

BANK INDONESIA



REPORT FOR THE FINANCIAL YEAR 1988/89

BANK INDONESIA

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PEMATANG SIANTAR, PONTIANAK, PURWOKERTO, SAMARINDA,
SAMPIT, SEMARANG, SIBOLGA, SOLO, SURABAYA,
TASIKMALAYA, TEGAL, TERNATE, UJUNG PANDANG, YOGYAKARTA

Position as per end of March 1989

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**BANK INDONESIA
GOVERNMENT COMMISSIONER AND BOARD OF DIRECTORS**



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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.
- X Break in comparability before and after the symbol.
- \$ United States dollar.

Source of data: Bank Indonesia, unless mentioned otherwise.

PREFACE

As the Indonesian monetary authority, Bank Indonesia is obliged to provide comprehensive information on Indonesia's economic and monetary developments to the general public. I am very pleased that this has been a well maintained tradition, among others, with the publication of this 1988/89 Bank Indonesia's Report.

This report covers Indonesia's economic and monetary developments for the fiscal year 1988/89, the last year of the Fourth Five Year Development Plan (Repelita IV). During the period, Indonesia experienced a favorable economic development as reflected in 5.7% growth in 1988, surpassing the 5% average growth target of the Repelita IV. This becomes more meaningful as the economic growth was achieved while sustainable balance of payments position, stable monetary condition, and low inflation rates were well maintained. This achievement was attributable to the structural policy measures taken by the Government in the previous years. In addition, better world economic developments contributed to the improvement.

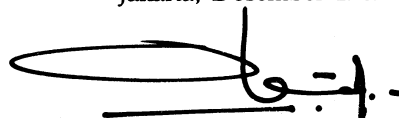
In the reporting period, the Government implemented structural measures on finance, monetary, and banking areas, namely on October 27, 1988, December 20, 1988, and March 25, 1989. In addition, on November 21, 1988 the Government announced measures directed towards several other sectors, such as transportation, trade, manufacturing, invest-

ment, and agriculture. It is still too early to see the full impact of these measures. It appears, however, that they have contributed to the acceleration in growth and the general improvement in economic conditions.

Owing to the improved economy in 1988/89 and the achievements of Repelita IV targets, a strong foundation for the future development of the economy has been laid. The structure of the economy has improved markedly and has resulted in strengthened economic resilience that allows both to manage better the adverse external challenges and to take advantage of favorable external developments. This, combined with the measures taken by the Government during 1988/89, has contributed to better prospects for the economy in the years to come.

Finally, I wish to note that the completion of this annual report owes much to the excellent cooperation between Bank Indonesia and ministerial offices as well as other related institutions. It is my hope that the information contained in this report will be useful to the public.

Jakarta, December 1989



Prof. Dr. Adrianus Mooy
Governor of Bank Indonesia

I. INTRODUCTION

A. General

In the past few years, Indonesia's economy has been confronted with various challenges, such as a drop in oil prices, fluctuations among world's major currencies, aggravation in protectionist measures by several industrialized countries, and the need to create employment for a rapidly growing labor force. In order to cope with these challenges, the Government undertook a series of structural adjustment measures designed to induce and support the process of sustainable structural adjustment so as to enhance the resilience of the Indonesian economy.

These measures have contributed to favorable developments as reflected in the strengthened economic resilience and enabled the economy to attain sufficiently high growth rates coupled with a sustainable balance of payments, stable monetary conditions, and low inflation rates.

The strengthening of economic resilience was, among others, reflected in the increasing role of the non-oil/gas sector, the improved competitiveness of domestic output, the further diversification of exports, the increasing role of private sector in the economy, and the alleviation of the dependence of government revenues on the oil/gas sector. The increasing role of the non-oil/gas sector was, among others, reflected in the considerable increase in non-oil/gas exports, especially in manufacturing industries. This was mainly attributable to the success of government policies in promoting the competitiveness

of Indonesia's exports; the higher prices of several export commodities in international markets; a greater diversification in export commodities, especially manufactured products; and higher exports of agricultural and mining products, following higher investments in those two sectors in preceding years. These developments resulted in a structural shift in Indonesia's exports that helped to sustain the momentum of non-oil/gas export expansion and to alleviate the dependence on oil/gas export. In line with the higher non-oil/gas exports and the favorable impact of the deregulation measures aimed at promoting the role of the private sector in the economy, production activities and private investment recorded favorable performances.

As regards government finance, the stance of fiscal policies and the higher production and non-oil/gas exports contributed to an improvement in the structure of government finance. The reform in taxation, the broadening of the tax base and the improvement in tax administration contributed to an increase in non-oil/gas revenue, especially tax revenue, increasing the share of non-oil/gas in total domestic revenues. This development reflected the gradual alleviation of the Government's dependence on oil/gas revenues. Hence, the pressure on the budget originating from adverse developments in the oil/gas sector and external debts could be further minimized.

The continued structural adjustment has also induced buoyant domestic demand as reflected in higher private consumption, government consumption, and investment.

Much of the increase in private consumption was accounted for by higher income and purchasing power. The higher government consumption stemmed mainly from a rise in government revenues mainly originating from tax revenues. Overall investment recorded a significant increase, especially in private investment induced mainly by entrepreneurs' expectations of favorable business prospects in Indonesia. These favorable prospects were closely related to the series of deregulation measures introduced in the area of investment, the maintenance of monetary stability, the containment of low inflation rate, and the maintenance of a realistic exchange rate under a liberalized foreign exchange system. Moreover, the improvement in private investment was also closely associated with the restructuring of industry in Japan and newly-industrialized economies which shifted certain industries to other countries, inter alia, Indonesia.

The structural adjustment policies strengthened the role of the non-oil/gas sector in cushioning pressures on the balance of payments originating from adverse external developments. Following the acceleration in the growth of non-oil exports in the past few years, the deficit in the current account was contained at a sustainable level, not with standing a decline in oil prices and a rise in imports. Furthermore, with a view to maintaining the sustainability of the balance of payments as well as accelerating the process of structural adjustments, the Government continued its prudent policy on external borrowing by seeking concessional loans and special assistance in the form of program loan and local cost financing. At the same time, the favorable business climate brought about by the series of

deregulation measures in various areas induced a respectable amount of private capital inflows. These developments contributed to the maintenance of foreign exchange reserves at the central bank and foreign exchange banks at a level adequate to maintain monetary and balance of payments stability and to support development efforts.

The favorable production and balance of payments developments were closely related to continued cautious monetary policies that provided adequate liquidity without generating pressures on the balance of payments or jeopardizing monetary stability; this policy stance supported the acceleration of economic growth. The maintenance of monetary stability was reflected, inter alia, in the low level of inflation and the containment of turbulences in the interbank call money and the foreign exchange bourse.

To sustain high economic growth and to support the creation of employment, the Government introduced structural policies in the areas of finance, monetary, and banking on October 27 and December 20, 1988. The October 27, 1988 policy package, along with and in mutual support with policies in other sectors, was expected to promote mobilization of funds, export of non-oil/gas commodities, efficiency in financial institution and banks, and a more efficient monetary management as well as a climate conducive to the development of the capital market. The policy package of December 20, 1988 was directed at further encouraging the development of the capital market and financing companies so as to mobilize more long-term funds to finance investment. These policy packages were aimed to promote the role of banks and capital markets in financing investment.

B. Economic Developments in 1988/89

The growth rate of Indonesia's gross domestic product (GDP) in constant 1983 prices rose significantly from 4.8% in 1987 to 5.7% in 1988. On the demand side, the driving force of the 1988 growth was the external sector as well as the robust domestic demand. On the production side, the growth stemmed from an acceleration in the growth of the non-oil/gas sector, which reached 7.4% in 1988 as against 5.6% in the preceding year. It is worth noting that the growth in 1988 contributed to an annual average growth of 5.1% during the Fourth Five Year Development Plan (Repelita IV) which was slightly higher than the target of 5.0%.

By economic sector, the GDP growth in 1988 stemmed mainly from an acceleration in the growth of non-oil/gas sectors, such as manufacturing industry, trade, and agriculture. Manufacturing industry recorded a growth of 14.0% in 1988 compared with 11.4% in 1987. Manufacturing products experiencing marked increases were plywood, textile, fertilizer, and cement as well as various other products. Growth within the trade sector also increased, from 6.7% to 9.1% in 1988. The agricultural sector continued to grow favorably as reflected in the higher growth of 4.3% in 1988 compared with 2.2% in the preceding year. Much of this growth was accounted for by an expansion in the growth of the foodcrop subsector, especially rice. In the oil/gas sector, the decline in the production of crude oil constituted a major factor contributing to the slowdown in the growth of that sector, from 1.6% to - 0.6%, in spite of an increase in the production of natural gas and activities in oil refineries. Meanwhile, the recent progress recorded in

the oil sector reflected the increasing role of liquefied petroleum gas (LPG) commodities resulting from higher LPG output in 1988/89. This higher output was closely related to the implementation of the long-term sales contract of LPG to Japan.

In 1988/89, Indonesia's balance of payments performed favorably. This favorable performance was characterized by a marked expansion in non-oil/gas exports, especially manufactured products. Non-oil/gas exports increased by 28.2% reaching \$12,184 million stemming mainly from the impact of appropriate macroeconomic policy and deregulation measures coupled with an acceleration in world economic growth and a rise in the prices of several non-oil/gas export commodities in the world market. Following a decline in oil prices, oil/gas exports decreased by 13.6% to \$7,640 million. Meanwhile, expenditures on imports of goods and services were up by 8.1% reaching \$21,683 million. Much of the increase in expenditures on imports was accounted for by higher production activities and various deregulation measures in the area of trade, in addition to a rise in the prices of imported commodities. The increase in the deficit on net services was mainly due to higher interest payments on external public debt despite a respectable increase in receipts from services, especially from the tourism sector. Hence, the deficit in the current account slightly widened by \$152 million reaching \$1,859 million.

Capital movements, comprising government and private capital movements, in the reporting year were characterized by an increase in net disbursements of official external debt despite a rise in the amortization of loan. Disbursements of

official loans increased by \$2,013 million reaching \$6,588 million, while amortization rose by \$714 million reaching \$3,736 million; consequently, net official disbursements rose by \$1,299 million to \$2,825 million. Regarding private capital movements, the capital inflows increased to \$2,008 million, due mainly to increased inflows under the foreign direct investment (*penanaman modal asing* or PMA) scheme; this was the result of the series of deregulation measures undertaken by the Government with the objective of improving the investment climate and business prospects in Indonesia. Meanwhile, private capital outflows also recorded an increase, reaching \$2,219 million, which stemmed primarily from higher amortization payments on principal loans of PMA companies and other private companies. Hence, in total, private capital movements registered a net outflow of \$211 million. Based on these developments, in the reporting year official reserves at Bank Indonesia declined by \$677 million and at the end of March 1989 official reserves amounted to \$6,011 million; this was equivalent to 5.3 months of non-oil/gas imports. Taking into account the reserves at foreign exchange banks which increased by \$1,223 million to \$4,927 million, national foreign exchange reserves increased by \$546 million to \$10,938 million, or equivalent to 9.7 months of non-oil/gas imports.

Meanwhile, the rupiah exchange rate was maintained at a realistic level so as to safeguard the competitiveness of Indonesia's products, both at the international as well as the domestic market, and to support a business climate that stimulates investment activities. From April 1988 to March 1989, the rupiah exchange rate depreciated against several

currencies, inter alia, the US dollar (5.32%) and the Japanese yen (0.13%). On the other hand, the rupiah appreciated against several currencies, such as the British pound sterling (5.31%), the German mark (7.61%), the French franc (7.05%), and the Dutch guilder (7.81%).

In the monetary sector, domestic liquidity rose by 23.9% reaching Rp44,167 billion at end of March 1989. A respectable increase was recorded in money supply (M_1) reaching Rp15,009 billion at the end of the reporting year, or a rise of 18.9% as against 9.8% in the preceding year. However, the inflation rate was contained at a tolerable level of 6.55%. This development reflected the success of the Government in implementing cautious monetary policy, supported by the implementation of sectoral policies, and the availability of basic goods in adequate quantities.

In terms of factors affecting money supply, claims on private enterprises and individuals had a significant expansionary effect, whereas net-foreign assets and claims on the central government and other sectors had a contractionary effect. The expansionary effect of credit reflected the efforts to provide sufficient amount of liquidity to meet the need of the business sector with the objective of encouraging economic activities.

In government finance, the outturn of both revenues and expenditures in 1988/89 were higher than the budget. The revenues reached Rp32,995 billion and the expenditures Rp32,990 billion, or 13.9% higher than budgeted. It is worth noting that compared with the outturn of the previous year's budget, the outturn of 1988/89 budget rose by 22.4%.

Total domestic revenues reached Rp23,004 billion in 1988/89. Of this amount, Rp9,527 billion originated from oil/gas receipts and Rp13,477 from non-oil/gas receipts. It is note-worthy that the higher non-oil/gas receipts than that of the preceding year reflected the success in implementing the intensification and extensification of tax collection. Meanwhile, development receipts went up markedly reaching Rp9,991 billion which was 62.2% higher than in the previous year. Much of this increase was accounted for by a rise in program aid, which could be used to finance local cost, reaching Rp2,008 billion in 1988/89.

While continuing to sharpen the priority in the expenditure side, especially by focussing on on-going development and labor-intensive projects, actual total development expenditures reached Rp12,251 billion. Much of this amount was used in the sectors of economy (53.0%), education and culture (19.0%), and regional, business, and environment (13.1%). Meanwhile, routine expenditures reached Rp20,739 billion which was spent, among others, on personnel expenditures, material expenditures, and amortization and interest payments.

In the reporting year, the banking sector performed favorably as reflected in the increase in their assets, credits extended, and funds mobilized. The assets of deposit money banks rose by 43.9% reaching Rp72,433 billion which was attributable to higher extended credits and mobilized funds. Meanwhile, the October 27, 1988 policy package has succeeded in encouraging banks to expand their operational networks as reflected in an increase in the number of bank offices from 1,640 to 1,874 offices.

With regard to bank credit, it rose by 32.6% in the reporting year reaching Rp46,526 billion. Of this amount, credits extended by deposit money banks increased by 33.7% reaching Rp44,943 Billion. The highest increase, 39.4% (Rp3,231 billion), occurred in the group of private national banks. At the same time, credits extended by the group of state banks recorded an increase of 32.2% (Rp7,376 billion).

Bank credits to all sectors of the economy increased. Credits to the manufacturing sector increased by 31.5% reaching Rp15,683 billion mainly utilized to finance timber, paper, and printing industries. Credits to the trade sector were up by 33.6% reaching Rp14,687 billion mostly used to finance exports, especially manufactured commodities and other services. At the same time, credits to the agricultural sector rose by 49.1% reaching Rp4,311 billion, mainly to plantation and fishery subsectors.

As a result of various policies intended to mobilize funds, funds mobilized by banks increased by 27.6% in the reporting year reaching Rp39,503 billion. Demand deposits increased remarkably by 24.3% as compared with 12.2% in the preceding year. Meanwhile, time deposits also recorded a favorable development, increasing by 28.2%. This increase occurred in both rupiah as well as in foreign currency time deposits which increased by 26.0% and 37.3%, respectively.

C. Economic Prospects for 1989/90

In 1989/90, which constitutes the first year of the Fifth Five Year Development Plan (Repelita V), Indonesia's economy is still expected to be confronted with various serious challenges from the external as well

as the internal front. On the external side, the economic growth of the industrialized countries is projected to decline mainly due, among others, to the adoption of tight monetary policy which in turn will slowdown the industrialized countries' imports from developing countries. Furthermore, the failure in alleviating protectionism in industrialized countries is expected to impede the growth in international trade. On the internal side, Indonesia's economy is expected to face several serious challenges, namely the creation of employment opportunities to absorb the increasing labor force. With a view to encouraging and sustaining sufficiently high economic growth on a continuous basis, the availability of larger amounts of funds will become even more important in the years to come. In anticipation of the above mentioned challenges, the policy packages in the areas of finance, monetary, and banking of October 27 and December 20, 1988 are expected to further raise the mobilization of savings so as to increase their availability of funds for investment.

Firmer economic resilience and a sustained structural adjustment process are expected to have a positive impact on Indonesia's economic development in 1989/90. In the external sector, Indonesia's non-oil/gas exports will continue to increase markedly in 1989/90. This increase is expected to be brought about by broadening the types of export commodities as well as improvements in the competitiveness attributable to the maintenance of a realistic exchange rate and the continuation of deregulation measures intended to expedite domestic and foreign trade activities. Furthermore, the expansion in production activity, particularly in export-oriented industries buoyed by

investment in the past few years, will significantly contribute to the promotion of Indonesia's non-oil/gas exports.

Domestically, private investment will continue to increase next year in line with a more favorable climate for investment. With regard to the PMA, private investment will increase following the shifting of investment associated with the continued industrial restructuring in Japan and newly-industrialized economies. On the other hand, government expenditures (both routine and development) will also increase. This will be induced by higher oil prices and tax revenue which will increase total government revenue. Moreover, the higher economic growth in the past few years will raise people's income, which in turn will increase consumption spending. These developments are expected to contribute significantly to the achievement of a higher growth of GDP in 1989/90.

In 1989/90, the balance of payments is expected to perform favorably due mainly to higher oil/gas and non-oil/gas exports. The increase in exports will reduce the deficit in the current account notwithstanding an increase in imports as a result of higher economic activity. Meanwhile, net official capital inflows will not differ much from those of the reporting year, whereas net private inflows are expected to increase following increased applications for investment under the PMA scheme in the reporting year.

In the monetary sector, the favorable development on the external side will have an expansionary effect on the money supply. Demand for bank credits is expected to be higher along with increasing economic activities. In this connection, the

implementation of monetary policy will be cautious to further promote development activities and simultaneously maintain monetary stability and balance of payments sustainability. Funds mobilized by the banking sector will also increase notably following a rise in income and the adoption of the October 27, 1988 policy package.

Based on the projections described above, Indonesia's economy is expected

to develop favorably. However, the performance next year will also be influenced by the follow-up of the deregulation measures in various sectors. But, in view of the Government's strong determination to continue the deregulation measures in the central as well as regional governments, Indonesia's economic development will advance in a more sustainable way toward the desired path in the future.

II. MONETARY POLICY AND DEVELOPMENT

A. Monetary Policy

A recent series of fundamental policy measures taken by the Government in many areas, supported by improvements in the world economy in 1988, have contributed positively to Indonesia's economy. These improvements were reflected in higher economic growth, production, investment, and non-oil/gas exports. Improvements in economic activity were also accompanied by monetary stability as reflected in the low inflation rate. This favorable development constituted the attainment of the June 1, 1983 Monetary Policy which has contributed to encouraging the mobilization of savings for financing the economy and supporting business activities, particularly those oriented toward non-oil/gas export.

To maintain high economic growth at a sustainable level, expansion of employment, and stable monetary conditions, on October 27, 1988 the Government announced a package of measures directed toward financial markets, monetary policy, and banking. This policy package, in conjunction with policies in other areas, is expected to promote the mobilization of funds from the public aimed at financing economic activities, promoting non-oil/gas exports, improving efficiency of financial institutions and the banking system, contributing favorable climate conducive to the development of capital markets, and facilitating effectiveness of monetary management.

The effectiveness in monetary management was promoted by improving open market operations and discount

facilities. The improvement in open market operations was achieved by promoting the trading of money market securities in the secondary market through the issuance of Bank Indonesia certificate (*Sertifikat Bank Indonesia* or SBI) with longer maturities. In addition to the existing SBIs with 7 day maturity, Bank Indonesia also issued SBIs of longer maturities, namely 30 days and 180 days. Furthermore, the expansion of the SBI secondary market was also promoted by designating several banks and nonbank financial institutions (NBFIs) as market makers and brokers. To support banks and NBFIs in managing their liquidity, Bank Indonesia improved the regulations on the discount facility. The maturity of Discount Facility I, designed to support daily bank liquidity, was shortened to 2 days from previously 15 days; it can be extended twice, by one day each. Furthermore, the maturity of Discount Facility II, available to support a temporary liquidity mismatch, was extended from 60 days to no longer than 90 days and can also be extended twice, each time by 30 days. As regards the premium on discount facilities, that of Discount Facility I was set according to interbank rates, whereas that of Discount Facility II was set on the basis of the interest rate on one year time deposit. In case of overdue obligations, a premium will be charged equivalent to the discount rate plus a certain percentage. Meanwhile, reserve requirements which had initially been set at 15% of current liabilities were reduced to 2%. Under the new regulation, time and savings deposits of all banks are now categorized as current liabilities. It should be noted that prior to the October 1988 package, the proportion of time and savings

deposits categorized as current liabilities was 2/3 for state banks, foreign banks, and State Development Bank (*Bank Pembangunan Indonesia* or Bapindo) and 1/3 for other banks.

To reach the objectives of the October 1988 policy package, the Government also implemented measures covering the institutional area. This was achieved by providing facilities to open offices of banks and NBFIs, permitting the establishment of new banks, encouraging banks to introduce various attractive savings schemes, easing the requirements for a bank to become a foreign exchange bank, and allowing the establishment of a joint-venture bank and a sub-branch office of a foreign bank. With regard to the establishment of joint-venture banks and the opening of foreign bank sub-branch offices, the Government stipulated that those banks extended a major portion of their credits to finance non-oil/gas exports. These efforts were designed to encourage the mobilization of funds from the public and to promote non-oil/gas exports.

With a view to creating a climate conducive to the development of sound banking, central and local public sector non-bank enterprises are now allowed to deposit funds with private banks and NBFIs and not only with state banks. In addition, Bank Indonesia fixed a legal lending limit to individual and group debtors, shareholders, and executive staff.

To further support the mobilization of long-term savings and to promote the role of the public in investment, the Government sought to develop the capital markets through the October and December 1988 policy packages. The promotion of capital

markets was to be implemented through the establishment of stock exchanges outside Jakarta, the creation of more active stocks trading at the Jakarta Bourse, and the opening of opportunities for the private sector to use the stock exchange. In addition, the Government also imposed a tax on interest earned from time, savings, and certificates of deposits so as to provide equal treatment between the money and capital markets.

To sustain monetary stability, the Government did not only improve the regulations on swap transactions but also stipulated a net open foreign exchange position for foreign exchange banks and NBFIs. The improvement was conducted by extending the maturity of swaps from 6 months to no longer than 3 years and the swap premium was set according to the differential between the prevailing domestic and foreign interest rates. This adjustment was designed to promote public confidence in the value of the rupiah. The improvement of public confidence in the rupiah, accompanied by less fluctuations in the foreign exchange market, is expected to create stabler monetary conditions. It should be noted that in order to influence banks to manage their foreign exchange operations soundly, the Government introduced a regulation on net open position for foreign exchange banks and NBFIs: the difference between foreign exchange assets and foreign exchange liabilities were limited to no more than 25% of a bank's or NBFI's equity.

B. Money Supply and Factors Affecting Its Change

In the reporting year, monetary developments were characterized by a rapid increase in money supply (M_1), which was

closely related to higher growth in economic activities. In addition, although a tax on interest earned on time deposits was imposed on November 14, 1988, quasi money still registered a significant increase.

At the end of 1988/89, domestic liquidity (M_2) reached Rp44,167 billion, an increase of 23.9% compared with 25.2% in the preceding year (Table 2.1). The increase in domestic liquidity was mainly attributable to the increase in M_1 of 18.9% and quasi money of 26.6% compared with previous year's increase of 9.8% and 35.6%, respectively (Table 2.2).

The acceleration in the increase in M_1 occurred mainly in demand deposits, namely from 15.9% to 25.1%, reaching Rp8,450 billion. At the end of 1988/89, the amount of currency reached Rp6,559 billion, having increased by 11.7% compared with 3.5% in the preceding year. Hence, at the end of 1988/89 the shares of currency and demand deposits stood at respectively 43.7% and 56.3% compared with 46.5% and 53.5% at the end of the previous year.

Taking into account the inflation rate, real money supply rose by 11.4% compared with 1.1% in the preceding year and real domestic liquidity rose by 16.0% compared with 15.2% in the preceding year (Table 2.3).

