of Credit Cooperatives (Lembaga Jaminan Kredit Kooperasi or abbreviated as LJ KK). Although the amount of funds mobilized was not yet meaningful, the role of the two companies in the credit program for small businessmen was of crucial importance.

PT Askrindo insured credits granted by banks to small businessmen, especially Small-scale Investment Credits (KIK) and Permanent Working Capital Credits (KMKP) which generally carried a relatively higher risk. At the end of 1979, insurance premiums collected

**TABEL 19 - ACQUISITION OF FUNDS AND INVESTMENTS
BY INSURANCE COMPANIES
(Billions of Rupiah)**

Type of Insurance	Funds		Investment	
	1978	1979	1978	1979
Life Insurance	45	74	29	44
Social Insurance	80	125	92	155
Others ¹⁾	82	96	40	49
Total	207	295	161	248

¹⁾ Includes PT ASKRINDO

Source : Department of Finance

by PT Askrindo amounted to a mere Rp 5 billion. However, the insured credits amounted to Rp 224 billion and comprised 330 thousand customers. The amount insured and the number of customers rose by 51 % and 39%, respectively, compared with the preceding year. Approximately 67% of the customers and 64% of the insured amounts were under the KIK and KMKP program.

LJKK solely insured credits extended by banks to cooperatives, mainly Village Cooperative Units (KUD). In 1979, the amount of credits insured by LJKK dropped by 11 % to become Rp 12 billion, whereas the number of customers rose by 32% to 23,487 KU Ds, as a few big customers were replaced by a large number of small ones.

At the end of 1979, there were 12 life in-

surance companies. The performance of these insurance companies was reflected in the amount of funds collected as well as in the amounts invested which, during 1979, rose by 67% and 52% and became Rp 74 billion and Rp 44 billion, respectively.

The insurance companies dealing with social welfare insurance were Perum Taspen, Perum AK Jasa Raharja, Perum Asabri, Perum Astek and Badan Penyelenggara Dana Pemeliharaan Kesehatan Pusat. The main objective of this type of insurance companies was to improve the social welfare of employees and pensioners through health insurance, accident insurance and old age insurance. In 1979, the funds collected by this type of insurance companies increased by 56% to Rp 125 billion, while investments rose by 68% to Rp 155 billion.

**TABEL 20 - NUMBER OF BANKS AND THEIR OFFICES
IN INDONESIA**

Particulars	March 1979	1979/80		March 1980
	Number of Banks/Offices	Established	Licenses Revoked	Number of Banks/Offices
Commercial Banks				
State Banks				
— Number of Banks	5	---	---	5
— Number of Offices	688 ^r	2	1	689
National Private Banks				
— Number of Banks	78	---	1	77
— Number of Offices	274	11	---	285
Foreign Banks/Joint Ventures				
— 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	144	6	---	150
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	4	---	2	2
— Number of Offices	4	---	2	2
Number of Commercial Banks, Development Banks and Savings Banks				
— Number of Banks	127	---	3	124
— Number of Offices	1,150 ^r	19	3	1,166
Rural Banks				
— Village Banks	3,564	---	27	3,537
— Paddy Banks	2,154	---	11	2,143
— Petty Traders' Banks	152	---	---	152
— Employees Banks	---	1	---	1
Total Number of Offices	7,020 ^r	20	41	6,999

TABEL 21 - CONSOLIDATED BALANCE SHEET OF DEPOSIT MONEY BANKS
MARCH 1979 - MARCH 1980
(Billions of Rupiah)

Items	March 1979				March 1980					
	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	70	20	20	5	115	97	28	34	6	165
— Bank Indonesia	372	51	62	47	532	589	80	89	67	825
— Securities	—	—	—	—	—	—	1	—	—	1
— Domestic Drafts	27	9	4	6	46	39	10	25	13	87
— Loans Outstanding	2,698	314	68	207	3,287	3,159	409	93	283	3,944
— Foreign Exchange Assets										
— Loans	291	6	—	90	387	328	23	—	61	412
— Others	576	44	—	94	714	1,641	76	—	211	1,928
— Participations	9	2	—	—	11	12	2	—	—	14
— Premises, Furniture and Fixtures	36	29	5	7	77	57	38	7	8	110
— Other Assets	112	20	15	6	153	151	21	18	12	202
Total	4,191	495	174	462	5,322	6,073	688	266	661	7,688
LIABILITIES										
— Paid-up Capital	52	65	11	15	143	52	77	15	16	160
— Reserves/Profit and Loss Account	230	17	11	13	271	224	27	14	12	277
— Borrowings	35	9	1	—	45	227	11	1	—	239
— Demand Deposits	1,090	158	128	110	1,486	1,754	238	186	161	2,339
— Time and Savings Deposits	935	101	12	48	1,096	1,004	144	16	104	1,268
— Drafts Payable	48	8	3	2	61	64	12	17	8	101
— Guarantee Deposits	23	21	1	1	46	58	7	2	1	68
— Foreign Exchange Liabilities										
— Demand Deposits	121	6	—	96	223	539	10	—	119	668
— Time and Savings Deposits	272	18	—	76	366	321	35	—	96	452
— Borrowings	1	12	—	1	14	2	38	—	4	44
— Others	128	18	—	67	213	172	2	—	95	269
— Bank Indonesia	879	33	3	1	916	1,356	53	8	1	1,418
— Other Liabilities	377	29	4	32	442	300	34	7	44	385
Total	4,191	495	174	462	5,322	6,073	688	266	661	7,688

TABEL 22 - MONTHLY AVERAGE RUPIAH LIQUIDITY POSITION OF BANKS
(Billions of Rupiah)

Items	1978/79				1979/80					
	State Banks	National Private Banks 1)	Local Dev. Banks	Foreign Banks	Total	State Banks	National Private Banks	Local Dev. Banks	Foreign Banks	Total
Reserves	331	58	90	35	514	391	70	95	37	593
Current Liabilities	1,582	184	146	178	2,090	1,908	236	164	196	2,504
Reserves as Percentage of Current Liabilities	21	32	62	20	25	20	30	58	19	24
Minimum Reserve Requirement	237	28	22	27	314	286	35	25	29	375
Excess/Deficiency	94	30	68	8	200	105	35	70	8	218
Required Reserves with Bank Indonesia	79	9	7	9	104	95	12	8	10	125
Reserves with Bank Indonesia	268	39	69	31	407	314	42	68	32	456
Excess/Deficiency	189	29	62	22	302	218	30	60	22	330
Excess/Deficiency as Percentage of Current Liabilities	12	16	42	13	15	11	13	37	11	13

1) Includes private development banks

TABEL 23 - INVESTMENT AND SOURCES OF FUNDS OF NON-BANK FINANCIAL INSTITUTIONS
(Billions of Rupiah)

Items	March 31, 1979			March 31, 1980		
	Develop- ment Type	Invest ment Type	Total	Develop ment Type	Invest ment Type	Total
I. Investment of Funds						
— Call Money	—	—	—	—	1	1
— Marketable Securities	12	156	168	19	224	243
— Loans Extended	18	—	18	25	—	25
— Equity Participation	—	—	—	3	1	4
— Others	2	1	3	1	—	1
Total	32	157	189	48	226	274
II. Sources of Funds						
— Call Money	—	—	—	—	8	8
— Securities Issued	5	83	88	9	156	165
— Loans Received	14	63	77	26	48	74
— Subordinated Loans	2	9	11	2	9	11
— Capital	13	9	22	15	12	27
Total	34	164	198	52	233	285

**TABEL 24 - CONSOLIDATED BALANCE SHEET OF NON-BANK
FINANCIAL INSTITUTIONS
(Billions of Rupiah)**

Items	March 1979			March 1980		
	Develop- ment Type	Invest- ment Type	Total	Develop- ment Type	Invest- ment Type	Total
Current Assets						
Cash and Banks	1	1	2	1	4	5
Call Money	---	---	---	---	1	1
Securities						
— Marketable Shares and Bonds	---	---	---	---	---	---
— Others	9	141	150	19	211	230
Loans and Advances	2	---	2	3	---	3
Other Current Assets	1	4	5	3	7	10
Other Assets						
Securities						
— Non-marketable Shares and Bonds						
— Bonds	2	1	3	4	1	5
— Others	1	15	16	---	13	13
Underwriting	---	---	---	---	---	---
Loans and Advances	17	---	17	22	---	22
Equity Participation	---	---	---	---	1	1
Fixed Assets	---	1	1	1	1	2
Others	1	1	2	1	1	2
Assets = Liabilities	<u>34</u>	<u>164</u>	<u>198</u>	<u>54</u>	<u>240</u>	<u>294</u>
Current Liabilities						
Call Money	---	---	---	---	7	7
Securities Issued	3	78	81	8	156	164
Loans Received	1	62	63	2	47	49
Other Current Liabilities	---	5	5	1	7	8
Other Liabilities						
Securities Issued	---	---	---	1	---	1
Loans Received	13	1	14	24	1	25
Others	2	---	2	1	---	1
Subordinated Loans and Capital						
Subordinated Loans	2	9	11	2	9	11
Paid-in Capital	11	5	16	13	5	18
Reserves	1	1	2	1	2	3
Retained Earnings	1	3	4	1	6	7

V. GOVERNMENT FINANCE

A. General

The dynamic balanced budget policy, as implemented in previous years, continued to be the basis for the planning and implementation of the Government Budget of Revenues and Expenditures (APBN) for the fiscal year of 1979/80, the first year of the Third Five Year Development Plan (Pelita III). This policy emphasized efforts to boost public revenues, especially domestic revenues, increase development expenditures and bring about an equitable distribution of development activities and their results. The increase in domestic revenues was achieved by creating a tax climate more conducive to business activities, thereby increasing public revenues in line with the upward trend of overall economic activities. On the expenditure side, the Government continued to raise development expenditures and improve the effectiveness of routine expenditures.

In order to accelerate the implementation of development projects and at the same time spread more evenly the participation of the public in the development effort, the Government improved the budget implementation, and in 1979/80 accorded a higher priority to the use of domestic products and the services of small businessmen with respect to the implementation of development projects. This policy, contained in Presidential Decree No. 14¹⁾, was designed to accelerate the comple-

tion of development projects and to enhance the community's participation in the development process.

Implementation of the development budget was improved, inter alia through a simplification of the procedures governing the allocation and payment of funds,²⁾ and the introduction of a new project report form (DIP = Daftar Isian Proyek) which concurrently served as a budget authorization. In 1980, a Team for Procurement of Goods and Equipment³⁾ was established to ensure the continuity of supply of goods and equipment required by Departments and Government Institutions. This Team was responsible for the coordination and supervision of the suppliers of the goods and equipment financed through the budget.

For 1979/80, the Budget of Revenues and Expenditures was balanced at Rp 6,934 billion or 31% higher than the preceding year. However, actual revenues and expenditures were both 16% higher than budgeted or 52% over the preceding year's actuals, amounting to Rp 8,078 billion and Rp 8,076 billion, respectively. With the inflation rate of 19% in 1979/80, revenues and expenditures both rose by 33% in real terms.

The growth in revenues was mainly caused by higher receipts from corporate tax on oil as a result of an increase in international oil prices. In addition, certain other revenues such

1) Presidential Decree No. 14 of 1979.

2) Presidential Decree No. 15 of 1980.

3) Presidential Decree No. 10 of 1980.

TABLE 25 - GOVERNMENT REVENUES AND EXPENDITURES
(Billions of Rupiah)

Particulars	1975/76	1976/77	1977/78	1978/79	1979/80		1980/81 Budget
					Budget	Actuals	
I. Revenues	<u>2,734</u>	<u>3,690</u>	<u>4,309</u>	<u>5,301</u>	<u>6,934</u>	<u>8,078</u>	<u>10,557</u>
1. Domestic	2,242	2,906	3,536	4,266	5,441	6,697	9,055
2. Development	492	784	773	1,035	1,493	1,381	1,502
II. Expenditures	<u>2,731</u>	<u>3,684</u>	<u>4,306</u>	<u>5,299</u>	<u>6,934</u>	<u>8,076</u>	<u>10,557</u>
1. Routine	1,333	1,630	2,149	2,744	3,446	4,062	5,529
2. Development	1,398	2,054	2,157	2,555	3,488	4,014	5,028
III. Public Saving (I.1 - II.1)	<u>909</u>	<u>1,276</u>	<u>1,387</u>	<u>1,522</u>	<u>1,995</u>	<u>2,635</u>	<u>3,526</u>
IV. Total Development Funds (I.2 + III)	<u>1,401</u>	<u>2,060</u>	<u>2,160</u>	<u>2,557</u>	<u>3,488</u>	<u>4,016</u>	<u>5,028</u>
V. Surplus (+) / Deficit (-) (IV - II.2)	<u>+3</u>	<u>+6</u>	<u>+3</u>	<u>+2</u>	<u>0</u>	<u>+2</u>	<u>0</u>

Source : Department of Finance

as export taxes, corporation taxes and excises also increased markedly. On the expenditure side, routine as well as development expenditures increased, although the increase in the latter was far larger. The increase in routine expenditures was, inter alia, caused by higher expenditures for subsidies and personnel, while the increase in development expenditures was caused notably by higher expenditures for development of business activities, trade, cooperatives and industries.

Government savings, defined as domestic receipts over routine expenditures, amounted to Rp 2,635 billion, an increase of 73% over the preceding year. This very significant increase enlarged the share of Government Savings in total development expenditures from 60% in 1978/79 to 66% in the reporting year and was therefore in line with the Government's efforts to gradually reduce the role of foreign aid as a source of development financing.

For the year 1980/81, the Budget of Revenues and Expenditures was balanced at Rp 10,557 billion which was a 31 % increase above the preceding year's actuals. This increase would mainly be supported by higher receipts from corporate tax on oil along with some other tax receipts, such as withholding tax, excises, and export tax. Domestic revenues would amount to Rp 9,055 billion or 86% of total revenues while routine expenditures would amount to Rp5,529 billion or 52% of total expenditures. Government Savings would therefore amount to Rp3,526 billion so that, in conjunction with foreign aid of Rp 1,502

billion, total development funds would amount to no less than Rp 5,028 billion.

B. Government revenues

In the reporting year, several regulations on direct as well as indirect taxes were introduced in order to create a tax climate conducive to business activities which would result in increased public revenues. With respect to direct taxes, the Government reduced the income tax rate again so as to adapt it to the increase in the cost of living and to arrive at a more equitable distribution of the tax burden. The rates of several indirect taxes were also adjusted, the rates of sales taxes and excises were reduced, tariffs and import sales tax were levied ad natural instead of ad valorem, and an additional export tax on a number of commodities was introduced.

Domestic revenues, consisting of direct taxes, indirect taxes and non-tax receipts amounted to Rp 6,697 billion in 1979/80, an increase of 57% over the preceding year. Direct taxes accounted for a major part of domestic revenues (77%) and was also the fastest growing item during the reporting year as it grew by Rp 2,133 billion or not less than 71 %. This increase was mainly attributable to receipts from corporate tax on oil which rose by 85% to Rp 4,260 billion, i.e. 83% of total direct tax receipts. Non-oil direct tax receipts, namely income tax, corporation tax, withholding tax, land tax and other direct taxes in aggregate rose by 26% compared with 18% in the year before.

In the reporting year, income tax receipts amounted to Rp 148 billion which was an increase by 21 % compared with 17% in the preceding year. This increase was accomplished despite the lower income tax rates introduced by the Government, and therefore indicated the growing tax consciousness of the public.

In 1979/80, the Government reduced the income tax rates again by raising the level of non-taxable income and the levels of taxable income subject to various income tax rates. Since 1979, the annual non-taxable income of a taxpayer with a spouse and three children was raised from Rp 528,000.00 to Rp 582,000.00. The amount of taxable income subject to the lowest rate (i.e. 10%) was increased from Rp 200,000.00 to Rp 240,000.00, while the amount of taxable income subject to the highest rate (i.e. 50%) was increased from Rp 9.6 million to Rp 18 million.

Towards the end of 1978/79, the Government issued a package of regulations to introduce a number of alleviations and exemptions from payment of corporation tax. The regulations were, inter alia, designed to encourage companies to have an orderly and open administration through the services of public accountants. The regulations were also designed to boost the activities of cooperatives, to plough back retained earnings and induce companies to go public. Notwithstanding these measures, receipts from corporation tax increased by a sizeable 31% to Rp 297 billion in 1979/80. This reflected an ex-

pansion of business activities and an increase in the number of taxpayers, resulting from improvements in the tax system and the tax rates.

Receipts from withholding tax, which were mainly advances of corporation tax, rose by Rp 291 billion in 1979/80, an increase of 25% compared with 15% in the preceding year due to higher rates of withholding tax with respect to corporation tax on general exports, coffee and logs. This upward adjustment was meant to bring actual corporation tax receipts closer to the amount due at the end of the year.

Receipts from the land tax (I peda), i.e. tax on land and its yields, amounted to Rp 71 billion, an increase by 13% over the preceding year. This increase was mainly attributable to intensive collection of I peda from urban areas, plantations, mining estates and to receipts of payment in arrears.

Receipts from other direct taxes amounted to Rp 62 billion in 1979/80, a 44% rise over the preceding year. Almost all receipts originated from taxes on interest, dividends and royalties.

Receipts from indirect taxes, which, inter alia, covered sales tax, excises, import duties and export tax, amounted to Rp 1,380 billion in the reporting year, an increase of 28% compared with 23% in the year before. This increase was mainly due to the very rapid increase in export tax receipts.

Receipts from sales tax amounted to only Rp 192 billion in the reporting year, thereby falling 13% from the preceding year. The major reason for this decline was the introduction of lower sales tax rates effective from April 1979, namely from 10% to 5%, and from 5% to 2 1/2%, 1% or 0%, which applied to approximately one thousand items. This measure was introduced to alleviate the burden of double taxation which could not yet be abolished from the Indonesian sales tax system. The lower rates were expected to enhance the competitiveness of domestically produced goods vis-a-vis imports, thereby promoting domestic industry and the use of domestic products.

In the reporting year, receipts from import duties and sales tax on imports rose by 7% and 9% to Rp 317 billion and Rp 137 billion, respectively, compared with 3% and 10% a year earlier. The increase in receipts from import duties in the reporting year was closely related to a change in the incidence of import duties on approximately 1,300 types of goods from ad valorem (by value) to ad natural (by unit of measurement). The change was introduced to protect domestic industries.

Receipts from excises, which were mainly derived from tobacco, refined alcohol and sugar amounted to Rp 326 billion in the year under report, an increase of 29% over the preceding year. A significant portion of this increase was due to the increase of the base prices of tobacco, sugar, beer and alcohol, although the excise on tobacco was reduced in the year under report.

Export tax receipts amounted to Rp 389 billion and therefore recorded a very significant increase of not less than 134% over the preceding year. This was attributable to the rapid increase of non-oil exports, especially after the rupiah devaluation of November 15, 1978, and also to the increase in export tax on wood and the introduction of an additional export tax on export commodities, for which world market prices had increased strongly. Consequently, for the first time, export tax was the most important item among indirect taxes; a position held by import duties in the previous year.

Non-tax receipts which almost entirely originated from profits of state enterprises amounted to Rp 188 billion in the reporting year and were therefore 2% lower than in the preceding year.

Development receipts derived from foreign aid amounted to Rp 1,381 billion in 1979/80, i.e. 33%, higher than the year before. This type of receipt included program aid and project aid which rose by 35% and 33% respectively, approximately the same as in the preceding year. The share of foreign aid as a source of development financing dropped from 41 % in 1978/79 to 34% in the reporting year, as domestic revenues increased by 57%.

C. Government expenditures

In 1979/80, actual government expenditures amounted to Rp 8,076 billion, 52% higher than the preceding year's actuals. This amount consisted of routine and development

expenditures of Rp 4,062 billion and Rp 4,014 billion, respectively, a 48% and 57% increase over the preceding year.

Routine expenditures consisted of personnel and material expenditures, subsidies to local governments, amortizations and interest payments and other routine expenditures. In the year under report, routine expenditures increased mainly as a consequence of higher personnel and other routine expenditures. Personnel expenditures rose by 42% to Rp 1,420 billion, primarily due to payment of 2 months extra salary and 1 month extra pension.

Material expenditures amounted to Rp 569 billion in the reporting year, an increase of 36% compared with 11 % in the preceding year. Out of this amount, Rp 540 billion (95%) was spent domestically while the balance was spent overseas. The increase in domestic purchases (36%) was, inter alia, needed to improve national security, overcome natural calamities, and procure equipment for secondary schools, while the increase in overseas purchases (39%) was related to an increase in the number of embassies and consulates abroad. With regard to domestic material expenditures, priority was accorded to domestically produced goods so as to promote business activities, especially of the economically-weak groups.

Subsidies to local governments which were mainly used for salary payments to local civil servants, amounted to Rp 670 billion in the reporting year, an increase of 28% over the

preceding year. This increase was closely related to the payment of 2 months extra salary to local civil servants.

Expenditures on amortizations and interest payments rose by 28% to Rp 684 billion, the major part (95%) of which was for foreign debt repayments. This increase was mainly attributable to the exchange rate adjustment.

The increase in other routine-expenditures was caused by payments for subsidies on fuel oil and food imports, mainly as a result of the world market price increases of oil and food imports. During the reporting period, the domestic prices of fuel oil were raised between 36% and 56%, in order to alleviate the burden of subsidy payments and in so doing increase development funds.

As mentioned earlier, with the intention to accelerate the development process, the Government simplified the budget procedures by introducing a new project report form (DIP Gaya Baru) which concurrently served as a budget authorization. In addition, the Government decided that thenceforth lumpsum payments be made instead of quarterly payments and that approval from the Ministers of Finance and the National Planning Board was no longer required for revisions of project report forms, provided that they do not involve an increase in the original amount by more than 20%. Furthermore, in the reporting year, the Government started to implement the Inpres program of road improvement and road building in remote areas.

In line with the considerable increase in

domestic revenues and the simplification of budget procedures, the amount of development expenditures rose by 57% to Rp 4,014 billion in 1979/80, while the increase in the preceding year was only 19%.

The major part of development expenditures was used for financing of projects in the fields of agriculture and irrigation (13%), communication and tourism (12%), promotion of business activities (12%), manufacturing industry (9%), mining and energy (9%), education and national culture⁴⁾ (9%), and rural village and urban development (8%). However, in the reporting year, the highest rate of increase in expenditures was recorded for promotion of business activities, trade and cooperatives, manufacturing industry, low cost housing and human settlement, upgrading of the state apparatus, health and social welfare⁵⁾, manpower and transmigration, and conservation of national resources and the environment

Development expenditures for promotion of business activities increase by a significant 188% to Rp 466 billion. The greater part of this amount was spent to enlarge the Government's equity participation in business enterprises, and the balance to promote the activities of the economically-weak groups, inter alia by extending Small Credits (Kredit Mini) through Bank Rakyat Indonesia and Kredit Candak Kulak (KCK) through Village Unit Cooperatives (KUD).

4) Includes Youth and belief in the Almighty God.

5) Includes expenditures on the role of woman, population and family planning.

Development expenditures for trade and cooperatives amounted to Rp 31 billion in the reporting year, compared with Rp 13 billion, in the year before. This rapid increase was in line with the Government's policy to, promote the activities of cooperatives, and was also caused by a significant increase in expenditures for construction and renovation of Inpres market places (Pasar Inpres). Expenditures for the latter purpose amounted to more than Rp 12 billion.

Development expenditures for manufacturing industry rose by 127% to Rp 356 billion in the year under report. Out of this amount Rp 307 billion (86%) constituted project aid which rose by 99% over the preceding year, while the balance was for local currency (rupiah) financing.

The Third Development Plant (Pelita III) also accorded higher priority to construction of low cost housing and settlement. Expenditures for this purpose, therefore, increased by a substantial 109% to Rp 117 billion in the reporting year.

Expenditures for improvement of the state apparatus rose by 107% to Rp 112 billion in 1979/80, whereas a 4% decline was recorded in the preceding year. This higher amount was mainly spent on the construction of offices for higher government institutions. Expenditures for health and social welfare included expenditures for construction of 200 public health centres (Puskesmas), 750 supplementary health centres (Puskesmas pembantu), 125 mobile health centres (Puskesmas keliling)

and 250 residential houses for medical doctors working under the Inpres health program. Total development expenditures for public health-care rose by 80% to Rp 142 billion in 1979/80.

Development expenditures for manpower and transmigration increased by 71 % to an amount of Rp 162 billion which included Rp 23 billion in project aid. This rapid increase was in line with the Government's policy to boost transmigration during the Third Five year Development Plan (Pelita III).

In 1979/80 it was the first time that funds were made available for the conservation of natural resources and the environment, amounting to Rp 122 billion which was spent almost entirely. This sizeable amount was an evidence of the Government's growing interest in ecology during the Third Five Year Development Plan (Pelita III).

The increase in expenditures on education, national culture and local development, was not spectacular, although these expenditures were very meaningful as they were geared towards the achievement of a more equal distribution of the development effort and its results, and the creation of job opportunities through labor-intensive projects. In the reporting year, expenditures for education and national culture⁶⁾ rose by 44% to Rp 361 billion, including project aid Rp 43 billion (12%). The higher amount of expenditures for education was mainly used for the construction of Inpres elementary school, which in the reporting year in-

cluded 10,000 school buildings and an addition of 15,000 classrooms, renovation of 15,000 school buildings, construction of 5,000 residential houses for headmasters and school teachers in remote areas, 10,000 residential houses for school attendants. Compared with the preceding year, expenditures for construction of elementary schools under the Presidential Instruction mentioned above rose by 39% to Rp 156 billion.

Local development expenditures were primarily made as subsidies to villages, subprovinces and provinces, and in the form of land tax proceeds (Ipeda). These expenditures rose to Rp 336 billion, in the reporting period, an increase of 22% over the preceding year.

In the reporting year, the development subsidy to villages increased from Rp 350 thousand to Rp 450 thousand per village, while the number of villages rose from 60,645 to 61,150. Accordingly, the total amount of said subsidies rose by 29% to Rp 3.1 billion. Development subsidies to sub-provinces rose by 23% to Rp 87 billion, as the base figure for payment of the subsidy was increased from Rp 450.00 to Rp 550.00 per capita and the minimum amount of subsidy was raised from Rp 50 million to Rp 65 million. In the reporting year, development subsidy to provinces rose by 16% to Rp 101 billion, the share of East Timor increased by the highest percentage (75%) and amounted to Rp 7 billion. This sharp increase was intended to enable East Timor to catch up with development activities vis-a-vis other provinces. Development expenditure from land tax (I peda) amounted to Rp 71 billion in the reporting year, an increase of 13% over the preceding year.

6) Including Youth and belief in the Almighty God.

TABLE 26 - GOVERNMENT REVENUES
(Billions of Rupiah)

Particulars	1975/76	1976/77	1977/78	1978/79	1979/80		1980/81 Budget
					Budget	Actuals	
I. Domestic Revenues	2,242	2,906	3,536	4,266	5,441	6,697	9,055
1. Direct Taxes	1,592	2,047	2,511	2,996	4,113	5,129	7,430
— Income Tax	62	84	104	122	145	148	174
— Corporation Tax	128	127	170	226	228	297	356
— Corporate Tax on Oil	1,249	1,620	1,949	2,309	3,345	4,260	6,430
— Withholding Tax (MPO)	97	149	202	233	290	291	324
— Land Tax (IPEDA)	35	42	52	63	64	71	79
— Others	21	25	34	43	41	62	66
2. Indirect Taxes	539	741	881	1,078	1,160	1,380	1,453
— Sales Tax	119	162	203	221	277	192	252
— Sales Tax on Imports	72	102	115	126	113	137	146
— Excises	97	131	182	253	298	326	351
— Import Duties	174	257	287	295	281	317	344
— Export Tax	62	62	81	166	173	389	339
— Net Profit from Oil	-1	16	---	---	---	---	---
— Others	16	11	13	17	18	19	21
3. Non-tax Receipts	111	118	144	192	168	188	172
II. Development Receipts	492	784	773	1,035	1,493	1,381	1,502
1. Program Aid	20	10	35	48	64	65	65
2. Project Aid	472	774	738	987	1,429	1,316	1,437
Total	2,734	3,690	4,309	5,301	6,934	8,078	10,557

Source : Department of Finance

TABLE 27 - GOVERNMENT EXPENDITURES
(Billions of Rupiah)

Items	1975/76	1976/77	1977/78	1978/79	1979/80		1980/81 Budget
					Budget	Actuals	
I. Routine Expenditures	1,333	1,630	2,149	2,744	3,446	4,062	5,529
1. Personnel Expenditures	594	637	893	1,002	1,361	1,420	2,055
— Rice Allowances	112	115	126	133	185	180	268
— Salaries and Pensions	400	425	673	760	1,002	1,054	1,503
— Food Allowances	43	46	48	51	109	110	195
— Other Domestic Personnel Expenditures	26	37	31	34	36	47	53
— Overseas Personnel Expenditures	13	14	15	24	29	29	36
2. Material Expenditures	305	340	377	419	519	569	684
— Domestic	283	321	359	398	490	540	652
— External	22	19	18	21	29	29	32
3. Subsidies to Local Governments	285	313	479	522	650	670	986
— Irian Jaya	19	20	22	22	25	25	36
— Other	266	293	457	500	625	645	950
4. Amortizations and Interest Payments	79	189	228	535	607	684	770
— Domestic Debts	7	24	7	9	9	36	25
— Foreign Debts	72	165	221	526	598	648	745
5. Others	71	151	172	266	309	719	1,034
II. Development Expenditures	1,398	2,054	2,157	2,555	3,488	4,014	5,028
1. Departments/Institutes inclusief							
Department of Defence	385	590	745	851	1,359	1,480	2,133
2. Regional Development	234	285	366	431	509	549	802
— Subsidies to Villages	16	20	23	24	31	31	51
— Subsidies to Kabupatens (Sub provinces)	59	62	69	71	87	87	119
— Irian Jaya	5	5	6	6	—	—	—
— East Timor	—	—	4	4	4	7	6
— Subsidies to Provinces	54	62	75	87	101	101	167
— Rural Development — IPEDA	35	42	53	63	64	71	79
— Development of Primary Schools	50	57	85	112	135	156	251
— "INPRES Pasar" 1)	—	—	1	1	3	12	5
— Public Health Centres	15	21	26	27	30	30	50
— "INPRES Penghijauan and Reboisasi" 2)	—	16	24	36	41	41	48
— "Infrastructure INPRES" 3)	—	—	—	—	13	13	26
3. Other Development Expenditures	307	405	308	286	191	669	656
— Subsidies on Fertilizer	134	107	32	83	38	125	213
— Government Capital Participation	109	218	167	128	28	253	210
— Others	64	80	109	75	125	291	233
4. Project Aid	472	774	738	987	1,429	1,316	1,437
Total	2,731	3,684	4,306	5,299	6,934	8,076	10,557

1) Subsidies for reconstruction and development of shopping centres

2) Subsidy for regreening and afforestation

3) Subsidy for development

Source : Department of Finance

TABLE 28 - DEVELOPMENT EXPENDITURES BY SECTOR
(Billions of Rupiah)

Sector ¹⁾	1975/76	1976/77	1977/78	1978/79	1979/80		1980/81 Budget
					Budget	Actuals	
Agriculture and Irrigation	257	356	380	450	420	508	739
Industry	56	172	125	157	402	356	275
Mining and Energy	196	242	238	319	393	377	484
Transportation and Tourism	312	429	355	413	512	466	708
Trade and Cooperatives	3	9	8	13	25	31	45
Manpower and Transmigration	12	27	60	95	166	162	299
Regional, Rural and Urban Development	173	190	250	275	330	336	482
Religion	2	5	7	8	19	19	32
Education, Youth, Culture and Belief in the Almighty God	114	136	211	251	356	361	575
Health, Social Welfare, Role of Woman, Population and Family Planning	38	48	71	79	133	142	197
Housing and Human Settlement	13	30	90	56	78	117	141
Law	5	7	11	11	31	31	53
National Defence and Security	36	60	56	159	254	330	387
Information, Press and Social Communication	17	46	11	11	17	22	33
Science, Technology and Research	17	25	38	42	58	58	87
State Apparatus	32	47	56	54	103	112	165
Development of Business Enterprises	115	225	190	162	69	466	179
National Resources and Environment	---	---	---	---	122	120	147
Total	1,398	2,054	2,157	2,555	3,488	4,014	5,028

¹⁾ Based on the sectoral breakdown of the Third Plan, while the figures for the fiscal year 1975/76 through 1978/79 were adjusted accordingly

Source : Department of Finance

**TABLE 29 - DEVELOPMENT EXPENDITURES BY SECTOR
EXCLUDING PROJECT AID
(Billions of Rupiah)**

Sector ¹⁾	1975/76	1976/77	1977/78	1978/79	1979/80		1980/81 Budget
					Budget	Actuals	
Agriculture and Irrigation	214	249	234	315	270	353	516
Industry	42	52	36	4	48	49	84
Mining and Energy	44	59	68	66	113	120	180
Transportation and Tourism	85	125	142	163	269	274	396
Trade and Cooperatives	2	9	7	12	15	20	32
Manpower and Transmigration	11	26	51	83	143	139	269
Regional, Rural and Urban Development	173	189	242	267	312	318	458
Religion	2	5	7	8	19	19	32
Education, Youth, Culture and Belief in the Almighty God	107	131	182	216	313	318	525
Health, Social Welfare, Role of Woman, Population and Family Planning	31	42	56	57	99	108	160
Housing and Human Settlement	10	27	61	38	50	89	109
Law	5	7	11	11	31	31	53
National Defence and Security	36	60	56	108	100	176	250
Information, Press and Social Communication	7	10	8	7	12	11	27
Science, Technology and Research	17	25	35	34	51	51	78
State Apparatus	32	47	56	50	82	91	148
Development of Business Enterprises	108	218	167	129	28	432	143
National Resources and Environment	—	—	—	—	104	99	131
Total	926	1,281	1,419	1,568	2,059	2,698	3,591

¹⁾ Based on the sectoral breakdown of the Third Plan, while the figures for the fiscal years 1975/76 through 1978/79 were adjusted accordingly

Source : Department of Finance

TABLE 30 - PROJECT AID DEVELOPMENT EXPENDITURES BY SECTOR
(Billions of Rupiah)

Sector ¹⁾	1975/76	1976/77	1977/78	1978/79	1979/80		1980/81 Budget
					Budget	Actuals	
Agriculture and Irrigation	43	107	146	135	150	155	223
Industry	14	120	89	154	353	307	191
Mining and Energy	152	182	170	253	280	257	304
Transportation and Tourism	227	304	213	250	243	192	312
Trade and Cooperatives	1	—	1	1	11	11	13
Manpower and Transmigration	1	1	10	12	23	23	30
Regional, Rural and Urban Development	—	2	8	8	18	18	24
Religion	—	—	—	—	—	—	—
Education, Youth, Culture and Belief in the Almighty God	7	5	29	35	43	43	50
Health, Social Welfare, Role of Woman, Population and Family Planning	7	6	15	22	34	34	36
Housing and Human Settlement	3	3	28	18	28	28	32
Law	—	—	—	—	—	—	—
National Defence and Security	—	—	—	51	154	154	137
Information, Press and Social Communication	10	36	3	4	5	11	6
Science Technology and Research	—	—	3	8	7	7	10
State Apparatus	—	—	—	3	21	21	17
Development of Business Enterprises	7	8	23	33	41	34	36
National Resources and Environment	—	—	—	—	18	21	16
Total	472	774	738	987	1,429	1,316	1,437

¹⁾ Based on the sectoral breakdown of the Third Plan, while the figures for the fiscal years 1975/76 through 1978/79 were adjusted accordingly

Source : Department of Finance

VI. INTERNATIONAL ECONOMIC AND MONETARY DEVELOPMENTS

A. World economic conditions

1. Industrial countries

In 1979, economic conditions in the industrial countries continued to be sluggish in general, as reflected by a decline in real GNP growth and a high level of unemployment. The rate of inflation meanwhile increased continuously and created a situation known as stagflation.