Regarding the factors affecting money supply, net foreign assets had a contractionary effect of Rp179 billion compared with an expansionary effect of Rp2,359 billion a year before. This contractionary effect was attributable to the large repayment of maturing foreign official debt.

The government sector recorded a contractionary effect of Rp120 billion compared with an expansionary effect of Rp95 billion in the preceding year. The contractionary effect was mainly attributable to the increase in tax revenues which was closely associated with the intensive and extensive efforts to collect taxes.

Claims on entities, enterprises, and individuals had an expansionary effect of Rp1,931 billion compared with Rp8,200 billion in the preceding year. The expansionary effect was mainly attributable to an increase in claims on private enterprises and individuals of Rp10,718 billion compared with Rp7,667 billion in the preceding year. The increase in claims stemmed mainly from the higher demand for borrowing from the private business sector especially to finance non-oil/gas exports and investments.

Quasi money rose by Rp6,124 billion compared with Rp6,043 billion in the previous year. The increase was mainly due to the improvement of income and the response of savers to higher interest rates on time deposits. It is noteworthy that most of the increase stemmed from rupiah time deposits.

Net other items had a contractionary effect of Rp3,125 billion compared with Rp3,485 billion in the preceding year.

C. Monetary Prospects for 1989/90

In 1989/90, Indonesia's economy is expected to perform favorably, due to the positive impact of the successful adjustment measures taken by the Government in the last few years. In addition, due to the intensification and extensification in tax

collection and the higher oil revenues stemming from an improvement in international oil price, the Government will be able to raise more funds to finance its routine and development expenditures. This in turn will help to encourage economic activities. Although world economic growth is expected to be lower than that in 1988/89, the measures taken by the Government to promote the competitiveness of non-oil/gas exports and the improvement in oil prices are expected to bring about a surplus in the overall balance of payments in 1989/90.

Based on the above developments, viewed from the factors affecting money supply, the external sector is expected to contribute to monetary expansion, the government sector is estimated to have a contractionary effect, and the credits are expected to be significantly expansionary. The expansionary effect of the external sector could be in line with the projected surplus

in the 1989/90 overall balance of payments. Meanwhile, the contractionary effect from the government sector is due to the significant amount of government revenues stemming from oil and tax receipts. The expansionary effect from credit expansion is closely associated with increasing bank credits required to support investment activities as well as to promote non-oil/gas exports, small-scale business, and other productive activities.

In view of these developments, M_1 and M_2 are estimated to grow at a higher rate in 1989/90 than in the reporting year. To maintain a low rate of inflation and a balanced external sector, a prudent monetary policy will continue to be adopted in 1989/90. A low rate of inflation is expected to facilitate the Government's efforts in managing the interest rates which are designed to induce the mobilization of funds and investment and to prevent capital outflows.

TABLE 2.1
DOMESTIC LIQUIDITY
(billions of rupiah)

End of period	Domestic Liquidity ¹⁾			Money supply ²⁾		Quasi money ³⁾	
	Total	Changes (%)		Outstanding	% of total	Outstanding	% of total
		Annual	Quarterly				
1978	3,809	21.7		2,488	65.3	1,321	34.7
1978/79	4,155	26.9		2,800	67.4	1,355	32.6
1979	5,222	37.1		3,385	64.8	1,837	35.2
1979/80	5,803	39.6		3,797	65.4	2,006	34.6
1980	7,691	47.3		4,995	64.9	2,696	35.1
1980/81	7,906	36.2		5,214	65.9	2,692	34.1
1981	9,716	26.3		6,486	66.8	3,230	33.2
1981/82	10,151	28.4		6,775	66.7	3,376	33.3
1982	11,075	14.0		7,121	64.3	3,954	35.7
1982/83	12,247	20.6		7,379	60.3	4,868 ⁴⁾	39.7
1983	14,663	32.4		7,569	51.6	7,094	48.4
1983/84	15,759	28.7		8,055	51.1	7,704	48.9
1984	17,937	22.3		8,581	47.8	9,356	52.2
1984/85	19,447	23.4		8,988	46.2	10,459	53.8
1985/86							
June	20,426		5.0	9,428	46.2	10,998	53.8
September	21,650		6.0	9,414	43.5	12,236	56.5
December	23,153	29.1	6.9	10,104	43.6	13,049	56.4
March	24,168	24.3	4.4	10,475	43.3	13,693	56.7
1986/87							
June	24,470		1.2	10,355	42.3	14,115	57.7
September	26,663		9.0	11,192	42.0	15,471 ⁵⁾	58.0
December	27,661	19.5	3.7	11,677	42.2	15,984	57.8
March	28,491	17.9	3.0	11,500	40.4	16,991	59.6
1987/88							
June	29,254		2.7	11,588	39.6	17,666	60.4
September	31,644		8.2	11,972	37.8	19,672	62.2
December	33,885	22.5	7.1	12,685	37.4	21,200	62.6
March	35,660	25.2	5.2	12,626	35.4	23,034	64.6
1988/89							
June	37,902		6.3	13,052	34.4	24,850	65.6
September	40,066		5.7	13,141	32.8	26,925	67.2
December	41,998	23.9	4.8	14,392	34.3	27,606	65.7
March	44,167	23.9	5.2	15,009	34.0	29,158	66.0

1) Domestic liquidity (M_2) consists of money and quasi money,

2) Money supply (M_1) consists of currency and demand deposits.

3) Quasi money consists of time and savings deposits in rupiah and foreign currency and demand deposits in foreign currency held by the

TABLE 2.2
MONEY SUPPLY
(billions of rupiah)

End of period	Money Supply			Currency		Demand Deposits	
	Total	Change (%)		Out-standing	%	Out-standing	%
		Annual	Quarterly				
1978	2,488	24.0		1,240	49.8	1,248	50.2
1978/79	2,800	32.6		1,369	48.9	1,431	51.1
1979	3,385	36.1		1,552	45.9	1,833	54.1
1979/80	3,797	35.6		1,774	46.7	2,023	53.3
1980	4,995	47.6		2,153	43.1	2,842	56.9
1980/81	5,214	37.3		2,229	42.8	2,985	57.2
1981	6,486	29.8		2,557	39.4	3,929	60.6
1981/82	6,775	29.9		2,542	37.5	4,233	62.5
1982	7,121	9.8		2,934	41.2	4,187	58.8
1982/83	7,379	8.9		3,001	40.7	4,378	59.3
1983	7,569	6.3	-1.9	3,333	44.0	4,236	56.0
1983/84	8,055	9.2	6.4	3,554	44.1	4,501	55.9
1984	8,581	13.4	7.8	3,712	43.3	4,869	56.7
1984/85	8,988	11.6	4.7	3,785	42.1	5,203	57.9
1985/86							
June	9,428		4.9	4,276	45.4	5,152	54.6
September	9,414		-0.2	4,268	45.3	5,146	54.7
December	10,104	17.7	7.3	4,440	43.9	5,664	56.1
March	10,475	16.5	3.7	5,044	48.1	5,431	51.9
1986/87							
June	10,355		-1.1	4,834	46.7	5,521	53.3
September	11,192		8.1	5,173	46.2	6,019	53.8
December	11,677	15.6	4.3	5,338	45.7	6,339	54.3
March	11,500	9.8	-1.5	5,673	49.3	5,827	50.7
1987/88							
June	11,588		0.8	5,624	48.5	5,964	51.5
September	11,972		3.3	5,605	46.8	6,367	53.2
December	12,685	6.6	5.9	5,782	45.6	6,903	54.4
March	12,626	9.8	-0.5	5,873	46.5	6,753	53.5
1988/89							
June	13,052		3.4	6,022	46.1	7,030	53.9
September	13,141		0.7	6,029	45.9	7,112	54.1
December	14,392	13.5	9.5	6,246	43.4	8,146	56.6
March	15,009	18.9	4.3	6,559	43.7	8,450	56.3

TABLE 2.3
TOTAL AND INDEX OF MONEY SUPPLY AND
DOMESTIC LIQUIDITY

End of period	Domestic liquidity (billions of Rp)	Money supply (billions of Rp)	Price index ¹⁾ (April 1977 - March 1978=100)	Domestic liquidity in real terms (billions of Rp)	Money supply in real terms (billions of Rp)	Index of real domestic liquidity (March 1979 =100)	Index of real money supply (March 1979 =100)
1978	3,809	2,488	115.36	3,302	2,157	96.78	93.82
1978/79	4,155	2,800	121.77	3,412	2,299	100.00	100.00
1979	5,222	3,385	143.07	3,650	2,366	106.98	102.91
1979/80	5,803	3,797	147.14	3,944	2,581	115.59	112.27
1980	7,691	4,995	167.55	4,590	2,981	134.53	121.67
1980/81	7,906	5,214	172.14	4,593	3,029	134.61	131.76
1981	9,716	6,486	179.82	5,403	3,607	158.35	156.90
1981/82	10,151	6,775	189.63	5,353	3,573	156.89	155.42
1982	11,075	7,121	197.85	5,598	3,599	164.07	156.55
1982/83	12,247 ²⁾	7,379	205.99	5,945	3,582	174.24	155.82
1983	14,663	7,569	221.53	6,619	3,417	193.99	148.63
1983/84	15,759	8,055	233.42	6,751	3,451	197.86	150.11
1984	17,937	8,581	241.63	7,423	3,551	217.56	154.46
1984/85	19,447	8,988	242.07	8,034	3,713	235.46	161.50
1985/86							
June	20,426	9,428	251.23	8,130	3,753	238.28	163.24
September	21,650	9,414	250.38	8,647	3,760	253.43	163.54
December	23,153	10,104	252.20	9,180	4,006	269.05	174.24
March	24,168	10,475	256.07	9,438	4,091	276.61	177.95
1986/87							
June	24,470	10,355	260.20	9,404	3,980	275.62	173.12
September	26,663 ³⁾	11,192	267.44	9,970	4,185	292.20	182.04
December	27,661	11,677	275.27	10,049	4,242	294.52	184.51
March	28,491	11,500	279.49	10,194	4,115	298.77	178.99
1987/88							
June	29,254	11,588	285.79	10,236	4,055	300.00	176.38
September	31,644	11,972	290.49	10,893	4,121	319.26	179.25
December	33,885	12,685	300.75	11,267	4,218	330.22	183.47
March	35,660	12,626	303.52	11,749	4,160	344.34	180.95
1988/89							
June	37,902	13,052	309.72	12,238	4,214	358.68	183.30
September	40,066	13,141	314.28	12,748	4,181	373.62	181.86
December	41,998	14,392	317.56	13,225	4,532	387.60	197.13
March	44,167	15,009	323.94	13,634	4,633	399.59	201.52

1) Based on the Consumer Price Index; prior to March 1979 the index was based on the Cost of Living Index for Jakarta.

2) Includes valuation adjustment of foreign currency deposits amounting to Rp620 billion.

3) Includes valuation adjustment of foreign currency deposits amounting to Rp1,447 billion.

TABLE 2.4
FACTORS AFFECTING MONEY SUPPLY
(billions of rupiah)

Items	1981/82	1982	1982/83 ²⁾	1983	1983/84	1984	1984/85	1985	1985/86	1986 ³⁾	1986/87 ³⁾	1987	1988				1989	
													I	II	III	IV	I	I
I. Net foreign assets	22	(1,128)	229	3,243	3,299	3,654	2,935	1,813	1,071	1,841	2,344	2,442	2,359	394	(730)	(920)	728	743 (179)
II. Central government	(164)	129	486	(1,506)	(2,335)	(3,359)	(3,004)	(278)	1,142	498	(1,475)	1,539	1,820	(276)	(196)	740	(39)	(625) (120)
III. Claims on entities, enterprises, and individuals	2,604	2,949	3,039	2,435	2,636	3,836	3,465	3,847	3,834	4,797	5,568	6,975	8,200	2,466	2,120	4,645	2,497	2,669 11,931
1. Claims on official entities and public enterprises	683	732	382	104	278	190	138	513	177	253	641	730	533	(254)	(297)	1,168	42	300 1,213
2. Claims on private enterprises and individuals	1,921	2,217	2,657	2,331	2,358	3,646	3,327	3,334	3,657	4,544	4,927	6,245	7,667	2,720	2,417	3,477	2,455	2,369 10,718
IV. Quasi money ¹⁾	(684)	(724)	(1,492)	(3,140)	(2,836)	(2,262)	(2,755)	(3,693)	(3,234)	(2,935)	(3,298)	(5,216)	(6,043)	(1,834)	(1,816)	(2,074)	(682)	(1,552) (6,124)
V. Net other items	(217)	(591)	(1,658)	(584)	888	(857)	(292)	(166)	(1,326)	(2,628)	(2,114)	(4,732)	(5,210)	(809)	1,048	(2,302)	(1,253)	(618) (3,125)
Money supply movement	1,561	635	604	448	676	1,012	933	1,523	1,487	1,573	1,025	1,008	1,126	(59)	426	89	1,251	617 2,383
– Currency	313	377	459	399	554	379	231	728	1,259	898	629	444	200	91	149	7	217	313 686
– Demand deposits	1,248	258	145	49	122	633	702	795	228	675	396	564	926	(150)	277	82	1,034	304 1,697

1) Consists of time and savings deposits in rupiah and foreign currency and demand deposits in foreign currency held by the domestic private sector.

2) Includes valuation adjustments of March 30, 1983 rupiah devaluation.

3) Includes valuation adjustments of rupiah devaluation on September 12, 1986 at the amount of Rp6,079 billion each at Net Foreign Assets (net : Rp1,866 billion at the Central Government; Rp1 billion at claims on official entities and public enterprises; Rp354 billion at claims on private enterprises and individuals; Rp1,447 billion quasi money; and Rp3,121 billion net other items).

4) The significant change was due to the reconciliation of the foreign loan unused by the Government amounting to Rp1,725 billion which initially recorded at the government sector, since 1987 was transferred to net other items account.

CHART 1
MONEY SUPPLY AND DOMESTIC LIQUIDITY
(billions of rupiah)

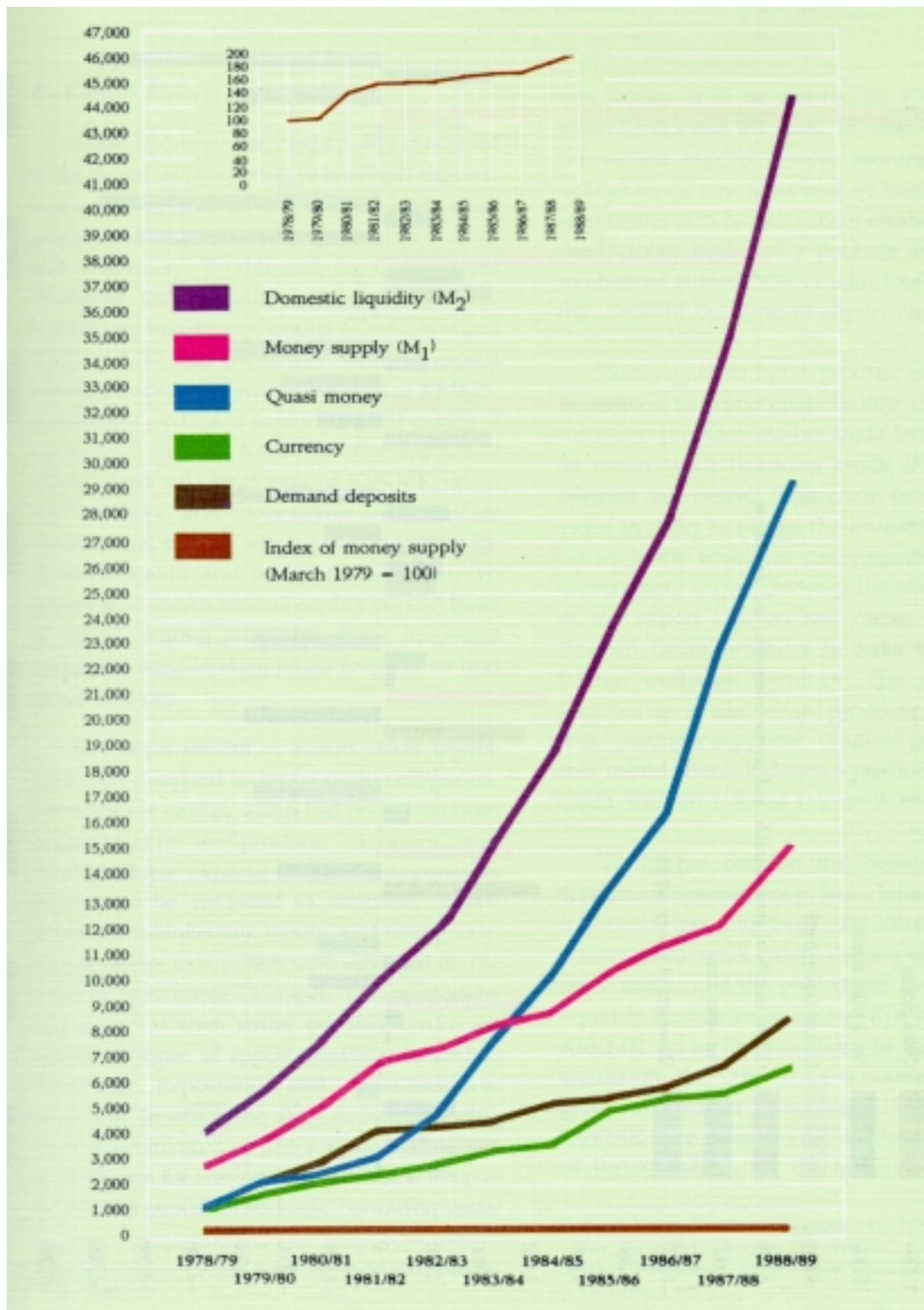
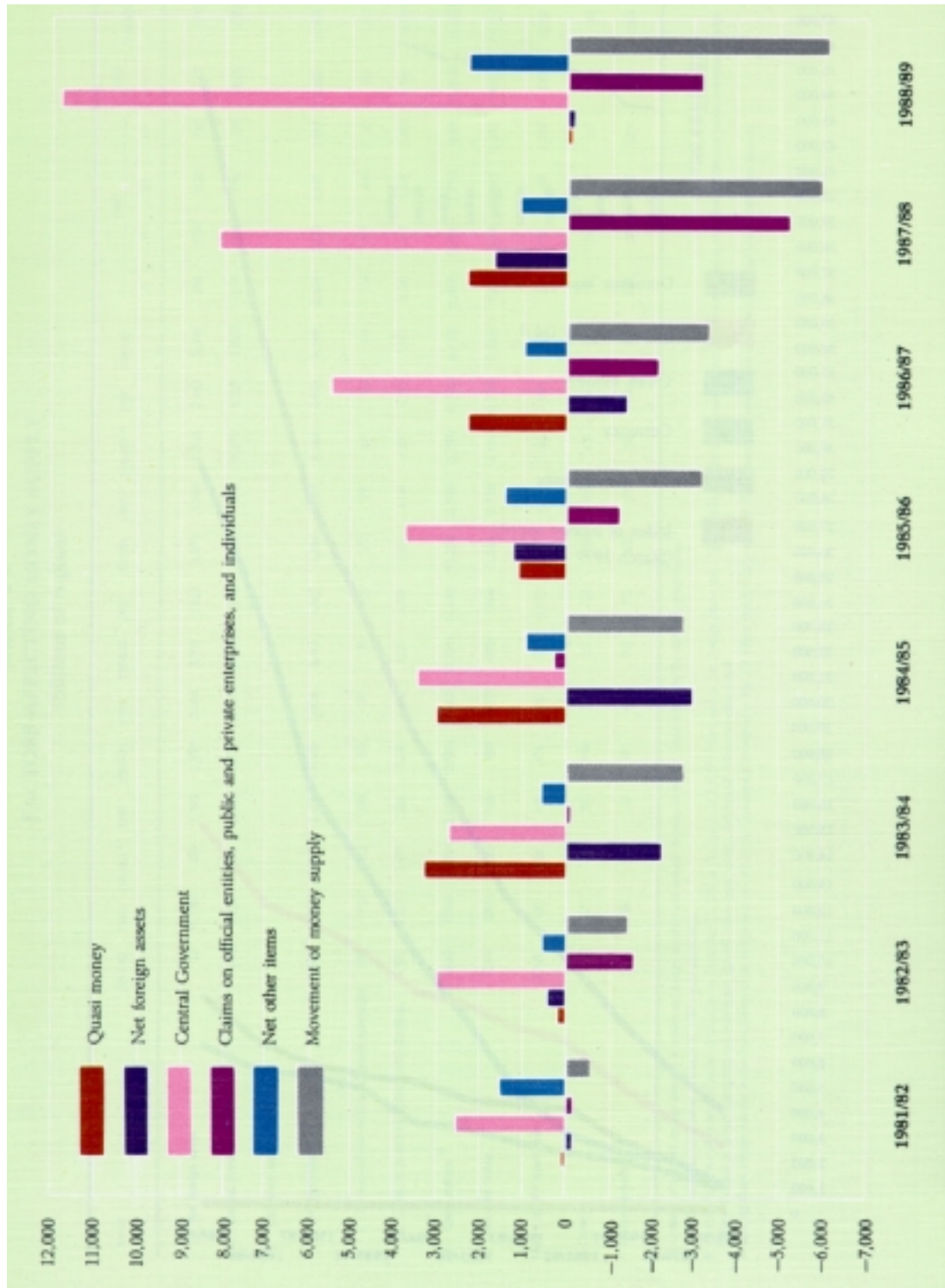


CHART 2
FACTORS AFFECTING MONEY SUPPLY
 (billions of rupiah)



III. BANK CREDIT

A. Credit Policy

In the reporting year, credit policy continued to be aimed at promoting non-oil/gas exports, business activities of the economically-weak groups and cooperatives, as well as labor intensive investment. To this end, the Government improved the regulations on export credits, small-scale investment credits (*Kredit Investasi Kecil* or KIK) and permanent working capital credits (*Kredit Modal Kerja Permanen* or KMKP), investment credit and working capital credits of up to Rp75 million (*Kredit Investasi* and *Kredit Modal Kerja s.d. Rp75 juta* or KI/KMK up to Rp75 million), and cooperatives credit to their members as well as stipulations regarding investment credit and equity participation. To assure that banks extend credits on the basis of sound lending principles, Bank Indonesia stipulated legal lending limits for debtors and group debtors.

The improvement in export credit regulations was designed to promote non-oil/gas exports. Export credits, which had previously been extended only to “producer exporters” and “non-producer exporters”, were subsequently allowed to be extended to suppliers of raw materials, intermediate inputs, and final goods. Export credits to suppliers were extended on the basis of Irrevocable Domestic L/C opened by exporters.¹⁾ Other terms on this credit are similar to those of export credits extended to “producer exporters” and “non-producer exporters” in which the

share of own financing is set at a minimum of 15% and the lending rate at 11.5% p.a. for non-primary goods and 9% p.a. for primary goods. In addition, borrowing under this facility is to be insured by PT Asuransi Ekspor Indonesia (PT Asei). In order to promote non-oil/gas exports, twelve months after the operation, all new joint-venture banks and foreign banks’ sub-branch offices established after the October 1988 policy package are required to channel at least 50% of their total outstanding credit in the form of export credits.²⁾

With regard to rattan product exportation, in addition to export credit facility, the Government also provides another credit facility known as rattan stock financing credit (*Kredit Pembiayaan Stok Rotan*). This credit facility is provided in order to ensure the availability of raw rattan stock which is consequential, as the Government moved forward the effective date of the export ban on raw rattan and semi-finished rattan products in order to increase foreign exchange earnings. The two credit facilities are available for “producer exporters” and “producer suppliers” of rattan products. In this regard, Bank Indonesia provides liquidity credit with an interest rate of 9.0% p.a.³⁾

To further develop the business of the economically-weak group, since June 1988 Bank Indonesia has improved the criteria of the economically-weak group, the amount of maximum credit and the procedures for obtaining liquidity credits for financing KIK/KMKP and

1) Bank Indonesia Circular Letter No. 21/3/UKU, October 19, 1988.

2) Bank Indonesia Circular Letters No. 21/6/BPPP and No. 21/7/BPPP, October 27, 1988

3) Bank Indonesia Circular Letter No. 21/4/UKU, October, 1988

KI/KMK up to Rp75 million. In the previous regulation, the criteria for economically-weak group eligible for obtaining KIK/KMKP and KI/KMK were based on the maximum net asset of Rp100 million for the manufacturing and construction sectors and Rp40 million for other sectors. In the new regulation, KIK/KMKP are available for entrepreneurs whose total assets do not exceed Rp300 million, while KI/KMK of up to Rp75 million are available for those with total assets at the maximum of Rp600 million.⁴⁾

In addition, debtors are allowed to utilize KIK and/or KMKP according to their need, with a maximum withdrawal of Rp30 million. Furthermore, those who are eligible for KI and/or KMK of up to Rp75 million are also allowed to withdraw according to the need, with a maximum amount of Rp150 million. Those KIK/KMKP debtors who are in need of additional borrowings beyond the maximum amount mentioned above, either for expanding their business or for some other reasons, are allowed to apply for KI of up to Rp75 million and/or KMK of up to Rp75 million of additional credits. The provision of liquidity credits which was previously based on the individual application was replaced by a “credit line system”.

In May 1988, the Government improved the terms on credits to cooperatives which are to be passed-on to their members. To qualify for these credits, members are required to have promising business prospects and experience in their business, in addition to being cooperative members. Cooperatives which are eligible for such credits are those that have obtained a license legalized by the Minister of Cooperatives, sound financial conditions, and executive staff being elected by cooperative members.⁵⁾

To further promote investment activities, the Government improved the regulations on investment credit and equity participation in the reporting year. With regard to investment credit, Bank Indonesia removed the maximum limit on investment credits and equity participation. Regarding investment credit, the previous regulation stipulated that private national commercial banks (*bank umum swasta nasional* or BUSNs) were allowed to extend investment credit at a maximum of 20% of their total lending and 10% of their equity for each borrower. For foreign banks, the maximum amount was set at 35% of their total lendings. Under the new regulation, those limitations have been removed. All commercial banks, including foreign banks, are required to take into account the regulation on legal lending limits in their lendings. Regarding equity participation, commercial and development banks categorized as sound are eligible for investing their capital in financial institutions. The amount of each equity participation should not be more than 15% of the respective financial institutions' equity and the total equity participation in the financial institutions should not be more than 25% of the bank's equity. A special license from Bank Indonesia is required in case the amount of equity participation is in excess of the above limits.⁶⁾ In addition, the period of equity participation which was previously limited to a maximum of years has been subsequently removed and left at each bank's discretion. It should be noted that a special license from Bank Indonesia is also required in case banks take a share in non-financial entities. As of the end of the reporting year, a general license to undertake equity participation in non-financial entities was granted to State Development Bank (*Bank Pembangunan Indonesia* or Bapindo).

4) Bank Indonesia Circular Letters No. 21/4/UKK and No. 21/5/UKK, June 14, 1988

5) Bank Indonesia Circular Letter No. 21/1/UKK, May 2, 1988

6) Bank Indonesia Circular Letter No. 21/9/UKU, March 25, 1989.

To assure that banks adhere to the principles of sound lending, the Government stipulated legal lending limits to individual debtors, group debtors, shareholders, and banks' executive staffs. The legal lending limits to debtors and group debtors were fixed respectively at 20% and 50% of the bank's own equity.⁷⁾ The maximum amount of credit that can be extended to individual shareholders or their business entities shall be no more than 10% of the value of shares they hold in the respective bank; for all shareholders and their business entities the limit is 25%. The maximum loan to a bank's commissioners or to their business entities should be no more than 5% and 15%, respectively of the banks' own capital. Loans to board members and to a bank's employees may be extended provided that those loans are used to facilitate their duties and are limited to their capacity to repay.⁸⁾

B. Credit Developments

In the reporting year, bank credits increased by 32.6% reaching Rp46,526 billion compared with an increase of 26% in 1987/88 (Table 3.1). The increase in bank credits occurred mainly in the manufacturing and trade sectors.

By group of banks, credits extended by deposit money banks (DMBs) rose by Rp11,325 billion or increased by 33.7% compared with 26.0% in the preceding year. Credits from state banks rose by Rp7,376 billion or 32.2%, from BUSNs by Rp3,231 billion or 39.4%, from foreign banks by Rp474 billion or 31.2%, and from regional development banks (*Bank Pembangunan*

Daerah or BPDs) by Rp244 billion or 24.6%. Direct credits from Bank Indonesia rose by Rp120 billion or 8.2% compared with 24.7% in the preceding year. The increase was due to the higher growth of credits to NBFIs (Table 3.4).

By economic sector, a major increase took place in the manufacturing sector, i.e., 31.5% reaching Rp15,683 billion. The increase in credits to the manufacturing sector was mainly extended to the timber industry and the processing of its products, to textile and leather, and to pulp and its products. Credits extended to the trade sector rose by 33.6% reaching Rp14,683 billion, which were used to finance exports, especially finished products, distribution, and retail trade. Credits to the mining and services sectors increased by 32.0% and 27.0%, reaching Rp388 billion and Rp7,590 billion, respectively. Credits to the agricultural sector increased rapidly (49.1%) reaching Rp4,311 billion which was mainly utilized to develop plantation and fishery sub-sectors. The share of credits extended to the agricultural and trade sectors accelerated respectively from 8.2% and 31.4% to 9.3% and 31.6% while that of the mining sector remained unchanged. The share of credits to the manufacturing sector declined slightly from 34.0% to 33.7%. The share of credits to the services sector declined slightly from 17.0% to 16.3%.

Classified by use of credits, working capital credits rose by 34.2% to Rp34,290 billion compared with 28.3% in 1987/88. Investment credits reached Rp12,236 billion or rose by 28.5% compared with 20.1% in the preceding year. In line with these developments, the shares of working capital in the sectors of trade, manufacturing, services, and agriculture were 40.8%,

7) Bank Indonesia Circular Letter No. 21/10/BPPP, October 27, 1988.

8) Bank Indonesia Circular Letter No. 21/11/BPPP, October 27, 1988.

31.6%, 14.5%, and 4.8%, respectively. The shares of investment credits to the sectors of manufacturing, agriculture, and services stood at 39.5%, 21.9%, and 21.5%, respectively. The shares of investment credits to the sectors of trade and mining were 5.7% and 2.6%, respectively (Table 3.2).

By scale of priority, during the reporting year, working capital and investment credits extended by DMBs to priority sectors increased by 41.0% to Rp11,564 billion compared with 31.5% in the preceding year. Working capital credits rose by 41.0% to Rp8,937 billion compared with 34.1% in 1987/88. This significant increase was mainly associated with a rapid expansion in export credits. Investment credits to priority sectors also increased, from 23.5% to 41.0% reaching Rp2,627 billion, mainly attributable to the rapid increase in credits to private plantation estates and investment credit of up to Rp75 million. Regarding non-priority sectors, working capital credits increased by 33.2% to Rp25,103 billion and investment credits increased by 26.0% to Rp8,276 billion. It should be noted that working capital and investment credits in the preceding year increased only by 26.6% and 18.1%, respectively.

At the end of the reporting year, outstanding credits under the KIK program stood at Rp439 billion, an increase of 40.7% compared with 0.3% in the preceding year. The value of approved applications increased by 14.7% to Rp1,484 billion with the number of customers increasing by 6.0% to 316 thousand. Regarding KMKP, the outstanding amount increased by 19.1% (to Rp1,127 billion) compared with 6.5% in 1987/88. The value of the approved applications rose by 16.7% reaching

Rp4,478 billion with the number of customers increasing by 4.8% reaching 2,391 thousand at the end of the reporting year. Outstanding general rural credits (*Kredit Umum Pedesaan* or Kupedes) rose by 31.4% to Rp607 billion compared with 20.6% in the preceding year.

In addition to the types of credits to high priority sectors extended by DMBs, there are also other high priority credits, such as house ownership credit (*Kredit Pemilikan Rumah* or KPR) extended by State Savings Bank (*Bank Tabungan Negara* or BTN) and credit to students (*Kredit Asrama Mahasiswa* or KAM). During the reporting year, KPR extended by BTN accelerated from 16.0% to 37.9% reaching Rp2,224 billion and the number of borrowers increased by 23.5% to 525 thousand. KAM, which had declined by 24.6% in the previous year, increased by 63.0% to Rp7.5 billion at the end of the reporting year.

Taking into account other types of priority credits, total priority credits reached Rp14,579 billion in the reporting year, an increase of 39.0% compared with 31.0% in the preceding year. It may be added that besides the credits extended by banks, there were also credits channelled through NBFIs and village unit cooperatives (*Koperasi Unit Desa* or KUD). At the end of the reporting year, outstanding credit extended by NBFIs reached Rp593 billion, having increased by 61.1% over the preceding year. These credits included KPR channelled through PT Papan Sejahtera to the middle-income group (13,195 customers) totalling Rp190 billion, whereas the small-scale credits (*Kredit Candak Kulak* or KCK) channelled through KUDs to the low-income group and petty traders reached Rp15 billion.

TABLE 3.1
BANK CREDITS IN RUPIAH AND FOREIGN CURRENCY
BY ECONOMIC SECTOR¹⁾
(billions of rupiah)

Specification	March 31					Jun. 30	Sep. 30	Dec. 31	Mar. 31
	1984	1985	1986	1987	1988	1988	1988	1988	1989
Credits in rupiah	15,070	18,735	22,134	27,349	33,962	36,923	39,844	42,256	44,615
– Agriculture	1,305	1,390	1,825	2,197	2,854	3,142	3,360	3,572	4,273
– Mining ²⁾	670	379	258	394	281	343	407	424	371
– Manufacturing ³⁾	5,060	6,520	7,504	9,355	11,374	11,969	13,015	13,994	14,632
– Trade ⁴⁾	4,915	6,168	7,127	8,400	10,821	11,705	13,139	13,682	14,374
– Services ⁵⁾	2,389	3,277	3,784	4,188	5,676	5,980	6,414	6,917	7,165
– Other	731	1,001	1,636	2,815	2,956	3,784	3,509	3,667	3,800
Credits in foreign currency	1,065	601	296	503	1,119	1,279	1,669	1,745	1,911
– Agriculture	--	--	--	--	37	39	37	38	38
– Mining	--	--	--	--	13	18	17	20	17
– Manufacturing	654	478	133	153	554	606	916	962	1,051
– Trade	382	37	33	104	176	252	248	206	313
– Services	29	84	129	215	302	322	403	465	425
– Others	--	2	1	31	37	42	48	54	67
Total	16,135	19,336	22,430	27,852	35,081	38,202	41,513	44,001	46,526
– Agriculture	1,305	1,390	1,825	2,197	2,891	3,181	3,397	3,610	4,311
– Mining	670	379	258	394	294	361	424	444	388
– Manufacturing	5,714	6,998	7,637	9,508	11,928	12,575	13,931	14,956	15,683
– Trade	5,297	6,205	7,160	8,504	10,997	11,957	13,387	13,888	14,687
– Services	2,418	3,361	3,913	4,403	5,978	6,302	6,817	7,382	7,590
– Others	731	1,003	1,637	2,846	2,993	3,826	3,557	3,721	3,867

1) Excludes interbank credits, credits to Government and to non-residents, special liquidity credits and foreign currency component of project aid.

2) Includes Bank Indonesia's direct credit to Pertamina for repayments of its external borrowings. Since the end of March 1979 foreign exchange credits to Pertamina have been changed to rupiah.

Since November 30, 1984, Bank Indonesia's direct credits to Pertamina have been transferred to state commercial banks.

3) Credits for the processing of agriculture products are included in the manufacturing sector in conformity with the International Standard Industrial Classification (ISIC) 1968.

4) Includes restaurants and hotels.

5) Includes electricity; gas and water supply; transportation, warehousing, and communication; and construction.

TABLE 3.2
BANK CREDITS
BY TYPE OF CREDIT AND ECONOMIC SECTOR¹⁾
(billions of rupiah)

Specification	March 31					Jun. 30	Sep. 30	Dec. 31	Mar. 31
	1984	1985	1986	1987	1988	1988	1988	1988	1989
Working capital	10,659	13,599	15,995	19,927	25,560	27,793	30,450	32,290	34,290
— Agriculture	651	654	777	848	1,097	1,226	1,269	1,352	1,632
— Mining	37	33	36	25	64	55	69	81	75
— Manufacturing	3,315	4,391	5,057	6,256	8,125	8,515	9,584	10,224	10,844
— Trade	4,974	5,897	6,779	8,081	10,528	11,438	12,779	13,267	13,990
— Services	1,390	2,247	2,517	2,881	3,840	4,019	4,333	4,697	4,959
— Others	292	377	829	1,836	1,906	2,720	2,416	2,669	2,790
Investment credits ²⁾	5,476	5,737	6,435	7,925	9,521	10,229	11,063	11,711	12,236
— Agriculture	654	736	1,048	1,349	1,794	1,955	2,128	2,258	2,679
— Mining	633	346	222	369	230	306	355	363	313
— Manufacturing	2,399	2,607	2,580	3,252	3,803	4,060	4,347	4,732	4,839
— Trade	323	308	381	423	469	519	608	621	697
— Services	1,028	1,114	1,396	1,522	2,138	2,283	2,484	2,685	2,631
— Others	439	626	808	1,010	1,087	1,106	1,141	1,052	1,077
Total bank credits	16,135	19,336	22,430	27,852	35,081	38,202	41,513	44,001	46,526
— Agriculture	1,305	1,390	1,825	2,197	2,891	3,181	3,397	3,610	4,311
— Mining ³⁾	670	379	258	394	294	361	424	444	388
— Manufacturing ⁴⁾	5,714	6,998	7,637	9,508	11,928	12,575	13,931	14,956	15,683
— Trade ⁵⁾	5,297	6,205	7,160	8,504	10,997	11,957	13,387	13,888	14,687
— Services ⁶⁾	2,418	3,361	3,913	4,403	5,978	6,302	6,817	7,382	7,590
— Others	731	1,003	1,637	2,846	2,993	3,826	3,557	3,721	3,867

1) Excludes interbank credits, credits to Government and to non-residents, special liquidity credits and foreign currency component of project aid.

2) Includes investment credits based on Bank Indonesia program, announced by the Board of Directors of Bank Indonesia through Announcement I/Dir/1969, March 7, 1969.

3) Includes Bank Indonesia's direct credits to Pertamina for repayments of its external borrowings. Since the end of March 1979 foreign exchange credits to Pertamina have been changed to rupiah.

Since November 30, 1984, Bank Indonesia's direct credits to Pertamina have been transferred to state commercial banks.

4) Credits for the processing of agricultural products are included in the manufacturing sector in conformity with the International Standard Industrial Classification (ISIC) 1968.

5) Includes credits for restaurants and hotels.

6) Includes electricity; gas and water supply; transportation, warehousing, and communication; and construction.

TABLE 3.3
VARIOUS CREDITS TO THE ECONOMICALLY-WEAK GROUP ¹⁾
(billions of rupiah and thousands of customers)

Items	March 31					Jun. 30,	Sep. 30,	Dec. 31,	Mar. 31,
	1984	1985	1986	1987	1988	1988	1988	1988	1989
1. Small Scale Investment Credit (KIK)									
- Number of application approved (customers)	241	256	272	290	298 ^f	303	306	311	316
- Value of application approved	847	946	1,054	1,176	1,294 ^f	1,334	1,384	1,429	1,484
- Outstanding credits	387	356	326	311	312 ^f	346	364	394	439
2. Permanent Working Capital Credits (KMKP)									
- Number of application approved (customers)	1,685	1,871	2,053	2,216	2,281 ^f	2,314	2,329	2,290	2,391
- Value of application approved	2,007	2,448	2,869	3,438	3,837 ^f	3,981	4,138	4,229	4,478
- Outstanding credits	867	931	889	879	946 ^f	942	955	1,025	1,127
3. KIK/KMKP (1 + 2)									
- Number of application approved (customers)	1,926	2,127	2,325	2,506	2,579 ^f	2,617	2,635	2,601	2,707
- Value of application approved	2,854	3,394	3,923	4,614	5,131 ^f	5,315	5,522	5,658	5,962
- Outstanding credits	1,254	1,287	1,215	1,190	1,258 ^f	1,288	1,319	1,419	1,566
4. Kupedes ²⁾	99	166	273	383	462	494	504	539	607
- Investment	10	12	12	15	16	19	20	24	31
- Working capital	89	154	261	368	446	475	483	515	576
5. Working Capital Credits under Keppres No. 29/1984	--	36	67	46	54	48	82	102	94
6. Credits with maximum of Rp75 million	9	79	185	324	525	541	613	721	997
- Investment	9	40	78	143	208	238	258	284	372
- Working capital	--	39	107	181	317	303	355	437	625
7. Credits for Teachers (KPG) ³⁾	51	58	112	283	306	301	302	308	317
8. Credits for Indonesian Students (KMI)	13	26	35	45	52	53	54	56	57
9. Credits for Cooperatives	278	271	300	275	340	311	318	366	405
- Investment	74	78	76	71	74	39	46	52	54
- Working capital	204	193	224	204	266	272	272	314	351
10. Bimas ⁴⁾	176	161	145	137	134	134	133	133	133
11. Inpres Pasar	97	82	94	96	92	86	91	91	91
12. Pension Credits	26	28	35	45	50	57	60	59	62
13. Viability Credits up to Rp75 million	64	67	89	100	100	4	3	1	--
14. Keppres No.14A/1980 credits	65	70	69	63	63				
15. House Ownership Credits (KPR)									
State Savings Bank (BTN)									
- Customers	196	241	333	363	425	442	464	498	525
- Outstanding credits	578	803	1,196	1,391	1,613	1,752	1,901	2,053	2,224
16. Credits for Student Dormitories	--	0.5	4.8	6.1	4.6	5.5	5.2	6.6	7.5
17. Perusahaan Inti Rakyat (PIR) Plasma	64	99	132	210	339	399	402	624	445
18. Rejuvenation, rehabilitation, and extension of export plantation (PRPTE)	129	139	148	158	326	324	335	338	338
19. House Ownership Credits (KPR)									
PT Papan Sejahtera									
- Customers	1.46	2.33	2.84	4.67	9.05	10.10	11.10	12.38	13.20
- Outstanding credits	19	33	41	68	132	145	161	180	190
20. Kredit Candak Kulak									
- Customers	12,956	14,045	15,271	16,171	16,503	16,570	16,602	16,780	16,795
- Outstanding credits	10	12	12	14	14	14	15	15	15
Total	2,932	3,418	4,153	4,834	5,865^f	5,957	6,298	7,011	7,549

1) Includes credits extended by non-bank institutions.

2) Prior to January 1984 known as Mini and Midi Credits. Now includes unpaid Kupedes, Mini, and Midi credits.

3) Provided for motor-cycle ownership.

4) Includes credits for farm's enterprises (KUT).

TABLE 3.4
BANK CREDITS IN RUPIAH AND FOREIGN CURRENCY
BY PRIORITY AND NON-PRIORITY
(billions of rupiah)

Specification	March 31					Jun. 30,	Sep. 30,	Dec. 31,	Mar. 31,
	1984	1985	1986	1987	1988	1988	1988	1988	1989
1. State banks ¹⁾	10,283	13,522	15,240	18,902	22,894	24,993	27,072	28,631	30,270
1.1. Priority	2,991	4,780	5,295	5,522	6,941	7,637	8,037	8,573	9,485
– Working capital	2,131	3,891	4,285	4,291	5,426	5,987	6,376	6,771	7,386
– Investment	860	889	1,010	1,231	1,515	1,650	1,661	1,802	2,099
1.2. Non-priority	7,292	8,742	9,945	13,380	15,953	17,356	19,035	20,058	20,785
– Working capital	4,330	5,135	5,708	8,067	9,689	10,653	11,808	12,181	12,992
– Investment	2,962	3,607	4,237	5,313	6,264	6,703	7,227	7,877	7,793
2. Private national commercial banks	2,151	3,269	4,487	5,772	8,210	9,119	10,070	10,714	11,441
2.1. Priority	116	160	275	394	813	1,004	1,151	1,282	1,405
– Working capital	56	97	189	252	626	780	902	1,024	1,092
– Investment	60	63	86	142	187	224	249	258	313
2.2. Non-priority	2,035	3,109	4,212	5,378	7,397	8,115	8,919	9,432	10,036
– Working capital	1,961	3,020	4,117	5,252	7,223	7,906	8,672	9,149	9,698
– Investment	74	89	95	126	174	209	247	283	338
3. Regional development banks	432	545	633	786	994	1,055	1,131	1,196	1,238
3.1. Priority	144	159	202	252	319	337	373	412	444
– Working capital	65	77	106	116	158	166	192	215	229
– Investment	79	82	96	136	161	171	181	197	215
3.2. Non-priority	288	386	431	534	675	718	758	784	794
– Working capital	244	326	353	436	561	598	633	652	656
– Investment	44	60	78	98	114	120	125	132	138
4. Foreign banks	977	1,062	1,072	1,219	1,520	1,525	1,650	1,913	1,994
4.1. Priority	--	--	19	70	130	131	147	191	230
– Working capital	--	--	19	70	130	131	147	191	230
– Investment	--	--	--	--	--	--	--	--	--
4.2. Non-priority	977	1,062	1,053	1,149	1,390	1,394	1,503	1,722	1,764
– Working capital	974	1,050	1,045	1,127	1,375	1,382	1,494	1,714	1,757
– Investment	3	12	8	22	15	12	9	8	7
5. Total (1 through 4)	13,843	18,398	21,432	26,679	33,618	36,692	39,923	42,454	44,943
5.1. Priority	3,251	5,099	5,791	6,238	8,203	9,109	9,708	10,458	11,564
– Working capital	2,252	4,065	4,599	4,729	6,340	7,064	7,617	8,201	8,937
– Investment	999	1,034	1,192	1,509	1,863	2,045	2,091	2,257	2,627
5.2. Non-priority	10,592	13,299	15,641	20,441	25,415	27,583	30,215	31,996	33,379
– Working capital	7,509	9,531	11,223	14,882	18,848	20,539	22,607	23,696	25,103
– Investment	3,083	3,768	4,418	5,559	6,567	7,044	7,608	8,300	8,276

1) Excludes BTN. Bank Indonesia's direct credits to Bulog and Pertamina since April and November 1984 have been transferred to state commercial banks.

IV. MOBILIZATION OF FUNDS

A. Policy on Mobilization of Funds

The policy on mobilization of funds continued to be aimed at maximizing private savings in response to the increasing need for funds to finance development activities. This policy became more important in view of the limited availability of Government's funds for financing development. The efforts to mobilize funds from the public were carried out by encouraging financial institutions to expand their operational network as well as to broaden the range of deposit instruments. In addition, the Government continued to improve various regulations concerning the capital markets to promote the mobilization of long-term funds.

Efforts to expand the operational network of financial institutions were made by providing more opportunities to establish new banks as well as easing the requirements to open bank and non-bank financial institution (NBFI) offices and to carry out the operations of mobile cash units and banking automation programs. In addition, to mobilize funds in the rural areas, the Government continued to encourage banks to expand their operations to those areas by improving the stipulations on the establishment of rural credit banks (*Bank Perkreditan Rakyat* or BPR).

To promote fund mobilization through the broadening and modification of deposit instruments, banks have been allowed to introduce a variety of rupiah savings schemes. In addition, foreign banks are allowed to introduce rupiah savings scheme which were previously prohibited.¹⁾ Furthermore,

certificates of deposits (CDs) which could only be issued by banks are now allowed to be issued by NBFIs.²⁾ These CDs can only be issued in rupiah with a minimum nominal value of Rp 1 million and maturities of between 3:0 days and 24 months.

To promote the capability of banks in managing the funds mobilized, the Government improved the regulation on money market transactions in the reporting year. The access to interbank money market funds which was previously limited to 15% of all mobilized funds has been removed since the October 1988 policy package.³⁾ Furthermore, the Government continued to streamline and to promote the trading of commercial papers in the money market through the expansion of the secondary market. This was conducted through the issuance of SBIs with longer maturities⁴⁾ and through the designation of 15 market makers and 2 brokers in the SBIs' secondary market trading.