Table 31 below shows that real GNP growth in the OECD countries as a whole declined from 3.7% in 1978 to 3.4% in 1979. Among the OECD countries, only Japan, the Federal Republic of Germany and Italy achieved a higher rate of growth than in 1978. In 1979, Japan succeeded to achieve the highest rate of growth, 6.0%, while the lowest rate of growth, 1.1 %, was recorded by the United Kingdom.

Inflation in the OECD countries as a whole increased to a rate of 10.1 % in 1979 compared with 8.5% in 1978. Only Japan succeeded in keeping its rate of inflation down to no more than 3.9%, whereas Italy recorded the highest rate of 15.9%.

Despite the high inflation rate, the rate of unemployment in OECD countries did not change significantly, registering 5.1 % in 1979 compared with 5.2% in 1978.

The growth rate of *the United States* decreased substantially from 4.4% in 1978 to 2.3% in 1979. The decline was felt particularly in the first half year and was attributable to the severe winter and the increase in the price of oil and energy. The trade account improved in 1979 registering a lower deficit, \$ 29.4 billion compared with \$ 34.2 billion in 1978. This improvement was attributable to higher exports and lower imports, closely related to the depreciation of the US dollar in the preceding years. The surplus on the services account also increased, primarily due to higher investment receipts. As a result, the current account improved markedly from a deficit of \$ 10.3 billion in 1978 to a surplus of \$ 3.2 billion in 1979. Meanwhile, however, the rate of inflation increased from 7.7% in 1978 to 11.3% in 1979. In spite of a decline in the rate of growth, the unemployment rate as a whole declined from 6.0% in 1978 to 5.8% in 1979.

Real GNP in *Japan* increased by 6.0% in 1979, which was again the highest among the major OECD countries. As in the preceding year, the increase in domestic demand in 1979 provided the main impetus to growth. Domestic demand and private investment increased to offset the effect of lower government expenditures. The surplus on the trade account deteriorated substantially from \$ 24.6 billion in 1978 to only \$ 2.0 billion in 1979. Imports increased and exports declined due to the appreciation of the yen in the preceding year and an increase in domestic demand. The rise in imports was also attributable to the increase

**TABLE 31 — GROSS NATIONAL PRODUCT AND
CONSUMER PRICE INDEX IN OECD COUNTRIES**
(Percentage change)

	Gross National Product			Consumer Price Index		
	1977	1978	1979	1977	1978	1979
— OECD	3.7	3.7	3.4	8.3	8.5	10.1
— European OECD	2.2	2.8	3.0	11.0	9.3	15.6
— Seven major countries :						
Canada	2.4	3.4	2.9	8.0	8.9	9.2
France	3.0	3.6	3.3	9.4	9.1	10.5
Germany, Federal Republic of	2.6	3.5	4.4	3.7	2.7	4.1
Italy	2.0	2.6	4.9	19.3	12.5	15.9
Japan	5.5	5.9	6.0	8.1	3.8	3.9
United Kingdom	1.6	3.4	1.1	15.8	8.3	13.4
United States of America	5.3	4.4	2.3	6.5	7.7	11.3

Sources : — OECD Economic Outlook, December 1979
— OECD Main Economic Indicators, February 1980
— IMF Documents, 1980

in oil prices. Meanwhile, the services account deteriorated in 1979 due to a higher level of expenditures for foreign travel and freight. Consequently, the current account changed from a surplus of \$ 16.8 billion in 1978 to a deficit of \$ 7.9 billion in 1979. There was a minor change in the inflation rate from 3.8% in 1978 to 3.9% in 1979. Due to an increase in production, especially in the manufacturing industry, the unemployment rate declined from 2.3% in 1978 to 2.1 % in 1979.

Growth in real GNP in *the Federal Republic of Germany* accelerated from 3.5% in 1978

to 4.4% in 1979, mainly because of an increase in private investment. The surplus on the trade account declined from \$ 21.6 billion in 1978 to \$ 12.7 billion in 1979. However, as the services account was in deficit, there was a sharp drop in the current account surplus from \$ 13.2 billion in 1978 to only \$ 1.0 billion in 1979. Higher import prices pushed the rate of inflation upwards from 2.7% in 1978 to 4.1% in 1979. The increase in domestic demand contributed to an improvement in the labor market as reflected by a decline in the unemployment rate from 4.4% in 1978 to 3.8% in 1979.

In the *United Kingdom*, real GNP growth declined from 3.4% in 1978 to only 1.1% in 1979. Investment decreased, while government expenditures remained constant. There was also a decline in exports, mainly because of industrial labor disputes, and a deterioration of competitiveness due to the appreciation of the pound sterling in the last three years. At the same time, imports increased so that the trade deficit of the United Kingdom rose significantly from \$ 2.9 billion in 1978 to \$ 7.0 billion in 1979. The development of exports and imports, matched by a lower surplus on the services account, changed the current account surplus of \$ 4.6 billion in 1978 into a deficit of \$ 0.9 billion in 1979. The inflation rate increased from 8.3% in 1978 to 13.4% in 1979 mainly because of higher crude oil and raw material prices and higher wage rates. The decline in real GNP growth and investment caused an increase in the unemployment rate from 5.7% in 1978 to 5.9% in 1979.

The 3.3% economic growth rate of *France* in 1979 was slightly lower than 3.6% achieved in 1978. The growth rate could be maintained in nearly all sectors, mainly because of the substantial investments in the last six months of 1979. The trade account changed from a surplus of \$ 1.5 billion in 1978 into a deficit of \$ 0.9 billion, primarily on account of rising oil prices. Consequently, the current account surplus declined from \$ 5.2 billion in 1978 to \$ 4.0 billion in 1979. The rate of inflation increased from 9.1% in 1978 to 10.5% in 1979, while the unemployment rate rose from 5.2% in 1978 to 5.9% in 1979.

2. Developing countries

There were different rates of growth among the oil exporting and oil importing developing countries in 1979. In the oil importing developing countries, the growth rate was unfavorable. Although the rate achieved was higher than in the oil exporting developing countries, it declined from 5.0% in 1978 to 4.6% in 1979, while the inflation rate increased from 23.6% to 29.4%. The current account also developed unfavorably from a deficit of \$ 36.2 billion in 1978 to \$ 54.8 billion in 1979. On the other hand, the oil exporting developing countries recorded a 2.9% increase in real GDP in 1979 compared with 2.7% in 1978. The current account even showed a sizable surplus of \$ 68.4 billion in 1979 compared with only \$ 5.0 billion in the preceding year. Consequently, the inflation rate rose from 9.7% in 1978 to 11% in 1979.

B. International monetary developments

In 1979, international monetary conditions were relatively stable, despite fluctuations in the prices of gold and oil. The relative stability was reflected in the exchange rate developments of the major world currencies, which were supported by financial and monetary policies in a number of countries, especially interest rate policies.

Exchange rates in the international currency markets were relatively stable in 1979, compared with the volatile conditions in 1977 and 1978. The main causes of the relative sta-

bility were an improvement in the distribution of current account imbalances among the industrial countries and the implementation of monetary policy designed to stabilize exchange rates. In the United States, the current account turned from a deficit into a surplus in 1979, while Japan and the Federal Republic of Germany had a significant decline in their current account surpluses, which even developed into a deficit in Japan. In addition, the measures to achieve monetary stability were supported by a more active intervention in the foreign exchange markets by the United States together with the major industrial countries to support the U.S. dollar. Exchange rate movements among the major European countries were generally stable, achieved partly by the implementation of the European Monetary System. Exceptions in 1979 were the pound sterling which appreciated, and the Japanese yen which depreciated against all other major currencies.

In 1979, the tight money and financial policies in the major industrial countries, designed to control inflationary pressures, were reflected in rising short-term interest rates in these countries, especially in the second half of the year. In early 1979, interest rates differed among the industrial countries. In Japan, the Federal Republic of Germany and Switzerland, short-term interest rates increased slightly following the tight money policy implemented by these countries in 1978. On the other hand, the rate of interest in the United States and the United Kingdom tended to decline because of the capital inflow into these countries. In a few other industrial coun-

tries in Europe, short-term interest rates did not change significantly in the first quarter of 1979, mainly due to the stability in the foreign exchange markets. In the second quarter and the second half-year of 1979 there was strong demand for credit and rising inflation, mainly generated by the increase in oil prices. The aforementioned developments resulted in greater speculative activity in the financial, foreign exchange and commodity markets, and triggered off a progressive tightening of monetary policies in almost all the major industrial countries. In October 1979, short-term interest rates in some countries had either reached or exceeded the previous peak levels recorded in 1974.

In 1979, the important developments in the area of international monetary reform were the measures adopted to further improve the use of the Special Drawing Rights (SDR) and to enhance its role as a primary reserve asset in the international monetary system. Moreover, it was also agreed to explore ways and means to arrive at an effective international monetary system, i.e. through the establishment of a Substitution Account and liberalization of certain facilities of the International Monetary Fund (Fund).

In 1979, the Fund adopted a number of decisions to permit the additional use of SDRs, namely for loans and debt repayments, as collateral, and in swap and forward transactions. In order to meet the increasing need for international liquidity, in January 1980 the Fund implemented the second allocation of SDRs, out of the three allocations pursuant

to the resolution adopted by the Board of Governors of the Fund in December 1978.

The European Monetary System (EMS) was established on March 13, 1979, with most of the European Economic Community's (EEC) member countries participating, namely Belgium, Denmark, France, the Federal Republic of Germany, Ireland, Luxembourg, Netherlands and Italy. The unit of account of the system is the European Currency Unit (ECU), against which each member shall establish a par value for its currency. With the exception of Italy, each participant shall maintain the market value of its currency in terms of all other currencies within a margin of 2.25% on either side of its central rate (the margin for Italy was 6.0%). Ireland first adopted a margin of 6.0% and then changed it into 2.25%. A participant whose exchange rate fluctuates close to the margin shall take appropriate measures to restore stability of its currency. "Mutual credit lines" were established by the central banks of the participating countries to facilitate intervention. In this context, financial assistance was provided in the form of short-term credit of unlimited amount. These credits must be repaid not later than 45 days after the end of the month in which the intervention was implemented, subject to an extension of 3 months.

C. ASEAN countries' cooperation and economic developments

In 1979, there was some progress in the cooperation among ASEAN countries, particularly in the fields of trade, manufacturing in-

dustry, agriculture, finance and communications.

At their Eighth Meeting held in Manila on September 7-8, 1979, the ASEAN Economic Ministers agreed to an expanded program for cooperation in the field of trade. The Meeting approved the extension of trade preferences to an additional 1,001 items, which brought the total number to 2,327 items.

Several developments took place in the course of 1979 with regard to negotiations on the ASEAN industrial program. A Yen 47.5 billion (approximately \$ 219 million) soft-term loan agreement was signed between Indonesia and Japan for the financing of the ASEAN urea project in Indonesia. This loan would cover 70% of the total project costs amounting to \$ 313 million, while the remaining 30% would be financed by the ASEAN countries, i.e. 60% by Indonesia and 40% by the other four ASEAN countries, 13% out of which to be contributed by Malaysia, Thailand and the Philippines respectively, and 1% by Singapore. Meanwhile, a feasibility study for the establishment of a urea project in Malaysia was in progress. With respect to the preparation of the ASEAN soda-ash project in Thailand, agreement was reached on the selling price of the project's final product. Moreover, the establishment of a fertilizer plant in the Philippines as the fourth ASEAN industrial project was also agreed upon.

On October 4, 1979, the ASEAN Foreign Ministers signed an Agreement on the establishment of an ASEAN Food Security Reserve

to meet food emergency requirements in member countries. The reserve is a stockpile of 50,000 tons of rice in ASEAN member countries i.e.: Indonesia 12,000 tons, Malaysia 6,000 tons, the Philippines 12,000 tons, Singapore 5,000 tons, and Thailand 15,000 tons.

As is known, the ASEAN Swap Arrangement was set up in 1977 to provide short-term credit facilities for participating countries encountering a temporary international liquidity shortage. Until the end of 1978, no swap transactions had been made since the arrangement became effective. Therefore, in order to activate cooperation under the swap arrangement, Indonesia drew \$ 20 million for a period of three months. Bank Negara Malaysia, the Central Bank of the Philippines, The Monetary Authority of Singapore and Bank of Thailand contributed \$ 5 million each towards this amount. In addition, Malaysia also drew \$ 4 million and Thailand \$ 80 million; other participants contributed an equal share towards these amounts.

In the field of communications, it was agreed that Indonesia's "Palapa" satellite communication system would also be used by the Philippines, Malaysia and Thailand.

As mentioned before, international economic conditions in 1979 were unfavorable, as reflected by a slow growth of trade and national output and a fairly high rate of inflation. Consequently, the growth of several ASEAN countries was affected. However, the rate of growth in ASEAN countries in general

still exceeded the rate in a number of developed countries.

In 1979, *Singapore's* Gross Domestic Product (GDP) rose by 9.3% compared with 8.6% in the preceding year. The higher rate is manifested in the industrial and foreign trade sectors. Exports increased by 35% in 1979 compared with 14% in 1978, while imports rose by 29.4% compared with 16% in the preceding year. In 1979, the inflation rate was only 4% as against 4.8% in 1978. Accordingly, the unemployment rate decreased slightly from 3.6% in 1978 to 3.5% in 1979.

In 1979, *Malaysia's* economy recorded a significant progress. GDP rose by 8.5% in 1979 compared with 7.1 % in 1978. The high rate of investment in 1979 was a major impetus to this growth. Exports showed an increase of 40.5% in 1979 compared with 14.3% in 1978, while imports only rose by 24.6% compared with 22.6% in 1978. In consonance with the economic growth in 1979, the unemployment rate decreased slightly from 6.2% in 1978 to 6.1 %. The inflation rate was reduced to 3.6% in 1979 from 4.9% in 1978.

The growth rate of *the Philippines* declined from 6.3% in 1978 to 5.8% in 1979. The decline occurred mainly in the fields of agriculture and industry. Exports, however, increased by 36% and could compensate the higher import bill which was mainly due to rising oil prices. The inflation rate rose to 18.8% from 7.6% in 1978. This increase was mainly attributable to the higher price of oil. The real GDP growth of *Thailand* declined from 11.7% in 1978 to 6.9% in 1979. This decline mainly

occurred in the fields of agriculture, construction, transportation and communication, banking and insurance. Exports, however, increased by 30.7% in 1979 compared with 16.7% in 1978, while imports increased by 34.2% compared with 15.3% in the corresponding year. A strong domestic demand and higher import prices accelerated the inflation rate from 7.9% in 1978 to 9.9% in 1979.

D. Relations between Indonesia and international financial institutions

1. International Monetary Fund (IMF)

In the reporting year, transactions with the Fund included the Fund's use of rupiahs in transaction with other member countries in the context of the Fund's operational budget, receipt of an SDR allocation, receipt of SDRs for U.S. dollars, purchase of gold at the official price and receipt of part of the profit from the Fund's gold auctions.

During the reporting year, Indonesia was included four times in the operational budget for a total amount of SDR 28.3 million. Indonesia therefore made rupiahs available to the Fund equivalent to SDR 28.3 million, out of which SDR 15 million was lent to Sudan, Bangladesh, Honduras and Ivory Coast in 1979/ 80. Consequently, since its first inclusion, Indonesia has made rupiahs available fourteen times for a total cumulative amount of SDR 118.3 million, out of which SDR 38 million was used by other Fund member countries.

In January 1980, the Fund implemented the second stage of the SDR allocation amounting to SDR 4 billion. Out of this amount, Indonesia received SDR 49.9 million, which added up to a total cumulative allocation of SDR 190 million. In addition, under the SDR designation plans, Indonesia was committed four times in 1979/80 to make U.S. dollars available to a total amount of SDR 49.7 million. Out of this amount, SDR 23.5 million was exchanged for SDRs. The receipt of the allocation, receipt of SDRs for U.S. dollars under designation plans and other SDR transactions caused Indonesia's SDR holdings to increase from SDR 114.3 million at the end of the previous reporting year to SDR 186.1 million at the end of 1979/80.

In the reporting year, the Fund implemented the fourth stage of the program of gold restitution to member countries, involving a quantity of 25 million troy ounces in total. Under this scheme, Indonesia received 55,624 troy ounces of gold of an official value of SDR 1.9 million. Thereby, the total quantity of gold restituted to Indonesia amounted to 222,516 troy ounces.

Besides restituting gold to its member countries, the Fund auctioned 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 amounted to \$ 24.3 million in total, including \$ 12.7 million received in the reporting year.

2. World Bank Group

In the reporting year, the World Bank (International Bank for Reconstruction and Development/IBRD) approved new loans to Indonesia amounting to \$ 788 million. These loans were for projects in the field of irrigation, agriculture, road improvement, BAPINDO, transmigration, electricity, city water supply and smallholder's agriculture. At the end of 1979/80, total loans approved thereby came to \$ 2.691 million for 46 projects.

The aforementioned IBRD loans were subject to less concessional terms than previously, i.e. a repayment period of 7 to 30 years including 3 to 10 years grace, interest rates between 7% to 9.25% per annum for the disbursed portion of the loan, and a commitment charge of 0.75% per annum for the undisbursed portion of the loan.

In the reporting year, the *International Development Association (IDA)* approved credits for technical assistance and projects in the field of transmigration, rural development, smallholder rubber development, irrigation and agricultural extension amounting to \$ 221 million. At the end of 1979/80, the total cumulative credits approved amounted to \$ 901.8 million for 46 projects. The credits carry no interest but only a service charge of 0.75% per annum.

Under the \$ 7.6 billion IDA Fifth Replenishment, Indonesia paid the rupiah equivalent of \$ 168.4 thousand in three equal annual installments. The last instalment was made in November 1979.

Until the end of 1979/80, total investments of the *International Finance Corporation (IFC)* in Indonesia amounted to \$ -42.5 million in 9 private companies. Other institutions joined IFC in financing the companies that received financial assistance from IFC. At the end of 1979/80, investments of other institutions in the aforementioned companies amounted to \$ 19.8 million. The financial assistance carried interest of 8.5% to 9.5% per annum.

In the context of IFC's capital increase from \$ 110 million to \$ 650 million, Indonesia's subscription was increased by \$ 6.1 million to \$ 7.4 million with effect from 1980. The increase was payable in five installments. The second and third installments were both paid in March 1980.

3. Asian Development Bank (ADB)

In 1979/80, ADB approved new loans to Indonesia amounting to \$ 235.4 million for the financing of urban development projects, higher education, road improvement, electricity, irrigation, and manufacturing industry. 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 \$ 946.7 million, consisting of \$ 784.4 million from Ordinary Resources and \$ 162.3 million from Special Funds.

4. Islamic Development Bank (IDB)

As mentioned in the previous Annual Report, IDB approved its 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 charge of ID 2.55 million. In the reporting year, the IDB did not approve any new loan to Indonesia.

5. Inter-Governmental Group on Indonesia (IGGI)

The 22nd IGGI meeting, held in Amsterdam in April 1979, agreed to provide \$ 2.8 billion assistance in 1979/80. Out of this amount, \$ 1.9 billion was concessional assistance (ODA) from donor countries and multilateral financial institutions, while the remainder (\$ 0.9 billion) constituted export credit facilities. Until the end of March 1980, total IGGI loan agreements signed amounted to \$ 14.8 billion, out of which \$ 8.4 billion had been disbursed.

VII. INDONESIA'S BALANCE OF PAYMENTS

A. Balance of payments policy

Balance of payments policy is an integral part of the development policy pursued by the Government, which continues to be directed to increase export earnings and savings of foreign exchange, to bring about an expansion of employment opportunities and domestic production through import substitution, and to make use of foreign resources both in the form of loans and foreign investments.

In the pursuit of such policy, the Government, within the reporting year, took a series of measures aimed at supporting the November **15, 1978** policy. As mentioned in last year's annual report, this policy was meant primarily to strengthen the competitiveness of Indonesia's non-oil exports in the world market and of domestic production against imports.

As far as exports are concerned, such measures consisted of fiscal adjustments, simplification of trade procedures, improvement of quality standards for export commodities, and marketing support. On the import

side, several measures were also taken such as reduction of customs duties on raw and auxiliary materials for domestic production, change from ad valorem to ad naturam (specific tariffs) on some imported commodities and the extension of the list of commodities allowed to be imported under Usance Letters of Credits. With respect to capital inflow, DSP (investment priority list) of 1980 and other measures have been set up to create a better climate for foreign investment.

1. Export measures

In order to increase production and to enhance the competitiveness of export commodities, the Government has extended the list of goods eligible for the export certificate from 29 to 55 commodities.¹⁾ In an effort to increase exports of processed wood, export certificates were granted to timber producers, whose products, wholly or partly, were exported.²⁾ In addition, to foster the domestic timber industry, holders of HPH (forest exploitation right) and timber exporters have been allowed to withdraw their compulsory deposits for investments in the timber industry either for establishing new plants or for expanding their existing plants.³⁾ In the reporting year, these compulsory deposits were increased from Rp 415.00 to Rp 2,000.00 per cubic meter, in view of the favorable timber prices in the world market.⁴⁾

1) Decrees of the Minister of Finance:
No. 197/ KM K-05/79 dated May 8, 1979
No. 213a/KMK-05/79 dated May 14, 1979
No. 214/KMK-05/79 dated May 14, 1979
No. 277/KM K-05/79 dated June 11, 1979
No. 310/KMK-05/79 dated July 12, 1979
No. 312/KM K-05/79 dated July 12, 1979
No. 13/KMK-05/80 dated January 8, 1980
No. 22/KM K-05/80 dated January 10, 1980
No. 127/KMK-05/80 dated March 7, 1980

2) Joint Decree of the Minister of Industry and Agriculture No. 80/M/SK/5/1979 and No. 291/Kpts/Um/5/1979 dated May 1, 1979
3) Presidential Decree No. 20/1979 dated April 27, 1979
4) Presidential Decree No. 39/1979 dated September 12, 1979

In addition to the above mentioned fiscal measures, PET (additional export tax), previously imposed only on exports of palm oil, was also applied to coffee, black tea, stearin, copra, coconut oil and sawn timber exports in the reporting year.⁵⁾ In the short run, PET is meant to assure the supply of the above commodities in the domestic market. In the long run it is intended to support domestic production. The revenues derived from PET will be used to finance rejuvenation, rehabilitation and expansion of plantations for export commodities which have favorable prospects in foreign markets.

On the other hand, to protect domestic consumers, PES (a specific export tax) is to be levied on commodities for which the PET is not imposed, and which have good marketing prospects abroad but are needed for domestic consumption.⁶⁾ By the end of the reporting year, however, the commodities on which the PES was to be levied had not been specified.

In 1979/80, various steps were undertaken to improve regulations and procedures. The regulations concerning SIUP (trade business permit) were revised by extending the period of validity from three to five years and changing the trade classification from four to three groups.⁷⁾ Exports of commodities of the same

kind require only one copy of the E-3 form, provided that the rates of the export tax are equal and are exported in one shipment.⁸⁾ Beginning May 9, 1980, exports of textiles can only be made by registered textile exporters.⁹⁾ Moreover, exports of certain textile products to countries granting preferential treatment can only be executed after obtaining a permit from the Minister of Trade and Cooperatives. These measures were taken in connection with the requirements imposed by importing countries, especially with regard to the commodity origin.

In an effort to improve the competitiveness of Indonesia's exports in the international market, the Government has extended the list of goods eligible for exports under Usance Letters of Credits to some manufactured goods that still need promotion, such as electrical products and book.¹⁰⁾ In addition, the standard for 50 more commodities have been established, so that at the end of 1979/80, altogether there were 99 commodities in the list of quality standard.¹¹⁾

In order to encourage the production of finished goods for exports, the Government took some measures during the reporting year, restricting exports of certain kinds of unprocessed materials. Exports of unprocessed rat-

5) Decrees of the Minister of Finance:
No. 284/KMK-011/79 dated June 19, 1979
No. 285/KMK-011/79 dated June 20, 1979
No. 389/KMK-011/79 dated September 6, 1979
No. 443/KMK-011/79 dated October 18, 1979
6) Government Regulation No. 31/1979 dated September 28, 1979
7) Decree of the Minister of Trade and Cooperatives
No. 428/KP/V 1/79 dated June 11, 1979

8) Bank Indonesia Circular Letter No. SE 12/103/
ULN dated January 21, 1980
9) Decree of the Minister of Trade and Cooperatives
No. 87/Kp/III/80 dated March 7, 1980
10) Decrees of the Minister of Trade and Cooperatives:
No. 415/Kp/VI/79 dated June 5, 1979
No. 47/Kp/II/80 dated February 13, 1980
11) Decree of the Minister of Trade and Cooperatives
No. 555/Kp/IX/79 dated September 9, 1979

tan and leather are prohibited, and the extension of new or additional bank credits as well as the rescheduling of existing credits used to finance the exports of such commodities are no longer allowed.¹²⁾ To protect domestic industries using scrap iron as raw material, the prohibition of scrap iron export, formerly applied to those originating from Java and Sumatera, was extended to those from other parts of the country.¹³⁾

In the context of trade promotion among ASEAN countries, the list of Indonesia's export commodities enjoying preferential treatment under the ASEAN Preferential Trading Arrangement was extended from 1,060 commodities to 1,861 commodities in the reporting year.¹⁴⁾ Furthermore, in March 1980, the number of Indonesia's export commodities enjoying such preference was extended to 2,261 items, effective April 1, 1980.¹⁵⁾

It should be noted that, beginning March 30, 1980, Indonesia has enjoyed the United States' trade facility of "Generalized System of Preferences" (GSP). This facility is intended, among other objectives, to encourage developing countries' exports to the U.S.A. The number of items eligible for this facility is approximately 2,800, or more than one half of

the total items listed in the Tariff Schedule of the United States (TSUS).

2. Import measures

Import measures taken during the reporting year were principally intended to supplement the November 15, 1978 measures aimed at accelerating domestic industrial development and improving the competitiveness of domestic products vis-a-vis imports.

In order to achieve these objectives, the Government extended the list of raw and auxiliary materials eligible for a reduction and exemption of import duty and import sales tax (PPn). In addition, the Government has reduced the rates of tariffs and import sales taxes on certain raw and auxiliary materials for domestic production.¹⁶⁾ In order to assure the availability of raw and auxiliary materials, with the purpose to support the development of domestic industries, the Government has increased the number of products eligible for import under Usance L/Cs from 273 to 323.¹⁷⁾

In order to protect the domestic production of consumer goods, the Government has changed the method of calculating tariffs on certain import goods from ad valorem to ad naturam (specific rates) which resulted in a higher effective tariff.¹⁸⁾ The duty and sales tax on imports of certain kinds of goods, such as tractors, has been reimposed,¹⁹⁾

12) Decrees of the Minister of Trade and Cooperative No. 492/Kp/VII/79 and No. 494/Kp/V11/79 dated July 23, 1979. Bank Indonesia Circular Letters: No. SE 12/8/UPK dated August 10, 1979
No. SE 12/10/UPK dated August 15, 1979
13) Decree of the Minister of Trade and Cooperatives No. 300/Kp/IV/79 dated April 7, 1979
14) Instruction of the Director General of External Trade No. 15/DAGLU/INS/XII/79 dated December 13, 1979
15) Instruction of the Director General of External Trade No. 06/DAGLU/INS/III/80 dated March 24, 1980

16) Decree of the Minister of Finance No.410/KMK 05/1979 dated September 26, 1979
17) Decree of the Minister of Trade and Cooperatives No. 95/Kp/III/1980 dated March 17, 1980
18) Decree of the Minister of Finance No. 185/KMK 05/1979 dated April 20, 1979
19) Decree of the Minister of Finance No. 54/KMK 05/1980 dated January 31, 1980

while the duty on imports of orchid flowers has been raised.²⁰⁾ In protecting the aircraft industry, imports of airplanes and helicopters of the same type as those produced domestically, such as CASA C212, BO-105 and PUMA S-330, have been prohibited.²¹⁾

Regular importers are now allowed to import spare-parts for heavy equipments previously done only by sole agents.²²⁾ This change was intended to improve the availability of the spare-parts in the domestic market.

In line with the progress in domestic textile industries, the compulsory import deposit for certain textile-related items to be made at the time of opening of L/Cs, was reduced from 100% to 40%.²³⁾ The rate applied to most imports is 40%.

In an effort to promote trade with other ASEAN countries, the number of import items eligible for preferential treatment under the ASEAN Preferential Trading Arrangement was enlarged from 266 to 466.²⁴⁾ Effective April 1, 1980, this number was further enlarged to 566.

3. Policy on capital movements

In an effort to accelerate the process of

economic development, the Government has adopted an investment policy that aims at encouraging domestic and foreign capital investments by creating an attractive capital investment climate.

In accordance with the investment policy in the oil sector in the past several years, efforts have continuously been made to induce exploration and exploitation of new fields and more intensive exploitation of existing fields (secondary recovery). During 1979, 167 oil wells were drilled, or 13 more than 1978.

Efforts to expand the market of Liquefied Natural Gas (LNG) to Japan and the U.S.A. have continued. Meanwhile, steps have been taken toward the expansion of LNG projects in Badak and Arun.

Existing policy on attracting foreign capital investment in the sectors outside oil and LNG was continued. One of the important measures was the issuance of the DSP of 1980²⁵⁾ which placed more emphasis on spreading projects to regions, particularly to outside Java, creating employment, processing of raw materials into finished goods, production for exports and the involvement of economically weak groups and cooperatives. Business activities have been grouped into those enjoying tax holiday and those enjoying investment allowance. Efforts to involve economically weak groups (including cooperatives, farmers, cattle breeders, and fishermen) were reflected in the 1980 DSP, which required such groups

20) Decree of the Minister of Finance No. 184/KMK 05/1980 dated March 25, 1980

21) Presidential Instruction No. 1/1980 dated January 29, 1980

22) Letter of the Director of Imports, the Department of Trade and Cooperatives No. 489/DIM-1/ 11/1980 dated January 26, 1980

23) Decree of the Board of Directors of Bank Indonesia No. 12/83/Kep/Dir/UJLN dated October 19, 1979

24) Instruction of the Director General of External Trade No. 15/DAGLU/INS/XII/79 dated December 13, 1979

25) Decree of the Investment Coordinating Board No. 1/1980 dated February 15, 1980

to become engaged in 71 project groups of various business activities. Business activities providing large employment opportunities and those operating in the agricultural sector are given special attention in the 1980 DSP.

A branch of the Capital Investment Coordinating Board (BKPM) has been set up in every province in order to encourage capital investment throughout the country.²⁶⁾

B. Balance of payments development

1. Main features

During 1979/80, Indonesia's balance of payments developed favorably, generating a surplus of \$ 1,690 million, compared with \$ 708 million in the previous year (see Table 22). The surplus raised the level of net international reserves to \$ 4,606 million by the end of March 1980. The above surplus, however, did not include a \$ 1,803 million increase in the net foreign assets held by Indonesia's foreign exchange banks. With this amount added, the overall balance of payments surplus was \$ 3,493 million compared with \$ 818 million in 1978/79.

While the current account showed persistent deficits in the ten preceding years, it registered a large surplus in 1979/80, amounting to \$ 1,990 million, following a 54% increase in export value. Oil, LNG, as well as non-oil/LNG exports increased significantly, up by 46%,

161%, and 55%, respectively. All non-oil/LNG export commodities increased in value, except tea and pepper. Among those, timber, coffee, rubber and handicrafts increased strongly; by 74%, 40%, 32%, and 236%, respectively. In addition, certain new export commodities such as cement, electrical products and fertilizer also showed high rates of expansion.

Total import value rose by 18%, compared with 7% in 1978/79, on account of an 83% increase in imports related to LNG production and a 22% rise in commercial imports in the non-oil/LNG sector while imports by oil companies remained unchanged. Meanwhile, rice imports during the fiscal year 1979/80 increased substantially in volume as well as in value, registering \$ 744 million (2.6 million tons) compared with \$ 341 million (1.2 million tons) in the preceding year. Of the major import categories, capital goods accounted for the highest share, followed by raw materials and consumer goods.

Following the previous policy on the placement of Government bonds in the foreign market, another series of bond denominated in Kuwaiti dinar was issued in the reporting year. The Republic of Indonesia, thus far, has launched four foreign bond issues denominated in Japanese yen (\$ 50 million), Deutsche mark (\$ 50 million), Netherlands guilder (\$ 37 million), and Kuwaiti dinar (\$ 25 million).

2. Current account

As mentioned earlier, the current account

26) Presidential Decree No. 26/1980 dated March 29, 1980

recorded a large surplus during 1979/80 compared with a deficit of \$ 1,155 million in 1978/79. This was due to a substantial rise in the trade surplus and also to the fact that the deficit on services increased only moderately.

a. Balance of trade

Unlike the current account, the balance of trade has almost always been in surplus. The surplus this year increased substantially, from \$ 2,910 million in 1978/79 to \$ 7,527 million in 1979/80. This substantial increase was mainly due to exports which rose by \$ 6,136 million, while imports increased by only \$ 1,519 million.

The following table shows the balance of trade during the past five years.

	Exports (f. o. b)	Imports (f. o. b)	Trade Balance
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
1979/80	17,489	9,962	7,527

a.1. Exports

Total exports in 1979/80 amounted to \$ 17,489 million, an increase of 54% over the previous year, compared with only 5% in 1978/79 (see Table 33). The sharp increase was due to the increase in exports of oil and LNG, as well as other commodities.

Japan was still the main country of destination for Indonesia's exports, with a share of

47%, followed by the United States (20%), and ASEAN countries (14%).

i. Oil and LNG exports

The export value of oil and LNG rose by 54% to \$ 11,324 million in the reporting year. The substantial increase resulted from eight oil price increases during the fiscal year.

Oil export value increased by 46% to \$ 9,979 in the reporting year despite a 12% decline in export volume from 503 million barrels in 1978/79 to 442 million barrels in 1979/80. The decline in volume was on account of a 15% decrease in the volume of crude oil exports, due to a decrease in crude oil production and an increase in the use of crude oil in domestic refineries while exports of petroleum products rose by 25%. Crude oil production decreased by 2% from 589 million barrels in 1978/79 to 577 million barrels in 1979/80, and the use of domestic crude for refineries increased by 44% to 181 million barrels in 1979/80, to meet the increasing domestic demand of petroleum products.

The increase in the value of oil exports was due to eight price increases, effective April 1, May 1, June 15, July 15, November 17 and December 17 of 1979, and January 1 and February 4 of 1980. The weighted average price was \$ 13.98 per barrel at the end of 1978/79 and \$ 29.80 per barrel at the end of 1979/80.

Net oil, i.e. gross exports less expenditures for imports and services related to oil activi-

ties, increased by 67% to \$ 6,308 million in 1979/80. The increase was due to the aforementioned export increase, which resulted from a 6% weighted average price increase of 66%, while import and service payments increased by only 19%.

Japan was still the major importer of Indonesia's oil, accounting for 58%, while the U.S.A. imported 29% of Indonesia's oil exports. The remaining share was shipped to Trinidad and Tobago, Singapore, the Philippines, and Thailand.

The export value of LNG rose by 161% to \$ 1,345 million in 1979/80, on account of the increases in both export volume and price. Export volume rose from 216 million MMBTU²⁷⁾ in 1978/79 to 373 million MMBTU in 1979/80, an increase of 73%, and LNG export price increased by 53% to \$ 3.60 per MMBTU in 1979/80. The whole LNG production was exported to Japan, meanwhile, efforts continued to be made to conclude an LNG export agreement with the U.S.A.

Net LNG, i.e. gross exports less imports and service payments related to LNG production, rose by 196% from \$ 225 million in 1978/79 to \$ 667 million in 1979/80. The large jump in LNG export volume was the result of an expansion of capacity utilization of the existing LNG plants, so that in the reporting year all plants operated near full capacity, while no problems were faced in marketing.

ii. Non-oil/LNG exports

In 1979/80, the value of non-oil/LNG exports rose by 55% to \$ 6,165 million compared with 13% in 1978/79. Timber, rubber, coffee, tin, palm oil, shrimp, and tea were the main commodities in this group. During the past five years, these major commodities have accounted for 80% of non-oil/LNG exports. It is worth noting that after the implementation of the November 15, 1978 measures, substantial increases were registered by exports of handicrafts and certain manufactured goods, such as textiles, electrical products, urea fertilizer, and cement.

The role of Japan as the major importer of Indonesia's non-oil/LNG exports strengthened this year as exports of this commodity group to Japan increased from 24% of total non-oil/LNG exports in 1978/79 to 28% in 1979/80. The U.S.A. was the second largest importer and its share increased from 14% in 1978/79 to 16% in 1979/80. The share of ASEAN countries was unchanged from the previous year's, i.e. 17% of total exports of this commodity group. Exports of principal commodities are as follows.

Timber

Among non-oil/LNG export commodities, timber continued to be the main contributor to Indonesia's foreign exchange receipts. In 1979/80, the export value of timber was \$ 1,969 million, accounting for 32% of non-oil/LNG exports compared with 28% in 1978/79. Despite a decline in the volume of exports by

27) MMBT U = million of BTUs (British Thermal Units)

8%, the sharp increase (90%) in unit prices led to an increase in timber export value by 74%. The decline in the volume resulted from a change in the composition of exports as less logs and more processed woods were exported in 1979/80 than in 1978/79. The volume conversion rate between sawn timber and logs is 1 : 2, meaning that 2 units of logs can produce 1 unit of sawn timber, and between logs and plywood is 1 : 2.32²⁸⁾. Aside from the increase in the price of timber in the world market, the change in the composition of exports also contributed to the sharp increase in the unit price of timber exports.

Timber was mainly exported to Japan (52%), South Korea (21%), and Taiwan (10%). Timber exports during the past five years are shown below.

	Value (millions of \$)	Volume (thousands of tons)
1975/76	527	11,385
1976/77	885	15,770
1977/78	943	15,651
1978/79	1,130	16,050
1979/80	1,969	14,780

Rubber

The export value of rubber increased by 32% in 1979/80 compared with 27% in 1978/79. In 1979/80 the value was \$ 1,025 million which represented 17% of total non-oil/LNG exports. The increase was primarily due to a 30% increase in unit prices.

28) Report of the Department of Agriculture, January 1980.

Singapore and the U.S.A. ranked first and second among the countries of destination, accounting for 38% and 37% of Indonesia's rubber exports, respectively. Other major importers of Indonesia's rubber were the U.S.S.R. (7%), Japan (4%), and the Federal Republic of Germany (3%).

The following figures describe the development of rubber exports in the past five years.

	Value (millions of \$)	Volume (thousands of tons)
1975/76	381	846
1976/77	577	892
1977/78	608	873
1978/79	774	920
1979/80	1,025	941

Coffee

Export volume of coffee increased by only 3% in 1979/80, while unit prices increased by 37%, resulting in a value increase of 40%. Total exports of coffee in the reporting year were 237 thousand tons valued at \$ 713 million, representing 12% of the value of non-oil/LNG exports.

Coffee was primarily exported to the U.S.A. (34%), the Netherlands (11 %), and Japan (9%). The table below shows coffee exports during the past five years.

	Value (millions of \$)	Volume (thousands of tons)
1975/76	112	142
1976/77	330	143
1977/78	626	179
1978/79	508	231
1979/80	713	237

Tin

Continuing its increasing trend in the past several years, the export value of tin went up by 20% to \$ 388 million in 1979/80, due to increases in both price and volume, by 10% and 8%, respectively.

The Netherlands, Singapore and Japan were the main importers, accounting for 40%, 31% and 23% of Indonesia's tin exports, respectively.

Due to a continuing upward trend in the price of tin in world market, the International Tin Council twice decided to increase both the floor price and the ceiling price of tin in the reporting year. First, the council decided to raise the floor price by 11 % to M\$ 1,500 per picul and the ceiling price by 15% to M\$ 1,950 per picul.²⁹⁾ The second increase, effective March 13, 1980, was 10% for both the floor price and the ceiling price, setting the new floor and ceiling prices at M\$ 1,650 and M\$ 2,145, respectively. Exports of tin in the past five years are shown below.

	Value (millions of \$)	Volume (thousands of tons)
1975/76	158	21
1976/77	181	27
1977/78	253	25
1978/79	324	26
1979/80	388	27

²⁹⁾ 1 picul = 60.5 kilograms

Palm oil

Owing to a 9% increase in price and a 6% increase in volume, the value of palm oil exports in 1979/80 increased by 16% to \$ 257 million, higher than the rate of increase recorded in the previous years (9%) The increase in the volume of exports was made possible by an increase of 20% in palm oil production.

The major countries of destination of Indonesia's palm oil exports were the Netherlands, the United Kingdom, and Iraq, accounting for 20%, 11% and 10%, respectively. The following table shows palm oil exports in the past five years.

	Value (millions of \$)	Volume (thousands of tons)
1975/76	142	417
1976/77	147	415
1977/78	202	438
1978/79	221	413
1979/80	257	439

Shrimp

As in the past years, the value of shrimp exports continued to increase. During the reporting year it rose by 14% to \$ 213 million, due to a 21% increase in the average unit price of shrimp exports, while the volume declined by 6%.

Japan was the main importer of Indonesia's shrimp, accounting for 90% of to-

tal exports. The volume and value of shrimp exports in the past five years are presented below.

	Value (millions of \$)	Volume (thousands of tons)
1975/76	91	38
1976/77	132	42
1977/78	154	46
1978/79	187	52
1979/80	213	49

Tea

Export value of tea, as in last year, registered a decline. It went down by 7% to \$ 91 million owing to an 11% decline in the unit price, while the export volume rose by 4%. The fall in the unit price of Indonesia's tea exports was attributable to 40 thousand tons worldwide excess supply in 1979.

The major countries of destination for Indonesia's tea exports were the U.S.A., Pakistan, Australia, and the Netherlands, accounting for 19%, 15%, 14% and 8% of Indonesia's total tea exports in 1979/80, respectively. The table below shows the export value and volume of tea in the past five years.

	Value (millions of \$)	Volume (thousands of tons)
1975/76	50	60
1976/77	64	64
1977/78	120	60
1978/79	98	67
1979/80	91	70

a.2. Imports

In 1979/80, total merchandise imports in-

creased by 18% from the previous year's level to \$ 9,962 million. The increase was mainly attributable to a 22% increase in non-oil/LNG imports to \$ 8,230 million in 1979/80, while imports by oil and LNG companies increased by only 1% to \$ 1,732 million (see Table 35).

Imports financed by general foreign exchange, foreign borrowings, and direct investments and other capital inflows constituted 68%, 27%, and 5% of total non-oil/LNG imports, or \$ 5,574 million, \$ 2,198 million, and \$ 458 million, respectively.

Imports financed by general foreign exchange increased by 26% as against 13% in the previous year. The increase was primarily attributable to an increase in rice imports. Imports financed by project loans, went up by 15% to \$ 1,959 million. Imports under direct investments rose by 12%, while imports financed by other capital inflows declined by 47% since imports for LNG projects were no longer made.

Government program imports increased by 73% to \$ 1,073 million in 1979/80. Of this amount, 78% or \$ 834 million was financed by general foreign exchange and 22% or \$ 232 million by foreign loans. This increase was mainly caused by the rise in both volume and price of rice imports, by 111 % and 3%, respectively, to 2.6 million tons at a value of \$ 744 million (on a c & f basis). In addition, the import value of wheat rose by 42% to \$ 276 million (c & f) owing to an increase in volume of 9% and in price of 32%. The larger rice and wheat imports were intended to assure an

adequate supply of these items for domestic consumption. Imports of sugar, on the other hand, fell by 22% in volume to \$ 386 thousand tons, valued at \$ 118 million (c & f).

A breakdown of imports by economic category indicates that capital goods took the first place in the past five years except 1978/79. In 1979/80, capital goods accounted for 37% of non-oil/ LNG imports compared with 36% in the previous year, reflecting an increase in business activities. Imports of raw materials declined from 39% of non-oil/ LNG in 1978/79, to 33% in 1979/80, owing to increased domestic production. The share of consumption goods went up from 25% in the previous year to 30% in the reporting year due to the increase in rice and wheat imports mentioned earlier. The composition of imports by economic category in the last five years can be seen below (in percentage).

	Consumer Goods	Raw Materials	Capital Goods
1975/76	17.1	25.8	57.1
1976/77	28.9	30.9	40.2
1977/78	32.1	31.7	36.2
1978/79	24.8	39.6	35.6
1979/80	29.7	33.3	37.0

In the reporting year, the value of imports by oil and LNG companies was practically unchanged from the previous year's level amounting to \$ 1,732 million compared with \$ 1,711 million in 1978/79.

The pattern of imports by country of origin was almost the same as in 1978/79. Asian countries were still the major group of countries, providing 60% of Indonesia's total im-

ports. The shares of imports from European and American countries were 19% and 16%, respectively. Japan, the U.S.A., and the Federal Republic of Germany ranked first, second and third among the countries of origin of Indonesia's imports, accounting for 31 9/0 14%, and 7% of total imports, respectively. The share of imports from ASEAN countries rose from 10% in 1978/79 to 11% in 1979/80. Among ASEAN countries, Singapore ranked first followed by Thailand, the Philippines, and Malaysia.

b. Services account

The services account showed a deficit of \$ 5,537 million in 1979/80, 36% larger than the deficit in 1978/79. This increase was mainly due to a rise in payments for profit remittances from \$ 1,925 million in 1978/79 to \$ 2,764 million in 1979/80, which was primarily accounted for by the oil and LNG sector. Payments for services other than profit remittances increased from \$ 2,140 million in the previous year to \$ 2,773 million this year.

3. Capital movements and monetary gold

a. Capital movements

The capital movements in nonmonetary sector showed a net surplus of \$ 458 million in 1979/80, which was smaller- than in 1978/79 (\$ 1,843 million). The decline was due to a change in net private capital movements from a surplus of \$ 392 million in 1978/79 to a deficit of \$ 1,315 million in 1979/80. On the other hand, the surplus in capital movements in the

Government sector increased from \$ 1 ,451 million last year to \$ 1,773 million this year.

Total Government capital inflow (including grants which amounted to \$ 30 million) registered \$ 2,495 million, an increase of 19% over the previous year, due to a rise in both program and project loans. Included in Government capital inflows were the proceeds of two Government bond issues abroad, \$ 37 million denominated in Netherlands guilder and \$ 25 million in Kuwaiti dinar. The \$ 1,773 million surplus under Government capital is net of \$ 692 million in Government debt repayments.

As part of the second SDR allocation by the IMF, Indonesia received an amount equivalent to \$ 65 million in the reporting year. This was also a factor accounting for the larger balance of payments surplus in 1979/80.

b. Foreign exchange reserves and monetary gold

The net official international reserves increased by \$1,690 million from \$ 2,916 million at the end of March 1979 to \$ 4,606 million at the end of the reporting year. The reserves at the end of the reporting year were sufficient to finance approximately six months of imports.

It may be added that the amount of net international reserves mentioned above excluded changes in net foreign assets of commercial banks. At the end of 1979/80 the commercial banks' reserves amounted to \$ 2,346

million, an increase of \$ 1,803 million compared with the position at the end of 1978/79

4. External debt

At the end of March 1980, the Outstanding external debt amounted to \$ 13,489 million, consisting of Government debt (\$ 11,754 million) and debt of state enterprises (\$ 1,735 million). A breakdown of external debt outstanding at the end of March 1980 is presented below.

	(millions of \$)
I. Government debt	11,754
1. Old debt 30)	2,067
2. New debt 30)	9,687
a. IGGI	7,141
- ODA 31)	(5,350)
- Non-ODA	(1,791)
b. Non-IGGI	2,546
- ODA	6110
- Non-ODA	(1,936)
II. Debt of state enterprises	1 ,735
Total	13,489

A major part of the IGGI borrowings constituted soft-term borrowings (ODA), i.e. \$ 5,350 million, of which \$ 3,888 million consisted of bilateral borrowings while the remaining \$ 1,462 million was received as multilateral borrowings from international and regional institutions, i.e. IBRD, IDA, and ADB. The IGGI borrowings under semi-concessional (non-ODA) mostly consisted of export credits, while non-IGGI borrowings were mostly syndicated loans and bonds.

30) Old debts are those obtained prior to July 1966, and new debts are those obtained on July 1966 and after, both from IGGI and non-IGGI

31) Official Development Assistance, i.e. soft-term borrowings

5. Balance of payments prospect for 1980/81

The improvement in the balance of payments experienced in 1979/80 is expected to continue through 1980/81 ; a conservative estimate yields a surplus of around \$ 3 billion for that year.

Total value of exports and imports are expected to increase in value by 33% and 48%, respectively. This high rate of increase in exports is based on an assumption that: the average price of petroleum would increase by 46% over the previous year, while its volume is expected to remain unchanged. The export value of LNG, moreover, is also expected to grow markedly, due to increases in both price

and volume. The export value of merchandise other than oil and LNG, on the other hand, is expected to increase only slightly due to the predicted recession in the world economy. The sharp increase in the value of imports is attributable to the expected significant increases in Government program imports, non-program imports (financed by general foreign exchange), and imports by oil companies. Payments for services are expected to increase by 32%.

The above estimates on exports, imports and services result in a surplus of around \$ 1 billion in the goods and services account. The capital account is expected to show a surplus of about \$ 2 billion.

TABLE 32 - INDONESIA'S BALANCE OF PAYMENTS
(Millions of \$)

Accounts	1975/76	1976/77	1977/78	1978/79	1979/80*
A. Goods and Services	<u>- 854</u>	<u>- 802</u>	<u>- 690</u>	<u>- 1,155</u>	<u>+ 1,990</u>
1. Merchandise Goods: Exports, f.o.b.	+ 7,146	+ 9,213	+ 10,860	+ 11,353	+ 17,489
Imports, f.o.b.	- 5,409	- 7,173	- 7,866	- 8,443	- 9,962
2. Non-Monetary Gold	---	---	---	---	---
3. Freight and Insurance Services on Imports	- 714	- 938	- 1,031	- 982	- 1,192
4. Other Transportation	- 82	- 116	- 129	- 145	- 176
5. Travel	- 70	- 100	- 96	- 120	- 169
6. Investment Income	- 1,268	- 1,249	- 1,826	- 1,925	- 2,764
6.1. Oil and LNG Sector	(- 838)	(- 531)	(- 961)	(- 910)	(- 1,595)
6.2. Direct Investment and Others	(- 430)	(- 718)	(- 865)	(- 1,015)	(- 1,169)
7. Government, not Included Elsewhere	- 30	- 40	- 44	- 40	- 92
8. Other Services	- 427	- 399	- 558	- 853	- 1,144
Balance of Goods and Services (1 through 8)	- 854	- 802	- 690	- 1,155	+ 1,990
Balance of Goods (1 and 2)	+ 1,737	+ 2,040	+ 2,994	+ 2,910	+ 7,527
Balance of Services (3 through 8)	- 2,591	- 2,842	- 3,684	- 4,065	- 5,537
B. Grants	<u>+ 16</u>	<u>+ 74</u>	<u>+ 12</u>	<u>+ 18</u>	<u>+ 30</u>
9. Private	---	---	---	---	---
10. Government	+ 16	+ 74	+ 12	+ 18	+ 30
C.11. Special Drawing Rights (SDRs)	<u>---</u>	<u>---</u>	<u>---</u>	<u>+ 64</u>	<u>+ 65</u>
Total (1 through 11)	- 838	- 728	- 678	- 1,073	+ 2,085
D. Capital and Monetary Gold	<u>+ 1,191</u>	<u>+ 620</u>	<u>+ 858</u>	<u>+ 1,135</u>	<u>- 1,232</u>
<i>Non-Monetary Sector</i>	+ 827	+ 1,621	+ 1,509	+ 1,843	+ 458
12. Private Sector	- 1,075	+ 38	+ 176	+ 392	- 1,315
12.1. Long-term Liabilities	- 1,089	+ 70	+ 226	+ 392	- 1,315
a. Direct Investments	(+ 454)	(+ 287)	(+ 285)	(+ 271)	(+ 217)
b. Others	(- 1,543)	(- 217)	(- 59)	(+ 121)	(- 1,532)
12.2. Long-term Assets	---	---	---	---	---
a. Direct Investments	(---	(---	(---	(---	(---
b. Others	(---	(---	(---	(---	(---
12.3. Short-term Liabilities	+ 14	- 32)	- 50	---	---
12.4. Short-term Assets	---	---	---	---	---
13. Government Sector	+ 1,902	+ 1,583	+ 1,333	+ 1,451	+ 1,773
13.1. Long-term Liabilities	+ 1,902	+ 1,583	+ 1,333	+ 1,451	+ 1,773
13.2. Long-term Assets	---	---	---	---	---
13.3. Short-term Liabilities	---	---	---	---	---
13.4. Short-term Assets	---	---	---	---	---
<i>Monetary Sector</i>	+ 364	- 1,001	- 651	- 708	- 1,690
14. Central Bank	---	---	---	---	---
14.1. I.M.F. position (net)	+ 87	---	- 82	- 6	- 16
14.2. Short-term Liabilities	+ 206	+ 31	- 164	---	- 68
14.3. Movement in Foreign Exchange Holdings (== increase)	+ 71	- 1,032	- 405	- 702	- 1,606
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	- 353	+ 108	- 180	- 62	- 853

TABLE 33 - VALUE OF EXPORTS (F.o.b.)
(Millions of \$)

Items	1975/ 76	1976/ 77	1977/ 78	1978/ 79	1979/80				
					I	II	III	IV	Total
A. Exports of Crude Oil									
and Oil Products	5,273	6,350	7,191	6,858	1,919	2,383	2,588	3,089	9,979
B. Exports of LNG	—	—	162	516	209	301	327	508	1,345
C. Non Oil/LNG Exports	1,873	2,863	3,507	3,979	1,331	1,513	1,615	1,706	6,165
Timber	527	885	943	1,130	396	489	550	534	1,969
Rubber	381	577	608	774	257	258	239	271	1,025
Coffee	112	330	626	508	263	144	152	154	713
Palm oil	142	147	202	221	36	73	91	57	257
Animals and Animal Produce	105	146	179	212	62	68	63	59	252
— Shrimps	(91)	(132)	(154)	(187)	(54)	(58)	(52)	(49)	(213)
— Others	(14)	(14)	(25)	(25)	(8)	(10)	(11)	(10)	(39)
Tea	50	64	120	98	23	22	23	23	91
Foodstuffs	54	62	61	93	33	37	46	22	138
— Tapioca	(17)	(10)	(13)	(28)	(15)	(15)	(24)	(5)	(59)
— Others	(37)	(52)	(48)	(65)	(18)	(22)	(22)	(17)	(79)
Pepper	25	55	62	66	12	13	11	10	46
Tobacco	40	41	59	58	23	19	8	10	60
Copra cakes	32 ¹⁾	36	33	34	9	11	15	17	52
Hides	12	23	19	30	13	13	13	12	51
Rattan	4	13	20	40	20	20	27	25	92
Textile & Handicrafts	8	12	17	45	33	28	43	47	151
Electrical Appliance	18	33	26	40	15	16	14	18	63
Urea Fertilizer	—	—	46	36	7	12	14	9	42
Cement	—	—	—	5	1	9	7	12	29
Mining Products	257	320	363	423	111	128	138	164	541
— Tin	(158)	(181)	(253)	(324)	(86)	(91)	(103)	(108)	(388)
— Copper	(74)	(95)	(74)	(64)	(16)	(24)	(16)	(39)	(95)
— Others	(25)	(44)	(36)	(35)	(9)	(13)	(19)	(17)	(58)
Miscellaneous	106	119	123	166	17	153	161	262	593
Total Exports (A + B + C)	7,146	9,213	10,860	11,353	3,459	4,197	4,530	5,303	17,489

¹⁾ Includes Copra amounting to \$ 3 million

TABLE 34 - VOLUME OF EXPORTS

Items	1975/ 76	1976/ 77	1977/ 78	1978/ 79	1979/80				
					I	II	III	IV	Total
A. Exports of Crude Oil and Oil Products (millions of barrels)	422	495	533	503	115	112	111	104	442
B. Exports of LNG (millions of MMBTU) ¹⁾	—	—	71	216	79	91	90	113	373
C. Non-Oil/LNG Exports (thousands of tons)									
Timber	11,385	15,770	15,651	16,050	3,984	3,676	3,486	3,634	14,780
Rubber	846	892	873	920	256	228	222	235	941
Coffee	142	143	179	231	100	43	44	50	237
Palm oil	417	415	438	413	62	122	155	100	439
Animals and									
Animal Produce	70	82	78	84	23	24	25	23	95
— Shrimps	(38)	(42)	(46)	(52)	(13)	(13)	(12)	(11)	(49)
— Others	(32)	(40)	(32)	(32)	(10)	(11)	(13)	(12)	(46)
Tea	60	64	60	67	18	17	17	18	70
Foodstuffs	965	967	875	1,322	398	346	429	210	1,383
— Tapioca	(234)	(133)	(184)	(433)	(182)	(125)	(187)	(46)	(540)
— Others	(731)	(834)	(691)	(889)	(216)	(221)	(242)	(164)	(843)
Pepper	17	33	31	38	6	7	5	6	24
Tobacco	23	21	27	27	9	10	4	2	25
Copra Cakes	396 ²⁾	375	301	323	67	79	104	104	354
Hides	5	8	5	7	2	2	2	2	8
Rattan	49	62	82	79	27	27	31	28	113
Textile & Handi- crafts	9	8	6	13	5	6	6	6	23
Electrical Appliance	0.3	0.3	0.4	0.5	0.2	0.2	0.2	0.2	0.8
Urea Fertilizer	—	—	361	262	50	71	86	43	250
Cement	—	—	—	106	29	198	159	241	627
Mining Products	2,079	2,538	2,260	2,063	644	658	784	682	2,768
— Tin	(21)	(27)	(25)	(26)	(6)	(7)	(7)	(8)	(28)
— Copper	(189)	(230)	(188)	(168)	(36)	(53)	(36)	(61)	(186)
— Others	(1,869)	(2,281)	(2,047)	(1,869)	(602)	(598)	(741)	(613)	(2,554)
Miscellaneous	184.7	169.7	300.6	369.5	134.8	496.8	196.8	352.8	1,181.2

1) MMBTU = Million BTU (British Thermal Unit)

2) Includes 34 thousand tons of copra

TABLE 35 - VOLUME OF IMPORTS (f.o.b.)
(Millions of \$)