To promote investment activities and the involvement of the general public in productive investment, the Government continued to encourage the development of the capital market. In this regard, the Government introduced the December 20, 1988 policy package which covered the opening of stock exchange bourses outside Jakarta, the establishment of a private stock exchange bourse, the promotion of stock trading at the Jakarta Bourse, and the development of financing institutions.⁵⁾

1) Bank Indonesia Circular Letter No. 21/28/UPG, October 27, 1988.

2) Bank Indonesia Circular Letter No. 21/27/UPG, October 27, 1988.

3) Bank Indonesia Circular Letter No. 21/32/UPG, October 27, 1988.

4) Bank Indonesia Circular Letters No. 21/30/UPG and No. 21/31/UPG, October 27, 1988.

5) Minister of Finance Decrees No. 1251/KMK.013/1988, No. 1252/KMK.013/1988, and No. 1253/KIAK.013/1988, December 20, 1988.

Stock exchange bourses can be established outside Jakarta depending on the local economic conditions and the number of stock exchanges in each city shall be determined by the Minister of Finance. The private sector is now allowed to establish a stock exchange on the conditions that it is established within the legal form of a limited liability company and that the paid-up capital shall be no less than Rp0.5 billion with all shares owned by Indonesian citizens or a corporate body entirely owned by nationals. Issuers whose shares were already listed at the Jakarta Bourse were allowed to list other shares from their paid-up capital to be traded at the Jakarta Bourse. Furthermore, issuers whose shares were listed at a bourse outside Jakarta were allowed to list their shares at the Jakarta Bourse. With a view to promoting the development of financing institutions conducive to the development of the capital market, the Government encouraged the establishment of new financing institutions, namely factoring companies, venture capital, securities trading, and consumer financing. To operate these new institutions, foreign investors are allowed to establish joint ventures with a maximum share of 85% of the paid-up capital.

B. Banks' Funds Developments

In the reporting year, funds mobilized through the banking system, comprising demand, time, and savings deposits, rose by 27.6% to Rp39,503 billion (Table 4.1). In line with the relatively rapid growth in time deposits, their share in total bank deposits increased from 66.7% to 67.0%. The share of savings deposits increased from 5.9% to 6.3%, whereas that of demand deposits decreased from 27.4% to 26.7%.

1. Demand deposits

Total demand deposits, comprising rupiah and foreign currency deposits, rose by 24.3% to Rp10,543 billion during the reporting year. Rupiah deposits rose by 26.6%, whereas those of foreign currency increased by 11.6%. The increase in rupiah demand deposits reflected the higher utilization of banking services which was closely associated with a pick-up in business activities.

1.1. Rupiah demand deposits

During the reporting year, rupiah demand deposits mobilized by banks increased by 26.6% (to Rp9,101 billion) compared with 16.7% in the preceding year. The increase took place in all groups of banks, namely in state banks by 27.2%, private national banks by 29.1%, regional development banks (*Bank Pembangunan Daerah* or BPDs) by 27.8%, and foreign banks by 3.6%. In reflection of these diverse movements, at the end of the reporting year the shares of demand deposits with state banks, BPDs, and private national banks increased from 61.5%, 8.8%, and 25.1% to 61.7%, 8.9%, and 25.6%, respectively, while those of foreign banks declined from 4.6% to 3.8%.

1.2. Foreign currency demand deposits

During the reporting year, foreign currency demand deposits increased by 11.6% to Rp1,442 billion. The increase took place in all groups of banks, namely at state banks by 14.7%, at private national banks by 51.2%, and at foreign banks by 0.02%. In reflection of this development, at the end of March 1989, the share of foreign currency

demand deposits mobilized by state banks and private national banks increased from 54.6% and 7.0% to 56.1% and 9.5%, respectively. Foreign currency demand deposits at foreign banks, however, declined from 38.4% to 34.4%.

2. Time deposits

During the reporting year, the outstanding amount of time deposits rose by 28.2% reaching Rp26,475 billion. This increase occurred in both rupiah and foreign currency time deposits.

2.1. Rupiah time deposits

The amount of rupiah time deposits mobilized by banks during the reporting year increased by 26.0% to Rp20,984 billion. The increase occurred at all banks, namely state banks by 24.1% to Rp12,494 billion, private national banks by 31.1% to Rp7,399 billion, BPDs by 21.2% to Rp276 billion, and foreign banks by 13.8% to Rp815 billion (Table 4.2).

By maturity, the largest increases were recorded for 3-month, 6-month, and 24-month time deposits which rose by 45.0%, 45.8%, and 67.2%, respectively. Meanwhile, 12-month time deposits rose only by 18.4%, while those of 1-month declined by 4.6%. Viewed in terms of share, 3-month, 6-month, 12-month, and 24-month time deposits increased from 19.6%, 12.4%, 36.7%, and 7.4% to 22.5%, 14.4%, 34.4%, and 9.9%, respectively. One-month time deposits declined from 22.5% to 17.1% (Table 4.3).

During the reporting year, interest rates on time deposits increased compared with the preceding year. The average weighted

interest rate on time deposits increased from 17.4% to 18.2% in 1988/89. Interest rates on deposits with state banks increased from a range of 15.5% - 19.0% to 15.5% - 19.5%, those with private national banks increased from the 16.0% - 20.0% range to 17.0% - 22.5%, and those with foreign banks from the 15.0% - 17.5% range to 15.0% - 21.0% (Table 4.4).

2.2. Foreign currency time deposits

During the reporting year, foreign currency time deposits rose by 37.3% to Rp5,491 billion, after an increase of 15.4% in the preceding year. This increase was observed for all groups of banks, namely at state banks by 42.7%, at private national banks by 44.7%, and at foreign banks by 15.0%. In terms of maturity, 1-month, 3-month, 6-month, and 12-month time deposits increased by 10.0%, 70.7%, 95.5%, and 41.4%, respectively. The share of 1-month time deposits remained the largest, namely 43.4% of total foreign currency time deposits.

3. Savings deposit

During the reporting year, all types of savings deposits, comprising savings under the National Development Savings Scheme (*Tabungan Pembangunan Nasional* or *Tabanas*), the Time Insurance Savings Scheme (*Tabungan Asuransi Berjangka* or *Taska*), the Haj Pilgrimage Expenses Savings Scheme (*Tabungan Ongkos Naik Haji* or *ONH*), the rural savings scheme (*Simpanan Pedesaan* or *Simpedes*), and other types of savings, registered favorable increases. This was reflected in the increases in the amount outstanding and in the number of accounts of 35.4% and 10.9% to Rp2,485 billion and 22,666 thousand

TABLE 4.1
BANKING FUND¹⁾
(billions of rupiah)

End of period	Demand deposits			Time deposits			Savings deposits			Total
	Rupiah	Foreign currency	Sub- total	Rupiah ²⁾	Foreign currency	Sub- total	Tabanas & Taska	Others	Sub- total	
1978	1,318	218	1,536	931	356	1,287	192	9	201	3,024
1979	1,997	563	2,560	991	467	1,458	213	13	226	4,244
1980	3,356	1,090	4,446	1,279	372	1,651	292	22	314	6,411
1981	4,412	968	5,380	1,754	456	2,210	385	35	420	8,010
1982	4,295	1,101	5,396	2,198	784	2,982	446	44	490	8,868
1983	4,365	1,666	6,031	4,441	1,341	5,782	532	52	584	12,397
1984	5,279	1,686	6,965	6,022	1,757	7,779	670	84	754	15,498
1985 :										
March	5,601	1,587	7,188	6,545	2,181	8,726	700	74	774	16,688
June	5,779	865	6,644	7,373	2,601	9,974	726	121	847	17,465
September	5,908	872	6,780	8,436	2,594	11,030	794	72	866	18,676
December	6,456	971	7,427	8,888	2,839	11,727	936	84	1,020	20,174
1986 :										
March	6,086	955	7,041	9,089	3,501	12,590	1,059	153	1,212	20,843
June	6,010	939	6,949	9,886	2,774	12,660	1,045	200	1,245	20,854
September	6,478	1,428	7,906	10,779	3,668	14,447	1,075	142	1,217	23,570
December	6,753	1,404	8,157	10,525	3,442	13,967	1,218	169	1,387	23,511
1987 :										
March	6,162	1,400	7,562	11,448	3,464	14,912	1,286	300	1,586	24,060
June	6,469	1,631	8,100	11,798	3,645	15,443	1,213	353	1,566	25,109
September	6,911	1,302	8,213	14,491	3,414	17,905	1,176	243	1,419	27,537
December	7,441	1,355	8,796	15,366	3,541	18,907	1,332	296	1,628	29,331
1988 :										
January	7,411	1,323	8,734	15,955	3,708	19,663	1,365	322	1,687	30,084
February	7,445	1,303	8,748	16,290	3,835	20,125	1,378	375	1,753	30,626
March	7,189	1,292	8,481	16,656	3,998	20,654	1,402	433	1,835	30,970
April	7,104	1,317	8,421	17,075	4,107	21,182	1,404	458	1,862	31,465
May	7,327	1,449	8,776	17,498	4,126	21,624	1,398	432	1,830	32,230
June	7,855	1,347	9,202	18,166	4,385	22,551	1,388	400	1,788	33,541
July	7,695	1,183	8,878	18,684	4,532	23,216	1,375	389	1,764	33,858
August	7,542	1,305	8,847	19,375	4,531	23,906	1,388	416	1,804	34,557
September	7,949	1,274	9,223	19,907	4,696	24,603	1,415	445	1,860	35,686
October	8,026	1,439	9,465	20,329	5,207	25,536	1,415	501	1,916	36,917
November	8,066	1,412	9,478	19,927	5,504	25,431	1,457	557	2,014	36,923
December	8,920	1,430	10,350	19,732	5,254	24,986	1,569	605	2,174	37,510
1989 :										
January	8,101	1,349	9,450	19,591	5,562	25,153	1,635	630	2,265	36,868
February	8,285	1,338	9,623	20,200	5,501	25,701	1,639	739	2,378	37,702
March	9,101	1,442	10,543	20,984	5,491	26,475	1,646	839	2,485	39,503

Includes funds owned by the Central Government and by non-residents.
Includes certificates of deposits.

TABLE 4.2
TIME DEPOSITS IN RUPIAH AND FOREIGN CURRENCY BY GROUP OF BANKS ¹⁾
(billions of rupiah)

End of period	State banks ²⁾			Private national banks ³⁾			Regional development banks			Foreign banks			Total		
	Rupiah	Foreign currency	Sub-total	Rupiah	Foreign currency	Sub-total	Rupiah	Foreign currency	Sub-total	Rupiah	Foreign currency	Sub-total	Rupiah	Foreign currency	Sub-total
1978	765	270	1,035	87	24	111	6	--	6	73	62	135	931	356	1,287
1979	775	312	1,087	123	23	146	7	--	7	86	132	218	991	467	1,458
1980	903	294	1,197	209	12	221	10	--	10	157	66	223	1,279	372	1,651
1981	1,093	307	1,400	382	16	398	19	--	19	260	133	393	1,754	456	2,210
1982	1,231	488	1,719	572	65	637	35	--	35	360	231	591	2,198	784	2,982
1983	2,831	801	3,632	1,078	158	1,236	56	--	56	476	382	858	4,441	1,341	5,782
1984	3,497	908	4,405	1,750	331	2,081	79	--	79	696	518	1,214	6,022	1,757	7,779
1985 :															
March	3,925	1,133	5,058	1,805	435	2,240	82	--	82	733	613	1,346	6,545	2,181	8,726
June	4,346	1,612	5,958	2,192	412	2,603	87	--	87	749	577	1,326	7,373	2,601	9,974
September	4,980	1,661	6,641	2,595	374	2,969	103	--	103	758	559	1,317	8,436	2,594	11,030
December	5,337	1,814	7,151	2,755	437	3,192	120	--	120	676	588	1,264	8,888	2,839	11,727
1986 :															
March	5,569	2,040	7,609	2,741	639	3,380	131	--	131	648	822	1,470	9,089	3,501	12,590
June	5,919	1,482	7,401	3,055	564	3,619	143	--	143	769	728	1,497	9,886	2,774	12,660
September	6,416	1,928	8,344	3,387	735	4,121	160	--	160	816	1,006	1,822	10,779	3,668	14,447
December	6,729	2,012	8,741	3,131	624	3,755	165	--	165	500	806	1,306	10,525	3,442	13,967
1987 :															
March	7,207	2,042	9,249	3,462	604	4,066	178	--	178	600	819	1,419	11,448	3,464	14,912
June	7,165	2,091	9,256	3,786	732	4,518	180	--	180	667	822	1,489	11,798	3,645	15,443
September	8,668	2,064	10,732	4,291	638	5,559	201	--	201	701	712	1,413	14,491	3,414	17,905
December	9,283	2,044	11,327	5,212	739	5,951	206	--	206	665	759	1,424	15,366	3,541	18,907
1988 :															
January	9,712	2,130	11,842	5,314	790	6,104	212	--	212	717	788	1,505	15,955	3,708	19,663
February	9,827	2,119	11,946	5,523	889	6,412	220	--	220	720	827	1,547	16,290	3,835	20,125
March	10,070	2,143	12,213	5,642	1,007	6,649	228	--	228	716	848	1,564	16,656	3,998	20,654
April	10,338	2,191	12,529	5,794	1,054	6,848	234	--	234	709	862	1,571	17,075	4,107	21,182
May	10,441	2,204	12,645	6,058	1,099	7,157	234	--	234	765	823	1,588	17,498	4,126	21,624
June	10,832	2,293	13,125	6,363	1,191	7,554	240	--	240	731	901	1,632	18,166	4,385	22,551
July	11,030	2,264	13,294	6,663	1,198	7,861	245	--	245	746	1,070	1,816	18,684	4,532	23,216
August	11,523	2,311	13,834	6,849	1,233	8,082	251	--	251	752	988	1,740	19,375	4,532	23,907
September	11,847	2,398	14,245	7,082	1,311	8,393	255	--	255	723	987	1,710	19,907	4,696	24,603
October	12,331	2,654	14,985	7,010	1,525	8,535	257	--	257	731	1,028	1,759	20,329	5,207	25,536
November	12,156	3,113	15,269	6,754	1,416	8,170	261	--	261	756	975	1,731	19,927	5,504	25,431
December	11,835	2,766	14,601	6,870	1,526	8,396	261	--	261	766	962	1,728	19,732	5,254	24,986
1989 :															
January	11,878	3,217	15,095	6,639	1,404	8,043	267	--	267	817	941	1,758	19,601	5,562	25,163
February	11,964	3,077	15,041	7,158	1,412	8,570	271	--	271	807	1,012	1,819	20,200	5,501	25,701
March	12,494	3,059	15,553	7,399	1,457	8,856	276	--	276	815	975	1,790	20,984	5,491	26,475

1) Includes certificates of deposits.
2) Includes Bapindo and State Savings Bank (BTN).
3) Includes private development banks and private savings banks.

TABLE 4.3
TIME DEPOSITS IN RUPIAH AND FOREIGN CURRENCY BY MATURITY
(billions of rupiah)

End of period	24 months			12 months			6 months			3 months			1 month ¹⁾			Others			Total		
	Rp	FC	Total	Rp	FC	Total	Rp	FC	Total	Rp	FC	Total	Rp	FC	Total	Rp	FC	Total	Rp	FC	Total
1978	612	--	612	97	14	111	104	255	359	42	38	80	73	49	122	3	--	3	931	356	1,287
1979	612	--	612	99	28	127	126	346	472	32	42	74	103	50	153	19	1	20	991	467	1,458
1980	679	--	679	128	13	141	183	293	476	100	36	136	168	28	196	21	2	23	1,279	372	1,651
1981	834	--	834	231	14	245	237	300	537	161	31	192	252	109	361	39	2	41	1,754	456	2,210
1982	966	1	967	322	21	343	275	420	695	195	58	253	358	282	640	82	2	84	2,198	784	1,982
1983	683	1	684	1,265	51	1,316	843	698	1,541	605	145	750	934	445	1,379	111	1	112	4,441	1,341	5,782
1984	396	--	396	2,352	110	2,462	1,132	538	1,670	877	317	1,194	1,062	789	1,851	203	3	206	6,022	1,757	7,779
1985																					
March	379	--	379	2,778	138	2,916	1,171	560	1,731	955	461	1,416	1,101	1,022	2,123	161	--	161	6,545	2,181	8,726
June	398	--	398	3,328	173	3,501	1,246	648	1,894	1,041	593	1,634	1,177	1,185	2,362	183	2	185	7,373	2,601	9,974
September	442	--	442	3,689	188	3,877	1,461	369	1,830	1,357	498	1,855	1,312	1,538	2,850	175	1	176	8,436	2,594	11,030
December	536	--	536	4,327	223	4,550	1,504	320	1,824	1,403	521	1,924	1,329	1,774	3,103	189	1	190	8,888	2,839	11,727
1986																					
March	631	--	631	4,319	285	4,604	1,579	408	1,987	1,340	689	2,029	1,094	2,119	3,213	126	--	126	9,089	3,501	12,590
June	642	--	642	4,759	333	5,092	1,672	367	2,039	1,365	593	1,958	1,258	1,480	2,738	191	--	192	9,887	2,774	12,661
September	651	--	651	5,163	309	5,472	1,776	350	2,126	1,663	638	2,301	1,369	2,569	3,738	157	2	159	10,779	3,668	14,447
December	671	--	671	5,227	468	5,695	1,767	431	2,198	1,448	725	2,173	1,280	1,817	3,097	132	1	133	10,525	3,442	13,967
1987																					
March	640	--	640	5,786	407	6,193	1,583	425	2,008	1,767	782	2,549	1,459	1,849	3,308	213	1	214	11,448	3,464	14,912
June	898	2	900	5,576	457	6,033	1,625	476	2,101	1,657	774	2,431	1,820	1,917	3,737	222	19	241	11,798	3,645	15,443
September	719	1	720	5,384	471	5,855	1,266	330	1,596	3,727	744	4,471	3,170	1,850	5,020	225	18	243	14,491	3,414	17,905
December	909	1	910	6,061	479	6,540	1,543	416	1,959	3,331	691	4,022	3,314	1,931	5,245	208	23	231	15,366	3,541	18,907
1988																					
January	1,094	3	1,097	6,138	487	6,625	1,684	440	2,124	3,392	735	4,127	3,433	2,017	5,450	214	26	240	15,955	3,708	19,663
February	1,144	1	1,145	6,176	489	6,665	1,825	495	2,320	3,238	790	4,028	3,716	2,037	5,753	191	23	214	16,290	3,835	20,125
March	1,239	--	1,239	6,106	486	6,592	2,071	508	2,579	3,257	837	4,094	3,751	2,164	5,915	232	3	235	16,656	3,998	20,654
April	1,327	2	1,329	6,211	472	6,683	2,122	542	2,664	3,473	825	4,298	3,706	2,263	5,969	236	3	239	17,075	4,107	21,182
May	1,405	--	1,405	6,291	480	6,771	2,100	554	2,654	4,022	845	4,867	3,457	2,246	5,703	205	1	206	17,480	4,126	21,606
June	1,497	1	1,498	6,392	502	6,894	2,250	560	2,810	4,434	844	5,278	3,374	2,477	5,851	219	1	220	18,166	4,385	22,551
July	1,636	--	1,636	6,478	508	6,986	2,601	563	3,164	4,521	844	5,365	3,163	2,616	5,779	285	1	286	18,684	4,332	23,016
August	1,722	--	1,722	6,509	549	7,058	2,721	555	3,276	4,393	909	5,302	3,759	2,517	6,276	271	1	272	19,375	4,531	23,906
September	1,804	1	1,805	6,604	559	7,163	2,942	612	3,554	4,700	1,026	5,726	3,618	2,497	6,115	239	1	240	19,907	4,696	24,603
October	1,991	--	1,991	6,745	645	7,390	2,856	638	3,494	4,934	1,013	5,947	3,478	2,916	6,388	325	1	326	20,329	5,207	25,536
November	2,019	--	2,019	6,631	615	7,246	2,629	1,021	3,650	4,710	1,180	5,890	3,391	2,686	6,077	547	1	548	19,927	5,503	25,430
December	2,052	--	2,052	6,903	686	7,589	2,716	1,022	3,738	4,133	1,209	5,342	3,464	2,333	5,797	464	4	468	19,732	5,254	24,986
1989																					
January	2,094	--	2,094	6,952	649	7,601	2,788	1,042	3,830	4,092	1,200	5,292	3,370	2,670	6,040	295	1	296	19,591	5,562	25,153
February	1,897	16	1,913	7,396	658	8,054	2,762	791	3,553	4,173	1,439	5,612	3,622	2,988	6,210	350	9	359	20,200	5,501	25,701
March	2,072	1	2,072	7,227	687	7,914	3,019	993	4,012	4,723	1,429	6,152	3,578	2,381	5,959	365	1	366	20,984	5,491	26,475

¹⁾ Includes mature time deposits.

TABLE 4.4
INTEREST RATES ON TIME DEPOSITS IN RUPIAH
AND FOREIGN CURRENCY
(percent per annum)

Maturity	March 1988		March 1989	
	Rupiah	Foreign currency	Rupiah	Foreign currency
State banks				
- 1 month	15.50-16.00	4.92-6.00	15.50-17.50	6.00-9.35
- 3 months	16.50-17.00	5.10-6.30	16.70-18.00	6.75-9.70
- 6 months	17.00-18.00	5.14-6.40	17.50-19.00	7.00-9.95
- 12 months	17.50-18.50	5.35-6.60	17.50-19.50	7.35-10.07
- 24 months	18.00-19.00	5.35-6.60	18.00-19.50	---
Private national banks				
- 1 month	16.00-17.00	5.75-7.00	17.00-21.00	8.25-9.12
- 3 months	17.00-18.00	5.75-7.50	18.00-22.50	8.50-9.50
- 6 months	18.00-19.00	5.75-7.50	18.50-22.50	8.25-9.50
- 12 months	18.00-20.00	6.00-7.50	19.00-22.50	8.25-9.75
- 24 months	18.00-19.50	---	19.50-22.00	---
Foreign banks				
- 1 month	15.00-16.50	4.00-5.50	15.00-19.00	5.25-8.50
- 3 months	15.20-17.00	4.25-5.50	15.00-20.00	5.75-8.50
- 6 months	16.00-17.00	4.25-5.50	16.00-20.00	6.00-8.62
- 12 months	16.50-17.50	4.25-5.50	16.00-21.00	6.25-8.75

accounts, respectively. These rapid increases were mainly attributable to the October 1988 policy package which provided more opportunities for banks to offer various kinds of savings schemes. By the end of the reporting year, there were 53 banks executing variety of new savings schemes.

3.1. Tabanas and Taska

During the reporting year, the outstanding amount of Tabanas and Taska mobilized by banks rose by 17.4% to Rp1,646 billion. The number of savings accounts rose by 4.6% to 19,361 thousand (Table 4.5). The number of banks designated to handle Tabanas and Taska declined from 72 to 71 owing to the

merger of 2 private national banks. Hence, by the end of the reporting year there were 6 state banks, 44 private national banks, and 21 BPDs handling Tabanas and Taska.

3.2. Haj pilgrimage (ONH) savings deposit

The ONH savings scheme constitutes savings of prospective haj pilgrims to cover their expenses in fulfilling the haj pilgrimage. The ONH was fixed at Rp4,780 thousand for each person, or having increased by 4.8% over the preceding year.⁶⁾ In the reporting year, ONH savings

6) Presidential Decree No. 1 of 1988, January 6, 1988.