Items	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
1. General Foreign Exchange Imports	2,481	2,496	2,530	3,916	4,425	5,574
2. Foreign Aid Imports	566	837	1,556	1,828	1,797	2,198
— Aid Foreign Exchange	(77)	(31)	(2)	(—)	(—)	(—)
— Food Aid	(84)	(11)	(50)	(38)	(16)	(88)
— PL 480 (Rice,Bulgur,Wheat Grains)	(9)	(28) ¹⁾	(95) ¹⁾	(119) ¹⁾	(78) ¹⁾	(151) ¹⁾
— Project Aid	(396)	(767)	(1,409)	(1,671)	(1,703)	(1,959)
3. Imports under Foreign Capital Inflow	286	593	760	547	510	458
— Direct Investment	(286)	(246)	(290)	(364)	(318)	(357)
— Other Foreign Capital Inflow	(—)	(347)	(470)	(183)	(192)	(101)
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	8,230
5. Imports by Oil and LNG Enterprises	1,275	930	1,753	1,490	1,711	1,732
Total (1 through 5)	5,097	5,409	7,173	7,866	8,443	9,962

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

TABLE 36 - OIL EXPORTS BY COUNTRY OF DESTINATION
(Millions of Barrels and \$)

Country	1975/76		1976/77		1977/78		1978/79		1979/80*	
	Barrel	\$	Barrel	\$	Barrel	\$	Barrel	\$	Barrel	\$
1. The United States of America										
— Crude Oil	143.5	1,820.9	181.5	2,344.1	173.9	2,370.1	170.3	2,344.4	114.4	2,568.6
— Oil Products	7.8	81.8	2.6	31.2	6.4	83.4	5.8	76.4	15.1	355.1
Total	151.3	1,902.7	184.1	2,375.3	180.3	2,453.5	176.1	2,420.8	129.5	2,923.7
— % Share	35.9	36.1	37.2	37.4	33.8	34.1	35.0	35.3	29.3	29.3
2. Japan										
— Crude Oil	181.1	2,289.9	199.0	2,558.3	231.3	3,116.3	199.7	2,632.4	224.9	5,049.4
— Oil Products	25.9	310.9	30.5	374.2	34.5	449.4	26.7	343.9	29.6	698.2
Total	207.0	2,600.8	229.5	2,932.5	265.8	3,567.7	226.4	2,976.3	254.5	5,747.6
— % Share	49.0	49.3	46.4	46.2	49.9	49.6	45.0	43.4	57.6	57.6
3. Other Countries										
— Crude Oil	56.8	697.4	77.0	989.6	78.8	1,065.1	92.1	1,335.2	51.2	1,148.4
— Oil Products	6.9	72.3	4.2	52.3	8.2	106.8	8.6	125.5	6.7	158.8
Total	63.7	767.7	81.2	1,041.9	87.0	1,171.9	100.7	1,460.7	57.9	1,307.2
— % Share	15.1	14.6	16.4	16.4	16.3	16.3	20.0	21.9	13.1	13.1
4. Total										
— Crude Oil	381.4	4,808.2	457.5	5,892.0	484.0	6,551.5	462.1	6,312.0	390.5	8,766.4
— Oil Products	40.6	465.0	37.3	457.7	49.1	639.6	41.1	545.8	51.4	1,212.1
Total	422.0	5,273.2	494.8	6,349.7	533.1	7,191.1	503.2	6,857.8	441.9	9,978.5
— % Share	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 37 - EXPORT PRICES OF SELECTED INDONESIAN CRUDE OIL
(\$ per Barrel)

Selected Crude Oil	1972	1973		1974			1975	1976	1977	1978
	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	13.55
Arjuna	2.86	3.73	6.00	10.80	11.70	12.60	12.80	12.60	13.70	13.70
Cinta	2.96	3.73	6.00	10.80	11.70	12.60	12.40	12.40	13.15	13.15
Attaka	2.80 ¹⁾	3.73	6.00	10.80	11.70	12.60	12.80	12.80	14.10	14.10
Handil	---	---	---	---	---	12.60	12.40	12.40	13.30	13.30
Walio	---	5.00 ²⁾	6.00	10.80	11.70	12.60	12.10	12.00	13.00	13.00
Bekapai	---	---	---	---	---	---	---	12.80	14.10	14.10
Badak	---	---	---	---	---	12.60	12.80	12.80	14.10	14.10
NSC	2.65	3.73	6.50	10.80	11.70	12.60	13.00	13.00	14.40	14.40
Jatibarang	---	---	---	---	---	---	12.40	12.40	12.80	12.80
Salawati	---	---	---	---	---	---	---	---	---	---
Klamono	---	---	---	---	---	---	---	---	---	---
Kondensat	---	---	---	---	---	---	---	---	---	---

¹⁾ Effective since October 1, 1972

²⁾ Effective since July 1973

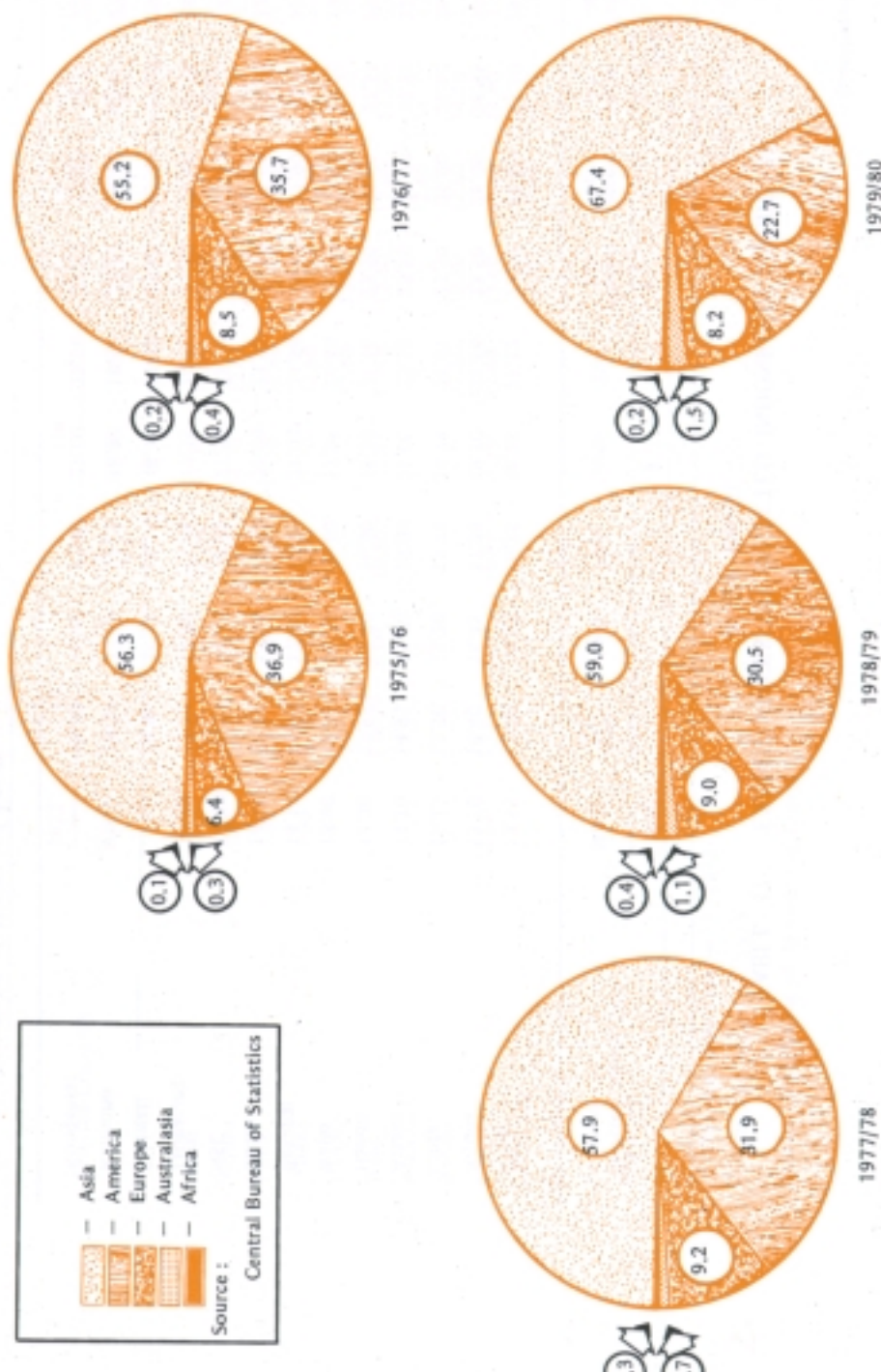
(continued on page 76)

Source : Department of Mining and Energy

TABLE 37 - EXPORT PRICES OF SELECTED INDONESIAN CRUDE OIL
(\$ per Barrel)

Selected Crude Oil	1978	1 9 7 9							1980	
	March	January	April	May	June	July	November	December	January	February
Minas	13.55	13.90	15.65	16.15	18.25	21.12	23.50	25.50	27.50	29.50
Arjuna	13.70	14.40	16.45	17.20	19.70	21.56	23.50	26.00	28.95	30.95
Cinta	13.15	13.50	15.20	15.70	17.75	21.01	23.50	25.00	26.60	28.60
Attaka	14.10	14.95	17.00	18.00	21.00	23.50	23.50	27.90	30.25	32.25
Handil	13.30	13.95	15.70	16.30	18.30	21.16	23.50	25.60	27.55	29.55
Walio	13.00	13.65	15.25	16.00	17.95	20.86	23.50	25.30	27.20	29.20
Bekapai	14.10	14.95	17.00	18.00	21.00	23.50	23.50	27.90	30.25	32.25
Badak	14.10	14.95	17.00	18.00	21.00	23.50	23.50	27.90	30.25	32.25
NSC	14.40	15.25	17.35	18.35	21.50	23.50	23.50	27.90	30.75	32.75
Jatibarang	12.80	13.15	14.80	15.30	17.35	20.66	23.50	25.00	26.60	28.60
Salawati	---	13.80	15.55	16.15	18.15	21.02	23.50	25.40	27.40	29.40
Klamono	---	12.10	13.60	14.10	16.20	19.36	23.50	24.00	25.45	27.45
Kondensat	---	14.80	16.80	17.80	21.00	23.50	23.50	27.90	30.75	32.75

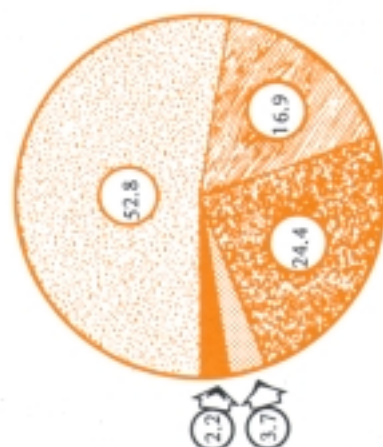
EXPORTS BY COUNTRY OF DESTINATION (In Percentage)



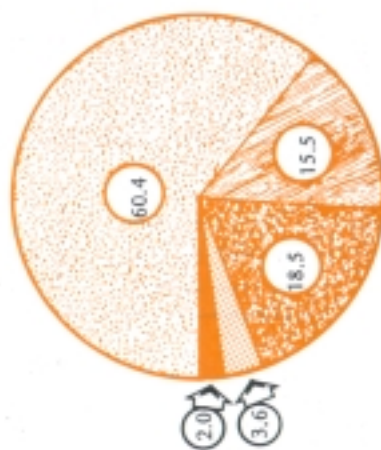
IMPORTS BY COUNTRY OF ORIGIN (In Percentage)



1976/77



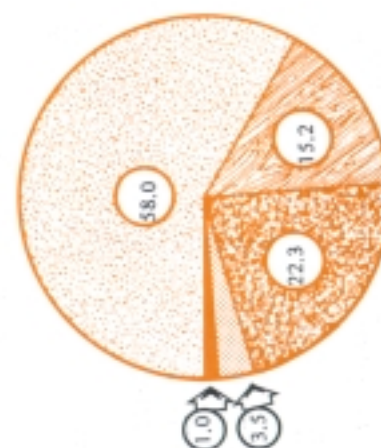
1975/76



1979/80

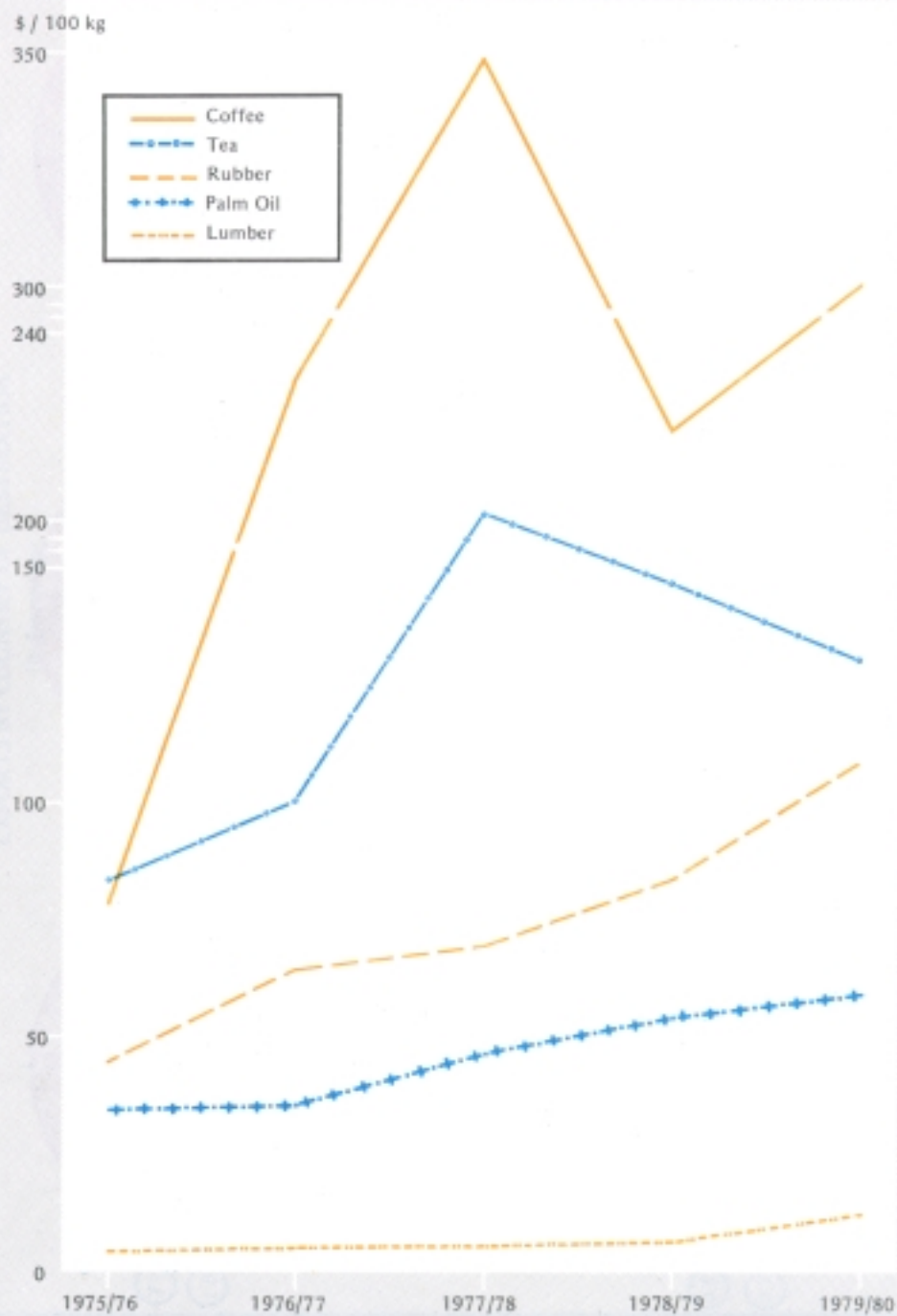


1978/79



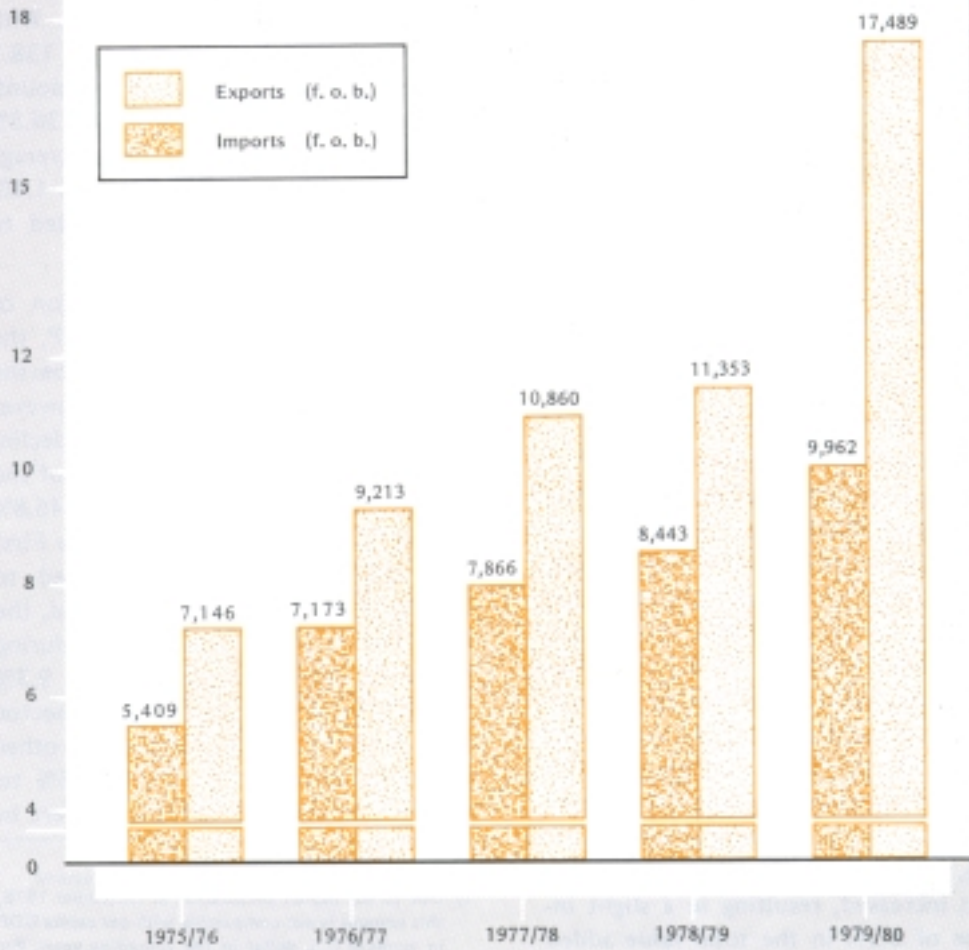
1977/78

UNIT PRICES OF SELECTED EXPORT COMMODITIES



FOREIGN TRADE

Billions of \$



VIII. PRODUCTION, INFRASTRUCTURE AND PRICES

A. National product

The Government's development policy, as stipulated in the Third Five Year Development Plan), emphasizes the achievement of a more equitable distribution of development and its gains, economic growth and national stability. Accordingly, the target for economic growth during the Third Plan period was set at a lower rate, namely 6.5%, compared with an average of 7.0% achieved during the Second Plan period and 8.4% during the First Plan period.

The rate of economic growth, as measured by Gross Domestic Product (GDP), was 4.9% in 1979, compared with 6.8% in the preceding year (Table 38). Since the rate of population growth in 1979 was only 2.0%, real per capita GDP increased around 2.9%.

The lower rate of economic growth in 1979 was mainly attributable to less encouraging development in production of the agricultural and mining sectors. Value added in the agricultural sector increased by only 2.2% in 1979, compared with 5.2% in 1978. This was mainly due to a lower rate of increase in the production of rice, which was only 2.2% in 1979, compared with 10.4% in the preceding year. In the mining sector, oil production decreased by 2.0%, but output of other mining products increased, resulting in a slight increase of 0.3% in the total value added of the mining sector in 1979. Meanwhile, the increase of value added in the manufacturing sector in 1979 was

slightly lower than that in the preceding year, that is, 9.2% compared with 11.2%, attributable to the production decrease experienced by certain industries, although some other industries, such as textiles, cement and fertilizer, increased significantly. Value added in the other sectors also declined, from 9.5% in 1978 to 6.9% in 1979.

In 1979, GDP at current market prices amounted to Rp 30,661 billion. With mid-year population estimates of 138.1 million, per capita GDP in 1979 amounted to Rp222,018.00 which was 36.8% higher than that in 1978. At the average exchange rate of Rp 625.00 per \$ 1.00, per capita GDP in 1979 amounted to \$ 355.00.¹⁾

With regard to the contribution of each economic sector to real GDP, the agricultural sector continued to be the most significant contributor, however its importance has been gradually declining (Table 39). The contribution of the agricultural sector, which was 46.8% of real GDP at the beginning of the First Plan period (1969), had declined to 32.2% by 1979. On the other hand, the contribution of the mining sector during the same period increased from 9.3% to 10.5%, the manufacturing sector from 8.4% to 12.9%, whereas the other economic sectors rose from 35.5% to 44.4%. The above developments were in line with the

1) Due to the rupiah devaluation in November 1978, this amount is not comparable with per capita GDP in terms of U.S. dollar in the preceding years. Per capita GDP in 1978 amounted to \$ 375.00 based on a conversion rate of exchange of Rp 415.00 per \$ 1.00 for the period through November 15, 1978, and Rp 625.00 for the period thereafter.

TABLE 38 - GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN
(Billions of Rupiah)

Sector	1975	1976	1977	1978	1979*
I. At current market prices					
— Agriculture, Forestry and Fishery	4,003	4,812	5,906	6,706	9,145
Farm Food Crops	(2,555)	(3,044)	(3,660)	(3,991)	(5,365)
— Others	(1,448)	(1,768)	(2,246)	(2,715)	(3,780)
— Mining and Quarrying	2,485	2,930	3,600	3,869	5,172
— Manufacturing	1,124	1,453	1,817	2,185	2,825
— Electricity, Gas and Water Supply	70	98	106	116	130
— Construction	590	813	1,023	1,242	1,844
— Wholesale and Retail Trade	2,104	2,552	2,959	3,450	5,601
— Transport and Communications	521	663	820	979	1,383
— Financial Intermediaries and Other Services	1,746	2,146	2,780	3,420	4,561
Gross Domestic Product	12,643	15,467	19,011	21,967	30,661
II. At constant 1973 market prices					
— Agriculture, Forestry and Fishery	2,811	2,944	2,981	3,135	3,204
— Farm Food Crops	(1,696)	(1,756)	(1,734)	(1,836)	(1,861)
— Others	(1,115)	(1,188)	(1,247)	(1,299)	(1,343)
— Mining and Quarrying	828	952	1,070	1,040	1,044
— Manufacturing	848	930	1,058	1,177	1,284
— Electricity, Gas and Water Supply	41	46	49	53	59
— Construction	365	384	464	529	563
— Wholesale and Retail Trade	1,294	1,351	1,438	1,530	1,633
— Transport and Communications	303	343	428	490	558
— Financial Intermediaries and Other Services	1,141	1,206	1,383	1,517	1,591
Gross Domestic Product	7,631	8,156	8,871	9,471	9,936

Source Central Bureau of Statistics

**TABLE 39 - PERCENTAGE DISTRIBUTION OF
GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN**

Sector	1975	1976	1977	1978	1979*
I. At current market prices					
— Agriculture, Forestry and Fishery	31.7	31.1	31.1	30.5	29.8
— Farm Food Crops	(20.2)	(19.7)	(19.3)	(18.2)	(17.5)
— Others	(11.5)	(11.4)	(11.8)	(12.3)	(12.3)
— Mining and Quarrying	19.7	18.9	18.9	17.6	16.9
— Manufacturing	8.9	9.4	9.6	9.9	9.2
— Electricity, Gas and Water Supply	0.5	0.6	0.6	0.5	0.4
— Construction	4.7	5.3	5.4	5.7	6.0
— Wholesale and Retail Trade	16.6	16.5	15.6	15.7	18.3
— Transport and Communications	4.1	4.3	4.3	4.5	4.5
— Financial Intermediaries and Other Services	13.8	13.9	14.6	15.6	14.9
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0
II. At constant 1973 market prices					
— Agriculture, Forestry and Fishery	36.8	36.1	33.6	33.1	32.2
— Farm Food Crops	(22.2)	(21.5)	(19.5)	(19.4)	(18.7)
— Others	(14.6)	(14.6)	(14.1)	(13.7)	(13.5)
— Mining and Quarrying	10.8	11.7	12.1	11.0	10.5
— Manufacturing	11.1	11.4	11.9	12.4	12.9
— Electricity, Gas and Water Supply	0.5	0.5	0.6	0.6	0.6
— Construction	4.8	4.7	5.2	5.6	5.7
— Wholesale and Retail Trade	17.0	16.6	16.2	16.1	16.5
— Transport and Communications	4.0	4.2	4.8	5.2	5.6
— Financial Intermediaries and Other Services	15.0	14.8	15.6	16.0	16.0
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0

Source : Central Bureau of Statistics

TABLE 40 - EXPENDITURES ON GROSS DOMESTIC PRODUCT
(Billions of Rupiah)

Particulars	1975	1976	1977	1978	1979*
I. At current market prices					
— Private Consumption ¹⁾	8,744	10,464	12,459	14,409	18,123
— Government Consumption	1,254	1,590	2,077	2,659	3,488
— Gross Domestic Capital Formation	2,572	3,205	3,826	4,670	6,918
— Export of Goods & Non-Factor Services ²⁾	2,851	3,430	4,466	4,788	9,214
Less :					
Import of Goods & Non-Factor Services	2,778	3,222	3,817	4,559	7,082
— Gross Domestic Product	12,643	15,467	19,011	21,967	30,661
— Net Factor Income to Abroad	-556	-432	-679	-852	-1,324
— Gross National Product	12,087	15,035	18,332	21,115	29,337
Less :					
Net Indirect Taxes	519	691	845	1,029	1,140
Less :					
Depreciation	822	1,006	1,236	1,428	1,993
National Income	10,746	13,338	16,251	18,658	26,204
II. At constant 1973 market prices					
— Private Consumption ¹⁾	5,679	6,031	6,433	6,955	7,395
— Government Consumption	836	897	1,044	1,156	1,184
— Gross Domestic Capital Formation	1,650	1,749	2,028	2,333	2,463
— Export of Goods & Non-Factor Services ²⁾	1,267	1,425	1,744	1,776	1,934
Less :					
Import of Goods & Non-Factor Services	1,801	1,946	2,378	2,749	3,040
— Gross Domestic Product	7,631	8,156	8,871	9,471	9,936
— Net Factor Income to Abroad	-360	-366	-423	-514	-568
— Gross National Product	7,271	7,790	8,448	8,957	9,368
Less :					
Net Indirect Taxes	371	399	431	460	483
Less :					
Depreciation	496	531	576	615	646
National Income	6,404	6,860	7,441	7,882	8,239

1) Residual

2) Balance of Payments figures

Source : Central Bureau of Statistics

**TABLE 41 - PERCENTAGE DISTRIBUTION OF
EXPENDITURE ON GROSS DOMESTIC PRODUCT**

Particulars	1975	1976	1977	1978	1979*
I. At current market prices					
— Private Consumption ¹⁾	69.2	67.6	65.6	65.6	59.1
— Government Consumption	9.9	10.3	10.9	12.1	11.4
— Gross Domestic Capital Formation	20.3	20.7	20.1	21.3	22.6
— Export of Goods & Non-Factor Services ²⁾	22.6	22.2	23.5	21.8	30.0
Less :					
Import of Goods & Non-Factor Services	22.0	20.8	20.1	20.8	23.1
— Gross Domestic Product	100.0	100.0	100.0	100.0	100.0
— Net Factor Income to Abroad	—4.4	—2.8	—3.6	—3.9	—4.3
— Gross National Product	95.6	97.2	96.4	96.1	95.7
Less :					
Net Indirect Taxes	4.1	4.5	4.4	4.7	3.7
Less :					
Depreciation	6.5	6.5	6.5	6.5	6.5
— National Income	85.0	86.2	85.5	84.9	85.5
II. At constant 1973 market prices					
— Private Consumption ¹⁾	74.4	74.0	72.5	73.4	74.4
— Government Consumption	11.0	11.0	11.8	12.2	11.9
— Gross Domestic Capital Formation	21.6	21.4	22.9	24.6	24.8
— Export of Goods & Non-Factor Services ²⁾	16.6	17.5	19.6	18.8	19.5
Less :					
Import of Goods & Non-Factor Services	23.6	23.9	26.8	29.0	30.6
— Gross Domestic Product	100.0	100.0	100.0	100.0	100.0
— Net Factor Income to Abroad	—4.7	—4.5	—4.8	—5.4	—5.7
— Gross National Product	95.3	95.5	95.2	94.6	94.3
Less :					
Net Indirect Taxes	4.9	4.9	4.8	4.9	4.9
Less :					
Depreciation	6.5	6.5	6.5	6.5	6.5
— National Income	83.9	84.1	83.9	83.2	82.9

1) Residual

2) Balance of Payments figures

Source : Central Bureau of Statistics

Government's efforts to gradually enhance the role of non-agricultural sectors.

The composition of GDP by type of expenditures was also encouraging. Gross domestic capital formation amounted to 24.8% of real GDP in 1979, compared with 19.8% at the beginning of the Second Plan period and 11.3% at the beginning of the First Plan period (Table 41). As mentioned in previous annual reports, the amount of foreign investment in Indonesia exceeded Indonesia's investments abroad, resulting in a smaller Gross National Product (GNP) than GDP. GNP at current market prices in 1979 amounted to Rp 29,337 billion or \$ 46.9 billion.

B. Capital investment

In an effort to enhance domestic production and to expand employment opportunities, the Government continuously encourages the growth of capital investment under the Domestic Capital Investment (PMDN) as well as Foreign Investment (PMA) scheme. As guidelines for investors, the Government adjusted the DSP (investment priority list) in 1978, which has been in effect since 1977. Further, a new DSP was issued in the reporting year, effective from February 15, 1980. The 1978 DSP did not provide privileges to all activities open to investments, while in the 1980 DSP privileges of tax holiday or investment allowance are available to all activities open for investments.

Tax holiday is granted for a period of 2 years with respect to new investments. More-

over, an extension of the tax holiday of not more than 4 years will be provided if the capital investment project (1) earns or saves foreign exchange; (2) includes a large amount of capital investment; (3) is located outside Java; (4) is classified as a special priority project by the Government. A one year extension of the tax holiday is provided for meeting any of the conditions mentioned above. Thus, in the 1980 DSP, tax holiday can be provided for a period of 2 to 6 years from the start of production of the respective enterprises.

The investment allowance which is granted to new projects as well as project expansion, is a deduction item in calculating company profit for the assessment of corporation tax. The deduction is 20% of the amount of fixed capital invested which can be spread over 4 years at 5% a year. If this deduction results in a loss, such loss may be compensated for by profits in the succeeding years.

In the 1980 DSP, a total of 526 fields of economic activities are open for domestic capital investment and 340 fields for foreign capital investment. Out of those for domestic capital investment, 379 fields are granted a tax holiday, while the other 147 an investment allowance. With regard to foreign investment, 263 fields are granted a tax holiday and the remaining 77 obtain investment allowance.

1. Domestic capital investment

The number of domestic investment approved by the Government declined from 299 projects with an intended capital of Rp 762

TABLE 42 - APPROVED DOMESTIC INVESTMENT PROJECTS BY SECTOR, 1968-1979¹⁾
(Billions of Rupiah)

Sector	1968-1975		1976		1977		1978		1979*		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	367	265	24	49	66	114	58	159	44	118	559	705
— Agriculture, Fishery and Cattle Breeding	(97)	(88)	(15)	(43)	(12)	(50)	(22)	(100)	(13)	(36)	(159)	(317)
— Forestry	(270)	(177)	(9)	(6)	(54)	(64)	(36)	(59)	(31)	(82)	(400)	(388)
Mining	13	50	—	—	—	—	3	18	3	33	19	101
Manufacturing	1,771	1,112	114	193	148	397	218	521	174	502	2,425	2,735
— Textiles	(395)	(406)	(43)	(43)	(35)	(74)	(49)	(167)	(29)	(42)	(551)	(732)
— Chemicals	(362)	(165)	(19)	(14)	(15)	(96)	(30)	(103)	(26)	(142)	(453)	(520)
— Electrical Appliances	(64)	(24)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(64)	(24)
— Others	(949)	(517)	(52)	(136)	(98)	(227)	(139)	(261)	(119)	(318)	(1,357)	(1,459)
Construction	6	14	—1	—1	—	—	1	3	1	2	7	18
Hotel/Tourism	104	80	12	7	—1	4	3	12	8	12	126	115
Housing/Offices	13	92	9	38	11	39	3	15	6	4	42	188
Other Services	121	112	—6	7	10	20	13	24	11	18	149	181
Total	2,395	1,726	152	293	234	574	299	762	247	689	3,327	4,043

1) Includes cancellations and projects formerly under the Foreign Capital Investment Law
Source : Investment Coordinating Board

billion in 1978 to 247 projects with an intended capital of Rp 689 billion in 1979.

The decrease took place mainly in textile manufacturing and in agriculture, fishery and cattle breeding. In aggregate, the number of domestic capital investment approved through the end of 1979 totalled 3,327 projects with an intended investment of Rp 4,043 billion (Table 42).

Most of the capital investments under the domestic capital investment scheme were in the manufacturing sector, amounting to Rp 2,735 billion (68%) for 2,425 projects. Out of this total, Rp 732 billion (551 projects) were in textile manufacturing and Rp 520 billion (453 projects) in the chemical industry. Other sectors with large amount of investments were forestry, amounting to Rp 388 billion (400 projects) and agriculture, fishery and cattle breeding, totalling Rp 317 billion (159 projects).

In terms of geographical distribution of the investment projects, Jakarta was the area where most were located, namely 778 projects. Other regions with a fairly large amount of projects were successively West Java, with 738 projects, East Java 349 projects, Central Java 285 projects, North Sumatera 196 projects and East Kalimantan 163 projects.

In terms of the value of intended capital investment, West Java ranked first, i.e. Rp 1,142 billion. Other regions with a large amount of intended capital investment were successively Jakarta, with Rp 718 billion, East

Java Rp 508 billion, South Sumatera Rp 254 billion, North Sumatera Rp 242 billion and Central Java Rp 237 billion.

2. Foreign capital investment

Foreign capital investment approved by the Government in 1979 amounted to \$ 1,714.0 million or 264% higher than those approved in the preceding year, thus bringing the aggregate amount of foreign capital investment approved through the end of 1979 to \$ 8,578.0 million for 782 projects (Table 43). The large increase in the amount of foreign capital investment approved in 1979 was mainly attributable to the increased capital investment of the Asahan Aluminium project (\$ 842.5 million), the expansion of the Soroako nickel project (\$ 150 million) and anew capital investment in the ASEAN fertilizer project in Aceh (\$ 313 million).

By country of origin, Japan ranked first in the order of the countries with large capital investment since 1967 through 1979, amounting to \$ 3,387.2 million (39%) for a total of 200 projects (Table 44). Other countries investing large amounts of capital were consecutively Hongkong, with \$ 913.2 million (11%) in 119 projects, United States of America, \$ 370.2 million (4%) in 74 projects and the Philippines \$ 278.3 million (3%) in 12 projects.

In terms of geographical distribution of the projects, Jakarta ranked first (38%), followed by West Java (20%), East Java (10%) and North Sumatera (5%). In terms of the amount

TABLE 43 - APPROVED FOREIGN INVESTMENT PROJECTS BY SECTOR, 1967-1979¹⁾
(Millions of \$)

Sector	1967-1974	1975	1976	1977	1978	1979	1967 - 1979	
							Investment plan	Number of projects
Agriculture, Forestry and Fishery	<u>612.9</u>	<u>20.1</u>	<u>48.1</u>	<u>79.5</u>	<u>58.8</u>	<u>72.9</u>	<u>892.4</u>	<u>157</u>
— Agriculture	102.3	1.0	8.2	41.1	2.2	17.7	172.5	58
— Forestry	465.8	5.4	34.1	33.5	35.6	19.7	594.1	76
— Fishery	44.8	13.7	5.8	4.9	21.1	35.5	125.8	23
Mining	<u>546.5</u>	<u>507.2</u>	<u>3.6</u>	<u>200.0</u>	<u>44.9</u>	<u>150.0</u>	<u>1,452.2</u>	<u>11</u>
— Metal	395.5	507.2	3.6	200.0	28.8	150.0	1,285.1	6
— Others	151.0	—	—	—	16.1	—	167.1	5
Manufacturing Industry	<u>1,956.5</u>	<u>1,159.2</u>	<u>357.1</u>	<u>361.9</u>	<u>290.7</u>	<u>1,441.8</u>	<u>5,567.2</u>	<u>466</u>
— Food	123.6	19.8	74.9	7.7	16.1	68.1	310.2	53
— Textiles & Leather	891.1	29.2	24.2	72.6	110.9	70.7	1,198.7	70
— Wood & Wood Products	16.4	21.9	5.5	—	1.0	6.0	50.8	12
— Paper & Paper Products	15.9	18.2	66.2	9.7	0.5	5.5	116.0	14
— Chemicals & Rubber	246.9	66.6	36.2	78.0	22.9	375.4	826.0	130
— Non-metallic Minerals	233.0	99.6	72.0	99.0	18.4	30.3	552.3	30
— Basic Metals	234.2	875.6	11.9	18.4	10.0	842.5	1,992.6	23
— Metal Products	189.8	28.3	66.0	76.5	104.0	43.3	507.9	127
— Others	5.6	—	0.2	—	6.9	—	12.7	7
Construction	<u>57.9</u>	<u>8.6</u>	<u>1.2</u>	<u>3.4</u>	<u>5.2</u>	<u>0.5</u>	<u>76.8</u>	<u>63</u>
Trade & Hotels	<u>133.8</u>	<u>21.3</u>	<u>14.2</u>	<u>0.6</u>	<u>9.7</u>	<u>3.0</u>	<u>182.6</u>	<u>14</u>
— Trade	10.9	—	0.7	—	—	—	11.6	3
— Hotels	122.9	21.3	13.5	0.6	9.7	3.0	171.0	11
Transportation & Communication	<u>32.5</u>	<u>20.3</u>	<u>4.0</u>	<u>5.0</u>	<u>36.5</u>	—	<u>98.3</u>	<u>20</u>
— Transportation	26.4	16.9	4.0	—	—	—	47.3	19
— Communication	6.1	3.4	—	5.0	36.5	—	51.0	1
Services	<u>195.2</u>	<u>9.5</u>	<u>27.3</u>	<u>6.0</u>	<u>24.7</u>	<u>45.8</u>	<u>308.5</u>	<u>51</u>
— Trade & Personal Services	179.6	9.5	27.3	6.0	22.7	45.8	290.9	39
— Other Services	15.6	—	—	—	2.0	—	17.6	12
Total	3,535.3	1,746.2	455.5	656.4	470.6	1,714.0	8,578.0	782

1) After taking into account the cancellations and shifting of projects from PMA into PMDN

TABLE 44 - APPROVED FOREIGN INVESTMENT PROJECTS BY COUNTRY OF ORIGIN, 1967-1979¹⁾
(Millions of \$)

Country of origin	1967-1974	1975	1976	1977	1978	1979	1967-1979	
							Investment plan	Number of projects
Europe	<u>460.8</u>	<u>31.9</u>	<u>53.7</u>	<u>68.1</u>	<u>58.9</u>	<u>98.4</u>	<u>771.8</u>	<u>164</u>
United Kingdom	41.1	3.7	11.3	7.8	7.5	45.3	116.7	41
The Netherlands	150.5	3.7	16.1	1.5	33.9	8.4	214.1	45
France	13.2	3.2	7.2	—	7.4	—	31.0	10
Germany, Fed. Rep. of	162.7	9.0	14.0	12.5	1.4	2.6	202.2	25
Belgium	46.9	0.5	5.1	21.7	1.2	8.0	83.4	16
Others	46.4	11.8	—	24.6	7.5	34.1	124.4	27
America	<u>199.0</u>	<u>46.0</u>	<u>16.8</u>	<u>35.8</u>	<u>70.0</u>	<u>58.7</u>	<u>426.3</u>	<u>86</u>
United States of America	165.1	42.6	15.7	30.3	57.8	58.7	370.2	74
Canada	3.7	—	—	2.4	4.6	—	10.7	3
Others	30.2	3.4	1.1	3.1	7.6	—	45.4	9
Asia	<u>1,938.8</u>	<u>1,100.0</u>	<u>344.9</u>	<u>262.2</u>	<u>243.9</u>	<u>1,037.4</u>	<u>4,927.2</u>	<u>422</u>
Japan	1,089.6	1,037.4	81.4	80.6	176.0	922.2	3,387.2	200
Hongkong	408.5	36.1	182.7	123.4	66.6	95.9	913.2	119
Thailand	6.4	—	0.7	7.4	—	—	14.5	5
Singapore	54.1	1.4	7.7	31.6	1.3	5.1	101.2	34
The Philippines	269.5	—	—	6.3	—	2.5	278.3	12
Malaysia	33.2	—	1.0	1.0	—	2.0	37.2	20
Others	77.5	25.1	71.4	11.9	—	9.7	195.6	32
Australia	<u>145.2</u>	<u>26.5</u>	<u>4.7</u>	<u>8.6</u>	<u>2.0</u>	<u>8.3</u>	<u>195.3</u>	<u>36</u>
Group of Countries	<u>791.5</u>	<u>541.8</u>	<u>35.4</u>	<u>281.7</u>	<u>95.8</u>	<u>511.2</u>	<u>2,257.4</u>	<u>74</u>
Total	3,535.3	1,746.2	455.5	656.4	470.6	1,714.0	8,578.0	782

1) After taking into account the cancellation and shifting of projects from PMA into PMDN

TABLE 45 - IMPLEMENTATION OF FOREIGN INVESTMENT PROJECTS BY SECTOR, 1967-1979¹⁾
(Millions of \$)

Sector	1967-1974	1975	1976	1977	1978	1979	1967-1979	
							Imple- mented investment	Number of projects
Agriculture, Forestry and Fishery	<u>280.2</u>	<u>48.9</u>	<u>39.2</u>	<u>37.4</u>	<u>38.6</u>	<u>34.0</u>	<u>478.3</u>	<u>132</u>
— Agriculture	29.0	3.2	8.0	12.5	10.1	4.3	67.1	49
— Forestry	203.2	34.4	22.7	22.1	15.0	19.2	316.6	69
— Fishery	48.0	11.3	8.5	2.8	13.5	10.5	94.6	14
Mining	<u>216.4</u>	<u>40.4</u>	<u>42.4</u>	<u>20.1</u>	<u>57.3</u>	<u>47.5</u>	<u>424.1</u>	<u>9</u>
Manufacturing Industry	<u>1,033.0</u>	<u>392.4</u>	<u>301.2</u>	<u>186.2</u>	<u>267.0</u>	<u>192.0</u>	<u>2,371.8</u>	<u>381</u>
— Food	111.7	13.9	10.8	11.9	14.9	7.1	170.3	47
— Textiles & Leather	443.3	181.8	91.8	27.9	31.4	41.7	817.9	55
— Wood & Wood Products	5.5	10.6	4.6	1.4	0.4	0.1	22.6	7
— Paper & Paper Products	13.9	0.7	3.3	9.6	11.8	1.4	40.7	11
— Chemicals & Rubber	146.3	45.9	45.7	28.0	71.7	44.8	382.4	117
— Non-metallic Minerals	85.3	54.2	71.3	42.9	9.0	3.2	265.9	18
— Basic Metals	37.8	43.3	30.7	27.8	37.8	47.5	224.9	21
— Metal Products	179.9	41.1	42.4	35.4	89.9	36.0	424.7	98
— Others	9.3	0.9	0.6	1.3	0.1	10.2	22.4	7
Construction	<u>22.1</u>	<u>7.9</u>	<u>4.5</u>	<u>3.0</u>	<u>1.4</u>	<u>12.0</u>	<u>50.9</u>	<u>51</u>
Trade & Hotels	<u>54.0</u>	<u>8.2</u>	<u>17.6</u>	<u>6.2</u>	<u>17.2</u>	<u>4.3</u>	<u>107.5</u>	<u>12</u>
— Trade	9.8	0.1	0.2	—	0.7	—	10.8	3
— Hotels	44.2	8.1	17.4	6.2	16.5	4.3	96.7	9
Transportation & Communication	<u>9.7</u>	<u>2.2</u>	<u>4.4</u>	<u>2.0</u>	<u>4.7</u>	<u>21.9</u>	<u>44.9</u>	<u>19</u>
— Transportation	4.3	1.2	4.2	1.8	1.3	0.1	12.9	18
— Communication	5.4	1.0	0.2	0.2	3.4	21.8	32.0	1
Services	<u>122.7</u>	<u>47.1</u>	<u>16.2</u>	<u>3.9</u>	<u>19.0</u>	<u>6.9</u>	<u>215.8</u>	<u>35</u>
— Trade & Personal Services	40.5	23.7	12.3	3.8	14.0	6.9	101.2	35
— 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	318.6	3,693.3	639

of capital invested, North Sumatera ranked first (21 %), followed by West Java (20%), Jakarta (18%), East Java (5%) and East Kalimantan (4%).

By industrial sector, manufacturing absorbed the largest amount of intended capital investment, i.e. \$ 5,567.2 million (65%), covering 466 projects. Out of this amount \$ 1,992.6 million (23 projects) was in the basic metal industry, \$ 1,198.7 million (70 projects) in textiles and leather industry and \$ 826.0 million (130 projects) in chemical and rubber industry. Other sectors which absorbed a fairly large amount of foreign capital investment were mining, i.e. \$ 1,452.2 million (17%) in 11 projects, and agriculture, forestry and fishery, totalling \$ 892.4 million (10%) in 157 projects.

The implementation of foreign capital investment in 1979 amounted to \$ 318.6 million, compared with \$ 405.2 million in the preceding year, making the amount of foreign capital investment implemented through 1979 a total of \$ 3,693.3 million (639 projects), as shown in Table 45. Out of this total, \$ 2,371.8 million was in the manufacturing and \$ 424.1 million in the mining sector.

C. Agriculture

Agricultural production, comprising foodcrops, plantation crops, forestry, fishery and livestock, plays an important role for economic growth as well as for creating employment opportunities. This is reflected in the contribution of the agricultural sector to GDP, accounting for 32.2% in real terms in 1979.

To improve agricultural production as well as farmers' incomes, the implementation of earlier measures was intensified through programs such as intensification, extensification and diversification of agricultural activities as well as the fixation of the floor purchase prices of selected foodcrops. In addition, the measures were also aimed at expanding employment opportunities and encouraging exports of agricultural products to increase foreign exchange earnings.

As a result of the aforementioned efforts, the production of nearly all agricultural commodities increased in general in 1979, as shown in Table 46.

1. Production of foodcrops

In order to increase foodcrop production with an aim at achieving self-sufficiency in food, the Government has been making efforts to raise productivity of the cultivated area (intensification), to expand the area for potential cultivation (extensification) and to diversify the varieties of foodcrops (diversification).

Beginning Repelita III, the intensification efforts of the BIMAS and INMAS programs have placed more emphasis on the "Special Intensification" (INSUS) program. This program is carried out by group of farmers whose lands are close to each other so that they can implement the "Panca Usaha Tani" collectively.²⁾

2) Efforts to increase food production by the use of high yielding seeds, irradiation of pests and diseases, increased and appropriate use of fertilizers, and improvement of irrigation and cultivation techniques is called Panca Usaha Tani.

TABLE - 46 AGRICULTURAL PRODUCTION
(thousand tons)

Product	1975	1976	1977	1978	1979
1. Foodstuffs					
— Rice	15,185	15,845	15,876	17,525	17,918
— Corn	2,903	2,572	3,143	4,029	3,305
— Cassave	12,546	12,191	12,488	12,902	13,330
— Sweet potatoes	2,433	2,381	2,460	2,083	2,043
— Peanuts	380	341	409	446	418
— Soybeans	590	522	523	617	674
— Small green peas	61	70	84	100	102
2. Plantation crops					
— Rubber	782	856	838	884	893
a. Smallholder	(536)	(610)	(584)	(612)	(613)
b. Estate	(246)	(246)	(254)	(272)	(280)
— Copra	1,375	1,532	1,518	1,467	1,559
— Palm oil	397	431	483	519	623
— Palm kernels	81	83	93	02	115
— Granulated sugar	1,004	1,054	1,086	1,131	1,201
— Tea	70	73	76	88	91
a. Smallholder	(14)	(13)	(14)	(17)	(18)
b. Estate	(56)	(60)	(62)	(71)	(73)
— Coffee	160	194	197	222	223
a. Smallholder	(144)	(178)	(181)	(206)	(206)
b. Estate	(16)	(16)	(16)	(16)	(17)
— Tobacco	82	89	84	81	82
a. Smallholder	(74)	(78)	(72)	(68)	(68)
b. Estate	(8)	(11)	(12)	(13)	(14)
— Pepper	23	37	43	46	46
— Nutmeg	15	14	15	17	17
— Cloves	15	20	39	22	22
3. Forestry					
— Timber ¹⁾	16,296	21,427	22,939	31,094	26,427
4. Fishery					
— Sea	997	1,082	1,158	1,227	1,305
— Inland	393	401	414	420	432
5. Livestock					
— Meat	435	449	468	475	495
— Eggs	112	116	131	151	164
— Milk ²⁾	51	58	61	62	67

1) Thousand M³

2) Million liters

Source: — Supplement to the President's Report to Parliament, August 16, 1980
— Department of Agriculture

At the same time, the activities of the institutions supporting the BIMAS and INMAS programs, i.e. Field Agricultural Advisers (PPL), Bank Rakyat Indonesia Village Units, Village Unit Cooperatives (KUD) and Farm Input Stalls, were intensified and better coordinated. In the reporting year, the number of BRI Village Units increased from 3,310 units to 3,341 units. The number of KUDs expanded from 4,427 units to 4,532 units, of which 900 KUDs improved their management and were classified as "Model KUD".³⁾ The total number of Farm Input Stalls as distributors of seeds, fertilizers, pesticides and insecticides increased to 19,489 units in the reporting year.

In the context of extensification, 47 thousand ha of new tidal irrigated land were opened during the reporting year, bringing the total area to 329 thousand ha located in Riau, Jambi, South Sumatera, West Kalimantan, Central Kalimantan and South Kalimantan. The extensification was also supported by programs for transmigration, resettlement and the opening up of new rice fields. In order to increase farmers' incomes and stimulate production activities, the Government has continually adjusted the floor purchase prices of unhusked rice and milled rice. Moreover, the floor purchase price of secondary crops, initially set for corn only, were extended to peanuts, small green peas and soybeans in the reporting year.

3) KUDs meeting certain requirements, namely: qualified managers, quality of organization and administration, its social and economic role in the society, and completeness of facilities are classified as "Model KUDs".

The harvested area of foodcrops in 1979 reached 14.6 million ha comprising 8.9 million ha for rice and the remainder for secondary crops. Of the rice area, 5 million ha were under the BIMAS and INMAS programs.

a. Rice

Rice production in 1979 rose by 2.2% to 17,918 thousand tons, following a remarkable increase in production of 10.4% in the preceding year. The low rate of increase in 1979 was attributable to pest attack and plant disease, resulting in a decrease of harvested area from 8,929 thousand ha to 8,850 thousand ha. Nevertheless, due to the intensification efforts, the average production yield rose from 1.96 tons to 2.02 tons per ha. The output, harvested area and average yield per ha during the past five years are as follows.

Year	Output (thousand tons)	Harvested area (thousand ha)	Average yield (tons/ha)
1975	15,185	8,495	1.79
1976	15,845	8,369r	1.89
1977	15,876	8,360r	1.90
1978	17,525	8,929	1.96
1979*	17,918	8,850	2.02

Source : Supplement to the President's Report to Parliament, August 16, 1980

In line with the efforts to increase rice production, the Government continued to renovate the existing rice mills and establish new ones. At the end of 1979 there were 51,400 units of rice mills with a total production capacity of 19.4 million tons. The number and production capacity of rice mills during the past five years are as follows.

Year	Number of rice mills and hullers (thousand units)	Capacity of production (million tons) ¹⁾
1975	29.2	13.6
1976	31.7	14.2
1977	36.5	15.9
1978	38.4	16.1
1979*	51.4	19.4

1) in terms of rice

Source : Department of Agriculture

During the reporting year, Bulog purchased 331 thousand tons of rice in the domestic market compared with 882 thousand tons in the preceding year. This decline was caused primarily by the increase in rice prices in the free market, which induced farmers to sell their rice in the market.

In order to meet the increasing domestic consumption as well as to maintain a larger national stock of rice, the Government imported 2.6 million tons of rice during the reporting year, compared with only 1.2 million tons in the previous year. In line with this trend, 335 rice storage units with a total capacity of 1.2 million tons had been built by the Government up to the end of 1979.

Furthermore, the Government has increased twice the floor purchase price of domestic unhusked rice and milled rice during the reporting year. The floor purchase prices of dried unhusked rice at the farm and milled rice at KUD were raised in May 1979 from Rp 85.00 to Rp 95.00 per kg and from Rp 140.00 to Rp 158.00 per kg, respectively.⁴⁾ The second price changes, effective in February 1980, were announced in October 1979 when the

floor purchase prices of unhusked rice and rice were fixed at Rp 105.00 and Rp 175.00 per kg, respectively.⁵⁾

Average prices of medium quality milled rice in selected cities during the past few years are shown in Table 47. The prices of milled rice in Jakarta rose from Rp 152.10 per kg in March 1979 to Rp 184.02 per kg in March 1980. This was closely related to the quantity of rice produced in 1979 as well as to the adjustment of the floor purchase prices of unhusked and milled rice.

b. Secondary crops

In 1979, output of some secondary crops, i.e. corn, sweet potatoes and peanuts declined, while that of cassava, soybeans and small green peas rose considerably.

In 1979, corn production dropped by 18% to 3,305 thousand tons. This was attributable to the reduction of the harvested area by 15% to 2,572 thousand ha as well as to the declining average yield per ha from 13.3 quintals to 12.8 quintals. In order to improve farmers' income and stimulate corn production, the Government increased its floor purchase price from Rp 40.50 per kg to Rp 67.00 per kg effective August 15, 1979.⁶⁾

4) Presidential Instruction No. 7/1979 dated May 2, 1979.

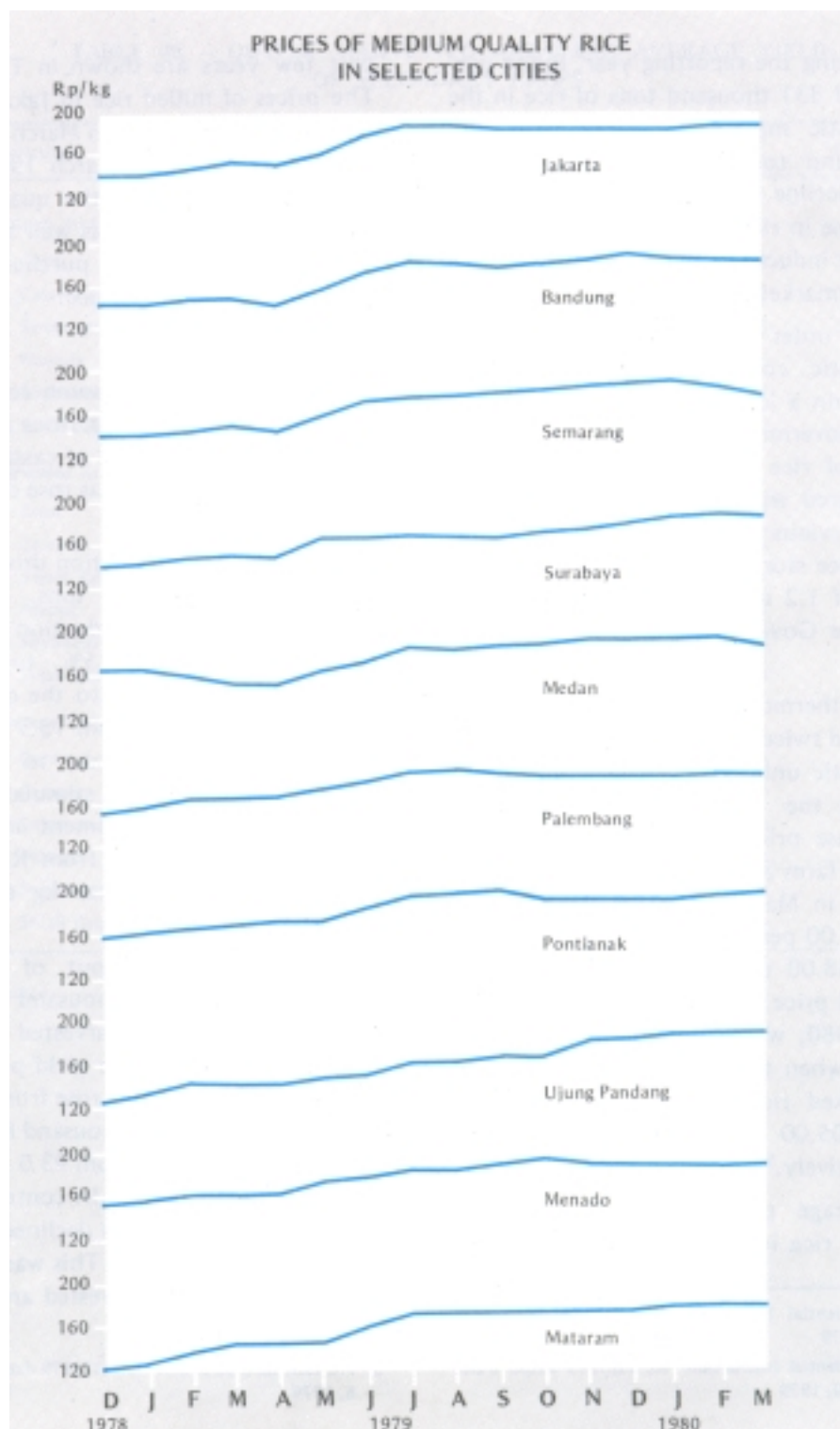
5) Presidential Instruction No. 22/1979 dated October 20, 1979.

6) Presidential Instruction No. 17/1979 dated August 6, 1979

TABLE 47 - PRICES OF MEDIUM QUALITY RICE IN SELECTED CITIES
(Average price in Rp/kg)

Period	Jakarta	Bandung	Semarang	Surabaya	Medan	Palembang	Pontianak	Ujung Pandang	Menado	Mataram
1974 December	90.76	88.42	88.27	89.99	108.07	101.22	155.62	100.00	120.00	74.32
1975 December	125.83	127.68	122.18	124.88	133.47	122.38	135.00	107.50	126.60	97.50
1976 December	123.31	125.00	124.00	128.90	135.20	139.04	140.00	122.50	140.00	126.00
1977 December	133.54	134.11	132.11	132.53	144.50	147.23	142.50	126.75	145.00	125.80
1978 March	137.78	130.00	120.00	129.00	130.00	150.00	142.50	125.00	145.00	127.50
June	128.35	124.42	125.13	128.25	134.27	152.43	145.38	125.00	150.00	117.61
September	128.36	127.72	132.25	136.78	144.66	141.91	152.29	121.45	150.00	120.00
December	140.32	141.60	139.89	139.39	161.17	152.94	157.91	125.00	150.00	120.00
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	160.00	134.22
March	152.10	146.92	148.22	148.22	150.00	164.96	166.11	140.00	160.00	142.41
April	150.36	140.21	143.61	145.61	150.00	164.96	170.00	140.00	160.00	141.15
May	159.99	153.46	159.29	165.24	162.50	173.10	170.00	145.38	172.11	142.98
June	178.64	171.06	171.06	164.56	169.08	180.01	181.00	148.60	175.00	158.00
July	185.10	180.00	173.33	166.25	184.00	187.50	195.00	160.00	180.00	170.00
August	185.10	179.33	174.27	165.96	181.25	189.26	193.75	160.23	180.00	170.00
September	183.60	175.00	178.70	165.20	184.60	186.36	199.20	165.00	185.20	170.00
October	183.28	178.75	180.66	169.25	185.14	182.93	190.00	165.00	190.00	170.00
November	183.18	180.00	183.18	172.50	189.00	183.04	190.00	180.00	185.00	170.00
December	183.18	186.00	186.46	178.88	190.45	183.04	190.00	181.25	185.00	170.00
1980 January	183.41	182.26	189.95	184.66	190.00	183.41	190.00	185.00	185.00	176.00
February	186.61	180.66	184.65	186.20	189.64	185.09	194.80	185.00	185.00	178.60
March	184.02	180.49	175.79	181.77	185.31	185.05	195.00	185.00	185.00	176.73

Source : BULOG



**TABLE 48 - OUTPUT, HARVESTED AREA AND AVERAGE YIELD
OF SECONDARY CROPS**

Particulars	1975	1976	1977	1978	1979*
Output (thousand tons)					
— Corn	2,903	2,572	3,143	4,029	3,305
— Cassava	12,546	12,191	12,488	12,902	13,330
— Sweet Potatoes	2,433	2,381	2,460	2,083	2,043
— Peanuts	380	341	409	446	418
— Soybeans	590	522	523	617	674
— Small Green Peas	61	70	84	100	102
Harvested Area (thousand ha)					
— Corn	2,445	2,095	2,567	3,025	2,575
— Cassava	1,410	1,353	1,364	1,383	1,418
— Sweet Potatoes	311	301	326	301	273
— Peanuts	475	414	507	506	490
— Soybeans	752	646	646	733	764
— Small Green Peas	135	146	174	193	187
Average Yield (quintal/ha)					
— Corn	11.9	12.3	12.2	13.3	12.8
— Cassava	89.0	90.1	91.6	93.0	94.0
— Sweet Potatoes	78.2	79.1	75.5	69.0	73.0
— Peanuts	8.0	8.2	8.1	8.8	8.5
— Soybeans	7.8	8.1	8.1	8.4	8.8
— Small Green Peas	4.5	4.7	4.9	5.2	5.5

Source : — Supplement to the President's Report to Parliament, August 16, 1980
— Department of Agriculture

Meanwhile, the output of cassava rose by 3% to 13,330 thousand tons on account of increased harvested area as well as of higher average yield per ha in 1979. The harvested area rose from 1,383 thousand ha to 1,418 thousand ha while the average yield rose from 93.0 quintals to 94.0 quintals per ha. In contrast, the output of *sweet potatoes* declined by 2% to 2,043 thousand tons. This was caused by the reduction of harvested area from 301 thousand ha to 273 thousand ha in 1979 although the yield rose from 69.0 quintals to 73.0 quintals per ha.

The output of *peanuts* decreased by 6% to 418 thousand tons in 1979 due to the reduced harvested area and the decline in average yield per ha from 506 thousand ha to 490 thousand ha and from 8.8 quintals to 8.5 quintals per ha, respectively.

The output of *soybeans* and *small green peas* in 1979 increased by 9% to 674 thousand tons and by 2% to 102 thousand tons, respectively. The harvested area of soybeans rose from 733 thousand ha to 764 thousand ha, while the average yield increased from 8.4 quintals to 8.8 quintals per ha.