TABLE 4.5
TABANAS AND TASKA SAVINGS DEPOSITS
(billions of rupiah)

End of period	Tabanas		Taska		Total	
	Number of savers ¹⁾	Out-standing	Number of savers ¹⁾	Out-standing	Number of savers ¹⁾	Out-standing
1978	7,458,963	191.5	6,873	0.1	7,465,836	191.6
1979	7,996,389	212.6	5,880	0.1	8,002,269	212.7
1980	8,828,909	291.7	5,428	0.1	8,834,337	291.8
1981	9,480,647	384.3	12,704	0.2	9,493,351	384.5
1982	9,952,239	445.8	16,134	0.3	9,968,373	446.1
1983	11,003,630	532.3	15,716	0.3	11,019,346	532.6
1984	12,424,913	669.6	16,362	0.5	12,441,275	670.1
1985 :						
March	12,984,237	699.3	16,937	0.6	13,001,174	699.9
June	13,208,339	725.5	13,540	0.3	13,221,879	725.8
September	14,021,167	793.8	17,082	0.4	14,038,249	794.2
December	14,711,697	935.6	18,068	0.4	14,729,765	936.0
1986 :						
March	15,033,046	1,058.8	17,954	0.6	15,051,000	1,059.4
June	15,361,855	1,044.9	16,212	0.4	15,378,067	1,045.3
September	16,127,747	1,073.9	18,942	0.6	16,146,689	1,074.5
December	16,379,878	1,217.9	15,502	0.4	16,395,380	1,218.3
1987 :						
March	16,729,182	1,285.9	15,854	0.6	16,745,036	1,286.5
June	17,081,524	1,212.0	14,550	0.5	17,096,074	1,212.5
September	17,272,131	1,175.1	11,520	0.5	17,283,651	1,175.6
December	17,794,709	1,330.8	11,332	0.5	17,806,041	1,331.3
1988 :						
January	17,796,399	1,364.0	13,249	0.6	17,809,648	1,364.6
February	17,032,887	1,378.1	10,785	0.5	17,043,672	1,378.6
March	18,491,096	1,401.1	10,450	0.5	18,501,546	1,401.6
April	18,169,610	1,403.1	10,057	0.5	18,179,667	1,403.6
May	18,232,069	1,397.7	10,007	0.3	18,242,076	1,398.0
June	18,313,654	1,387.2	10,927	0.3	18,324,581	1,387.5
July	18,375,143	1,374.8	11,184	0.4	18,386,327	1,375.2
August	18,603,412	1,387.6	11,039	0.4	18,614,451	1,388.0
September	18,865,516	1,414.3	15,266	0.5	18,880,782	1,414.8
October	18,501,780	1,414.9	10,917	0.4	18,512,697	1,415.3
November	18,579,494	1,457.0	10,713	0.3	18,590,207	1,457.3
December	20,386,584	1,566.6	18,631	2.6	20,405,215	1,569.2
1989 :						
January	19,283,493	1,634.0	10,463	0.4	19,293,956	1,634.4
February	19,418,988	1,638.4	17,899	0.4	19,436,887	1,638.8
March	19,351,120	1,645.6	9,971	0.4	19,361,091	1,646.0

¹⁾ In units of accounts.

TABLE 4.6
JAKARTA INTERBANK CALL MONEY

Period	Volume of transaction (billions of rupiah)	Weighted average of interest rate (percent per annum)
1979 : January–December	1,795	13.24
1980 : January–December	1,364	12.91
1981 : January–December	3,394	16.31
1982 : January–December	4,746	17.29
1983 : January–December	8,592	12.90
1984 : January–December	12,250	19.39
1985 : January–December	8,055	9.95
1986 : January–March	2,107	13.32
April–June	1,840	13.71
July–September	1,828	12.48
October–December	2,247	13.48
1987 : January–March	2,235	15.02
April–June	2,245	17.72
July–September	2,231	13.81
October–December	2,612	11.86
1988 : January	1,081	12.28
February	1,054	13.55
March	1,263	14.47
January–March	3,398	13.49
April	927	14.34
May	940	15.59
June	1,017	14.05
April–June	2,884	14.65
July	1,002	14.83
August	1,147	15.03
September	895	15.08
July–September	3,044	14.98
October	1,150	17.94
November	750	18.11
December	1,265	14.70
October–December	3,165	16.69
1989 : January	1,245	14.07
February	1,212	13.74
March	1,162	13.66
January–March	3,619	13.83

TABLE 4.7
CERTIFICATES OF DEPOSITS ¹⁾
(billions of rupiah)

End of period	State banks	Foreign banks ²⁾	Total
1978	14	33	47
1979	14	19	33
1980	52	27	79
1981	55	26	81
1982	59	13	72
1983	352	22	374
1984	112	18	130
1985 : March	418	27	445
June	485	37	522
September	557	33	590
December	279	42	321
1986 : March	184	59	243
June	110	53	163
September	94	40	134
December	94	37	131
1987 : March	86	34	120
June	75	46	121
September	68	144	212
December	69	132	201
1988: January	68	131	199
February	65	145	210
March	64	158	222
April	63	160	223
May	63	177	240
June	68	185	253
July	55	169	224
August	53	179	232
September	52	169	221
October	50	163	213
November	48	161	209
December	59	148	207
1989 : January	64	137	201
February	67	88	155
March	61	91	152

1) Outstanding certificates of deposits represent the amount outstanding at the end of the previous period plus the amount sold and less the amount redeemed during the concerned period.

2) Since March 1985, includes the outstanding certificates of deposits owned by private national commercial banks.

TABLE 4.8
INTEREST RATES ON CERTIFICATES OF DEPOSITS
(percent per annum)

Maturity	1988				1989
	March	June	September	December	March
1 month	14.50–17.00	14.50–17.00	15.00–17.40	15.00–17.40	15.00–17.40
3 months	14.50–19.00	14.50–19.00	15.00–18.60	15.00–18.60	15.00–18.60
6 months	14.35–21.00	14.50–20.00	14.50–19.50	14.50–19.50	14.50–19.50
12 months	14.40–21.50	15.25–21.00	15.40–20.70	15.40–20.70	15.40–20.70
24 months	13.25–15.36	13.50–15.36	13.50–15.36	13.50–22.00	13.50–22.80

deposits declined by 1.6% to Rp239.4 billion for 50,094 prospective haj pilgrims compared with Rp243.4 billion and 53,367 persons in the preceding year.

3.3. Other types of savings

Other types of saving, including Simpedes and other savings mobilized by banks, recorded a significant increase. At the end of the reporting year, the amount stood at Rp839 billion, an increase of 93.8%. It should be noted that during the reporting year Simpedes rose substantially by 91.3% reaching Rp394 billion.

C. Money Market

1. Interbank funds

During the reporting year, the amount of interbank money market transactions conducted through the Jakarta Clearing House rose by 21.2% to Rp12,712 billion. The average interest rate on interbank funds also increased, from 14.1% to 15.0% in 1988/89 (Table 4.6).

2. Certificates of deposit (CDs)

During the reporting year, certificates of deposits declined by 31.5% to Rp152 billion compared with an increase of 85.0% in the previous year (Table 4.7). The decline was attributable to the redemption of maturing CDs. By group of banks, declines were experienced at state banks by 4.7% and foreign banks and private national commercial banks (*bank umum swasta nasional* or BUSNs) by 42.4%. The interest rate paid on CDs rose from a range of at the end of 1987/88 to a range of 13.5% - 22.8% at the end of 1988/89.

3. Money market securities (SBPUs)

During the reporting year, Bank Indonesia made only limited purchases of money market securities (*Surat Berharga Pasar Uang* or SBPUs) totalling Rp1,153 billion compared with Rp15,858 billion in the preceding year. At end of March 1989, there was no outstanding SBPU.

4. Bank Indonesia certificates (SBIs)

During the reporting year, Bank Indonesia certificates (*Sertifikat Bank Indonesia* or SBIs) issued by Bank Indonesia amounted to Rp35,629 billion, an increase of 15.4% (Table 4.9). Taking into account maturing SBIs, outstanding SBIs at the end of March 1989 stood at Rp2,370 billion compared with Rp768 billion at the end of the preceding year. It should be noted that the average discount rate on SBIs remained virtually unchanged from the preceding year, namely at 15% per annum. (Table 4.10).

5. Non-bank financial institution (NBFI) papers

During the reporting year, funds mobilized through the issuance of money market papers by NBFIs, especially in the form of promissory notes, recorded an increase of 14.5% (to Rp1,350 billion) compared with a rise of 19.6% in the preceding year. The increase was mainly due to an increase in investment in NBFI papers by enterprises. It is noteworthy that most of the papers were issued by "investment type NBFIs".

D. Capital Market

During the reporting year, there was 1 new company going public and there were 8 companies issuing bonds; this brought the total to 25 companies issuing stocks and 11 companies issuing bonds as of the end of 1988/89. The market value outstanding

stocks recorded at the bourse increased from Rp133.1 billion to Rp349.0 billion at end of March 1989, while the market value of outstanding bonds rose from Rp595.7 billion to Rp1,100.7 billion.

The stocks traded in the secondary market amounted to 19,256 thousand stocks with a value of Rp115.2 billion during the reporting year as against 2,457 thousand stocks with a value of Rp4.8 billion in the preceding year. Much of this remarkable increase was accounted for by the Government's effort to develop the capital market through, among others, the introduction of the policy packages of December 1987 and December 1988. Moreover, the higher demand for securities by the public, as reflected in a rise in the price index of stocks, also contributed to an expansion in the secondary trading.

In addition to trading stock and bonds through the capital market, PT Danareksa is authorized to issue share certificates and fund certificates. However, in the reporting year, there were no new share certificates and fund certificates issued. Consequently, by the end of the reporting year, issues by PT Danareksa remained unchanged with 8 types of fund certificates totalling 15,500 thousand certificates with a total value of Rp155.0 billion and 3 types of share certificates totalling 1,420.3 thousand certificates which worthed Rp12.8 billion. In total, share certificates and fund certificates in circulation at the end of the reporting year stood at 14,288 thousand certificates with a value of Rp166.4 billion.

TABLE 4.9
ISSUANCE, REPAYMENT, AND OUTSTANDING OF
BANK INDONESIA CERTIFICATES ¹⁾
(billions of rupiah)

	Issuance	Accumulated amount	Repayment	Accumulated amount	Outstanding
1983/84	96	96	50	50	46
February–March	96	96	50	50	46
1984/85	2,046	2,142	1,849	1,899	243
April–March	2,046	2,142	1,849	1,899	243
1985/86	6,186		5,035		1,394
April–June	263	2,405	503	2,402	3
July–September	973	3,378	569	2,971	407
October–December	2,796	6,174	2,237	5,208	966
January–March	2,154	8,328	1,726	6,934	1,394
1986/87	7,141		8,374		161
April–June	3,101	11,429	2,438	9,372	2,057
July–September	1,627	13,056	2,549	11,921	1,135
October–December	1,901	14,957	2,290	14,211	746
January–March	512	15,469	1,097	15,308	161
1987/88	30,874		27,267		768
April	30	15,499	127	15,435	64
May	8	15,507	32	15,467	40
June	333	15,840	4	15,471	369
July ²⁾	1,938	17,778	762	16,233	1,545
August	2,652	20,430	2,792	19,025	1,405
September	3,035	23,465	2,656	21,681	1,784
October	3,524	26,989	3,972	25,653	1,336
November	7,191	31,180	3,803	29,456	1,724
December	2,796	33,976	3,649	33,105	871
January	2,709	36,685	2,379	35,484	1,201
February	3,147	39,832	2,989	38,473	1,359
March	3,511	43,343	4,102	42,575	768
1988/89	35,629		34,027		2,370
April	3,038	46,381	2,894	45,469	912
May	2,184	48,565	1,983	47,452	1,113
June	2,678	51,243	2,606	50,058	1,185
July ²⁾	1,577	52,820	2,010	52,068	752
August	1,713	54,533	1,791	53,859	674
September	1,765	56,298	1,377	55,236	1,062
October	2,085	58,383	2,351	57,587	796
November	5,483	63,866	3,079	60,666	3,200
December	4,738	68,604	4,273	64,939	3,665
January	4,216	72,820	5,039	69,978	2,842
February	3,878	76,698	4,007	73,985	2,713
March	2,274	78,972	2,617	76,602	2,370

1) The issuance of SBI started in February 1984.

2) Since July 23, 1987 the 7-day SBI has been put at auction.

3) Since October 27, 1988 the 180-day SBI has been added.

TABLE 4.10
INTEREST RATES ON BANK INDONESIA CERTIFICATES ¹⁾
(percent per annum)

Period	7 days	15 days	30 days	90 days
1983/84 :				
February–March	--	--	15.00	15.00
1984/85 :				
April–March	--	14.75–16.00	14.50–18.50	15.00–18.50
1985/86 :				
April–June	--	15.00	16.00	--
July–September	--	--	14.00–16.00	--
October–December	--	--	14.00	15.00
January–March	--	--	14.00	15.00
1986/87 :				
April–June	--	--	14.00	15.00
July–September	--	--	14.00	15.00
October–December	--	--	14.00	15.00
January–March	--	--	14.00	15.00
1987/88 :				
April–June	--	--	14.00–16.37	15.00–18.00
July–September	14.25–20.00	--	--	--
October–December	13.625–14.50	--	--	--
January–March	13.50–15.4375	--	--	--
1988/89				
April	15.375–15.4375	--	--	--
May	15.30–15.4375	--	--	--
June	15.375–15.4375	--	--	--
July	15.425–15.50	--	--	--
August	15.25–15.50	--	--	--
September	15.00–15.25	--	--	--
October	15.00–16.00	--	--	--
November	14.75–16.50	--	--	--
December	13.625–14.75	--	15.00–15.50	--
January	13.00–15.00	--	14.625–17.50	--
February	14.125–15.50	--	16.00–17.75	--
March	13.50–14.125	--	16.75–17.25	--

1) The 15-day SBIs had been issued since October 1984, but since May 18, 1985 have been lifted. In addition, since July 23, 1987, the issuance of the 7-day SBIs has been started while the 30-day and the 90-day SBIs have been postponed temporarily. Since October 1988, the 30-day and the 90-day SBIs have been re-issued in addition to the issuance of the 180-day SBI.

TABLE 4.11
TRANSACTIONS OF MONEY MARKET SECURITIES
(billions of rupiah)

Period	Buying	Selling	Outstanding
1984/85			
February–March	224.2	19.2	205.0
1985/86			
April–March	6,113.4	5,704.8	613.6
1986/87			
April–June	4,279.8	4,452.4	441.0
July–September	5,678.3	6,005.1	114.2
October–December	7,287.7	6,435.2	966.7
January–March	14,382.3	14,426.2	922.8
1987/88			
April	5,618.9	6,136.2	405.5
May	5,548.2	5,055.4	898.3
June	4,617.8	5,110.8	405.3
July	31.4	429.2	7.5
August	41.8	47.5	1.8
September	1.7	3.5	--
October	--	--	--
November	--	--	--
December	--	--	--
January	--	--	--
February	--	--	--
March	--	--	--
1988/89			
April	--	--	--
May	140.4	140.4	--
June	100.3	50.0	50.3
July	288.8	339.1	--
August	93.1	93.1	--
September	358.4	358.4	--
October	139.8	139.8	--
November	--	--	--
December	--	--	--
January	13.0	--	13.0
February	19.4	--	32.4
March	--	32.4	--

V. BANKING AND OTHER FINANCIAL INSTITUTIONS

A. Banking

1. Banking sector policy

To promote the role of banks in the development process, on October 27, 1988 the Government issued deregulation measures for the banking sector (October 1988 policy package) which constituted a further step and improvement of the June 1, 1983 banking deregulation. Through this policy package, banks were expected to expand their operational network, to enhance their services, to promote efficiency, and to pursue sound banking practices.

To encourage banks to expand their operational network, the Government improved regulations regarding the opening of bank offices and the establishment of new banks. These improvements included easing the procedures to obtain a license for the opening of private bank offices, allowing foreign banks to open sub-branch offices, and permitting the establishment of new private national banks, joint-venture banks, and rural banks.

The opening of branch offices of a state bank, regional development bank (*Bank Pembangunan Daerah* or BPD), private national bank, or cooperative bank, which previously required principle and operational licenses, was subsequently simplified to include only an operational license.¹⁾ In considering the operational license, the Government established criteria

for sound banking and minimum capital adequacy. In this regard, a bank applying for the opening of a branch, should have operated as “sound” bank for at least 20 months during the past 24 months, including meeting the capital adequacy requirement, and as “fairly sound” bank during the remainder of that period. In addition, for a national private bank, to open a branch, it is no longer required to merge with another bank. To open sub-branch offices, a bank only needs to notify Bank Indonesia.

Starting in October 1988, the Government allowed foreign banks to open one sub-branch office in each city of Jakarta, Surabaya, Semarang, Bandung, Medan, Ujung Pandang, and Denpasar.²⁾ As was the case with the requirements to open a private national bank office, the requirements to open a sub-branch office also involved soundness and capital adequacy. To promote non-oil/gas exports, the Government stipulated that 12 months after the issuance of a license for operation, outstanding export credits extended by those banks must reach at least 50% of their total outstanding credits.

The establishment of new private national banks and cooperatives banks which has been discontinued since 1973 is now possible.³⁾ The minimum paid-up capital for the establishment of private commercial banks and the minimum basic and mandatory savings for the establishment of cooperatives banks were fixed

1) Bank Indonesia Circular Letter No. 21/3/BPPP, October 27, 1988.

2) Bank Indonesia Circular Letter No. 21/7/BPPP, October 27, 1988.

3) Minister of Finance Decree No. 1061/KMK.00/1988, October 27, 1988.

at Rp10 billion each. Of this amount, 30% must be paid upon the submission of the application for the principle license and the remainder must be paid upon the submission of the application for a license for operation. Upon submission of the application for principle license, the plans for management, articles of association, and articles of agreement should have been completed. It should be noted that the prospective bank's executive personnel shall have qualifications and experience in banking business as well as a clean record in banking and shall never have conducted practices disruptive to the national interest.

The Government also permitted the establishment of joint-venture banks.⁴⁾ To establish a joint venture bank, the foreign bank is required to have a representative office in Indonesia and must be categorized as a major bank in the country of origin and the country of origin must adopt reciprocal relationship with the Indonesian Government. The requirements for a national bank - - either a commercial or development bank - - to establish a joint-venture bank are similar to the requirements for establishing a new bank, namely the criteria of soundness and capital adequacy. The paid-up capital for a joint-venture bank shall be at a minimum amount of Rp50 billion. The foreign partner is allowed to own as a maximum of 85% of the capital investment and the domestic bank as a minimum of 15%. The paid-up capital should be submitted when the license for operation is granted. Joint-venture banks are allowed to domicile in Jakarta, Surabaya, Semarang, Bandung, Medan, Denpasar, and Ujung Pandang and open one branch office in each of those cities. In addition, joint-venture banks are allowed to serve customers throughout Indonesia and to conduct business as a foreign exchange bank. As was the case with the

requirements to open a foreign bank sub-branch office, 12 months after the issuance of license for operation, the share of export credits extended by the joint-venture bank should be at least 50% of its total outstanding credits.

To promote bank services in rural areas, the Government has permitted the establishment of rural credit bank (*Bank Perkreditan Rakyat* or BPR), which had not been possible since 1968, and improved the regulation on the operation of BPRs.⁵⁾ Under the new regulation, BPRs are allowed to be established in districts outside the national capital, provincial capitals, and municipalities. BPRs shall be established with the legal body of a limited liability company, local government enterprise (*Perusahaan Daerah* or PD), or cooperatives and shall have a paid-up capital or basic and mandatory savings of at least Rp50 million. To expand its operation, a BPR is allowed to open its branch office located in the same district as its head office and is allowed to conduct a mobile cash unit after submitting a notice to Bank Indonesia.

BPRs obtaining a license for operation prior to the October 1988 policy package are allowed to make adjustments in accordance with the stipulation of the policy package. BPRs capable of making adjustments are allowed to be promoted to commercial or development banks.⁶⁾ In case a BPR cannot make adjustments, it is allowed to continue its operation in the original location, but is not allowed to move from the district of origin and open a branch or other offices. Such a BPR would not be required to adjust its minimum capital requirements as a newly-established BPR, but is encouraged to improve its capital in accordance with the sound banking principles.

4) Minister of Finance Decree No. 1068/KMK.00/1988, October 27, 1988.

5) Bank Indonesia Circular Letter No. 21/5/BPPP, October 27, 1989.

6) Bank Indonesia Circular Letter No. 21/16/BPPP, March 25, 1989.

Regarding the other existing types of rural financial institutions, such as *badan kredit kecamatan* in Central Jawa, *lembaga perkreditan kecamatan* in West Jawa, and *lumbung pitih nagari* in West Sumatra, they are accorded an equal status as the existing BPRs prior to the October 1988 package. These types of institutions are allowed to make adjustments according to the October 1988 package. It should be noted that since the October 1988 package, the Government discontinued the issuance of licenses for the establishment of other types of rural financial institutions.

To improve banking services, the Government eased the requirements for banks to promote their status to foreign exchange banks, to operate as money changers, and to introduce various kinds of savings schemes. To become a foreign exchange bank, a bank is no longer required to merge⁷⁾ but is subject to similar requirements as for opening new private banks, i.e., soundness and capital adequacy. In addition, the last 6 months before filing the application, the bank shall have had total assets, time and savings deposits, and outstanding credits of at least Rp100 billion, Rp80 billion, and Rp75 billion, respectively. A branch office of a foreign exchange bank which was formerly restrained from dealing in foreign exchange transactions, will now, after the October 1988 package, be authorized to engage in foreign exchange transactions upon notification to Bank Indonesia by its head office. Non-foreign exchange banks are allowed to operate as money changers provided that -- with respect to the soundness and capital adequacy criteria -- they have been categorized as sound for a minimum period of 10 months in the last 12 months, whereas the remainder must have

been categorized as fairly sound.⁸⁾ In line with the efforts to promote fund mobilization, the Government liberalized the procedures for banks to issue certificates of deposits, to extend the number of banks handling Tabanas/Taska, and to offer different kinds of attractive savings schemes to the public. In addition, banks are allowed to promote their services to the public through the use of mobile cash units and automated teller machines by merely submitting a notice to Bank Indonesia.⁹⁾

To improve efficiency and sound banking practice, banks are accorded greater concessions in performing consolidation and merger. A merger or consolidation can be carried out among commercial banks or among private development banks; among commercial banks, private development banks and BPRs; among BPDs and BPRs; or among BPRs.¹⁰⁾ For a merged bank, except merger among BPRs, the amount of subscribed capital must not necessarily be equal to that of a newly established bank, but it is required to meet the criteria of soundness. As regards BPRs, to perform a merger or consolidation, it is required that the subscribed capital be raised to a minimum of Rp50 million, whereas a merged BPR that intends to be promoted to a commercial or a development bank must adjust its subscribed capital to a minimum amount of Rp10 billion.

To strengthen the soundness of banks, the Government issued regulation on legal lending limits to individual borrowers, groups of borrowers, shareholders, and executive staff.¹¹⁾

7) Bank Indonesia Circular Letter No. 21/8/BPPP, October 27, 1988.

8) Bank Indonesia Circular Letter No. 21/15/UA, October 27, 1988.

9) Bank Indonesia Circular Letters No. 21/3/BPPP, 21/6/BPPP and No. 21/7/BPPP, October 27, 1988.

10) Bank Indonesia Circular Letter No. 21/15/BPPP, March 25, 1989.

11) Bank Indonesia Circular Letters No. 21/10/BPPP and No. 21/11/BPPP, October 27, 1988.

This stipulation was designed to encourage banks to extend credits in accordance with sound banking principles and to reduce the risk of bad debt.

To create a climate conducive to sound banking business, the Government regulated the placement of deposits from non-bank state enterprise (*badan usaha milik negara* or BUMN) and non-bank local government enterprise (*badan usaha milik daerah* or BUMD) and the net open position of banks' foreign reserves. According to these new regulations, non-bank BUMNs and BUMDs are allowed to place no more than 50% of their total deposits at private banks and no more than 20% in an individual bank.¹²⁾ In addition, the Government imposed a limit on the net open position of banks' foreign reserves, either net foreign assets or net foreign liabilities, equivalent to 25% of each bank's equity. Through this new regulation, foreign reserves of banks are expected to be channelled to finance non-oil/gas export activities.¹³⁾

2. Banking developments

In the reporting year, there were 2 private national commercial banks (*bank umum swasta nasional* or BUSNs) that merged, reducing the total number of banks from 112 to 111 at the end of March 1989. It may be added that since the October 27, 1988 policy package up to the end of March 1989, the Government granted licenses for 18 new banks, comprising 12 BUSNs and 6 joint-venture banks. Furthermore, principle licenses were granted to 66 new BPRs.

The number of bank offices (comprising head, branch, and sub-branch offices) increased by 234 to 1,874 (Table 5.1).