Despite the decline in the harvested area of small green peas from 193 thousand ha to 187 thousand ha, the average yield rose from 5.2 quintals to 5.5 quintals per ha. Effective November 1, 1979, for the first time the Government fixed the floor purchase price for peanuts at Rp 300.00 per kg, for soybeans Rp 210.00 per kg and for small green peas Rp 260.00 per kg. ⁷⁾

The trend in output, harvested area and average yield per ha of secondary crops during the past five years are shown in Table 48.

2. Plantation crops

Plantation play an important role in the agricultural sector as producers of raw commodities for domestic industries and consumption, and also as sources of foreign exchange earnings. In the reporting year, the export of plantation crops reached \$ 2,244 million, or 36% of total non-oil/LNG exports.

To date, the plantation crops have been cultivated by smallholders and estates. Up to the end of 1979 the total area of plantation crops was 6.7 million ha, of which 85% constituted smallholdings. To increase plantation crops production, the Government continued to improve the program of intensification, rehabilitation, rejuvenation and expansion of the cultivated area.

Except cloves and tobacco, the production of which declined during 1979, all other plantation crops registered a significant increase in output.

a. Rubber

To date, rubber has been mainly produced by smallholders (69%). Rubber planted area covered 2,307 thousand ha, of which 1,862 thousand ha constituted smallholders.

7) Presidential Instruction No. 21/1979 dated October 20, 1979

In order to increase production, particularly that of smallholders, the Government has been making various efforts to rejuvenate rubber plantation by planting high yielding seeds as well as improving cultivating techniques. The existing rubber trees of smallholders are generally old, so that production cannot be increased significantly. The trend of rubber production during the past five years is as follows (in thousand tons).

Year	Smallholder's rubber	Estate rubber	Total
1975	536	246	782
1976	610	246	856
1977	584	254	838
1978	612	272	884
1979*	613	280	893

Source : Supplement to the President's Report to Parliament, August 16, 1980

Since the beginning of Pelita I (1969), the Government has been promoting the production of crumb rubber so as to make Indonesia's rubber more competitive in the world market. In 1979, the output of crumb rubber was 405 thousand tons or 10% lower

than a year earlier. This decline was due to the difficulties encountered by crumb rubber factories in obtaining raw materials from smallholders. The average production of crumb rubber during the past five years was 51% of the total rubber production, as shown in the following table (in thousand tons).

The major part of rubber production was exported. In 1979/80, the value of rubber exports, which ranked second in total earnings of non-oil/LNG exports rose by 32% to \$ 1,025 million. This increase was mainly attributable to higher prices for natural rubber in the world market as a consequence of the rise in oil price which is the main raw material in producing synthetic rubber.

Year	Crumb rubber	Share of crumb rubber in total output
1975	397	50.8
1976	423	49.4
1977	485	57.9
1978	445	50.3r
1979*	405	45.4

Source : Department of Trade and Cooperatives

TABLE 49 - WORLD PRODUCTION AND CONSUMPTION OF RUBBER

Year	Rubber Production			Rubber Consumption		
	Natural	Synthetic	Total	Natural	Synthetic	Total
1975	3,315	6,855	10,170	3,368	7,028	10,396
1976	3,575 ^f	8,030	11,605 ^f	3,505	7,915	11,420
1977	3,605 ^f	8,470 ^f	12,075 ^f	3,710	8,420 ^f	12,130 ^f
1978	3,715	8,855	12,570	3,715	8,760	12,475
1979 *	3,765	9,305	13,070	3,865	8,980	12,845

Source : IRSG, Rubber Statistical Bulletin Vol 34, No. 5, February 1980

In 1979, world rubber production, consisting of natural and synthetic rubber, rose by 4% to 13,070 thousand tons, whereas the world consumption increased by 3% to 12,845 thousand tons. It should be noted that in 1979, the natural rubber production accounted for 29% of the world rubber output compared with 30% in the previous year. The world production and consumption of rubber during the past five years is shown in Table 49.

b. Copra

Export of copra, formerly representing one of the important export commodities, have been decreasing during the past few years. Since 1977, copra has even been imported, reflecting the increased demand for domestic consumption which cannot be met by domestic production.⁸⁾

To increase copra production, the Government has been carrying out programs such as intensification, expansion of planted area as well as rejuvenation of all coconut trees. Since the past few years, the rejuvenation has been carried out by planting high yielding seed of hybride species, which can produce within a shorter period.

The output of copra rose by 6% to 1,559 thousand tons in 1979 after recording successive declines in production during the preceding two years. The output of copra during the

past five years is as follows (in thousand tons).

Year	Output
1975	1,375
1976	1,532
1977	1,518
1978	1,467
1979*	1,559

Source : Supplement to the President's Report to Parliament, August 16, 1980.

c. Palm oil

Palm oil, which has been produced by estates, continued to show a significant production increase. In 1979, the output of palm oil rose by 20% to reach 623 thousand tons, the highest rate of production increase during the past five years. This was attributable to the program of intensification, rejuvenation and expansion of cultivated area and renovation of existing factories. The production of palm oil during the past five years is as follows (in thousand tons).

Year	Output
1975	397
1976	431
1977	483
1978	519
1979*	623

Source : Supplement to the President's Report to Parliament, August 16, 1980.

As a result of production increase as well as the improvement of prices abroad, exports of palm oil rose by 6% to 439 thousand tons in volume and by 16% to \$ 257 million in value. Due to the shortage of copra, the main raw material for cooking oil, since the end of 1978

8) From October, 1979 to March, 1980 copra was exported but in a small quantity

the Government has taken steps designed to encourage the use of palm oil by cooking oil factories.

d. Granulated sugar

To increase the production of granulated sugar,⁹⁾ the Government introduced various measures such as the programs of intensification of smallholders' sugar cane (TRI) in Java, expansion of the cultivated area and construction of new sugar mills outside Java.

With respect to TRI, during 1979 the cultivated area expanded by 20 thousand ha to 99 thousand ha, representing 39% of the total sugar cane area. Besides, four new mills were constructed outside Java, three of which were of mini mills. In 1979 the output of granulated sugar increased by 6% to 1,201 thousand tons. The production during the past few years is as follows (in thousand tons) .

Year	Output
1975	1,004
1976	1,054
1977	1,086
1978*	1,131
1979*	1,201

Source : Supplement to the President's Report to Parliament, August 16, 1980

Despite the increase in sugar production, supply was still inadequate to meet the rising domestic demand, so that imports were still needed, amounting to 386 thousand tons during the reporting year.

e. Tea

Tea output of estate and smallholders was 91 thousand tons in 1979, representing a 3% increase above the previous year. Estates produce black tea mainly for exports, while smallholders produced green tea for domestic consumption. The production of tea during the past five years is as follows (in thousand tons).

Year	Smallholder's tea	Estate tea	Total
1975	14	56	70
1976	13	60	73
1977	14	62	76
1978	17	71	88
1979*	18	73	91

Source : Supplement to the President's Report to Parliament, August 16, 1980

In line with the production increase, as mentioned above, the volume of tea exports rose by 4% to 70 thousand tons. However, due to unfavorable price movements in the world market, the value of exports declined by 7% to \$ 91 million in 1979.

f. Coffee

Following a significant increase in 1978, coffee production in 1979 was practically constant at 223 thousand tons. Most of this output (92%) originated from smallholders. Coffee output during the past five years is as follows (in thousand tons).

9) Centrifugal Sugar (excludes brown sugar).

Year	Smallholder's coffee	Estate coffee	Total
1975	144	16	160
1976	178	16	194
1977	181	16	197
1978	206	16	222
1979*	206	17	223

Source : Supplement to the President's Report to Parliament, August 16, 1980

Most of the coffee was exported. As a source of foreign exchange, in the reporting year coffee still ranked third in total non-oil/LNG export earnings. The volume and value of exports increased in 1979/80 by 3% to 237 thousand tons and by 40% to \$ 713 million, respectively. The average coffee price in Singapore increased by 41 % or Sin. \$ 285.40 per picul ¹⁰⁾ in 1978/79, to Sin. \$ 402.08 in the reporting year.

g. Tobacco

As in the case of coffee, tobacco production originated mostly from smallholders (84%), with the remainder from estates. In 1979, tobacco production amounted to 82 thousand tons, an insignificant increase over the previous year. Tobacco production during the past five years is as follows (in thousand tons).

Year	Smallholder's tobacco	Estate tobacco	Total
1975	74	8	82
1976	78	11	89
1977	72	12	84
1978	68	13	81
1979*	68	14	82

Source : Supplement to the President's Report to Parliament, August 16, 1980

10) 1 picul = 60.5 kg

Tobacco was domestically consumed and also destined for export. The export volume decreased by 7% to 25 thousand tons in the reporting year, while export value rose by 3% to \$ 60 million.

h. Spices

Spices, such as pepper, nutmeg and cloves, are almost exclusively produced by smallholders. The production of these spices did not change in 1979. The following table shows the production of spices during the past five years (in thousand tons).

Year	Pepper	Nutmeg	Cloves
1975	23	15	15
1976	37	14	20
1977	43	15	39
1978	46	17	22
1979*	46	17	22

Source : - Supplement to the President's Report to Parliament, August 16, 1980
- Department of Agriculture

In 1979, pepper production consisting of black and white pepper remained unchanged at 46 thousand tons. Most of the output was exported, and in the reporting year the volume and value declined by 37% to 24 thousand tons and by 30% to \$ 46 million, respectively. This unfavorable development in exports resulted from the emergence of new pepper producing and exporting countries like Brazil, Ethiopia, Guatemala, Mexico, Dahomey and Nigeria. Furthermore, the average pepper price in the New York market declined from \$ 1.00 per lb to \$ 0.95 for black pepper and from \$ 1.41 per lb to \$ 1.33 for white pepper in 1979/80.

In 1979, nutmeg production remained at 17 thousand tons as that in the preceding year. The export volume increased by 8% to 8 thousand tons while its value rose by 3% to \$ 11.4 million in 1979. The average nutmeg price in Singapore declined from Sin. \$ 291.3 per picul in 1978/79 to Sin. \$ 289.6 in the reporting year.

Production of *cloves* remained unchanged in 1979 at 22 thousand tons. To meet domestic consumption, 11 thousand tons of cloves of \$ 68 million in value were imported in 1979.

3. Forestry

For several years timber is the most important product in forestry. In 1979, the output of timber declined by 15% to 26 million cubic meters. Timber production during the past five years is as follows (in thousand m3).

Year	Output
1975	16,296
1976	21,427
1977	22,939
1978	31,094
1979*	26,427

Source : Supplement to the President's Report to Parliament, August 16, 1980

As a foreign exchange earner, timber still ranked first in total non-oil/LNG exports. The export volume decreased by 9%, while its value increased by 74% to \$ 1,969 million. Timber was primarily exported to Japan, South Korea, Taiwan and Singapore, mainly consisting of meranti keruing, ramin and agathis Due

to the importance of forestry as a foreign exchange earner as well as for environmental reason, the Government's policy on forestry has been directed toward the preservation of environments. Accordingly, the Government has regulated the issuance of the Forest Exploitation Rights (HPHs) and implemented the program of reafforestation and greening. Until the end of the reporting year the number of HPHs issued to companies operating under the Domestic and Foreign Capital Investment Laws was 482 covering 47 million ha. The figures on the reafforestation and greening during the past five years are as follows (in thousand ha).

Year	Reafforestation	Greening
1975	89.7	70.6
1976	179.5	302.7
1977	204.1	632.7
1978	265.1	689.3
1979*	301.3	680.1

Source : Supplement to the President's Report to Parliament, August 16, 1980

Besides timber, other forestry products such as rattan, resin and copal are also exported. In 1979, exports of these commodities increased considerably, both in volume and value. The volume and value of exports are as follows.

Commodity	Volume (thousand tons)			Value (million \$)		
	1977	1978	1979	1977	1978	1979
Rattan	79.9	72.8	111.7	18.2	28.6	82.6
Resin	4.7	4.8	7.2	0.6	0.4	1.4
Copal	5.2	1.8	2.2	0.8	0.3	0.8

4. Fishery

Fishery, sea and inland, is carried out by small fishermen and by large companies using modern fishing methods and equipments operating under the Domestic and Foreign Capital Investment Laws. To increase production and incomes of small fishermen, the Government has implemented a motorization boat program and provided other facilities. Furthermore, certain regulations were issued restricting the area of operations of large fishing vessels as well as determining the size of the vessels used. In the case of developing inland fishery, the Government has constructed a number of hatcheries, extension of the services on fishery and induced the expansion of fishing areas. As a result of the abovementioned efforts, fish production increased significantly during the past several years. In 1979, the output of fish rose by 6% to 1,737 thousand tons. Fish output during the past five years is as follows (in thousand tons).

Year	Sea fishery	Inland fishery	Total
1975	997	393	1,390
1976	1,082	401	1,483
1977	1,158	414	1,572
1978	1,227	420	1,647
1979*	1,305	432	1,737

Source : Supplement to the President's Report to Parliament, August 16, 1980

Besides for domestic consumption, fish was also exported especially those produced

by large companies. Exports mostly consist of shrimps, which amounted to 49 thousand tons or \$ 213 million in 1979/80.

5. Livestock

To increase livestock production and encourage livestock breedings as well as marketing, the Government has provided various facilities such as cattle breeds, feed-stuffs, veterinary drugs and also bank credit facilities. The credit facilities were provided primarily for traditional breeders under the schemes of poultry BIMAS, and cattle breeding intended for meat production (Panca Usaha Ternak Potong) and for producing quality breeds (Panca Usaha Ternak Bibit).

Livestock production rose significantly in 1979. Production of meat increased by 4% to 494.5 thousand tons, while those of eggs and milk rose by 9% to 164.1 thousand tons and by 8% to 67.2 million liters, respectively. During the past five years the trend of output for these livestock products is as follows (in thousand tons). The livestock population during the same period is reflected in Table 50.

Product	1975	1976	1977	1978	1979*
Meat	435.0	448.7	467.7	474.6	494.5
Eggs	112.2	115.6	131.4	151.0	164.1
Milk l)	51.0	58.0	60.7	62.3	67.2

1) million liters

Source : Supplement to the President's Report to Parliament, August 16, 1980

TABLE 50 - LIVESTOCK

Breed	1975	1976	1977	1978	1979
Cows	6,242	6,237	6,217	6,212	6,178
Buffaloes	2,432	2,284	2,292	2,275	2,269
Goats	6,315	6,904	7,232	7,419	7,402
Sheep	3,374	3,604	3,804	4,101	4,361
Horses	627	631	659	689	719
Pigs	2,707	2,947	2,979	2,890	2,855
Ducks	14,182	15,182	16,032	17,541	18,689
Cultivated Chickens	3,903	4,878	5,807	6,071	7,007
Non-cultivated Chickens	94,572	97,504	101,686	108,916	114,350

Source : Supplement to the President's Report to Parliament, August 16, 1980

D. Mining

The mining sector maintains its important role in Indonesia's economy as a source of energy, foreign exchange, and government revenues. In 1979/80, 70% of export revenues and 63% of government domestic receipts were provided by this sector. The contribution of mining to real GDP was 11% in 1979.

Exploitation in the mining sector, especially that of strategic minerals, such as oil, coal and tin, is undertaken by state corporations or private corporations on government concessions. As mining requires considerable capital and special expertise, exploitation of minerals is open to foreign private corporations. In the reporting year, production of natural gas, tin, nickel ore, bauxite, coal and copper concentrate increased significantly, whereas oil, iron sand concentrate, gold and silver declined.

1. Crude oil

The exploration and production of crude oil in Indonesia has been carried out mainly by foreign companies under contracts of work or production sharing contracts. At the end of the reporting year, foreign contractors engaged in the extraction of crude oil and natural gas totalled 42 compared with 38 at the end of 1978/79.

Oil production has declined slightly in the past two years and in the reporting year it amounted to 577 million barrels or 1.58 million barrels per day on average. This was closely related to the declining exploration activities between 1975 and 1977. Following new incentives, such as tax reduction, exploration activities began to increase since 1978. The number of exploration wells drilled in 1979 reached 167, compared with 154 in 1978. Crude oil production in the past five years is shown below (in million barrels).

Year	Production	Average Production per day
1975/76	497.9	1.36
1976/77	568.3	1.56
1977/78	616.0	1.69
1978/79	589.2	1.61
1979/80*	577.2	1.58

Source : Supplement to the President's Report to Parliament, August 16, 1980

In the reporting year, the amount of crude oil exported reached 391 million barrels¹¹⁾ or 68% of total production, while the rest was refined to meet domestic demand for petroleum products, as well as for exports. Domestic consumption increased by 9% to 130 million barrels in 1979/80. As domestic refinery capacity is not sufficient to meet the demand for certain petroleum products, imports were still needed and amounted to 16 million barrels in 1979/80.

Due to the increasing production cost in 1979/80, the Government raised domestic fuel prices, i.e. to reach Rp 140.00 per liter for high octane gasoline, Rp 100.00 for aviation fuel and low octane gasoline, Rp 35.00 for automotive diesel oil and Rp 25.00 for kerosene. Although the prices of petroleum products were raised, the Government still granted a subsidy amounting to Rp 535 billion for the reporting year. This was due to the higher production cost than the sales revenue of those petroleum products.

2. Natural gas

Production and utilization of natural gas¹²⁾ in the past three years have progressed significantly. This has been made possible by the

completion of the Badak (E. Kalimantan) and Arun (Aceh) liquefied natural gas (LNG) projects which commenced production since 1977 and 1978, respectively. Both plants are able to process 1,130 thousand MSCF¹³⁾ of natural gas per day resulting to the production of 8.1 million tons of LNG per year. In addition, there is natural gas production originating from oil fields. In order to utilize natural gas as fuel and raw material for domestic industry, a network of pipelines for distributing natural gas has been installed in South Sumatera, East Kalimantan, Aceh and West Java. In the reporting year, the network pipelines for natural gas in West Java, which previously came from 3 wells (Arjuna, Jatibarang and Cemara) were expanded to a new well (Parigi).

In 1979, production and utilization of natural gas rose by 22% to 999 million MSCF and 29% to 772 million MSCF, respectively. Production and utilization of natural gas during the past five years are shown below (in millions of MSCF).

Year	Production	Use
1975	222.3	76.1 r
1976	312.4	88.1
1977	542.8	282.7r
1978	820.1	596.6
1979*	998.5	771.8

Source : Department of Mines and Energy

11) Not including refined products.

12) 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.

13) MSCF = Million Standard Cubic Feet.

3. Tin

Indonesia's tin is mostly produced offshore of Bangka and Belitung islands. Tin mining needs to be further developed among others by adding the number of dredgers. In the past two years, two dredgers have been added to the dredger fleet, one in 1978 with the capacity of 1,500 tons of tin-in-concentrate per year and the other one in the reporting year with a capacity of 2,250 tons.

Along with these measures, tin output has increased considerably in the past few years. In 1979/80, tin production in the form of tin-in-concentrate reached 30 thousand tons or 9% higher than in the previous year. As tin production increased, export of tin¹⁴⁾ in the reporting year also rose by 8% to 27 thousand tons at an export value of \$ 388 million. Tin output during the past five years is as follows (in thousand tons).

Year	PT Timah	Other Corporations	Total
1975/76	24.2r	0.9	25.1
1976/77	22.1	1.2	23.3
1977/78	23.8	2.5	26.3
1978/79	23.9	3.6	27.5
1979/80*	24.5	4.6	30.0

Source : Department of Mines and Energy.

4. Nickel

In the reporting year, nickel ore production rose by 50% to 1,772 thousand tons after the previous year's fall. The increase was accounted or by the commencement of production of a new nickel mine in Gebe island

(Halmahera) and favorable price development in the world market. Nickel ore production in the past five years is shown below (in thousand tons).

Year	Production
1975/76	751.2
1976/77	1,177.4
1977/78	1,316.7
1978/79	1,178.0
1979/80*	1,771.5

Source : Supplement to the President's Report to Parliament, August 16, 1980

Nickel ore production is processed domestically into ferro nickel and nickel matte, with a nickel content of 20% and 75%, respectively. Nickel ore produced by PT Aneka Tambang in Pomalaa (South-East Sulawesi) and Gebe island (Halmahera) is partly processed into ferro nickel, whereas that produced by PT Inco in Soroako (South Sulawesi) is wholly processed into nickel matte. Production of ferro nickel and nickel matte in the past few years is as follows (in thousand tons).¹⁾

	Year	
Ferro nickel	Nickel matte2)	
1976/77	4,343.7	
1977/78	4,820.7	2,077
1978/79	4,403.8	5,729
1979/80*	3,999.5	8,597

1) Nickel equivalent

2) Calendar year

Source : Supplement to the President's Report to Parliament, August 16, 1980

Nearly the whole output of nickel ore, ferro nickel and nickel matte is exported. In the reporting year, exports of nickel ore and nickel matte rose by 44% to 1,167 thousand tons and by 52% to 7,922 tons, respectively,

14) In the form of metal

whereas that of ferro nickel dropped by 31 to 3,552 tons.

5. Bauxite

The whole bauxite output from Bintan island has thus far been intended for export, so that production is adjusted to the demand of the purchasing country. Bauxite production, reaching only 965 thousand tons in 1978/79, rose by 20% to 1,161 thousand tons in the reporting year. This resulted from the increase in demand by Japan, the only country so far to purchase bauxite. During 1979/80, the volume of bauxite exports to Japan rose by 22% to 1,195 thousand tons and the export value rose by 32% to \$ 11 million. Bauxite production during the past five years is presented below (in thousand tons).

Year	Production
1975/76	935.8
1976/77	1,048.5
1977/78	1,221.8
1978/79	964.9
1979/80*	1,160.7

Source : Supplement to the President's Report to Parliament, August 16, 1980.

6. Coal

Up to the present, coal in Indonesia has been produced from two mining areas, namely Ombilin (West Sumatera) and Bukit Asam (South Sumatera). In 1979/80, coal production rose by 4% to 267 thousand tons. Coal production during the past five years is presented below (in thousand tons).

Year	Production
1975/76	204.0
1976/77	183.3
1977/78	248.5
1978/79	256.0
1979/80*	267.3

Source : Supplement to the President's Report to Parliament, August 16, 1980.

Most coal output is still for domestic use, with a smaller part exported. In 1979, domestic consumption of coal reached 130 thousand tons compared with 109 thousand tons in the preceding year. Meanwhile, the volume of coal exports in 1979 increased by 88% to 60 thousand tons, worth \$ 1.7 million.

7. Copper

The mining of copper and the processing into copper concentrate is solely undertaken by PT Freeport Indonesia Inc. in the mountain range of Ertzberg (Gunung Bijih), Irian Jaya. In 1979/80, copper concentrate production rose by 2% to 189 thousand tons. The rise was closely related to favorable world market prices. Nearly all copper output is intended for exports. In the reporting year, exports increased by 11 % to 186 thousand tons with an export value of \$ 95 million. Copper concentrate production during the past five years is as follows (in thousand tons of dry concentrate).

Year	Production
1975/76	210.0
1976/77	212.2
1977/78	186.8
1978/79	184.9
1979/80*	188.5

Source : Supplement to the President's Report to Parliament, August 16, 1980

In an effort to increase copper production, PT Freeport Indonesia Inc. has made preparatory work to expand underground mining in the eastern area of Ertzberg which is expected to commence production in 1982. Exploration for copper is presently being conducted in Tasikmalaya by PT Coperindo Utama on a contract of work basis.

8. Iron sand

Production of iron sand concentrate in the reporting year declined by 35% to 78.5 thousand tons compared with a 62% drop in the preceding year. The decline was closely related to the stop page of export to Japan due to the absence of an agreement on prices. Iron sand concentrate output in the past few years is shown below (in thousand tons).

Year	Production
1975/76	346.2
1976/77	299.7
1977/78	317.2
1978/79	120.2
1979/80*	78.5

Source : Supplement to the President's Report to Parliament, August 16, 1980.

Meanwhile, the use of iron sand concentrate as one of the raw materials for domestic iron industry in 1979 increased significantly, i.e. by 52% to 62 thousand tons. The figures on domestic consumption of iron sand concentrate during the past five years are as follows (in thousand tons).

Year	Domestic consumption
1975	5.3
1976	12.6
1977	27.6
1978	40.9
1979*	62.3

Source : Department of Mines and Energy

9. Gold and silver

As in the previous year, production of gold and silver also declined, i.e. from 220.3 kg to 202.5 kg and from 2,216 kg to 1,806 kg, respectively. Output of precious metals in the past five years is as follows (in kilograms).

Year	Gold	silver
1975/76	321.5	4,224
1976/77	349.2	3,138
1977/78	252.3	2,788
1978/79	220.3	2,216
1979/80*	202.5	1,806

Source : Supplement to the President's Report to Parliament, August 16, 1980.

PT Aneka Tambang, the only state corporation engaging in the mining of gold and silver, continues exploration in search for new reserves.

E. Manufacturing industry

In the reporting year the policy with respect to industry continued to be directed towards developing industries supporting the agricultural sector and the process of raw materials into finished products. The policy was executed by an allocation in the Government's

development budget for the manufacturing sector amounting to Rp 402 billion in 1979/80. The amount of bank credits extended to the manufacturing sector in the reporting year increased by 27% to Rp 2,128 billion by the end of 1979/80. Concerning capital investment in the manufacturing industry, intended investments of Rp 502 billion for 174 projects under the Domestic Capital Investment Law and \$ 1,440 million for 15 projects under the Foreign Capital Investment Law were approved by the Government in 1979. In the field of fiscal policy, steps were taken to support domestic industry, such as relaxing import duties and import sales tax on raw materials and intermediate goods (see Chapter V).

The measures mentioned above induced the development of the manufacturing sector, as reflected, inter alia, in increased production of fertilizer, cement and textile products. Production in the manufacturing sector during the past few years is shown in Table 51.

1. Textiles

Government policy with respect to textiles has been aimed at increasing production, primarily to meet the increasing domestic demand for textiles. In the reporting year, several measures were taken, such as the exemption from import duties and import sales tax on basic materials for the production of polyester yarn, and a 50% reduction of import duties and sales tax on polyester yarn of certain sizes.

The impact of the aforementioned measures was reflected in a significant increase in textile and weaving yarn production in the past few years. In the reporting year, textile production rose by 8% to 1,700 million meters. In addition, weaving yarn output also rose, by 13% to 950 thousand bales. Textiles and weaving yarn production during the past five years is as follows.

Year	Textile (million meters)	Yarn (thousand bales)
1975/76	1,071.1	445.4
1976/77	1,247.0	622.9
1977/78	1,332.5	678.3
1978/79	1,576.0	837.3
1979/80*	1,700.0	950.0

Source : Supplement to the President's Report to Parliament, August 16, 1980.

During the reporting year, exports of textile products increased substantially both in volume and value, from 12,940 tons to 24,804 tons and from \$ 27 million to \$ 151 million, respectively. This increase was on account of the impact of the November 15, 1978 measures which strengthened the competitiveness of the domestic textile industry.

2. Fertilizer

In an effort to raise fertilizer production to meet domestic needs as well as exports, the Government has expanded production capacity by building new plants and adding new types of products. For this purpose, PT Petro Kimia, a fertilizer plant in East Java, which formerly produced urea and ZA only, was expanded in the reporting year so that it could also produce other kinds of fertilizer, namely

TABLE 51 - SELECTED INDUSTRIAL PRODUCTION

Kinds of Product	Unit	1975/76	1976/77	1977/78	1978/79	1979/80*
Textile Industry						
— Textile	million meters	1,017.1	1,247.0	1,332.5	1,576.0	1,700.0
— Weaving Yarn	thousand bales	445.4	622.9	678.3	837.3	950.0
Cemical Industry						
— Urea Fertilizer	thousand tons	387.4	406.0	990.0	1,437.2	1,827.0
— Non-Urea Fertilizer ¹⁾	thousand tons	113.8	105.2	93.3	141.0	270.0
— Cement	thousand tons	1,241.4	1,979.3	2,878.6	3,629.0	4,705.1
— Automobile Tyres	thousand units	1,796.0	1,883.3	2,339.1	2,540.4	2,898.4
— Motorcycle Tyres	thousand units	1,000.0	1,520.0	2,429.4	1,658.2	2,070.5
— Paper	thousand tons	46.7	54.4	83.5	155.2	214.2
— Salt	thousand tons	147.2	560.0	786.0	261.8	686.4
Metal Industry						
— Reinforcing Steel Bar	thousand tons	202.0	296.3	240.0	300.0	500.0
— Steel Wire	thousand tons	43.4	84.6	98.0	100.0	108.0
— Galvanized Iron Sheet	thousand tons	145.0	156.0	185.0	185.0	250.0
— Steel Pipe	thousand tons	97.0	107.0	120.0	118.3	129.5
— Sponge Iron	thousand tons	—	—	—	—	99.5
Machinery and Factory						
Equipment Industry ²⁾						
— Diesel Engines	thousand units	8.0	24.0	25.3	30.4	25.0
— Hand Tractors	units	30	30	44	280	550
— Sprayers	thousand units	15.0	20.0	15.3	36.5	78.0
— Sewing Machines	thousand units	520.0	400.0	484.0	600.0	477.6
— Hullers	units	3,000	1,000	830	2,200	2,500
Vehicle Industry ²⁾						
— Automobiles	thousand units	78.9	75.3	83.9	109.2	69.4
— Motorcycles	thousand units	300.0	267.6	271.8	330.5 ³⁾	265.9 ³⁾
— Aeroplanes	units	2	3	7	16	18
— Helicopters	units	—	13	6	33	24
— Steel Vessels	thousand BRT	15.0	18.5	13.2	11.5	24.0
Electrical Appliance Industry ²⁾						
— Electric/Telecommunication Cord	thousand tons	9.0	9.0	12.5	15.7	17.4
— Black & White Television Sets	thousand units	165.5	210.0	460.0	687.6	574.8
— Color Television Sets	thousand units	—	2.8	22.0	45.6	85.8
— Radio Sets	thousand units	1,000.0	1,100.0	1,000.0	1,536.0	1,018.8
— Radio Cassette Recorders	thousand units	227.0	325.0	547.6	488.0	560.5
— Refrigerators	thousand units	40.0	50.0	65.0	90.0	99.6
— Dry Batteries	million units	240.0	420.0	442.0	420.0	462.0
— Storage Batteries	thousand units	220.0	480.0	575.0	690.0	1,747.2
— Light Bulbs/TL Bulbs	million units	21.5	26.0	24.0	30.4	29.9
Other Industries						
— Coconut Oil	thousand tons	268.4	276.2	276.3	319.1	452.0
— Cooking Oil	thousand tons	30.6	32.6	31.3	37.8	47.1
— Laundry Soap	thousand tons	164.6	175.5	194.9	218.5	202.9
— Detergent	thousand tons	34.9	33.4	38.5	44.2	46.5
— Clove Cigarettes	million pieces	33,300.0	37,900.1	40,900.0	43,500.0	41,000.0
— White Cigarettes	million pieces	23,500.0	22,637.0	23,100.0	25,700.0	24,900.0
— Tooth Paste	million tubes	107.8	103.6	104.4	108.5	99.5
— Matches	million boxes	780.0	772.0	506.1	539.8	553.0

1) Until 1978/79 consisting of ZA only, since 1979/80 consisting of ZA, TSP and NPK

2) Mostly assembling industry

3) Calendar year

Source : — Supplement to the President's Report to Parliament, August 16, 1980
— Department of Industry

TSP, DAP and NPK.¹⁵⁾ With the expansion of the plant, the annual production capacity of non-urea fertilizer increased from 150 thousand tons to 610 thousand tons, consisting of 150 thousand tons of ZA, 330 thousand tons of TSP, 80 thousand tons of DAP and 50 thousand tons of NPK. Meanwhile, the capacity of urea fertilizer plants remained 2,235 thousand tons. The PT Kujang fertilizer plant in West Java, which had been completed by the end of 1978, commenced commercial production in the reporting year.

In the reporting year, urea fertilizer production rose by 27% to 1,827 thousand tons. In addition, the total production of ZA, TSP and NPK fertilizers reached 270 thousand tons, whereas DAP fertilizer has not been produced yet. Fertilizer production during the past five years is as follows (in thousand tons).

Year	Production	
	Urea	non-Urea)
1975/76	387.4	113.8
1976/77	406.0	105.2
1977/78	990.0	93.3
1978/79	1,437.2r	141.0 r
1979/80*	1,827.0	270.0

1) From 1975/76 to 1978/79 consisting of ZA only, since 1979/80 consisting of ZA, TSP and NPK

Source.: - Supplement to the President's Report to Parliament, August 16, 1980
- Department of Industry

Besides meeting domestic needs, urea fertilizer has been exported to ASEAN countries,

India, Pakistan and Bangladesh since a few years ago. In 1979/80, exports reached 250 thousand tons at a value of \$ 42 million.

3. Cement

In the reporting year, expansion of two portland cement plants was completed. Those plants were PT Semen Tonasa in South Sulawesi and PT Semen Padang in West Sumatera, adding the capacity by 500 thousand tons and 600 thousand tons, respectively. With this expansion, production capacity of the cement plants, i.e. seven units, rose from 5,950 thousand tons to 7,050 thousand tons.

Cement production also increased significantly in the reporting year, by 30% to 4,705 thousand tons. Cement production in the past five years is shown below (in thousand tons).

Year	Production
1975/76	1,214.4
1976/77	1,979.3
1977/78	2,878.6
1978/79	3,629.0
1979/80*	4,705.1

Source : Supplement to the President's Report to Parliament, August 16, 1980.

As mentioned in the previous year's report, a certain type of cement (portland cement) began to be exported in that year. Due to the increased production, cement exports in the reporting year rose from 106 thousand tons to 627 thousand tons in volume and from \$ 4.8 million to \$ 28.5 million in value. However, in order to meet the need for certain types of cement (white cement) which has not been produced domestically, imports are still needed, reaching 78 thousand tons in 1979.

15) ZA = Ammonium Sulphate
NPK = Nitrogen, Phosphor, Kalium
TSP = Triple Super Phosphate
DAP = Di Ammonium Phosphate

In order to raise cement production further, two portland cement plants, planned to commence production by the end of 1980, are under construction. The two plants are PT Semen Baturaja in South Sumatera with the capacity of 500 thousand tons and PT Perkasa Indonesia Cement Enterprise (PICE) in West Java with a capacity of 1 million tons per year. In addition, a white cement plant, PT Perkasa Indah Putih, is also in the process of construction in West Java with a capacity of 200 thousand tons, expected to commence production in 1981.

4. Motor-vehicle tires

In the reporting year, production of automobile tires increased by 14% to 2,898 thousand pieces. The increase was attributable to the expansion of the production capacity of automobile tire plants, from 2,766 thousand pieces to 2,927 thousand pieces per annum. Also, the output of motorcycle tires increased by 25 % to 2,070 thousand pieces. Production of automobile and motorcycle tires is shown below (in thousand pieces).

Year	Motor vehicle tires	
	Automobile	Motorcycle
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	2,540.4	1,658.2
1979/80*	2,898.4	2,070.5

Source : Supplement to the President's Report to Parliament, August 16, 1980.

5. Paper

During the past few years, the paper industry has experienced rapid growth as re-

flected in increased capacity as well as expansion of the existing 27 plants. In 1979/80, production capacity amounted to 324 thousand tons, an increase of 11% over the preceding year, whereas production rose by 38% to 214 thousand tons. Capacity and production of paper during the past five years are as follows (in thousand tons).

Year	Production	Production Capacity
1975/76	49.7	46.7
1976/77	77.6	54.4
1977/78	127.8	83.5
1978/79	291.3	155.2
1979/80*	324.1	214.2

Source: - Supplement to the President's Report to Parliament, August 16, 1980

- Department of Industry

Although paper production during the past few years continually increased, it still has not met domestic needs, necessitating imports. In 1979, imports of paper reached 250 thousand tons worth \$ 128.4 million, consisting primarily of newsprint and wrapping paper for cement.

6. Salt

Most of salt production (65%) is produced by smallholders and the rest by PN Garam. The prolonged dry season during the reporting year was very favorable to the salt industry. In 1979/80, salt production rose remarkably, i.e. from 262 thousand tons to 686 thousand tons after registering a 67% decline in the previous year. The rise was mainly on account of small holders' salt production, which rose by 172% to 510 thousand tons. Salt production during the past five years is shown below (in thousand tons).

Year	Production by		Total
	Smallholders	PN Garam	
1975/76	94	53	147
1976/77	350	210	560
1977/78	494	292	786
1978/79	187	75	262
1979/80*	510	176	686

Source: -Supplement to the President's Report to Parliament, August 16, 1980
 -Department of Industry

In order to maintain price stability and protect smallholders, PN Garam is assigned to purchase the smallholders' salt at a floor purchase price fixed by the Government. In the reporting year, the floor purchase price was raised from Rp 7.00 to Rp 10.00 per kg for grade I and from Rp 5.00 to Rp 7.00 for grade 11.¹⁶⁾

7. Metal

In the reporting year, the production of *galvanized iron sheet* rose by 35% to 250 thousand tons. The production of *steel pipe* and *wire* also rose, i.e. by 9% to 129 thousand tons and by 8% to 108 thousand tons, respectively. *Sponge iron* was produced for the first time by PT Krakatau Steel, registering 100 thousand tons in the reporting year. *Reinforcing steel* production, one of the most important metal manufacturing products, rose sharply, i.e. by 67% to 500 thousand tons. This rise resulted from an expanded export market for reinforcing steel, especially to Saudi Arabia. During the reporting year, export volume of reinforcing steel increased by 117% to 73.4

thousand tons and its value by 145% to \$ 22.8 million, respectively.

To ensure the continuation and smoothness in the procurement of iron supplies as well as price stability, the Government has appointed PT Krakatau Steel as an agent in the procurement and distribution of steel to meet domestic needs.¹⁷⁾

8. Machinery, factory equipment and electrical appliances

In the reporting year, production of machinery, factory equipment and electrical products in general increased significantly. Production of *hand tractors* rose by 96% to 550 units, *rice hollers* by 14% to 2,500 units and *insecticide hand sprayers* by 114% to 78 thousand units, while *diesel engines* declined by 18% to 25 thousand units. Along with expanding electrification, production of electrical products also increased substantially. Production of *refrigerators* rose by 11 % to 100 thousand units, *electric/telecommunication cords* by 11 % to 17 thousand tons and *radio cassette recorders* by 15% to 561 thousand units. Further, production of *dry cell and storage batteries* increased by 10% to 462 million pieces and by 153% to 1,747 thousand units, respectively. On the other hand, production of *television sets* and *light bulbs/TL bulbs* declined by 10% to 661 thousand units and by 2% to 30 million pieces, respectively.

16) Decision of the Director General of Internal Trade No. 026/DAGRI/KP/VIII/79, dated August 21, 1979.

17) Presidential Decision No. 36/1979, August 16, 1979.

9. Vehicles

In the reporting year, production of CASA-212 aircraft increased from 16 to 18 units and steel ships from 12 thousand BRT (114 units) to 24 thousand BRT (77 units). Meanwhile, production of automobiles and motorcycles during the reporting year declined by 36% to 69 thousand units and 20% to 266 thousand units, respectively. The same trend also occurred to the production of BO-105 *helicopters*, which declined from 33 to 24 units.

It is worth mentioning that assembled CASA-212 aircrafts have been partly exported. In 1979/80, two aircrafts were exported to Pakistan and Bangladesh.

To support the development of the aircraft assembly industry, the Government issued a regulation in January 1980 on the prohibition against the import of 17 types of helicopters and 26 types of fixed-wing aircrafts.¹⁸⁾

F. Electric power and gas

Government policy with respect to electric power and gas continues to be directed toward the fulfillment of consumers' needs by expanding production capacity and extending the area of distribution.

In 1979, the electric power generating capacity of the State Electricity Corporation (PLN) rose by 15% to 2,530 MW. Electric

power generating capacity during the past five years is presented below (in MW).

Year	Electric Power Generation				Total
	Diesel generated	Steam generated	Hydro generated	Gas generated	
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
1979*	534	750	474	772	2,530

Source : State Electricity Corporation

In line with the increase in the electric power generating capacity, PLN production in 1979 rose by 24% to 5,850 million KWH. In addition, electric production outside the PLN rose by 10% to 802 million KWH in 1979. Electric power production by PLN and outside PLN during the past few years is as follows (in million KWH).

Year	Generated by PLN	Generated outside of PLN	Total
1975	2,894	777	3,671
1976	3,363	678	4,041
1977	3,792	756	4,548
1978	4,721	728	5,449
1979*	5,850	802	6,652

Source : State Electricity Corporation

In 1979, gas production by Perusahaan Gas Negara (State Gas Corporation) declined by 6% to 75.2 million m³, and its sales decreased by 2% to 66.7 million m³. The decline was attributed to the increased utilization of natural gas in Jakarta and Cirebon, which has a higher calory content resulting in saving of the volume consumed. Production and sales of gas during the past few years is as follows (in million cubic meters).

18) Presidential Instruction No. 1/1980, January 29, 1980.

Year	Production	Sales to		Total
		Households	Enterprises	
1975	71.0	16.6	42.9	59.5
1976	75.3	16.0	45.6	61.6
1977	78.6	16.5	49.2	65.7
1978	80.0	18.0	50.3	68.3
1979*	75.2	17.8	48.9	66.7

Source : State Gas Corporation

G. Communications

In the reporting year, the Government continued to implement its policy of previous years in improving and reconditioning infrastructural facilities and means of communications in land, sea and air transportation, as well as extending postal and telecommunication services. The policy was designed to improve the quality of services provided to the public in the form of passenger and freight transportation as well as other communication services.

Developments in the communications sector during the reporting year are described below.

1. Land transportation

Roads and bridges are the most significant infrastructural facilities in land transportation. During the first year of the Third Plan period, 222 km of new roads and 935 m of new bridges were constructed.

The improvement of infrastructure was in line with the increasing number of *road vehicles* in Indonesia. In 1979, the number of motor vehicles for passenger transportation, namely buses and passenger cars, increased

by 110% to 121 thousand and 91 % to 1,014 thousand, respectively. The number of cargo transportation vehicles increased by 93% to 633 thousand and motorcycles by 93% to 3,736 thousand. The figures on road vehicles during the past few years are as follows (in thousand).

Year	Buses	Truck/ cargo vehicles	Passenger cars	Motor cycles
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
1979*	121.1	633.0	1,013.7	3,735.7

Source : Supplement to the President's Report to Parliament, August 16, 1980.

In line with the increasing demand for *railway* services, since 1973 the State Railway Company continued to implement the renovation program. This program is designed to improve and extend infrastructure and railway facilities in order to expand the capacity and to augment the quality of services rendered to the public. The number of railway passengers during 1979 amounted to 37,709 thousand, or 45% higher than the preceding year, while the amount of cargo transported declined by 11% to 4,241 thousand tons which was, inter alia, due to the increasing role of road transportation, particularly for short-distance services. However, the role of railways serving long-distance cargo transportation increased, as reflected in the amount of cargo transported in terms of ton-km, by 33% to 1,016 million ton-km. The following table sets forth railway services during the past few years.

Year	Passengers	Passengers-km (thousand) (millions)	Cargo (thousand tons)	Cargo ton-km (millions)
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
1979*	37,709	5,981.3	4,241	1,016.0

Source : Supplement to the President's Report to Parliament, August 16, 1980.

Other facilities serving the need for transportation services are *river, lake and ferry transportation*. This type of transportation is essential in areas around water which have no or poor road facilities. River, lake and ferry transportation during the past few years is as follows.

Year	Passengers carried (thousands)	Cargo carried (thousand tons)
1975	8,870	2,869
1976	10,009	2,862
1977	12,351	2,522
1978	13,586	2,648
1979*	14,501	2,416

Source : Department of Communications

2. Sea transportation

With respect to sea transportation, the policy was emphasized on the establishment of an integrated system so that the services of shipping lines in which existing lines could be mutually supporting. In addition, the Government continued its efforts to increase the load capacity of existing vessels through renovation and replacement programs. Sea transportation services have mainly been provided by the national merchant fleet, pioneer lines and ocean-going fleet, supported by smaller sailing boats which play an important role, particularly in areas not served by larger vessels.

With regard to *national merchant fleet*, the number of vessels operating in the reporting year increased from 322 to 335 and its capacity from 312 thousand DWT to 341 thousand DWT. Concerning the volume of cargo transported, it increased only slightly by 1.2%, compared with a decreased of 2.9% in the preceding year. The number of vessels, capacity and cargo transportation of the national merchant fleet during the past few years is shown below.

Year	Number of vessels	Capacity (thousand DWT)	Cargo transportation (thousand tons)
1975/76	305	263	3,040
1976/77	340	277	3,509
1977/78	316	311	3,635
1978/79	322	312	3,529
1979/80*	335	341	3,573

Source : Supplement to the President's Report to Parliament, August 16, 1980

Pioneer lines which served mainly isolated islands, set up in 1974, had since then shown an encouraging improvement. The number of vessels operated increased from 15 in 1974 to 28 in 1979, and its capacity increased from 11.0 thousand DWT to 12.9 thousand DWT. During the reporting year, the number of passengers and cargo increased by 26% to 132 thousand persons and 33% to 67 thousand tons, respectively. The following figures show the pioneer lines and services provided.

Year	Number of vessels	Capacity (thousand DWT)	Transportation Passengers (thousand)	Cargo (thousand tons)
1975/76	16	11.2	33.5	39.7
1976/77	19	11.5	38.9	47.0
1977/78	20	12.9	76.3	62.9
1978/79	21	11.2	104.5	50.1
1979/80*	28	12.9	132.0	66.5

Source : Supplement to the President's Report to Parliament, August 16, 1980.

With regard to the *ocean-going fleet*, the number of vessels operated decreased from 52 to 50 in the reporting year. The capacity, however, remained unchanged at 513 thousand DWT, on account of the replacement of old vessels by new ones of a higher capacity. Transportation services provided by this type of fleet increased to 5,820 thousand tons in the reporting year. A more detailed breakdown on the ocean-going fleet is shown below.

Year	Number of vessels	Capacity (thousand DWT)	Cargo transportation (thousand tons)
1975/76	47	412	6,185
1976/77	50	450	5,462
1977/78	54	491	5,891
1978/79	52	513	5,635
1979/80*	50	513	5,820

Source : Supplement to the President's Report to Parliament, August 16, 1980.

3. Air transportation

The development of air transportation has been continued to be adapted to the demand for and the improvement in quality of air transportation services provided. In addition, to enlarge the air transportation fleet, policy has also been directed towards the improvement of air transportation infrastructure. This policy has been implemented, among others, by increasing the capacity of airports and building new ones, for regular as well as for pioneer air services. With regard to landing capacity, 2 airports can be landed by Boeing 747, 5 by DC-10, 6 by DC-8, 13 by DC-9 and 34 by F-28 aircrafts. In line with the improvement of air transportation services, airport facilities, such as radar equipment, air navigation and flight telecommunication facilities have also been improved.

Air transportation services in Indonesia are provided by 6 regular airlines, of which one also provides pioneer services. In addition, there are several companies which provided non-scheduled air transportation services, for private use and other purposes. The number of aircrafts operated by 6 regular airlines increased from 119 to 160 in 1979. Air transportation fleet during the past few years is as follows.

Year	Type of airplanes Total			
	Piston	engined	Turboprop	Turbojet
1975	20	35	32	87
1976	20	39	46	105
1977	8	50	56	114
1978	8	53	58	119
1979*	8	89	63	160

Source : Supplement to the President's Report to Parliament, August 16, 1980.

In line with the increasing availability of air transport facilities, output of domestic as well as international air transport services also increased significantly. Passengers and cargoes of domestic flights increased by 5% and 8%, respectively, of international flights increased by 27% and 33% respectively; see the following figures.

Year	Passengers carried (thousands)		Cargo carried (thousand tons)	
	Domestic flights	International flights	Domestic flights	International flights
1975	2,323	135	22.6	3.6
1976	2,783	170	28.8	3.3
1977	3,373	245	32.9	3.9
1978	3,980	270	35.8	4.3
1979*	4,193	343	38.5	5.7

Source : Supplement to the President's Report to Parliament, August 16, 1980.

4. Postal and giro services

The Government's policy in the field of postal and transfer order services has emphasized the improvement in the quality of services and the extension of the area of operation. In this context, the number of post offices continued to increase significantly and their area of operation was extended, reaching subdistrict areas (local governments above village level) and transmigration areas, as shown in the following table. In addition, the post offices are supported by mobile postal units which can serve remote villages (areas).

Number of post offices					
Types	1975	1976	1977	1978	1979*
Central post offices	174	178	185	193	195
Subsidiary post offices	147	155	169	180	197
Auxiliary post offices	875	890	923	978	1,023

Source : Department of Communications

In order to enhance the national savings drive, BTN (State Savings Bank), in mobilizing public funds, can make use of the postal and giro services, particularly savings under the Tabanas and Taska schemes. The amount of savings through the postal and giro offices increased by 19% to Rp 19 billion in 1979. The figures on postal and giro services during the past few years are shown below.

Postal and giro services					
Type	1975	1976	1977	1978	1979
1. Regular/express delivery (millions)	200	201	237	252	266
2. Post parcels (thousand)	794	772	848	913r	1,141
3. Postal drafts (billion Rp)	81	99	122	139	175
4. Postal giro and cheques (billion Rp)	426	471	661	840	1,113
5. Savings (billion Rp)	4	7	11	16	19

Source: Supplement to the President's Report to Parliament, August 16, 1980.

5. Telecommunication

The use of more modern telecommunication equipments, such as the "Palapa" domestic satellite, the JavaBali microwave, the transmission lines to Sumatera and Eastern Indonesia results in a significant improvement in the telecommunication service. During 1979, the telephone capacity increased by 15% to 548 thousand line units. The number of automatic telephone exchanges increased substantially from 69 in 1978 to 101 in 1979. The above development enables more cities to communicate directly by telephone. In 1979, the number of cities connected by the Long-Distance Direct Connection (SLJJ) network reached 60 compared with 32 in 1978.

The progress achieved thus far has enabled the arrangement of cooperation in the field of telecommunication with other ASEAN countries. The said cooperation involved the utilization of the Palapa Domestic Satellite Communication System and the Submarine Cable Communication System (SKKL), for domestic as well as inter-regional communication of ASEAN countries.

In this context, an agreement with the Philippines on the use of the Palapa satellite facility was signed in June 1978, the realization of which began in April 1980. Similar agreements were also signed with Malaysia in August 1979, and Thailand in December 1979, the realization of which will start in July and October 1980, respectively. The following table shows the services on telephone exchanges.

Year	Automatic		Manual		Total	
	Telephone	Capacity	Telephone	Capacity	Telephone	Capacity
	exchange		exchange		exchange	
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
1979*	101	460,100	468	87,772	569	547,872

Source : Department of Communications

With regard to the use of SKKL, connecting Jakarta-Singapore, an agreement was signed in April 1979, expected to be in operation since August 1980. In August 1979, a similar agreement with Malaysia on the use of the SKKL (Medan-Penang) was signed and was expected to start operation in 1981.

6. Tourism

The number of foreign tourists visiting Indonesia during the past few years continues to increase. In 1979, it rose from 488.6 thousand to 501.4 thousand. Of this total, mostly came from Australia (12%), followed by Singapore and Japan (11% each), the United States and Malaysia (9% respectively).

The number of foreign tourists visiting Indonesia during the past few years is shown below (in thousands).

Year	Total
1975	366,3
1976	401,2
1977	486,8
1978	488,6
1979*	501,4

Source : Supplement to the President's Report to Parliament, August 16, 1980.

In order to support the development of tourism, measures were directed towards improving infrastructure, tourist facilities, and tourist attractions. In addition, efforts to expand tourist trade were continued through tourism promotion centers (San Francisco, Frankfurt, Tokyo, Singapore) and tourism exhibitions in certain countries.

The availability of hotels and other accommodations also plays an important role in the development of tourism. In 1979, the number of hotel rooms amounted to 64,160 compared with 59,223 in 1978. Out of this to-

tal, 42,383 rooms were in Java and Bali, and 4,760 rooms were in North Sumatera.

In addition to the efforts to increase the number of foreign tourists visiting Indonesia, efforts were also made during the past few years to promote domestic tourism.

H. Prices

Price developments formerly measured by the Jakarta Cost of Living Index (CLI), since April 1979 was replaced by the Consumer Price Index (CPI) comprising the CPI of 17 cities in Indonesia.¹⁹⁾

Unlike the CLI, which covers only 62 kinds of goods and services, the CPI covers 115 to 150 commodities. In addition, the CPI is calculated on the basis of a household expenditure survey conducted in 1977/78 covering all economic groups, whereas the computation of CLI is based on the cost of living survey on industrial labors conducted in Jakarta in 1957/58. Hence, the CPI more accurately reflects price developments than the CLI, and therefore, serves as a better measure of inflation.

The rate of price increases in 1979/80 measured by the CPI was 19.1% (Table 52), compared with 11.8% in the preceding year, which was still measured by the CLI (Table 53). This increase in 1979/80 was mainly at-

tributable to the late effects of the November 15, 1978 devaluation, price increases of domestic fuel and freight charges, and the increase of rice prices resulting from the Government decision to raise the floor purchase price of rice.

The increase in the CPI during the reporting year occurred in all components of the index, i.e. 18.7% for foodstuffs, 19.6% for housing, 25.9% for clothing and 16.1% for miscellaneous components. The rise in food was mainly influenced by the increase in the price of rice as a result of the Government decision to rise the floor purchase price of domestic rice procurement (twice) during 1979/80 in order to increase the income of farmers. The increase in housing was mainly due to the higher price of kerosene.²⁰⁾

The high rate of price increases during 1979/80 occurred particularly in the first half of the year, namely 14.0%, or 2.3% at average monthly rate. Price developments in the second half, however, were more stable, increasing by only 5.2%. This moderation in prices reflected the diminishing late effects of the November 15, 1978 devaluation, the increases of the domestic fuel price and freight charges, besides it was also the result of the implementation of a relatively tight monetary policy.

Prices of certain export commodities in the domestic market (Jakarta) also increased

19) Those cities are Medan, Padang, Palembang, Jakarta, Bandung, Semarang, Yogyakarta, Surabaya, Denpasar, Mataram, Kupang, Pontianak, Banjarmasin, Manado, Ujung Pandang, Ambon, Jayapura

20) In the calculation of CPI, kerosene is included in the housing component.

TABLE 52 – CONSUMER PRICE INDEX FOR INDONESIA (COMPOSITE OF 17 CITIES)
(April 1977 – March 1978 = 100)

Period	Foodstuffs	Housing	Clothing	Miscellaneous	General Index	Change in the General Index (%)	
						Annual/ Quarterly 1)	Monthly
1979							
March	120.45	120.87	134.65	119.14	121.77		
1979/80						19.13	
April	122.49	124.95	137.40	126.14	125.45		3.02
May	126.35	131.60	140.03	126.72	129.27		3.05
June	130.69	133.40	144.61	127.89	132.27	8.39	2.32
July	134.23	134.48	150.42	132.21	135.58		2.50
August	139.05	135.67	155.10	134.16	138.75		2.34
September	138.92	137.42	159.11	135.31	139.78	5.58	0.74
October	138.52	139.86	163.38	136.99	141.03		0.89
November	139.88	140.18	163.46	137.59	141.84		0.57
December	141.14	140.86	168.19	137.73	143.07	2.33	0.87
January	143.03	143.43	169.85	137.92	144.77		1.19
February	145.99	144.76	173.34	138.40	146.82		1.42
March	144.82	146.70	173.82	139.58	147.14	2.83	0.22

1) Annual/quarterly change of the CPI is calculated on a cumulative basis, as the summation of the monthly percentage changes

Source : Central Bureau of Statistics

TABLE 53 — COST OF LIVING INDEX IN JAKARTA
(April 1977 — March 1978 : 100)

Period	Food-stuffs	Housing	Clothing	Miscellaneous	General Index	Change in the General Index (%)	
						Annual/Quarterly ¹⁾	Monthly
1976							
March	84.95	74.95	85.97	83.89	84.04		
1976/77						<u>12.11</u>	
June	87.78	82.08	89.93	87.64	87.47	4.08	
September	91.99	88.26	94.51	92.33	91.95	5.12	
December	91.80	90.92	94.86	92.36	92.08	0.14	
March	94.10	94.77	95.86	93.70	94.22	2.32	
1977/78						<u>10.08</u>	
June	96.30	96.41	97.36	96.96	96.51	2.43	
September	100.19	99.25	101.30	100.48	100.26	3.89	
December	103.22	102.81	101.76	102.63	102.96	2.69	
March	104.06	104.14	102.13	103.02	103.72	0.74	
1978/79						<u>11.79</u>	
April	106.67	104.14	103.14	103.39	105.58		1.79
May	105.69	104.85	103.27	103.64	105.06		-0.49
June	103.48	105.27	103.27	104.02	103.71	-0.01	-1.28
July	104.72	105.27	103.27	108.56	105.35		1.58
August	106.21	105.27	105.12	109.63	106.70		1.28
September	104.29	105.27	105.17	109.70	105.43	1.66	-1.19
October	104.92	105.69	105.22	111.27	106.16		0.69
November	107.44	105.69	107.74	114.90	108.68		2.37
December	107.80	105.69	110.43	118.84	109.85	4.19	1.08
January	110.51	106.53	114.06	122.58	112.68		2.58
February	113.94	107.14	117.24	123.06	115.32		2.34
March	114.71	107.27	118.44	123.17	115.95	5.55	0.55

¹⁾ Annual/quarterly change of the COL is calculated on point to point basis, comparing the general index at the end of a year/quarter with the general index at the end of the preceding year/quarter

Source : Central Bureau of Statistics

**TABLE 54 – PRICES OF SELECTED EXPORT COMMODITIES
IN THE DOMESTIC MARKET (JAKARTA)**
(Rupiah/kg)

Period	Rubber RSS I	Coffee Robusta	Tea BOP
1978/79			
April	303.71	843.75	600.00
May	313.28	825.00	600.00
June	337.97	750.00	600.00
July	345.72	706.25	600.00
August	367.46	735.00	600.00
September	386.17	875.00	600.00
October	404.68	940.00	600.00
November	503.18	981.25	637.50
December	571.76	1,231.25	675.00
January	585.58	1,090.00	675.00
February	615.15	1,075.00	700.00
March	626.66	1,169.00	700.00
1979/80			
April	677.08	1,269.00	700.00
May	714.22	1,315.00	700.00
June	752.89	1,450.00	675.00
July	721.39	1,300.00	675.00
August	710.90	1,162.50	675.00
September	695.44	1,275.00	675.00
October	707.82	1,340.00	675.00
November	714.05	1,331.25	675.00
December	725.91	1,275.00	675.00
January	814.14	1,185.00	650.00
February	902.42	1,119.00	650.00
March	777.90	1,225.00	650.00

Source : Central Bureau of Statistics

**TABLE 55 — PRICES OF SELECTED EXPORT COMMODITIES
IN THE WORLD MARKET**

Period	Rubber RSS I New York (US \$ cent/lb)	Coffee Robusta Singapore (Sin.\$/picul)	Tea BOP London (£/kg)
1978/79			
April	43.88	280	...
May	46.38	305	...
June	50.25	230	0.80
July	49.88	230	0.72
August	51.50	310	0.68
September	54.88	310	0.85
October	59.50	310	0.85
November	55.38	295	0.80
December	54.00	275	0.79
January	53.62	305	0.79
February	57.12	290	0.80
March	59.25	285	0.75
1979/80			
April	61.75	330	0.75
May	66.50	325	0.74
June	66.88	450	0.70
July	66.75	425	0.60
August	63.12	420	0.63
September	65.00	435	0.62
October	63.25	425	...
November	66.00	415	...
December	67.12	415	...
January	76.75	395	0.62
February	77.50	395	0.61
March	73.25	395	0.64

fairly rapidly during 1979/80. The average price of RSS I rubber increased by 66.3% to Rp 742.85 per kg, Robusta coffee by 35.9% to Rp 1,270.56 per kg, and BOP tea by 6.3% to Rp 672.92 per kg (Table 54). In addition to the late effects of the rupiah devaluation in November 1978, the above increases were also affected by price increases in the world market (Table 55).

I. Manpower

Based on the results of the 1976 Intercensal Population Survey, the labor force was estimated to have increased from 54.5 million to 56.1 million by the end of 1979. This total represents 40.2% of the total population in the same period, which was estimated to be 139.4 million.

With a view that the employment opportunities cannot meet the increase in the labor force, efforts to create employment opportunities have a high priority. In this connection, the Government continued to take measures to solve this problem.

The abovementioned measures included, among others, the implementation of labor-intensive development activities, such as the construction of infrastructure and regional development projects as well as the development of small-scale and handicraft industries. In the field of capital investment, policy was also directed towards activities which create and spread more evenly the em-

ployment opportunities through the choice of the site of capital investment projects. In the banking sector, policy implemented such as the provision of credits under the KIK/KMKP scheme, Kredit Candak Kulak and Kredit Mini, are also designed to create new employment opportunities, besides the objective to improve the production capacity of small entrepreneurs.

J. Transmigration

The transmigration program, as a part of the development effort, is designed to spread the geographical distribution of the population and labor force, as well as to increase land clearing in order to extend productive areas, particularly outside Java. In order to achieve the objective, since the Third Plan the transmigration program does not only emphasize on the number of people transmigrated, but also take into account their type of skills.

The number of people transmigrated during the reporting year amounted to 16,317 families, compared with the target of 50 thousand families (Table 56). This target was not met due to the postponement of the implementation of the program until September 1979 on account of the obstacles encountered in preparing resettlement areas. The area receiving most of the transmigrants during the year under report was South Sumatera, i.e. 8,857 families.