With regard to group of banks, the number of commercial banks declined from 80 to 79, comprising 5 state banks, 63 BUSNs and 11 foreign banks. The number of commercial bank offices increased from 1,331 to 1,495. This increase occurred for state commercial banks and BUSNs. The number of commercial state bank offices increased by 20 branches, whereas the number of BUSN offices increased by 46 branch and 98 sub-branch offices. At the end of March 1989, the number of state commercial banks totalled 818, BUSNs 656, and foreign banks 21.¹⁴⁾

At end of the reporting year, the number of development banks remained at 29, consisting of 1 state development bank, 27 BPDs, and 1 private development bank. The number of development bank offices increased by 2 branch offices of state development bank, 19 branch offices of BPDs, and 10 sub-branch offices of BPDs bringing the total offices of state development banks, BPDs, and private development banks to 24, 267, and 6, respectively.

In the reporting year, the number of savings bank remained unchanged, consisting of 1 state savings bank and 2 private savings banks. The number of state savings banks increased by 3 branch offices and those of private savings banks by 36 sub-branch offices so that the total numbers of state and private savings bank offices were 18 and 64, respectively.

12) Minister of Finance Decree No. 1070/KMK.00/1988, October 27, 1988.

13) Bank Indonesia Circular Letter No. 21/25/UD, March 25, 1989.

14) In addition to foreign banks, there were 64 representative offices of foreign banks.

TABLE 5.1
NUMBER OF BANKS AND THEIR OFFICES IN INDONESIA

Particulars	March 31, 1988	1988/89		March 31, 1989
	Number of banks/offices	Estab- lished	Licenses revoked	Number of banks/offices
Commercial banks				
State commercial banks				
– Number of banks	5	--	--	5
– Number of offices	798	20	--	818
Private national commercial banks				
– Number of banks	64	--	1	63
– Number of offices	512	144	--	656
Foreign banks/joint ventures *				
– Number of banks	11	--	--	11
– Number of offices	21	--	--	21
Development banks				
State development banks				
– Number of banks	1	--	--	1
– Number of offices	22	2	--	24
Regional development banks				
– Number of banks	27	--	--	27
– Number of offices	238	29	--	267
Private development banks				
– Number of banks	1	--	--	1
– Number of offices	6	--	--	6
Savings banks				
State savings banks				
– Number of banks	1	--	--	1
– Number of offices	15	3	--	18
Private savings banks				
– Number of banks	2	--	--	2
– Number of offices	28	36	--	64
Number of commercial banks, development banks, and savings banks				
– Number of banks	112	--	1	111
– Number of offices	1,640	234	--	1,874
Rural credit banks ¹⁾				
– Village banks	3,542	--	6	3,536
– Paddy banks	2,063	--	7	2,056
– Petty traders' banks	177	--	--	177
– Employees' banks	1	--	--	1
Total number of banks	5,895	--	14	5,881
Total number of offices ²⁾	7,423	234	13	7,644

1) The number of banks is equivalent to the number of bank offices.

2) The number of bank offices comprises head-offices, branch-offices, and sub-branch offices.

TABLE 5.2
CONSOLIDATED BALANCE SHEET OF DEPOSIT MONEY BANKS 1)
(billions of rupiah)

Items	March 31, 1988				March 31, 1989					
	State banks	Private national commercial banks	Regional development banks	Foreign banks	Total	State banks	Private national commercial banks	Regional development banks	Foreign banks	Total
ASSETS										
Cash in hand	455	119	138	16	728	524	126	131	15	796
Bank Indonesia	1,980	550	86	222	2,838	2,352	630	132	103	3,217
Securities	19	6	--	--	25	76	3	--	--	79
Domestic draft	1,083	713	103	117	2,016	692	1,179	147	211	2,229
Outstanding loans	22,097	7,927	981	1,182	32,187	32,719	10,794	1,218	1,608	46,339
Foreign exchange assets										
— Loans	1,461	188	--	299	1,948	1,850	519	--	346	2,715
— Others	5,675	1,333	1	811	7,820	7,516	1,806	1	1,002	10,325
Participations	123	17	1	1	142	92	22	1	1	116
Premises, furnitures, and fixtures	426	237	64	50	777	465	274	86	62	887
Other assets	1,338	135	184	196	1,853	3,728	1,361	382	259	5,730
ASSETS = LIABILITIES	34,657	11,225	1,558	2,894	50,334	50,014	16,714	2,098	3,607	72,433
LIABILITIES										
Paid up capital	50	394	129	37	610	52	486	147	55	740
Reserves/profit and loss account	1,757	386	86	31	2,260	2,127	473	103	75	2,778
Borrowings	2,959	254	32	89	3,334	4,277	369	74	60	4,780
Demand deposits	4,419	1,807	632	331	7,189	5,619	2,332	807	343	9,101
Time and savings deposits	11,260	5,816	307	716	18,099	14,021	7,788	377	815	23,001
Draft payable	466	88	24	25	603	494	166	57	38	755
Guarantee deposits	146	31	8	2	187	117	43	9	2	171
Foreign exchange liabilities										
— Demand deposits	706	77	--	495	1,278	813	129	--	526	1,468
— Time and savings deposits	2,144	1,007	--	848	3,999	2,975	1,438	--	945	5,358
— Borrowings	7	125	--	60	192	980	290	--	62	1,332
— Others	896	206	--	99	1,201	2,325	324	--	186	2,835
Bank Indonesia	7,421	858	304	83	8,666	12,088	1,318	452	187	14,045
Other liabilities	2,426	176	36	78	2,716	4,126	1,558	72	313	6,069

1) Consists of commercial and development banks.

TABLE 5.3
TOTAL ASSETS, FUNDS, AND OUTSTANDING LOANS
BY GROUP OF BANKS
 (percentage)

Group of banks	Assets			Loans			Funds		
	March			March			March		
	1987	1988	1989	1987	1988	1989	1987	1988	1989
State banks	71.3	68.9	69.0	71.7	69.0	70.5	66.0	63.4	63.7
Private national banks	19.5	22.3	23.1	21.0	23.8	23.0	22.8	26.4	27.3
Regional development banks	3.0	3.1	2.9	2.9	2.9	2.5	2.9	2.9	2.9
Foreign banks	6.2	5.7	5.0	4.4	4.3	4.0	8.3	7.3	6.1

In other developments, the number of BPRs (comprising village banks, paddy banks, and employees' banks) decreased from 5,783 to 5,770 at the end of the reporting year. The reduction was brought about by the revocation of the operation permits of 6 village banks and 7 paddy banks.

The activities of deposits money banks (DMBs) with regard to total assets, credits extended, and funds mobilized continued to show a favorable performance. In the reporting year, total assets rose by 43.9% to Rp72,433 billion, outstanding credits rose by 43.7% to Rp49,054 billion, and mobilized funds rose by 31.8% to Rp45,966 billion (Table 5.2).

Based on total assets, the relative sizes of private national banks and state banks increased, whereas those of other groups declined. With respect to credits extended, the share of state banks increased, whereas those of other banks decreased. With regard to the amount of funds mobilized, the shares of private national and state banks increased, those of BPDs remained unchanged, and those of foreign banks decreased (Table 5.3).

During the reporting year, rupiah excess reserves declined from 1.1% in 1987/88 to 0.9% (Table 5.4). The decline was accounted for by BUSNs and BPDs while those of state and foreign banks registered increases.

In the reporting year, efforts to promote BPDs continued to be conducted by providing technical assistance. The technical assistance in the form of supervision to 5 BPDs' (of Bengkulu, Irian Jaya, Maluku, Central Sulawesi, and South East Sulawesi) was completed, whereas the completion of operational manuals given to 4 BPDs (i.e. East Nusa Tenggara, South Sumatera, East Timor, and Yogyakarta) was still in process. These operational manuals covered the areas of accounting, reporting system, and internal control.

In the meantime, efforts to improve demand deposit transactions and to enhance banks' services to the public continued through the designation of 2 state bank branch-offices as organizers of local clearing. Since then, the total number of local clearing houses has been 35.

B. Other Financial Institutions

With the issuance of the October 27, 1988 and the December 20, 1988 policy packages, the Government improved the regulations on the activities of non-bank financial institutions (NBFIs). The regulations covered the issuance of certificates of deposits by NBFIs, the opening of NBFIs' branch offices, the capital adequacy requirements or basic savings and the solvency of insurance companies, and the business activities of other financial institutions.

1. Non-bank financial institutions (NBFIs)

In order to promote the mobilization of funds from the public and to develop money and capital markets, in the reporting year the Government allowed NBFIs to issue rupiah certificates of deposits (CDs) and to open one branch office in each city of Jakarta, Surabaya, Semarang, Bandung, Medan, Ujung Pandang, and Denpasar.¹⁵⁾ The requirements to open a branch office of an NBFI include the criteria of soundness and capital adequacy. In this regard, during the preceding 24-month period, an NBFI is required to have operated as a "sound" institution, including its capital adequacy, for at least 20 months, and as a "fairly sound" institution during the remainder of that period.

In line with the promotion of NBFIs' activities, supervision on NBFIs was handled by Bank Indonesia in accordance with the Law No. 13 of 1968 on central bank.¹⁶⁾ In addition to further support the

activities of NBFIs, a net open position on foreign reserves and legal lending limits on credit extended by NBFIs were imposed. Furthermore, deposit funds of nonbank BUMNs and non-bank BUMDs were allowed to be deposited with NBFIs. Up to the end of the reporting year, the number of NBFIs remained 14, comprising 9 of investment type, 3 of development type, and 2 of other type. The favorable trend of NBFIs' activities was reflected in the growth of investment which rose by 19.8% to Rp2,867 billion. Mobilized funds, mainly originating from issued securities, rose by 20.3% to Rp2,891 billion and total assets went up by 20.0% to Rp3,035 billion (Tables 5.5 and 5.6).

During the reporting year, total assets of NBFIs of the investment finance type increased by 12.8% to Rp2,036 billion. Meanwhile, investment by this type of institution went up by 12.7% to Rp1,963 billion, most of which was carried out by purchasing corporate securities. At the same time, mobilized funds, which were mainly obtained from the issuance of money market securities, showed a significant increase of 12.9% to Rp1,967 billion.

As was the case with the NBFIs of investment type, NBFIs of development finance type and other type also recorded favorable improvements during the reporting year. Total assets of these two types of NBFIs surged by 38.2% to Rp999 billion. Investment, mainly conducted through extending credits and purchasing securities, rose by 39.1% to Rp904 billion. Furthermore, a significant increase was also registered in the mobilization of funds, which rose by 40.0% to Rp924 billion, mainly from credits obtained and securities issued.

15) Bank Indonesia Circular Letter No. 21/4/BPPP, October 27, 1988.

16) Bank Indonesia Circular Letter No. 21/21/BPPP, March 25, 1988

TABLE 5.4
MONTHLY AVERAGE RUPIAH LIQUIDITY POSITION OF DEPOSIT MONEY BANKS
(billions of rupiah)

Items	1987/88				1988/89 ¹⁾					
	State banks	Private national commercial banks	Regional development banks	Foreign banks	Total	State banks	Private national commercial banks	Regional development banks	Foreign banks	Total
a. Reserves	1,721.0	542.0	171.0	120.0	2,554.0	1,640.0	569.6	167.1	110.3	2,487.0
b. Current liabilities	10,966.0	3,405.0	704.0	822.0	15,897.0	15,353.3	6,458.9	981.5	987.6	23,781.2
c. Reserves as percentage of current liabilities { (a : b) × 100 }	15.7	15.9	24.3	14.6	16.1	10.7	8.8	17.0	11.2	10.5
d. Reserves requirement ²⁾	1,644.9	510.8	105.6	123.3	2,384.6	1,470.8	618.8	94.0	94.6	2,278.2
e. Excess/deficiency (a - d)	76.1	31.3	65.4	(3.3)	169.5	169.1	(49.1)	73.1	15.7	208.7
f. Required reserves with Bank Indonesia (5% × b) ³⁾	546.3	170.3	35.2	41.1	794.9	--	--	--	--	--
g. Reserves with Bank Indonesia	1,343.0	408.0	65.0	105.0	1,921.0	1,228.6	416.3	72.3	92.2	1,809.4
h. Excess reserves with Bank Indonesia (g - f)	794.7	237.8	29.8	63.9	1,126.1	--	--	--	--	--
i. Excess/deficiency as percentage of current liabilities { (h : b) × 100 }	7.2	7.0	4.2	7.8	7.1	8.0	6.4	7.4	9.3	7.6

1) Monthly weighted average was calculated from 2 periods : April - October 1988, and November 1988 - March 1989. RR of the periods was 9.58%

2) The minimum reserve requirement up to October 1988 was 15%, and 2% of the funds from the 3 rd party ever since.

3) Since November 1988 required reserve with BI has been eliminated.

TABLE 5.5
INVESTMENT AND SOURCES OF FUNDS OF
NON-BANK FINANCIAL INSTITUTIONS
(billions of rupiah)

Items	March 31, 1988			March 31, 1989		
	Development type ¹⁾	Investment type	Total	Development type	Investment type ¹⁾	Total
Investment of funds						
Call money	--	9	9	--	36	36
Marketable securities	269	1,694	1,963	295	1,877	2,172
Loans extended	368	--	368	593	--	593
Equity participation	7	35	42	7	37	44
Others	6	4	10	9	13	22
Total	650	1,742	2,392	904	1,963	2,867
Sources of funds						
Call money	--	76	76	--	98	98
Securities issued	181	1,073	1,254	241	1,234	1,475
Loans received	392	373	765	536	405	941
Subordinated loans	24	91	115	63	83	146
Capital	63	130	193	84	147	231
Total	660	1,743	2,403	924	1,967	2,891

¹⁾ Includes non-bank financial institutions for financing house ownership.
Source : Ministry of Finance.

2. Insurance companies

In the effort to promote insurance companies, through the December 20, 1988 policy package regarding the capital market and financial institutions, the Government improved the policy on insurance companies, particularly with respect to their establishment, capital, and solvency margin.

Activities of the insurance companies consist of indemnity insurance, reinsurance, broker insurance, and adjuster insurance. Regarding the indemnity insurance, opportunities to open a joint-venture company are still open. To encourage participation of foreign investors in capital investment, the Government set the maximum share of foreign

investors at 80%. To expand the services of indemnity insurance, either a national or a joint-venture is allowed to open branch offices. Moreover, the Government also improved the solvency margin by raising it to at least 10% of the net premium.

Life insurance and actuary indemnity insurance companies can be established within the legal form of limited liability company or cooperatives. Through the October 1988 package, the Government allowed these types of insurance to establish a joint-venture company and to open branch offices. In addition, these companies are allowed to offer their life insurance policy either in rupiah or in foreign currency. To assure the sound operation of life insurance

TABLE 5.6
CONSOLIDATED BALANCE SHEET OF
NON-BANK FINANCIAL INSTITUTIONS
(billions of rupiah)

Items	March 31, 1988			March 31, 1989		
	Development type ¹⁾	Investment type	Total	Development type ¹⁾	Investment type	Total
Current assets						
Cash and banks	9	5	14	13	12	25
Call money	--	9	9	--	36	36
Marketable securities						
— Shares and bonds	1	44	45	1	13	14
— Others	233	1,591	1,824	264	1,803	2,067
Loan and advances	56	--	56	78	--	78
Other current assets	60	38	98	62	50	112
Other assets						
Non-marketable securities						
— Share and bonds	4	9	13	3	11	14
— Others	35	59	94	30	61	91
Loans and advances	312	--	312	515	--	515
Equity participation	3	26	29	4	26	30
Fixed assets	14	11	25	20	11	31
Others	6	13	19	9	13	22
ASSETS = LIABILITIES	723	1,805	2,528	999	2,036	3,035
Current liabilities						
Call money	--	76	76	--	98	98
Securities issued	120	1,059	1,179	130	1,220	1,350
Loans received	45	335	380	77	342	419
Other current liabilities	50	39	89	58	58	116
Other liabilities						
Securities issued	61	14	75	111	14	125
Loans received	347	38	385	459	43	502
Others	13	23	36	17	31	48
Capital and subordinated loans						
Paid-in capital	33	27	60	42	28	70
Reserves	13	2	15	19	2	21
Retained earnings	17	101	118	23	117	140
Subordinated loans	24	91	115	63	83	146

¹⁾ Includes non-bank financial institutions for financing house ownership.
Source : Ministry of Finance.

TABLE 5.7
TOTAL ASSETS, GROSS PREMIUMS, CLAIMS, AND
INVESTMENTS BY INSURANCE COMPANIES ^r
(billions of rupiah)

Type of insurance	Total assets			Gross premiums			Claims			Investments		
	1985	1986	1987	1985	1986	1987	1985	1986	1987	1985	1986	1987
Life insurance	409	566	677	158	329	397	335	271	147	279	413	491
Social insurance	1,051	1,456	1,767	272	376	437	68	149	234	966	1,284	1,581
Indemnity insurance and reinsurance ¹⁾	694	748	1,013	650	782	1,021	421	444	394	343	539	584
Total	2,154	2,770	3,457	1,080	1,487	1,855	824	864	775	1,588	2,236	2,656

1) Includes PT Askrindo and PT Asei.
 Source : Ministry of Finance.

companies, the solvency margin for life insurance companies was fixed at one per thousand of the coverage with at least 10% of the capital paid in.

Up to 1987, the activities of insurance companies showed a favorable development as reflected in the increase of total assets, premiums mobilized, and investment. Total assets reached Rp3,457 billion at the end of 1987, an increase of 24.8% over the preceding year. The increase was attributable to the increase in receipts of gross premiums of Rp1,855 billion, 24.7% higher than in the preceding year. In line with this development, investment also increased, by 18.8% to Rp2,656 billion, while claims declined by 10.3% to Rp775 billion (Table 5.7).

PT Asuransi Kredit Indonesia (PT Askrindo), as one of the indemnity insurance companies, functions primarily to provide insurance for small-scale investment credits (*Kredit Investasi Kecil* or KIK) and permanent working capital credits (*Kredit Modal Kerja Permanen* or KMKP) and KMK up to Rp75 million. Insurance coverage by PT Askrindo in 1988 amounted to Rp1,279 billion or 23.5%

higher than in 1987. Premiums totalled Rp49.2 billion or 50.0% higher than in the preceding year, while claims decreased by 23% to Rp61.6 billion.

PT Asuransi Ekspor Indonesia (PT Asei), established in November 1985, provides export insurance and export credit guarantees. In 1988/89, its coverage, premiums, and claims regarding export insurance were Rp103.3 billion, Rp0.8 billion, and Rp20 million, respectively. At the same time, its coverage, premiums, and claims regarding the export guarantee were Rp7,892.9 billion, Rp55.0 billion, and Rp21.8 million, respectively.

Another financial institution engaged in indemnity insurance is the state corporation for the financial development of cooperatives (*Perusahaan Umum Pengembangan Keuangan Koperasi* or Perum PKK), with the main task of covering risk on credits extended by banks to cooperatives. In 1988/89, Perum PKK insured Rp201 billion of bank loans to cooperatives amounting to Rp218 billion. The maximum premium charged on this type of guarantee remained 2% of the guaranteed credit value.

TABLE 5.8
DEVELOPMENT OF PAWNSHOP'S ACTIVITIES
(billions of rupiah)

Particulars	1982	1983	1984	1985	1986	1987	1988
Number of offices ¹⁾	471	473	474	479	479	480	483
Total loans extended	177	221	246	274	285	330	357
Redemption	175	210	239	271	280	319	348
Outstanding loans	44	55	62	65	70	81	90

1) In units of accounts.
Source : Perjan Pegadaian.

Financing companies

A financing company is a company which provides funds for the financing of capital goods. ¹⁷⁾ This financing company is not supposed to mobilize funds from the public by issuing demand, time, and savings deposits or promissory notes. However, it is allowed to issue promissory notes as a guarantee on credits from banks. A financing company must be established with the legal form of limited liability company or cooperatives. In addition, domestic financing companies are allowed to establish a joint-venture company with a maximum foreign share of 85% of the paid-up capital. Financing companies consist of leasing, venture capital, securities traders, factoring companies, credit card business, and consumer financing.

Banks and NBFIs which meet certain requirements are authorized to deal in one or more of a financing company's operations. A financing company is also allowed to engage in the operations of more than one type of a financing company after adjusting its capital adequacy.

A leasing company is a business entity which finances the procurement of capital goods in the form of "finance lease" or "operating lease" to be used by the lessee for a certain period of time on the basis of scheduled payments. Efforts to promote leasing business are conducted through the issuance of commercial notes through the capital market or over the counter bourse. In June 1988, one leasing company issued bonds through the capital market with a total value of Rp 10 billion and a maturity of 3 years.

During 1988, the number of leasing companies remained unchanged at 83 comprising 1 state company, 46 private national companies, and 36 joint-venture companies. In 1988, total assets of the leasing industry rose by 14.0% to Rp1,852.7 billion. The increase was attributable to higher business activities as reflected in the business contracts signed by the leasing industry which increased from Rp1,195.4 billion in 1987 to Rp1,529.0 billion in 1988.

4. Pawnshop

The activities of pawnshops (*Perusahaan Jawatan Pegadaian* or *Perjan Pegadaian*) are

17) Minister of Finance Decree No. 1251/KMK.013/1988, December 20, 1988.

intended to provide loans to persons of low income facing financial difficulties. As in the previous year, the maximum loan extended to each borrower was Rp300,000.00 with monthly interest rates of 3.0% or 4.0% and a maximum maturity of 6 months.

In 1988, the number of pawnshop offices

throughout Indonesia increased by 3 to 483 offices. The activities of these institutions continued to rise as indicated in the amount of loans and repayments, totalling respectively Rp357 billion and Rp348 billion, increases of 8.2% and 9.1% over the preceding year. Following these movements, outstanding loans went up by Rp9 billion to Rp90 billion at the end of December 1988 (Table 5.8).

VI. GOVERNMENT FINANCE

A. General

Following the uncertainties with respect to international oil prices and in view of the increasing need for government finance, in the reporting year the Government continued to promote non-oil/gas revenues, particularly through taxation. In this regard, the Government continued to broaden the tax base and to intensify tax collection by improving the tax administration, enhancing skills and discipline of tax officers, and providing guidance and information on taxation. In addition, measures to raise non-tax revenues, mainly aimed at dividends from state-owned enterprises, were implemented by enhancing their efficiency, productivity, management, and operation as well as by intensifying dividend surrender from and supervision of those institutions.

To sustain the long-term development programs, the Government continued to require a substantial amount of funds. However, due to the limited domestic revenue, the Government sought to obtain foreign resources in the form of project aid or special assistance.

In line with the measures taken on the revenue side, measures on the expenditure side were aimed at economizing funds and at promoting their efficient use. Routine expenditures focused on financing the activities of the administration and on the operation and maintenance of the infrastructure. Development expenditures focused more sharply on on-going development projects conducive to promoting economic activities and expanding employment opportunities.

While continuing to adhere to the principle of a dynamic balanced budget, the government budget for 1988/89 was fixed at Rp28,964 billion or 27.1% higher than the amount budgeted and 7.4% above the realized budget of 1987/88. Compared with the figures budgeted for 1987/88, domestic revenues, stemming from oil and non-oil revenues and development revenues, increased by 27.6%, 25.7%, and 29.1%, respectively. Routine and development expenditures were 33.5% and 14.7% higher than those of 1987/88. Most of the current expenditures were allocated to repay the official foreign debt.

The outturn of the 1988/89 government budget was 13.9% higher than the budgeted amount and 22.4% higher than the outturn of last year. The higher outturn in the reporting year was attributable to a higher outturn for revenues, mainly from foreign aid, either in the form of project or the rupiah local financing from abroad, but also from the oil/gas revenues. In the meantime, higher than budgeted expenditures were mainly attributable to higher capital expenditures. Taking into account the 1988/89 inflation rate of 6.55%, actual receipts and expenditures, in real terms, recorded an increase of 15.8% compared with 14.9% in the preceding year.

In the reporting year, government savings, representing the difference between domestic revenues and routine expenditures, reached Rp2,265 billion, or 31.8% less than the outcome of last year.