TABLE 56 · REALIZATION OF TRANSMIGRATION

Province of Settlement	1974/75			1975/76			1976/77			1977/78			1978/79*			PELITA II *			1979/80 *		
	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		
1. Aceh	---	---	300	1,417	500	2,075	---	---	---	---	---	---	---	---	800	3,492	1.07	---	---	---	
2. North Sumatera	500	1,880	---	---	---	---	---	---	---	---	---	---	---	---	500	1,880	0.58	300	1,150	---	
3. West Sumatera	500	1,739	---	---	2,250	9,990	1,200	4,747	1,000	4,717	4,950	21,193	---	---	---	---	---	---	---	---	
4. Riau	200	833	---	---	---	---	500	2,309	701	3,191	1,401	6,333	---	---	---	---	---	---	---	---	
5. Jambi	1,150	4,994	1,000	4,325	3,000	14,840	5,659	24,874	2,257	10,562	12,717	58,007	---	---	---	---	---	---	---	---	
6. South Sumatera	3,000	13,898	1,000	4,556	700	3,003	2,000	8,935	5,710	26,006	12,410	56,398	---	---	---	---	---	---	---	---	
7. Bengkulu	600	2,608	500	2,455	500	2,515	2,000	9,495	1,800	7,117	5,400	24,190	---	---	---	---	---	---	---	---	
8. Lampung	1,000	4,666	1,000	4,427	500	2,272	2,000	8,504	2,000	8,914	6,500	28,783	---	---	---	---	---	---	---	---	
9. West Kalimantan	300	1,271	500	2,016	300	1,162	1,000	4,239	---	---	---	---	---	---	---	---	---	---	---	---	
10. Central Kalimantan	200	865	---	---	500	2,239	---	---	100	409	800	3,513	---	---	---	---	---	---	---	---	
11. South Kalimantan	300	1,280	1,000	4,346	1,000	4,230	2,000	8,788	715	3,172	5,015	21,816	---	---	---	---	---	---	---	---	
12. East Kalimantan	500	2,086	---	---	500	2,238	2,500	10,578	---	---	---	---	---	---	---	---	---	---	---	---	
13. North Sulawesi	500	1,523	---	---	550	2,496	---	---	---	---	---	---	---	---	---	---	---	---	---	---	
14. Central Sulawesi	800	2,998	1,000	4,556	1,490	6,631	2,800	12,396	2,000	9,101	8,090	35,682	---	---	---	---	---	---	---	---	
15. South Sulawesi	1,100	4,370	---	---	1,000	4,828	1,200	5,728	500	2,280	3,800	17,206	---	---	---	---	---	---	---	---	
16. South East Sulawesi	250	1,007	1,700	6,408	900	3,679	---	---	---	---	---	---	---	---	---	---	---	---	---	---	
17. Maluku	200	595	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	
18. Irian Jaya	---	---	100	479	110	425	90	448	500	2,300	800	3,652	---	---	---	---	---	---	---	---	
Total	11,100	46,613	8,100	34,985	13,800	62,623	22,949	101,041	18,419	83,363	73,919	327,037	100.00	16,317	70,118	---	---	---	---	---	
Target	11,000	---	8,100	---	13,910	---	22,949	---	27,000	---	82,959	---	---	---	---	---	---	---	---	---	

Source : Department of Manpower and Transmigration

APPENDICES

APPENDIX A

BANK INDONESIA CONDENSED BALANCE SHEET as per March 31, 1980 (Billions of Rupiah)

ASSETS		LIABILITIES	
FOREIGN EXCHANGE ASSETS		CURRENCY IN CIRCULATION	
a. Gold and Foreign Exchange (1)	2,842	FOREIGN EXCHANGE LIABILITIES	
b. Other Foreign Assets	<u>760</u>	a. Foreign Liabilities (1)	3
	3,602	b. Others	<u>1,554</u>
CLAIMS ON GOVERNMENT			1,557
a. Advances to Government	225	DEPOSITS AND OTHER LIABILITIES	
b. Transactions/Payment on Account of Membership in International Financial Institutions		a. Government	776
— In gold	7	b. Aid Counterpart Funds	820
— In Rupiahs	<u>69</u>	c. International Financial Institutions	187
	76	d. Third Parties	
c. DICS Promissory Notes	<u>2</u>	— Banks	744
	303	— Others	<u>72</u>
			816
LOANS		CAPITAL AND RESERVES	
a. Financial Institutions (2)	1,425	OTHER LIABILITIES	
b. Others	<u>2,220</u>		2,599
	3,645		289
PREMISES, FURNITURE AND FIXTURES			1,333
OTHER ASSETS			
Total	<u>7,799</u>	Total	<u>7,799</u>

(1) Regarded as a component of international reserves

(2) Bank and non-Bank

BANK INDONESIA
PROFIT AND LOSS ACCOUNT
as per March 31, 1980
(Billions of Rupiah)

EXPENDITURES		REVENUES	
EXPENSES			
— Personnel/Material/Operational	34	— Interest	263
— Currency Issue	14	— Commission	—
— Miscellaneous	99	— Miscellaneous	7
— Depreciation	43		
	190		
PROFIT			
— Profit before tax	80		
Total	<u>270</u>	Total	<u>270</u>

APPENDIX B

MANAGEMENT OF BANK INDONESIA

As per March 31, 1980

Government Commissioner : Soegiono

BOARD OF MANAGING DIRECTOR

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 Organization Department	:	N.A.L. Mailangkay
Budget Department	:	P. Siregar
Foreign Exchange Department	:	W. Kidarsa
Economics and Statistics Department	:	Marjanto Danoesapoetro
Legal Department	:	T.M. Syakur Machmud
International Department	:	T.M. Zahirsjah
General Services Department	:	A. Nelwan
Money and Capital Market Department	:	Mahfud Jakile
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	:	Sutadi
London	:	R. Paryono
New York	:	H. Hutagalung
Tokyo	:	Eddy Suwardi

BRANCH MANAGERS

Ambon	: Azwahin
Banda Aceh	: Sugiono
Bandung	: Masri Saleh
Banjarmasin	: Tom Hartono
Bengkulu	: P.R.O. Sihombing
Cirebon	: Abdullah Ali
Denpasar	: Saenan Soesanto
Jambi	: Mohd. Kurdi
Jayapura	: A.A. Ngurah Alit Mahawan
Jember	: Kamaruddin
Kediri	: Purtomo
Kendari	: Buchari Thany
Kupang	: Husein Bratasuwignya
Malang	: R. Poewarso Djokojoewono
Mataram	: Mohamad Zain Sidin
Medan	: Rachmad
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	: Achmad Effendie
Telukbetung	: Abdul Kadir Hadi
Ujung Pandang	: Ahmad Sirod
Yogyakarta	: Suparman Wijaya

CASH OFFICE MANAGERS

Balikpapan	:	Sri Hastjarja Poerwasoeparta
Lhokseumawe	:	M. Junus Abdurachman
Pematang Siantar	:	Purwoko
Purwokerto	:	Ruslan Ahmadi
Sibolga	:	Jatno Soesilarto
Tasikmalaya	:	Afnan
Tegal	:	Aibar Durin
Ternate	:	Sri Slamet

**TABLE I – CEILING ON BANK LOANS AND OTHER ASSETS
OF COMMERCIAL BANKS**
(Billions of Rupiah)

Type of Bank	March 31					
	1975	1976	1977	1978	1979 ⁽²⁾	1980 ⁽³⁾
1. State Banks						
Fixed Ceiling						
Base Figure 1)	984	1,219	1,539	1,773	2,014	2,428
Ceiling	325	418	417	342	441	507
Actual	291	320	320	241	409	611
Ratio (%)						
– Ceiling / Base Figure	33.0	34.3	27.1	19.3	21.9	20.9
– Actual / Base Figure	29.6	26.3	20.8	13.6	20.3	25.2
– Actual / Ceiling	89.5	76.6	76.7	70.5	92.7	120.5
Special Ceiling 4)						
Base Figure 1)	---	---	228	318	394	559
Ceiling	---	---	---	10	10	107
Actual	---	---	90	76	73	157
Ratio (%)						
– Ceiling / Base Figure	---	---	---	3.1	2.5	19.2
– Actual / Base Figure	---	---	39.5	23.9	18.4	28.1
– Actual / Ceiling	---	---	---	760.0	730.0	146.4
Total State Banks						
Base Figure 1)	984	1,219	1,767	2,091	2,408	2,987
Ceiling	325	418	417	352	451	614
Actual	291	320	410	317	482	768
Ratio (%)						
– Ceiling / Base Figure	33.0	34.3	23.6	16.8	18.7	20.6
– Actual / Base Figure	29.6	26.3	23.2	15.2	20.0	25.7
– Actual / Ceiling	89.5	76.6	98.3	90.1	106.9	125.1
2. National Private Banks						
Base Figure	117	135	185	247	344	474
Ceiling	40	67	69	95	129	163
Actual	18	50	62	97	127	165
Ratio (%)						
– Ceiling / Base Figure	34.2	49.6	37.3	38.5	37.5	34.4
– Actual / Base Figure	15.4	37.0	33.5	39.3	36.9	34.8
– Actual / Ceiling	45.0	74.6	89.9	102.1	98.5	101.2
3. Foreign Banks						
Base Figure 1)	142	155	161	185	210	294
Ceiling	21	20	22	25	52	51
Actual	13	6	25	25	51	57
Ratio (%)						
– Ceiling / Base Figure	14.8	12.9	13.7	13.5	24.8	17.4
– Actual / Base Figure	9.2	3.9	15.5	13.5	24.3	19.4
– Actual / Ceiling	61.9	30.0	113.6	100.0	98.1	111.8
4. Commercial Banks						
Base Figure (1)	1,243	1,509	2,113	2,523	2,962	3,755
Ceiling	386	505	508	472	632	828
Actual	322	376	497	439	660	990
Ratio (%)						
– Ceiling / Base Figure	31.1	33.5	24.0	18.7	21.3	22.1
– Actual / Base Figure	25.9	24.9	23.5	17.4	22.3	26.4
– Actual / Ceiling	83.4	74.5	97.8	93.0	104.4	119.6

- 1) Amount of bank loans and other assets at end of preceding financial year.
Due to adjustments, the base figure at the beginning of a financial year does not necessarily equal the base figure plus the actual amount implemented in the preceding year
- 2) Excludes increase caused by foreign exchange revaluation on November 15, 1978, i.e.:
 State Banks Rp 6 billion
 National Private Banks Rp 1 billion
 Foreign Banks Rp 33 billion
- 3) Includes increase caused by foreign exchange revaluation on November 15, 1978
- 4) Special credit ceilings for end of March 1975 and 1976 were included in the credit ceiling of State Banks, and for end of March 1977 it was included in the credit ceiling of Bank Indonesia

TABLE II – CEILING ON BANK LOANS OF COMMERCIAL BANKS
(Billions of Rupiah)

Type of Bank	March 31					
	1975	1976	1977	1978	1979 ²⁾	1980 ³⁾
1. State Banks						
Fixed Ceiling						
Base Figure ¹⁾	867	1,119	1,438	1,637	1,839	2,236
Ceiling	315	372	401	293	411	485
Actual	289	310	271	210	403	538
Ratio (%)						
– Ceiling / Base Figure	36.3	33.2	27.9	17.9	22.3	21.7
– Actual / Base Figure	33.3	27.7	18.8	12.8	21.9	24.1
– Actual / Ceiling	91.7	83.3	67.6	71.7	98.1	110.9
Special Ceiling ⁴⁾						
Base Figure ¹⁾	—	—	228	318	394	559
Ceiling	—	—	—	10	10	107
Actual	—	—	90	76	73	158
Ratio (%)						
– Ceiling / Base Figure	—	—	—	3.1	2.5	19.1
– Actual / Base Figure	—	—	39.5	23.9	18.5	28.1
– Actual / Ceiling	—	—	—	760.0	730.0	146.7
Total State Banks						
Base Figure ¹⁾	867	1,119	1,666	1,955	2,233	2,795
Ceiling	315	372	401	303	421	592
Actual	289	310	361	286	476	696
Ratio (%)						
– Ceiling / Base Figure	36.3	33.2	24.1	15.5	18.9	21.2
– Actual / Base Figure	33.3	27.7	21.7	14.6	24.3	24.9
– Actual / Ceiling	91.7	83.3	90.0	94.4	113.1	117.4
2. National Private Banks						
Base Figure ¹⁾	75	99	150	209	285	396
Ceiling	40	67	63	94	129	163
Actual	22	40	57	68	98	135
Ratio (%)						
– Ceiling / Base Figure	53.3	67.7	42.0	45.0	45.3	41.2
– Actual / Base Figure	29.3	40.4	38.0	32.5	34.4	34.1
– Actual / Ceiling	55.0	57.7	90.5	72.3	76.0	82.8
3. Foreign Banks						
Base Figure	124	130	135	160	207	296
Ceiling	21	19	22	30	54	52
Actual	4	8	22	51	58	50
Ratio (%)						
– Ceiling / Base Figure	16.9	14.6	16.3	18.8	26.1	17.6
– Actual / Base Figure	3.2	6.2	16.3	31.9	28.0	16.9
– Actual / Ceiling	19.1	42.1	100.0	170.0	107.4	96.2
4. Commercial Banks						
Base Figure ¹⁾	1,066	1,348	1,951	2,324	2,725	3,487
Ceiling	376	458	486	427	604	807
Actual	315	358	440	405	632	881
Ratio (%)						
– Ceiling / Base Figure	35.3	34.0	24.9	18.4	22.2	23.1
– Actual / Base Figure	29.5	26.6	25.6	17.4	23.2	25.2
– Actual / Ceiling	83.8	78.2	90.5	94.8	104.6	109.1

- 1) Amount of bank loans and other assets at end of preceding financial year.
Due to adjustments, the base figure at the beginning of a financial year does not necessarily equal the base figure plus the actual amount implemented in the preceding year
- 2) Excludes increase caused by foreign exchange revaluation on November 15, 1978, i.e.
- State Banks Rp 2 billion
 - National Private Banks Rp 2 billion
 - Foreign Banks Rp 32 billion
- 3) Includes increase caused by foreign exchange revaluation on November 15, 1978
- 4) Special credit ceilings for end of March 1975 and 1976 were included in the credit ceiling of State Banks, and for end of March 1977 it was included in the credit ceiling of Bank Indonesia

TABLE III – 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	12–18	4	6–10	75	100–50
8. Collection and distribution of agricultural produce, animal husbandry and fishery by BUUDs/KUDs and Cooperatives	12	15	4	10	75	70
9. Smallholders agriculture and handicraft	12	15–18	4	10	75	50–70
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	70
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	70
h. Public transportation	13,5	15	6	10	70	70
i. Printing and publishing	13,5	18	6	10	70	70
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	75
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 IV – INVESTMENT CREDITS BASED ON BANK INDONESIA REGULATION ⁽¹⁾
(Billions of Rupiah)

Specification	March 31					June 30, 1979	Sep. 30, 1979	Dec. 31, 1979	March 31, 1980
	1975	1976	1977	1978	1979				
Credit Outstanding	<u>126</u>	<u>168</u>	<u>222</u>	<u>225</u>	<u>271</u>	<u>283</u>	<u>301</u>	<u>324</u>	<u>362</u>
1. By Economic Sectors									
– Agriculture	10	16	19	21	28	29	30	25	29
– Mining	—	5	4	3	2	2	2	1	2
– Manufacturing	61	68	79	84	89	95	100	121	111
– Service Rendering Industry	47	70	111	106	144	149	160	168	203
– Others	8	9	9	11	8	8	9	9	17
2. By Source of Funds									
– Bank Indonesia	62	81	93	105	138	116	138	152	130
– State Banks	60	83	126	119	132	166	162	171	231
– Government Budget ²⁾	4	4	3	1	1	1	1	1	1
Approved by Banks	<u>177</u>	<u>225</u>	<u>291</u>	<u>285</u>	<u>363</u>	<u>383</u>	<u>428</u>	<u>456</u>	<u>517</u>
1. By Economic Sectors									
– Agriculture	12	18	21	28	34	38	42	45	49
– Mining	—	5	5	5	11	5	5	5	6
– Manufacturing	87	84	114	109	122	132	143	161	151
– Service Rendering Industry	66	104	137	127	185	195	225	232	288
– Others	12	14	14	16	11	13	13	13	23
2. By Source of Funds									
– Bank Indonesia	112	138	184	183	238	245	279	288	277
– State Banks	59	82	102	99	123	136	147	166	238
– Government Budget ⁽²⁾	6	5	5	3	2	2	2	2	2

⁽¹⁾ Based on Announcement of the Board of Directors of Bank Indonesia No. Peng.1/DIR/1969, March 7, 1969
Excludes foreign exchange component and Rupiah financing of project aid. See Table V and VI

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

**TABLE V – LOCAL CURRENCY (RUPIAH) FINANCING
OF PROJECT AID INVESTMENTS BY ECONOMIC SECTOR**
(Billions of Rupiah)

Particulars	March 31					June 30, 1979	Sept. 30, 1979	Dec. 31, 1979	March 31, 1980
	1975	1976	1977	1978	1979				
Outstanding amounts	17	28	41	62	72	73	80	73	101
1. By Economic Sector									
— Agriculture	4	13	22	36	42	43	44	48	49
— Mining	—	—	—	—	—	—	—	—	—
— Manufacturing	11	14	18	25	29	29	34	19	47
— Service Rendering Industry	—	—	—	—	—	—	1	5	4
— Others	2	1	1	1	1	1	1	1	1
2. By Sources of Funds									
— Bank Indonesia	14	24	34	50	58	58	64	58	81
— State Banks	3	4	7	12	15	15	16	15	20
Approved by Banks (Credit Line)	21	44	52	77	85	83	109	110	145
1. By Economic Sector									
— Agriculture	7	18	27	41	52	49	54	64	65
— Mining	—	—	—	—	—	—	—	—	—
— Manufacturing	13	25	23	34	31	32	40	28	61
— Service Rendering Industry	—	—	—	—	—	—	14	17	18
— Others	1	1	2	2	2	2	1	1	1
2. By Sources of Funds									
— Bank Indonesia	18	41	46	62	68	66	87	88	116
— State Banks	3	3	6	15	17	17	22	22	29

**TABLE VI – RUPIAH COUNTERVALUE OF PROJECT AID
BY ECONOMIC SECTOR
(Billions of Rupiah)**

Particulars	March 31					June 30, 1979	Sept. 30, 1979	Dec. 31, 1979	March 31, 1980
	1975	1976	1977	1978	1979				
Outstanding amounts	<u>79</u>	<u>101</u>	<u>132</u>	<u>198</u>	<u>249</u>	<u>304</u>	<u>360</u>	<u>399</u>	<u>464</u>
— Agriculture	22	29	29	31	37	38	39	40	36
— Mining	9	11	11	10	7	6	6	5	5
— Manufacturing	34	43	72	139	183	235	285	316	329
— Service Rendering Industry	9	11	9	11	11	14	19	29	82
— Others	5	7	11	7	11	11	11	9	12
Approved by Banks (Credit Line)	<u>116</u>	<u>161</u>	<u>260</u>	<u>445</u>	<u>541</u>	<u>605</u>	<u>712</u>	<u>738</u>	<u>866</u>
— Agriculture	40	49	54	58	69	69	72	71	71
— Mining	14	13	13	14	12	12	11	12	10
— Manufacturing	50	51	143	290	299	352	408	403	408
— Service Rendering Industry	8	31	32	51	122	133	182	232	336
— Others	4	17	18	32	39	39	39	20	41

**TABLE VII – PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES
DURING REPELITA I, 1969/70–1973/74**
(Billions of Rupiah)

Particulars	1969/70		1970/71		1971/72		1972/73		1973/74		Jumlah	
	Repe- lita I	Actuals	Repe- lita I	Actuals	Repe- lita I	Actuals	Repe- lita I	Actuals	Repe- lita I	Actuals	Repe- lita I	Actuals
Domestic Revenues	228	244	276	344	324	428	374	590	428	968	1,630	2,574
Routine Expenditures	204	217	243	288	281	349	319	438	357	713	1,404	2,005
Government Savings	24	27	33	56	43	79	55	152	71	255	226	569
Foreign Aid	99	91	120	120	180	136	209	158	225	203	833	709
a. Project Aid	(36)	(25)	(45)	(41)	(95)	(45)	(124)	(62)	(140)	(114)	(440)	(288)
b. Program Aid	(63)	(66)	(75)	(79)	(85)	(91)	(85)	(95)	(85)	(89)	(393)	(421)
Development Funds	123	118	153	176	223	215	264	310	296	458	1,059	1,278
Development Expenditures	123	118	153	169	223	196	264	298	296	451	1,059	1,233
a. Rupiah	(87)	(93)	(108)	(128)	(128)	(151)	(140)	(236)	(156)	(337)	(619)	(945)
b. Project Aid	(36)	(25)	(45)	(41)	(95)	(45)	(124)	(62)	(140)	(114)	(440)	(288)
Surplus (+) / Deficit (—)	---	---	---	+7	---	+19	---	+12	---	+7	---	+45

TABLE VIII – PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES
DURING REPELITA II, 1974/75–1978/79
(Billions of Rupiah)

Particulars	1974/75		1975/76		1976/77		1977/78		1978/79		Total	
	Repe- lita I	Actuals	Repe- lita II	Actuals	Repe- lita II	Actuals	Repe- lita II	Actuals	Repe- lita II	Actuals	Repe- lita II	Actuals
Domestic Revenues	1,363	1,754	2,074	2,242	2,277	2,906	2,608	3,535	3,089	4,266	11,411	14,703
Routine Expenditures	961	1,016	1,294	1,333	1,428	1,630	1,630	2,149	1,905	2,744	7,218	8,871
Government Savings	402	738	780	909	849	1,276	978	1,386	1,184	1,522	4,193	5,832
Foreign Aid	214	232	192	492	208	784	218	773	224	1,036	1,056	3,316
a. Project Aid	(—)	(196)	(—)	(472)	(—)	(774)	(—)	(737)	(—)	(988)	(—)	(3,166)
b. Program Aid	(—)	(36)	(—)	(20)	(—)	(10)	(—)	(36)	(—)	(48)	(—)	(150)
Development Funds	616	970	972	1,401	1,057	2,060	1,196	2,159	1,408	2,558	5,249	9,148
Development Expenditures	616	962	972	1,398	1,057	2,054	1,196	2,156	1,408	2,556	5,249	9,126
a. Rupiah	(—)	(766)	(—)	(926)	(—)	(1,280)	(—)	(1,419)	(—)	(1,568)	(—)	(5,960)
b. Project Aid	(—)	(196)	(—)	(472)	(—)	(774)	(—)	(737)	(—)	(988)	(—)	(3,166)
Surplus (+) / Deficit (—)	—	+8	—	+3	—	+6	—	+3	—	+2	—	+22

**TABLE IX – PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES
DURING THE FIRST TWO YEARS OF REPELITA III, 1979/80 – 1980/81
(Billions of Rupiah)**

Particulars	1979/80		1980/81	
	Repelita	Actuals	Repelita	Budget
Domestic Revenues	5,440	6,697	6,090	9,055
Routine Expenditures	3,446	4,062	3,845	5,529
Government Savings	1,994	2,635	2,245	3,526
Foreign Aid	1,494	1,381	1,647	1,502
a. Project Aid	(1,429)	(1,316)	(—)	(1,437)
b. Program Aid	(65)	(65)	(—)	(65)
Development Funds	3,488	4,016	3,892	5,028
Development Expenditures	3,488	4,014	3,892	5,028
a. Rupiah	(2,059)	(2,698)	(—)	(3,591)
b. Project Aid	(1,429)	(1,316)	(—)	(1,437)
Surplus (+) / Deficit (—)	—	+2	—	—

TABLE X — INDONESIA'S BALANCE OF PAYMENTS
(Millions of \$)

Accounts	1975/76	1976/77	1977/78	1978/79	1979/80*
A. Current Account	<u>- 854</u>	<u>- 802</u>	<u>- 690</u>	<u>-1,155</u>	<u>1,990</u>
— Oil (net)	3,138	3,710	4,352	3,785	6,308
— LNG (net)	—	—	93	225	667
— Non-oil/LNG (net)	-3,992	-4,512	-5,135	-5,165	-4,985
a. Exports (f.o.b.)	(1,873)	(2,863)	(3,507)	(3,979)	(6,165)
b. Imports (c & f)	(-5,090)	(-6,167)	(-7,241)	(-7,543)	(-9,230)
c. Services	(- 775)	(-1,208)	(-1,401)	(-1,601)	(-1,920)
B. Special Drawing Rights (SDRs)	<u>—</u>	<u>—</u>	<u>—</u>	<u>64</u>	<u>65</u>
C. Official Transfer & Capital	<u>1,995</u>	<u>1,823</u>	<u>2,106</u>	<u>2,101</u>	<u>2,495</u>
— Program aid	74	147	157	94	239
— Project aid	872	1,676	1,949	2,007	2,256
— Cash loans	1,049	—	—	—	—
D. Official Debt Repayments (principal)	<u>- 77</u>	<u>- 166</u>	<u>- 761</u>	<u>- 632</u>	<u>- 692</u>
E. Miscellaneous Capital	<u>-1,075</u>	<u>38</u>	<u>176</u>	<u>392</u>	<u>-1,315</u>
— Direct Investments	454	287	285	271	217
— Trade Credits	14	- 32	- 50	—	—
— Others	-1,543	- 217	- 59	121	-1,532
F. Total (A through E)	<u>- 11</u>	<u>893</u>	<u>831</u>	<u>770</u>	<u>2,543</u>
G. Net Errors and Omissions	<u>- 353</u>	<u>108</u>	<u>- 180</u>	<u>- 62</u>	<u>- 853</u>
H. Monetary Movement	<u>364</u>	<u>-1,001</u>	<u>- 651</u>	<u>- 708</u>	<u>-1,690</u>

TABLE XI – EXPORTS BY COUNTRY OF DESTINATION
(Millions of \$)

Country	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Europe						
Belgium & Luxemburg	11	12	16	24	16	20
Denmark	8	9	31	49	40	42
France	18	15	36	60	56	99
Germany, Federal Republic of	171	131	209	248	236	361
Italy	16	33	81	110	150	215
Netherlands	166	158	272	387	360	374
Norway	2	2	5	5	3	5
Sweden	4	2	3	6	3	4
United Kingdom & Rep. of Ireland	23	36	54	88	55	114
Others	58	54	88	57	144	180
Total	477	452	795	1,034	1,063	1,414
Share	6.4%	6.4%	8.5%	9.2%	9.0%	8.2%
America						
Canada	33	10	18	25	31	22
United States of America	1,546	1,969	2,728	2,967	2,904	3,431
Others	461	643	596	602	668	453
Total	2,040	2,622	3,342	3,594	3,603	3,906
Share	27.3%	36.9%	35.7%	31.9%	30.5%	22.7%
Afrika	20	4	20	31	46	25
Share	0.3%	0.1%	0.2%	0.3%	0.4%	0.2%
Asia						
Burma	15	3	—	—	—	—
Hongkong	25	27	26	32	51	116
India	5	8	9	34	20	29
Iraq	—	14	16	50	53	33
Japan	3,940	3,008	3,854	4,597	4,737	8,159
Malaysia	82	56	17	20	29	69
Pakistan	44	33	35	54	32	24
Philippines	4	33	128	154	167	196
Singapore	555	609	729	1,083	1,323	2,171
Thailand	7	3	1	7	26	33
Others	187	202	362	489	521	754
Total	4,864	3,996	5,177	6,520	6,959	11,584
Share	65.3%	56.3%	55.2%	57.9%	59.0%	67.4%
Australasia						
Australia	24	24	30	74	112	209
New Zealand	1	1	3	2	18	57
Oceania — Hawaii	30	—	—	—	1	—
Total	55	25	33	76	131	266
Share	0.7%	0.3%	0.4%	0.7%	1.1%	1.5%
Others	2	3	4	5	4	4
Share	—	—	—	—	—	—
Grand Total	7,458	7,102	9,371	11,260	11,806	17,199

Source : Central Bureau of Statistics

TABLE XII – IMPORTS BY COUNTRY OF ORIGIN
(Millions of \$)

Country	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Europe						
Belgium & Luxemburg	44	63	87	46	34	64
Czechoslovakia	2	12	3	16	5	6
France	86	85	231	182	164	149
Germany, Democratic Rep. of	1	—	3	2	3	9
Germany, Federal Rep. of	359	365	519	490	591	514
Italy	55	80	67	50	56	76
Netherlands	107	138	257	183	136	122
Spain	2	2	3	13	12	39
Sweden	16	15	25	20	34	37
Switzerland	32	40	39	50	53	70
United Kingdom & Rep. of Ireland	169	146	202	231	208	203
Others	152	191	67	100	186	161
Total	1,025	1,137	1,503	1,383	1,482	1,450
Share	23.1%	24.4%	25.0%	22.3%	22.2%	18.5%
America						
Canada	45	62	66	58	92	65
United States of America	638	704	980	780	885	1,070
Others	18	23	26	105	56	79
Total	701	789	1,072	943	1,033	1,214
Share	15.8%	16.9%	17.8%	15.2%	15.5%	15.5%
Africa	112	101	54	63	69	159
Share	2.5%	2.2%	0.9%	1.0%	1.0%	2.0%
Asia						
Burma	21	31	85	80	51	57
China	186	169	97	155	113	155
Hongkong	122	51	68	62	141	103
India	25	79	104	62	140	99
Japan	1,326	1,422	1,568	1,729	2,007	2,421
Malaysia	16	19	19	21	24	33
Pakistan	54	12	24	20	41	25
Philippines	12	15	15	23	85	39
Singapore	288	356	613	480	463	541
Thailand	86	33	203	319	97	277
Others	303	278	370	644	584	1,025
Total	2,439	2,465	3,166	3,595	3,838	4,725
Share	54.9%	52.8%	52.7%	58.0%	57.5%	60.4%
Australasia						
Australia	149	156	196	189	221	235
New Zealand & Oceania	15	17	22	30	36	46
Total	164	173	218	219	257	281
Share	3.7%	3.7%	3.6%	3.5%	3.8%	3.6%
Others	—	—	—	—	—	—
Share	—	—	—	—	—	—
Grand Total	4,441	4,665	6,013	6,203	6,679	7,829

Source : Central Bureau of Statistics

TABLE XIII – LONG-TERM FOREIGN BORROWINGS ¹⁾
(Millions of \$)

Country/Institution	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80*
Country						
Abu Dhabi	---	---	---	---	1	2
Australia	---	---	---	---	12	6
Belgium	1	17	110	24	33	7
Canada	33	22	15	189	19	191
Denmark	3	2	---	57	---	---
France	38	65	189	258	95	115
Germany, Federal Rep.of	16	64	174	151	235	591
India	---	---	---	2	10	---
Iran	---	1	39	49	111	---
Japan	276	257	171	299	373	443
Korea	---	---	---	46	---	51
Kuwait	---	---	---	---	3	5
Netherlands	19	145	138	115	48	67
New Zealand	---	1	1	---	---	---
Norway	---	---	---	102	---	---
Saudi Arabia	---	---	7	25	31	61
Sweden	---	---	---	---	48	7
Switzerland	---	1	---	---	---	19
United Kingdom	9	76	118	54	102	10
United States of America	96	1,005	440	239	271	325
U.S.S.R.	---	---	---	---	---	2
Yugoslavia	---	---	3	100	11	43
Institution						
ADB	26	29	30	33	104	111
Bonds	---	---	---	---	100	62
CCC Credit	---	---	29	---	---	---
Hire-purchase	---	---	---	---	---	30
IDA — IBRD	81	294	210	301	476	311
Syndicate Bank	---	---	75	50	---	---
Total	598	1,979	1,749	2,094	2,083	2,459

¹⁾ Represent disbursements

TABLE XIV — GRANTS
(Millions of \$)

Country/Institution	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80*
Country						
Australia	16	3	60	3	10	18
Belgium	3	---	---	1	---	---
Canada	---	3	10	---	---	---
France	4	3	---	1	2	2
Germany, Federal Republic of	4	---	---	---	---	---
Italy	---	2	3	1	2	2
Japan	8	---	---	5	4	9
Netherlands	16	5	1	---	---	---
United Kingdom	1	---	---	---	---	5
Institution						
EEC	10	---	---	1	---	---
Total	62	16	74	12	18	36

TABLE XV – AREA AND POPULATION OF MAIN ISLANDS ¹⁾

	Area (thousands) sq.km	Number of population			
		1971 ²⁾		1978 ³⁾	
		(million persons)	%	(million persons)	%
Jawa & Madura	132.2	76.1	63.8	88.1	63.2
Sumatera	473.6	20.8	17.4	25.9	18.6
Sulawesi	189.2	8.5	7.1	10.0	7.2
Kalimantan	539.5	5.2	4.4	6.3	4.5
Bali	5.6	2.1	1.8	2.4	1.7
Irian Jaya	422.0	0.9	0.8	0.2	0.1
Other Islands	142.5	5.6	4.7	6.5	4.7
Indonesia	1,904.6	119.2	100.0	139.4	100.0

1) Exclusive of Timor Timur due to unavailable data

2) Results of the 1971 Census

3) Projected on the basis of the results of the 1976 Intercensal Population Survey