B. Government Revenues

In the reporting year, domestic and development revenues reached Rp32,995

TABLE 6.1
GOVERNMENT REVENUES AND EXPENDITURES
(billions of rupiah)

Particulars	1984/85	1985/86	1986/87	1987/88	1988/89		1989/90
					Budget	Actuals	Budget
I. Revenues	19,383	22,825	21,893	26,961	28,964	32,995	36,575
1. Domestic	15,905	19,253	16,141	20,803	21,803	23,004	25,250
2. Development	3,478	3,572	5,752	6,158	7,161	9,991	11,325
II. Expenditures	19,381	22,824	21,891	26,959	28,964	32,990	36,575
1. Routine	9,429	11,951	13,559	17,482	20,066	20,739	23,445
2. Development	9,952	10,873	8,332	9,477	8,898	12,251	13,130
III. Public savings (I.1 - II.1)	6,476	7,302	2,582	3,321	1,737	2,265	1,805
IV. Total development funds (I.2 + III)	9,954	10,874	8,334	9,479	8,898	12,256	13,130
V. Surplus (+)/deficit (-)	2	1	2	2	0	5	0

Source : Ministry of Finance.

billion, 13.9% higher than the budget and 22.4% higher than the outturn in the preceding year. Domestic revenues reached Rp23,004 billion, 5.5% higher than targeted and 10.6% higher than the outturn of last year. Meanwhile, development receipts, comprising program and project aid, reached Rp9,991 billion, 39.5% higher than budgeted and 62.2% higher than the outturn of last year (Table 6.2).

Oil/gas receipts reached Rp9,527 billion, 7.6% higher than budgeted and 5.2% lower than the outturn in the preceding year. The higher outturn of oil/gas receipts was partly attributable to the appreciation of the US dollar against the rupiah. The outturn of non-oil/gas receipts reached Rp13,477 billion, 4.1% higher than budgeted and 25.3% higher than the outturn of last year. The higher outturn of non-oil/gas receipts was

partly due to increasing amount from several items of tax and non-tax revenues.

Several types of taxes recorded increases, such as income tax (*Pajak Penghasilan* or PPh), land and building taxes (*Pajak Bumi dan Bangunan* or PBB), import duties, excise duties, and export duties. Revenues from value added tax (VAT) and sales tax on luxury goods (*Pajak Penjualan atas Barang Mewah* or PPnBM) was 5.9% lower than the budgeted amount, although it was still 32.9% higher than the outturn in the previous year. In total, tax receipts reached Rp11,908 billion, 1.9% higher than budgeted and 35.6% higher than the outturn of last year. This higher tax revenues was brought about by the imposition of a tax on interest earned from time, savings, and certificates of deposits since November 1988, VAT on several kinds of goods and

TABLE 6.2
GOVERNMENT REVENUES
(billions of rupiah)

Particulars	1984/85	1985/86	1986/87	1987/88	1988/89		1989/90
					Budget	Actuals	Budget
I. Domestic revenues	15,905	19,253	16,141	20,803	21,803	23,004	25,250
A. Oil and gas receipts	10,430	11,145	6,338	10,047	8,856	9,527	7,900
1. Oil	8,937	9,447	5,264	8,720	7,775	8,326	6,703
2. Gas	1,493	1,698	1,074	1,327	1,081	1,201	1,197
B. Non-oil and gas receipts	5,475	8,108	9,803	10,756	12,947	13,477	17,350
1. Taxes on income	2,121	2,313	2,271	2,663	3,762	3,949	4,948
- Income tax	---	---	---	---	---	---	---
- Corporate tax	---	---	---	---	---	---	---
- Withholding tax (MPO)	---	---	---	---	---	---	---
- Tax on interest, dividends, and royalties (PBDR)	---	---	---	---	---	---	---
2. Value-added tax on goods and services and sales tax on luxury goods	878	2,327	2,900	3,390	4,788	4,505	5,831
- Sales tax	637	---	---	---	---	---	---
- Sales tax on import	241	---	---	---	---	---	---
3. Import duties	530	607	960	938	1,068	1,192	1,421
4. Excise duties	873	944	1,056	1,106	1,332	1,390	1,487
5. Export tax	91	51	79	184	144	156	160
6. Land and building taxes	180	224	190	275	322	424	638
- Land tax (Ipeda)	157	167	---	---	---	---	---
- Property tax	23	57	---	---	---	---	---
7. Others	115	150	190	223	272	292	424
8. Non-tax receipts	687	1,492	1,147	1,977	1,259	1,569	2,048
9. Fuel-oil receipts	---	---	1,010	---	---	---	393
II. Development receipts	3,478	3,572	5,752	6,158	7,161	9,991	11,325
A. Program aid	69	69	1,957	728	1,163	2,041	1,799
1. Original	69	69	81	103	92	33	72
2. Local cost	---	---	1,876	625	1,071	2,008	1,727
B. Project aid	3,409	3,503	3,795	5,430	5,998	7,950	9,526
Total	19,383	22,825	21,893	26,961	28,964	32,995	36,575

Source : Ministry of Finance.

TABLE 6.3
GOVERNMENT EXPENDITURES
(billions of rupiah)

Particulars	1984/85	1985/86	1986/87	1987/88	1988/89		1989/90
					Budget	Actuals	Budget
I. Routine expenditures	9,429	11,951	13,559	17,482	20,066	20,739	23,445
1. Personnel expenditures	3,047	4,018	4,311	4,617	4,816	4,998	5,966
- Rice allowances	407	402	406	451	482	518	616
- Salaries and pensions	2,207	3,073	3,330	3,561	3,739	3,833	4,608
- Food allowances	271	300	288	299	323	327	371
- Other domestic personnel expenditures	90	161	177	176	141	185	206
- Overseas personnel expenditures	72	82	110	130	131	135	165
2. Material expenditures	1,183	1,367	1,366	1,329	1,333	1,492	1,477
- Domestic	1,134	1,310	1,293	1,239	1,222	1,378	1,345
- External	49	57	73	90	111	114	132
3. Subsidies to local governments	1,883	2,489	2,650	2,816	2,893	3,038	3,594
- Irian Jaya	203	241	240	224	237	259	253
- Others	1,680	2,248	2,410	2,592	2,656	2,779	3,341
4. Amortization and interest payment	2,776	3,323	5,058	8,205	10,648	10,940	12,237
- Domestic debt	39	20	--	39	40	77	149
- Foreign debt	2,737	3,303	5,058	8,166	10,608	10,863	12,088
5. Food stock expenditures	--	--	29	--	--	--	--
6. Others	540	754	145	515	376	271	171
II. Development expenditures	9,952	10,873	8,332	9,477	8,898	12,251	13,130
1. Department/institutions including national defence and security	3,474	4,467	2,004	1,385	1,120	1,856	1,474
2. Regional development	1,526	1,503	1,466	1,334	1,373	1,491	1,759
- Subsidies to villages	93	99	86	102	112	112	112
- Subsidies to regencies (kabupaten)	195	189	188	263	267	267	270
- East Timor	4	7	7	5	6	6	--
- Subsidies to provinces	253	287	293	291	324	334	324
- Land tax (Ipeda/PBB)	157	167	171	223	261	344	517
- Development of primary school	572	526	496	193	113	130	100
- Subsidies for reconstruction and development of shopping centers	25	4	11	3	3	3	3
- Public health centers	65	111	108	74	91	99	122
- Subsidies for afforestation and reforestation	61	43	31	16	16	16	16
- Subsidies for infrastructure development	101	70	75	164	180	180	295
3. Other development expenditures	1,543	1,400	1,067	1,328	407	954	371
- Subsidies on fertilizer	732	477	467	756	200	200	155
- Government capital participation	336	412	86	57	88	125	58
- Others	475	511	514	515	119	629	158
4. Project aid	3,409	3,503	3,795	5,430	5,998	7,950	9,526
Total	19,381	22,824	21,891	26,959	28,964	32,990	36,575

Source : Ministry of Finance.

TABLE 6.4
DEVELOPMENT EXPENDITURES BY SECTOR
(billions of rupiah)

Particulars	1984/85	1985/86	1986/87	1987/88	1988/89		1989/90
					Budget	Actuals	Budget
1. Government	224	386	215	138	93	179	128
– State apparatus	164	278	190	118	72	152	99
– Law	60	108	25	20	21	27	29
2. National defence and security	702	590	554	514	555	555	813
3. Education and culture	1,421	1,687	1,365	1,359	1,270	2,327	1,962
– Education, youth, culture, and religion	1,231	1,413	1,184	1,181	1,076	1,606	1,683
– Science, technology, and research	190	274	181	178	194	721	279
4. Health, social welfare, role of women, population, and family planning	320	398	326	225	289	338	434
5. Housing and human settlement	224	335	337	431	438	481	620
6. Religion and manpower	482	742	331	218	244	284	362
– Religion	60	77	39	18	18	18	27
– Manpower and transmigration	422	665	292	200	226	266	335
7. Economy	5,266	5,422	3,881	5,243	4,593	6,487	6,719
– Agriculture and imigration	1,699	1,138	890	1,937	1,296	1,611	1,994
– Manufacturing	603	963	465	215	244	447	342
– Mining and energy	1,148	1,673	1,176	1,206	1,218	2,074	1,615
– Transportation and tourism	1,428	1,484	1,131	1,598	1,655	2,012	2,522
– Information, press, and social communication	46	71	33	28	32	28	46
– Trade and cooperatives	342	93	186	259	148	315	200
8. Regional, business enterprises, and environment	1,313	1,313	1,323	1,349	1,416	1,600	2,092
– Regional, rural, and urban development	791	850	939	930	1,032	1,137	1,552
– Development of business enterprises	292	220	211	219	208	238	291
– National resources and environment	230	243	173	200	176	225	249
Total	9,952	10,873	8,332	9,477	8,898	12,251	13,130

Source : Ministry of Finance.

services and PPnBM on several kinds of luxury goods that had not been imposed previously, and the adjustment of sale values of land and building which are subject to PBB.

Development revenues reached Rp9,991 billion during the reporting year which was 39.5% higher than assumed in the budget. The amount comprised Rp33 billion of program aid, Rp2,008 billion of special assistance, and Rp7,950 billion of project aid. Development revenues was higher than budgeted owing to a rise in local cost program aid and project aid.

C. Government Expenditures

In the reporting year, actual government expenditures, comprising routine and development expenditures, amounted to Rp32,990 billion or 13.9% higher than the budgeted amount and 22.4% higher than the outturn of the preceding year (Table. 6.3).

Routine expenditures consist of outlays on personnel, material, subsidies to local governments, debt amortization and interest payments, and others. They reached Rp20,739 billion in the reporting year or 3.4% higher than budgeted and 18.6% higher than the outturn of the last year. Personnel expenditures and subsidies to local governments amounted to Rp4,998 billion and Rp3,038 billion, respectively, or 3.8% and 5.0% higher than the amount budgeted and 8.3% and 7.9% higher than the outturn in the preceding year. This increase was partly associated with the rise in civil servants' salaries and pensions in the last quarter, by 10% from their December 1988 levels. Actual expenditures on operation and maintenance reached Rp1,492 billion or 11.9% higher than budgeted and 12.3% higher than the outturn in the last year. These kinds of expenditures were utilized for building maintenance and office supplies.

A major portion of routine expenditures was spent on amortization and interest payments on foreign debt reaching Rp10,940 billion, 2.7% higher than budgeted and 33.3% higher than the outturn in the preceding year. The increase was closely associated with maturing foreign debt and the appreciation of the US dollar against the rupiah.

In the reporting year, actual development expenditures reached Rp12,251 billion or 37.7% higher than budgeted and 29.3% higher than the outturn in the last year. Most of the development expenditures (53.0%) were utilized to finance development programs in the economic sector, in education and culture (19%), and in regional, business and environment (13.1%). The higher outturn of development outlays showed the consistency of the Government's efforts to sustain the development program.

D. Government Budget for Fiscal Year 1989/90

The government budget for fiscal year 1989/90, constituting the first budget for Repelita V, was fixed at a balanced amount of Rp36,575 billion or 10.9% higher than the budgeted amount in the preceding year. Domestic revenues were fixed at Rp25,250 billion, comprising oil and gas revenues of Rp7,900 billion and those of non-oil/gas of Rp17,350 billion. Development receipts were fixed at Rp11,325 billion, comprising program aid of Rp1,759 billion and project aid of Rp9,526 billion. Routine expenditures were fixed at Rp23,445 billion, of which Rp12,237 billion was allocated for amortization and interest payments on foreign debt and Rp5,966 billion for personnel expenditures. Based on these budget figures, government savings is expected to be Rp1,805 billion. Development expenditures were fixed at Rp13,130 billion or 7.2% higher than the outturn in 1988/89.

VII. WORLD ECONOMIC AND INTERNATIONAL MONETARY DEVELOPMENTS, INTERNATIONAL RELATIONS, AND REGIONAL COOPERATION

A. World Economic Developments

The world economy grew by 4.0% in 1988 as compared with 3.3% in 1987. The higher growth was achieved not with standing some impeding factors, such as intensifying protectionist measures and high debt burden faced by developing countries. The increase in economic growth was mainly supported by an acceleration of the growth of private investment and consumption in developed countries. The acceleration in the growth of private investment stemmed mainly from better business prospects and the adoption of advanced technologies. The higher growth in private consumption was accounted for by a rise in wages in major industrialized countries. Other factors contributing to the growth in private investment and consumption included the success in the efforts of realigning macro-economic policies undertaken by the industrialized countries as reflected, inter alia, in a decrease in the fluctuation of the US dollar vis-a-vis other major currencies. Japan was able to reduce its surplus in trade balance while simultaneously expanding domestic demand. On the other hand, the United States managed to reduce more significantly the deficits in the budget and trade balance. Regarding the developing countries, the higher growth was closely associated with the successful structural adjustment measures implemented in the last few years.

In 1988, international trade grew more favorably as reflected in the volume growth of 8.9% as well as in the rise in the prices of most non-oil primary commodities (18.2%)

and manufactured products (6.1%). The higher growth in the volume of international trade was primarily attributable to a rise in the growth of imports by major industrialized countries following higher economic activity in those countries. Along with the expansion in world trade, efforts have been underway to promote free trade despite the prevailing protectionist measures. These efforts included, among others, the Midterm Review of the Uruguay Round in Montreal, Canada, December 1988. The meeting, however, did not come up with the desired results due to differences in view regarding trade in agricultural products and textiles and other issues regarding safeguards and intellectual property rights. Meanwhile, the enactment of the US Trade Bill which was protectionist in nature, the agreement on free trade between the US and Canada, and the establishment of the Single European Market in 1992 were expected to bring about more restrictions to international trade.

Inflation, as measured by the consumer price indices, in developed as well as developing countries, registered an increase as compared with the preceding year. The higher inflation rate for developed countries resulted mainly from an increase in the prices of almost all non-oil commodities, whereas higher inflation in developing countries stemmed primarily from the substantial government budget deficits of countries in Latin America. Meanwhile, unemployment in developed countries, especially in the United Kingdom, Canada, and the US declined, following an expansion in employment opportunities, mainly in the manufacturing sector.

1. Developed countries

The economies of the *Organization of Economic Cooperation and Development* (OECD) countries grew by 4.1% in 1988 after 3.4% in 1987. Growth in the seven major industrialized countries accelerated from 3.4% to 4.2% with the highest rate recorded in Japan (5.7%) and the lowest in the Federal Republic of Germany (FRG) (3.4%).

On average, the inflation rate in the OECD countries rose from 3.2% to 4.0%. In the seven major OECD countries, the inflation

rates increased from 2.8% to 3.2% with the highest rate recorded in Italy (5.0%) and the lowest in Japan (0.5%)

Unemployment in the OECD countries declined from 7.9% to 7.3%. In the seven major OECD countries, unemployment decreased from 6.9% to 6.3% with the highest rate registered in Italy (11.0%) and the lowest in Japan (2.5%).

In 1988, trade of the OECD countries was characterized by an improvement in the terms of trade and a rapid expansion in trade volume.

TABLE 7.1
ECONOMIC GROWTH, CONSUMER PRICE INDEX,
AND UNEMPLOYMENT RATE
(percent per annum)

Countries	Real economic growth			Consumer price index			Unemployment rate		
	1986	1987	1988	1986	1987	1988	1986	1987	1988
World ¹⁾	3.2	3.2	4.1	--	--	--	--	--	--
OECD :	2.7	3.4	4.1	2.6	3.2	4.0	8.2	7.9	7.3
A. Seven major OECD countries	2.7	3.4	4.2	1.9	2.8	3.2	7.3	6.9	6.3
– Canada	3.2	4.0	4.5	4.2	4.4	4.0	9.6	8.9	7.8
– Fed. Rep. of Germany	2.3	1.8	3.4	-0.2	0.2	1.2	7.9	7.9	7.9
– France ²⁾	2.3	1.9	3.4	2.7	3.1	2.7	10.4	10.5	10.1
– Italy ²⁾	2.5	3.0	3.9	5.9	4.7	5.0	10.3	11.0	11.0
– Japan	2.5	4.5	5.7	0.4	-0.2	0.5	2.8	2.9	2.5
– United Kingdom ²⁾	3.2	4.6	3.7	3.4	4.2	4.9	11.7	10.2	8.2
– United States of America	2.8	3.4	3.9	1.9	3.7	4.1	7.0	6.2	5.5
B. Other OECD countries	2.5	3.0	3.3	7.4	6.4	8.3	11.6	11.0	10.8
Developing countries ²⁾	4.2	3.6	4.2	31.1	41.6	70.7	--	--	--
– Africa	2.9	1.2	2.3	16.4	15.8	19.8	--	--	--
– Asia	6.7	7.9	9.2	9.1	9.8	14.6	--	--	--
– Europe	4.3	2.7	1.2	26.8	35.5	62.5	--	--	--
– Latin America	4.0	3.0	0.7	87.8	130.9	286.4	--	--	--
– Middle East	0.6	-1.5	3.5	18.1	19.4	17.8	--	--	--
– Non-oil exporting countries	5.8	5.3	4.9	34.2	45.4	88.4	--	--	--
– Oil exporting countries	0.4	-0.2	2.5	24.6	33.2	38.8	--	--	--
– Newly-industrialized economies in Asia	11.3	12.2	9.8	1.8	2.3	4.6	--	--	--

1) Measured by GNP, GDP, and Net Material Product (NMP).

2) Measured by GDP.

Source : – IMF, World Economic Outlook – Statistical Appendix, April 1989.
– OECD, Economic Outlook, No. 44, December 1988 and No. 45, June 1989.

The improvement in the terms of trade was closely related to a decline in oil prices on average by 20.4%. The expansion in trade volume was primarily the result of higher economic activity in the industrialized countries which led to increases in imports as well as exports. In total, the OECD countries recorded a decrease in their trade deficit, by \$22.9 billion to \$4.4 billion, whereas the current account deficit widened by \$19.9 billion to \$61.8 billion. The US achieved some success in reducing its trade deficit by \$33.8 billion to \$126.5 billion. On the other hand, Japan managed to reduce the trade surplus by \$1.4 billion to \$95.0 billion. However, the FRG even recorded an increase in the trade surplus of \$8.7 billion to \$78.9 billion. With respect to the current account, the US and the FRG showed improvements although the current account deficit of the US remained substantial. Meanwhile, the current account surplus of Japan declined; nevertheless, it remained the highest among all developed countries (Table 7.2).

In *Canada*, the economy grew by 4.5% as against 4.0% in the previous year. This growth was supported by an expansion in domestic demand of 5.5% as compared with 4.7% in the preceding year. This expansion stemmed from an acceleration in the growth of gross investment from 2.8% to 12.5% and in government consumption from 1.6% to 9.6%. The acceleration in gross investment mainly occurred in the private non-residential subsector where the growth rate rose from 8.8% to 17.8% following an increase in profitability and a higher utilization rate of existing capacity. The increase in government consumption was primarily due to higher spending in defence. Meanwhile, net foreign demand further deteriorated since growth of the volume of imports of goods and services (4.7%) exceeded that of exports of goods and services (2.9%), mainly due to the appreciation of the Canadian dollar.

The inflation rate declined from 4.4% to 4.0% following a decrease in oil prices and the appreciation of the Canadian dollar. Meanwhile unemployment decreased from 8.9% to 7.8% which was attributable to an expansion in employment opportunities, mainly in the industrial and services sectors.

The trade surplus narrowed slightly from \$8.8 billion in the previous year to \$8.4 billion due to a lower increase in exports (\$16.6 billion) relative to that of imports (\$17.0 billion). The increase in exports mainly occurred in foodstuff, whereas the increase in imports was mainly due to the increasing demand for raw materials. Taking into account the deficit in the services account of \$17.5 billion compared with \$16.8 billion in the previous year, the current account deficit widened to \$9.1 billion as against \$8.0 billion in the previous year.

Economic growth in the *Federal Republic of Germany* (FRG) picked up and reached 3.4% as compared with 1.8% in the preceding year. This acceleration was brought about by both a higher expansion in the growth of domestic demand, from 3.1% to 3.5%, and stronger net foreign demand from -28.4% to -1.7%. The expansion of domestic demand stemmed mainly from a higher growth rate in gross investment, from 2.5% to 5.8%, which occurred in all sectors, namely government, private residential, and private non-residential. The expansion of net foreign demand was the result of higher growth in the export volume of goods and services of 4.7% relative to that of imports of goods and services of 1.0%.

The inflation rate accelerated to 1.2% as against 0.2% in the previous year which was brought about by a rise in production cost in the manufacturing sector. Meanwhile, the unemployment rate remained unchanged from the preceding year, namely 7.9%.

TABLE 7.2
CURRENT ACCOUNT IN DEVELOPED AND DEVELOPING COUNTRIES
(billions of \$)

	Export			Import			Trade balance			Services balance ¹⁾			Current account		
	1986	1987	1988	1986	1987	1988	1986	1987	1988	1986	1987	1988	1986	1987	1988
Developed countries															
- Canada	88.7	97.9	114.5	81.1	89.1	106.1	7.6	8.8	8.4	-15.2	-16.8	-17.5	-7.6	-8.0	-9.1
- Fed. Rep. of Germany	231.1	278.0	309.0	175.0	207.8	230.1	56.1	70.2	78.9	-16.9	-25.0	-30.4	39.2	45.2	48.5
- France	118.4	139.7	159.1	120.3	148.6	167.4	-9.5	-8.9	-8.3	4.8	4.8	4.5	2.9	-4.1	-3.8
- Italy	96.6	116.0	128.1	92.1	115.9	128.6	4.5	0.1	-0.5	-1.9	-1.1	-3.5	2.6	-1.0	-4.0
- Japan	205.6	224.6	259.8	112.8	128.2	164.8	92.8	96.4	95.0	-7.0	-9.4	-15.4	85.8	87.0	79.6
- United Kingdom	106.5	129.9	142.6	118.9	146.5	179.2	-12.4	-16.6	-36.6	12.6	11.8	10.5	0.2	-4.8	-26.1
- United States of America	224.0	249.6	320.2	368.5	409.9	446.7	-114.5	-160.3	-126.5	5.6	6.4	-8.8	-138.9	-153.9	-135.3
Developing countries															
- Non-oil exporting countries	362.0	443.4	528.9	368.0	435.0	517.0	-6.0	8.4	11.9	-3.9	-0.6	-1.9	-9.9	7.8	10.0
- Oil exporting countries	124.8	152.0	149.3	104.5	104.7	116.4	20.3	47.3	32.9	-51.7	-50.9	-52.0	-31.4	-3.6	-19.1
- Newly-industrialized economies in Asia	130.2	175.2	217.3	111.1	150.0	195.1	19.1	25.2	22.2	11.2	2.6	3.9	-30.3	27.8	26.1

¹⁾ Includes grants.

Source : - IMF, World Economic Outlook - Statistical Appendix, April 1989.

- OECD, Economic Outlook, No. 44, December 1988 and No. 45, June 1989.

The surplus in the trade account widened to \$78.9 billion as against \$70.2 billion in the preceding year. This improvement was accounted for by a stronger increase in exports (of \$31.0 billion to \$309.0 billion) relative to that of imports (of \$22.3 billion to \$230.1 billion), which was supported, among others, by the depreciation of the German mark. Taking into account the deficit in the services account of \$30.4 billion in 1988 compared with \$25.0 billion in 1987, the current account surplus widened to \$48.5 billion as compared with \$45.2 billion in 1987.

Economic growth in *France* in 1988 accelerated to 3.4% as compared with 1.9% in the preceding year. This acceleration was brought about by higher growth in domestic demand, of 3.6% as against 3.0%, and an improvement in net foreign demand from -122.6% to -14.8%. The expansion in domestic demand was brought about by stronger growth of gross investment of 7.0% as compared with 3.7% in the previous year which occurred mainly in the private non-residential subsector (from 4.8% to 9.2%). The higher growth in net foreign demand was accounted for by an increase in the growth of export volume of goods and services of 4.4%, whereas the growth in import volume increased by only 0.3%.

In 1988, the inflation rate declined to 2.7% from 3.1% in the previous year mainly due to a decline in oil prices, despite an increase in food prices. Meanwhile, unemployment was slightly lower (10.5% compared with 10.1% in the preceding year) which was attributable to an expansion in employment in the industrial sector.

The trade deficit decreased to \$8.3 billion compared with \$8.9 billion in the previous year. Exports increased by \$19.4 billion to

\$159.1 billion and imports by \$18.8 to \$167.4 billion. The increase in exports occurred mainly in foodstuff and agricultural products, whereas the increase in imports was due to higher demand for raw materials. Taking into account a surplus in the services balance of \$4.5 billion as against \$4.8 billion in 1987, the current account deficit narrowed to \$3.8 billion as compared with \$4.1 billion in the preceding year.

In 1988, economic growth in *Italy* accelerated from 3.0% to 3.9%. This acceleration was attributable to an improvement of net foreign demand from -79.5% to -16.4%. This improvement originated from higher growth in export volume of goods and services (from 3.3% to 5.8%) and lower growth in the volume of imports of goods and services (from 10.1% to 7.3%). Meanwhile, the growth in domestic demand slowed down from 4.6% to 4.0% stemming from declines in the growth rates of all sectors, namely gross investment, government consumption, and private consumption.

The inflation rate went up from 4.7% to 5.0% in 1988. This increase was closely related to the imposition of higher rates of value added tax. Meanwhile, the unemployment rate remained virtually unchanged, namely 11.0%.

The trade balance experienced a reversal from a surplus of \$0.1 billion to a deficit of \$0.5%. Exports, mainly manufactured goods and foodstuff, rose by \$12.1 billion to \$128.1 billion, whereas imports went up by \$12.7 billion to \$128.6 billion mainly as a result of higher demand for manufactured goods and raw materials. The services balance also deteriorated, from a deficit of \$1.1 billion to a deficit of \$3.5 billion. Hence, the current account deficit widened to \$4.0 billion compared with \$1.0 billion in the previous year.

Economic growth in *Japan* picked up markedly from 4.5% to 5.7% in 1988. This improvement stemmed mainly from higher growth in domestic demand, from 5.2% to 7.7%. This higher growth occurred in all sectors, namely gross investment, government consumption, and private consumption, respectively from 10.3%, -0.7%, and 4.2% to 13.3%, 2.1%, and 5.0%. The faster growth of gross investment occurred in the private non-residential subsector, from 8.0% to 15.9% induced mainly by higher profits. As regards private consumption, the increase in growth was brought about by a rise in wage rates along with labor productivity gains. It is noteworthy that net foreign demand dropped from -21.7% to -89.6% due to a higher growth in the volume of imports of goods and services (12.5%) relative to that of exports of goods and services (4.1%). The higher growth in imports was mainly due to an expansion in the demand for imported goods which were lower in price relative to those of domestic products.

The inflation rate reversed from a deflation of 0.2% to an inflation of 0.5%. This upward reversal was mainly brought about by a rise in production costs due to an increase in wage rates. The unemployment rate declined from 2.9% to 2.5% resulting from an expansion in employment, especially in the manufacturing sector.

In 1988, the surplus in the trade account narrowed slightly from \$96.4 billion to \$95 billion. The decline was accounted for by a higher increase in imports (of \$36.6 billion to \$164.8 billion) relative to that of export (of \$35.2 billion to \$259.8 billion). The increase in imports originated mainly from higher demand for capital goods and food, which was brought about by the appreciation of the yen, whereas the

increase in exports occurred in manufactured and capital goods. Taking into account an increase in the services account deficit from \$9.4 billion to \$15.4 billion, the surplus in the current account narrowed to \$79.6 billion from \$87.0 billion in the preceding year.

Economic growth in the *United Kingdom* slowed down to 3.7% in 1988 compared with 4.6% in the preceding year. The slowdown was accounted for by weaker net foreign demand which was due to a decrease in the growth of the volume of exports of goods and services (from 5.4% to -1.2%) and a stronger growth of the Volume of imports of goods and services (from 7.4% to 11.9%). The lower growth of the volume of exports was primarily brought about by a drop in the production of oil following a production interruption of the Piper Alpha oil rig and weakening competitiveness of export commodities as a result of the appreciation of the poundsterling. Meanwhile, domestic demand increased from 5.1% in 1987 to 6.5% stemming from higher growth in gross investment and private consumption. The faster growth in gross investment occurred in all sectors, namely the private residential and nonresidential subsectors and the government subsector, respectively by 17.2%, 11.2%, and 8.8% compared with 14.4%, 6.3%, and -9.4%.

Inflation went up from 4.2% to 4.9% which was closely related to higher production cost due to a rise in average wage rates. The unemployment rate declined from 10.2% to 8.2% resulting from higher domestic economic activities.

The deficit in the trade account widened from \$16.6 billion to \$36.6 billion owing to

an increase in imports of \$32.7 billion to \$179.2 billion, whereas exports rose only by \$12.7 billion to \$142.6 billion. The higher imports were due to the increasing demand for manufactured goods and food, whereas higher exports occurred in non-oil commodities, mainly manufactured goods. Taking into account a decline in the surplus of the services account from \$11.8 billion to \$10.5 billion, the deficit in the current account widened from \$4.8 billion to \$26.1 billion.

The economy of the *United States* grew by 3.9% in 1988 as compared with 3.4% in 1987. This growth stemmed primarily from stronger net foreign demand, which accelerated from 6.3% to 22.3%, brought about by higher growth in the volume of exports of goods and services relative to that of imports. The higher growth in exports was mainly accounted for by an improvement in the competitiveness of manufactured products. The growth in domestic demand remained unchanged at 3.0% which was attributable to the higher growth in gross private investment and private consumption, reaching 6.1% and 2.8%, respectively as against 2.0% and 2.7%, whereas government consumption grew only by 0.3% compared with 2.6% in the previous year. It is worth noting that the increase in the growth of gross private investment originated from an expansion in non-housing construction of 6.7% which reflected an improvement in business prospects arising from higher profits.

Inflation in the US rose from 3.7% to 4.1% in 1988 which was mainly attributable to higher prices for several groups of foodstuff following a long drought, a rise in wage rates, and an increase in the costs of housing. Meanwhile, unemployment

declined from 6.2% to 5.5%, the lowest rate during the 1980s, due mainly to an increase in the capacity utilization rate in the industrial sector, reaching 84.2% which was the highest rate in the decade.

Regarding international trade, the trade deficit narrowed from \$160.3 billion to \$126.5 billion. Exports rose by \$70.6 billion to \$320.2 billion, whereas imports went up by \$36.8 billion to \$446.7 billion. The increase in exports was mainly accounted for by an improvement in the competitiveness of manufactured products in the world market following, inter alia, the depreciation of the US dollar vis-a-vis several other major currencies. On the other hand, the services account deteriorated from a surplus of \$6.4 billion to a deficit of \$8.8 billion. Hence, the current account recorded an improvement as reflected in the narrowing of the deficit from \$153.9 billion to \$135.3 billion.

In 1988, economic growth in *other OECD countries* (17 countries) increased from 3.0% to 3.3%. Among those countries, the highest growth was attained by Luxembourg (5.2%), whereas the lowest was experienced by Ireland (-1.4%).

Inflation in other OECD countries increased from 6.4% to 8.3%. This increase was attributable to a rise in the prices of several non-oil commodities. The highest rate was recorded in Turkey (75.4%), whereas the lowest occurred in the Netherlands (0.7%). Meanwhile, the average unemployment rate decreased slightly (10.8% as against 11.0% in 1987).

In 1989, economic growth in OECD countries is projected to be characterized by a tight monetary policy stance. This tight

monetary policy stance was adopted in an effort to reduce the high inflation pressures that emerged in 1988. In addition, the substantial budget deficit of the US is expected to require a high level of domestic interest rate which in turn will affect interest rates in other developed countries. Furthermore, the external imbalances among developed countries is expected to continue, despite the continued efforts in policy coordination. Based on these estimates, economic growth in OECD countries in 1989 is expected to be lower, whereas the unemployment rate is expected to remain virtually unchanged. Taking into account higher oil prices but a tight monetary-policy, the inflation rate is expected to decline slightly.

2. Developing countries

The economies of developing countries grew faster from 3.6% to 4.2% in 1988. This growth was mainly brought about by structural adjustment measures adopted by several developing countries as well as by an improvement in world economic growth coupled with an expansion in the volume of world trade and a rise in the prices of non-oil commodities. By region, economic growth was recorded in all regions, except Latin America and Europe. The highest economic growth was achieved in Asia (9.2%), whereas the lowest occurred in Latin America (0.7%).

The inflation rate in developing countries rose sharply from 41.6% to 70.7%. The highest inflation occurred in Latin America (286.4%) and the lowest in Asia (14.6%). The high inflation rate in the Latin America region originated primarily from the high inflation rates in Argentina, Brazil, and Mexico reaching 442.0%, 782.0%, and 214.0%, respectively.

The economic growth of *oil exporting developing countries* showed reversal from -0.2% to 2.5% in 1988. Much of this reversal was accounted for by an increase in oil production in those countries. In addition, inflation rose from 33.20% to 38.8%. In international trade, the surplus in the trade balance narrowed from \$47.3 billion to \$32.9 billion. The narrowing surplus stemmed from a decrease in exports of \$2.7 billion to \$149.3 billion mainly due to lower oil prices, while imports increased by \$11.7 billion to \$116.4 billion. The services account deficit widened slightly from \$50.9 billion to \$52.0 billion. Hence, the deficit in the current account increased from \$3.6 billion to \$19.1 billion.

Economic growth in *non-oil exporting developing countries* accelerated to 4.9% in 1988 as against 5.3% in 1987. Meanwhile, inflation rose markedly to 88.4% as compared with 45.4% in 1987. In international trade, the trade balance recorded a larger surplus of \$11.9 billion as compared with \$8.4 billion in the preceding year, whereas the services balance registered a slight increase in its deficit from \$0.6 billion to \$1.9 billion. Hence, the surplus in the current account rose from \$7.8 billion to \$10.0 billion.

Among the developing countries, rapid economic growth was recorded in Asia mainly stemming from higher economic growth in the four *newly industrialized economies* (NIEs), namely Hong Kong, the Republic of Korea, Singapore, and Taiwan. These four countries' economic growth moderated from 12.2% to 9.8%. Much of this moderation was accounted for by the weakening competitiveness of export commodities due to the appreciation of the local currencies and higher inflation rates

in the Republic of Korea and Taiwan. The rapid economic growth was supported by the manufacturing industry, particularly electronic goods. The inflation rate rose from 2.3% to 4.6% in 1988, mainly due to higher wage rates in the Republic of Korea and Taiwan.

In international trade, the surplus in the trade balance declined from \$25.2 billion to \$22.2 billion. This decline was brought about by an increase in imports of \$45.1 billion to \$195.1 billion, whereas exports rose by \$42.1 billion to \$217.3 billion. The services account registered a higher surplus of \$3.9 billion as compared with \$2.6 billion in 1987. Hence, the current account recorded a decline in its surplus from \$27.8 billion to \$26.1 billion.

Economic growth in developing countries is expected to be slow in 1989 as compared with that in 1988. This slowdown is closely related with the challenges, such as higher inflation rates, intensifying protectionist measures in the industrialized countries,

and the moderation in the economic growth of industrialized countries.

3. ASEAN countries

The economy of the ASEAN countries grew by 7.3% in 1988 as compared with 5.7% in the preceding year. The highest growth was achieved by Singapore, by 11.0%, whereas the lowest was recorded by Brunei Darussalam, namely by 2.2%. The increase in economic growth in the ASEAN countries was closely related to a pick-up in investment growth in addition to the improvement in the world economy coupled with higher prices of non-oil commodities thereby inducing the expansion of exports. The high growth in investment occurred in all ASEAN countries which was mainly attributable to various incentives granted to domestic as well as foreign investment, inter alia, a reduction in tax rates for direct investment and the provision of a greater role for foreign investors in business activities.

TABLE 7.3
ECONOMIC GROWTH AND CONSUMER PRICE INDEX
IN ASEAN COUNTRIES
(percent per annum)

Countries	Real economic growth			Consumer price index		
	1986	1987	1988	1986	1987	1988
ASEAN	4.0 ^f	5.7 ^f	7.3 ^f	4.0 ^f	4.9	5.2
1. Brunei Darussalam	3.0 ^f	1.1 ^f	2.2	0.7	1.7	2.0
2. Indonesia	5.9 ^f	4.8 ^f	5.7	8.8	8.9	5.5
3. Malaysia	1.2	5.2 ^f	8.1	0.6 ^f	0.8	2.5
4. Philippines	1.9 ^f	5.9 ^f	6.8	-0.3 ^f	7.5 ^f	9.1
5. Singapore	1.8	8.8	11.0	-1.4	0.5	1.5
6. Thailand	4.7 ^f	7.1 ^f	9.3	1.9	2.5	3.8

Source : Various publications/reports.

TABLE 7.4
CURRENT ACCOUNT IN ASEAN COUNTRIES
(billions of \$)

Countries	Exports (f.o.b.)			Imports (f.o.b.)			Trade balance			Services balance			Current account		
	1986	1987	1988	1986	1987	1988	1986	1987	1988	1986	1987	1988	1986	1987	1988
1. Brunei Darussalam	...	...	...	...	...	...	...	...	...	...	...	...	1.5	1.5	1.4
2. Indonesia	14.4 ^f	17.2	19.4 ^f	11.9 ^f	12.5 ^f	13.7	2.5 ^f	4.7	5.7	-6.6 ^f	-6.9 ^f	-7.2	-4.1	-2.2 ^f	-1.5
3. Malaysia	15.1 ^f	17.6	20.3	10.3	11.8	14.8	4.8 ^f	5.8	5.5	-5.1 ^f	-3.5	-3.6	-0.3 ^f	2.3 ^f	1.9
4. Philippines	4.8	5.7	7.1	5.0	6.7	8.1	-0.2	-1.0	-1.0	1.2	0.5	0.6	1.0	-0.5	-0.4
5. Singapore	21.3	26.9	39.4	23.6	30.0	41.8	-2.3	-3.1	-2.4	2.8	3.6	4.1	0.5	0.5 ^f	1.7
6. Thailand	8.8	11.5	16.0	9.2	13.3	19.8	-0.4	-1.8	-3.8	0.6	2.4	2.1	0.2	0.6	-1.7

Source : Various publications/reports.

In 1988, the inflation rate in the ASEAN countries was 5.2% as against 4.9% in the previous year. The rise in inflation was due primarily to higher domestic economic activities, the rise in prices of non-oil commodities, the depreciation of local currencies vis-a-vis major currencies, and the increase in wages. The highest inflation rate was recorded in the Philippines (9.1%), whereas the lowest was recorded in Singapore (1.5%).

As regards international trade, Indonesia and Singapore experienced an improvement in their trade balances, whereas the reverse occurred in Thailand and Malaysia although Malaysia still recorded a substantial surplus. Taking into account the services account in the ASEAN countries, Singapore experienced an improvement in the current account, whereas a significant deterioration was recorded by Thailand, namely from a surplus into a significant current account deficit (Table 7.4).

B. International Monetary Developments

In 1988, international monetary developments were characterized by a moderation in the fluctuations of the US dollar vis-a-vis other major currencies, a rise in the nominal interest rates in major industrialized countries, an increase in the debt burden of developing countries, and an expansion of international liquidity.

The depreciation of the US dollar vis-a-vis other major currencies moderated from 12.3 % in 1987 to 6.3% in 1988. Against the German mark and Japanese yen, the US dollar depreciated by 2.3% and 11.4%, respectively, as compared with 17.2% and 14.2% in the previous year. Much of this moderation in the depreciation resulted from

the policy coordination by major industrialized countries to stabilize the exchange rates of major world currencies as formally stated in the Louvre Accord of February 1987. Furthermore, the coordination was reaffirmed in several meetings in December 1987 and in April, June, and September 1988. In addition, official intervention was conducted in the form of purchases and sales of the US dollar by the monetary authorities of several major industrialized countries. External imbalances were reduced as the current account deficit of the US on the one hand and the surpluses of Japan and the FRG on the other hand decreased.

In 1988, the developing countries continued to be confronted with a heavy debt burden, totalling \$1,197.2 billion, which was virtually unchanged compared with \$1,200.2 billion in the previous year. Following an increase in export earnings, derived from both non-oil primary commodities and manufactured products as a result of buoyant prices, the debt to export ratio declined from 159.4% to 139.9%. The debt service ratio (DSR), however, rose slightly from 19.8% to 19.9% due to an increase in amortization and interest payments.

International liquidity, as measured by the level of official international reserves increased from SDR539.7 billion to SDR574.7 billion in 1988. The increase occurred in industrialized as well as developing countries. In the industrialized countries, higher international reserves were recorded by Japan, from SDR57.9 billion to SDR72.7 billion, Canada from SDR5.8 billion to SDR12.0 billion, and the United Kingdom from SDR30.1 billion to SDR33.4 billion. In developing countries,

increases occurred in Asia, Africa, and Europe with the highest achieved by countries in Asia, from SDR99.7 billion to SDR112.1 billion. In addition, international reserves of non-oil developing countries rose from SDR143.1 billion to SDR157.7 billion, whereas those of oil producing developing countries declined from SDR49.1 billion to SDR43.0 billion in 1988.

Short-term nominal interest rates in major developed countries rose from 6.7% to 7.2% in 1988. The increase occurred, inter alia, in the United Kingdom from 9.7% to 10.3%, Canada from 8.4% to 9.6%, the US from 6.9% to 7.7%, and Japan from 4.1% to 4.4%. This increase was largely attributable to the adoption of a tight monetary policy stance by most major industrialized countries in order to contain inflation. Meanwhile, long-term nominal interest rates in major industrialized countries also increased from 8.0% to 8.1%. The increase occurred in Italy from 11.6% to 12.0%, Canada from 9.9% to 10.2%, the United States from 8.4% to 8.8%, and the FRG from 6.2% to 6.5%.

C. International Relations and Regional Cooperation

1. International Monetary Fund (IMF)

On May 8, 1988, Indonesia changed its status within the IMF from Article XIV to Article VIII of the Articles of Agreement of the IMF. Since the change of the status, without the consent of the IMF, Indonesia shall no longer impose restrictions on payments and transfers for current international transactions and engage in multiple currency practices. Through this change of status, the international financial community's confidence in Indonesia is

expected to be enhanced, thereby increasing capital inflows in the future. It is noteworthy that Article XIV constitutes a transitional arrangement allowing a member to maintain restrictions on payments and transfers for current international transaction.

In 1987/88, Indonesia conducted repurchases of SDRs in the amount of SDR42.0 million for the balance of the drawdown of the Compensatory Financing Facility (CFF) in 1983. This repurchase brought the outstanding CFF to SDR462.9 million at the end of 1988/89, originating from the drawdown in May 1987. In addition, Indonesia paid charges of SDR31.9 million due to the use of the CFF and SDR15.4 million due to the allocation of SDRs. Besides, Indonesia received remuneration of SDR0.7 million, originating from reserves at the IMF of SDR72.4 million.

In April 1988, the IMF introduced the Enhanced Structural Adjustment Facility (ESAF), which constitutes highly concessional financing aimed at supporting growth-oriented adjustment efforts by low-income countries. The maximum amount of a loan is approximately 150% of a country's quota with an interest rate of 0.5% per annum. During the reporting year, 62 countries were eligible for assistance under the facility and 7 of them already made use of the facility in the amount of SDR775.7 million. It is worth noting that the ESAF constitutes an enhancement of the Structural Adjustment Facility (SAF) introduced in March 1986 which was designed to provide concessional balance of payments assistance to low-income countries facing protracted balance of payments problems and undertaking efforts to strengthen their balance of payments position.

2. World Bank group

In the reporting year, the International Bank for Reconstruction and Development (IBRD) approved new loans to Indonesia in the amount of \$740.2 million for projects in the sectors of transportation, education, trade, services, and agriculture. This amount was lower than in the preceding year when new loan commitments reached \$929.5 million. As of the end of 1988/89, total loans approved to Indonesia stood at \$11,728.1 million. Of this amount, \$8,059.1 million (68.7%) had been disbursed and utilized mainly for electricity, irrigation, communication, agriculture, and rural development. At the end of the reporting year, the outstanding amount of IBRD loans to Indonesia amounted to \$6,587.1 million.

The maturity of IBRD loans depends on the type of project, generally ranging from 7 to 30 years, including a grace period of 3 to 10 years. The interest rate on IBRD loans was 7.59% for the period of July-December 1988 and 7.65% for the period of January-June 1989. It may be noted that a commitment fee of 0.75% is charged for undisbursed loans.

In the past few years, due to the need for local-cost financing from the development budget to secure the successful implementation of development projects financed by external borrowing, the Government has sought external loans in the form of program loans which are quick disbursing and can be used to finance local costs. In this regard, since February 1987 the IBRD has provided program loans to Indonesia amounting to \$600 million as of the end of the reporting year, all of which has been fully disbursed. The maturity of program loan is 20 years including a grace

period of 5.5 years bearing an interest of 7.58% p.a. for the period of January - June 1989.

In April 1988, the Board of Governors of the IBRD approved the third General Capital Increase (GCI) of \$74.8 billion bringing the IBRD's total authorized capital to \$171.4 billion. The third GCI will enable the IBRD to increase lending, on an annual average, by 10% over the next 5 years to more than \$20 billion per annum by the early 1990s. As a result of the third GCI, Indonesia's subscription to the capital stock will increase from \$1,005.7 million to \$1,798.6 million.

Total IDA loans approved for Indonesia as of the end of the reporting year remained unchanged at \$943.5 million which was equal to the amount received until the end of May 1980. Of the total, \$900.6 million (95.4%) had been disbursed, while outstanding loans amounted to \$858.0 million at the end of the reporting year. The maturity of IDA loans is 40 years including a 10-year grace period. IDA loans are not subject to interest, but an administration fee of 0.75% p.a. is charged on the disbursed amount.

The IFC provides financial assistance to the private sector in the forms of loans and equities. Up to the end of the reporting year, the IFC has approved \$186.6 million in financing businesses in Indonesia, comprising \$163.9 million of loans and the remainder in the form of equities. Of the total financial assistance, \$77.2 million originated from the IFC's funds, whereas the remainder came from syndicated loans. The financial assistance has been provided to 16 companies in the sectors of manufacturing, financial institutions, and tourism.

In June 1988, the Multilateral Investment Guarantee Agency (MIGA) was established with the objective of promoting investment in MIGA's member countries by other members through the provision of guarantee against non-commercial risks. Since its establishment, Indonesia has become a member of the agency and belongs to the same constituency as Bangladesh, the Republic of Korea, Sri Lanka, and West Samoa. During the reporting year, no foreign company applied for MIGA guarantees on its investment in Indonesia.

3. Asian Development Bank (ADB)

In 1988/89, the ADB approved loans amounting to \$580.1 million to Indonesia. Of this amount, \$500.0 million originated from Ordinary Resources and \$80.1 million from the Asean Development Fund. The loans were provided for projects in the sectors of social infrastructure (\$287.6 million), banking development (\$200.0 million), agriculture and agro-industry (\$77.5 million), and industry and non-fuel mineral (\$15.0 million). By the end of FY 1988/89, approved loans from ADB totalled \$4,929.2 million, comprising \$377.4 million loan financed by the Asian Development Fund for 27 projects and \$4,551.8 million by Ordinary Resources for 107 projects. Out of the total approved loans, 52% was disbursed amounting to \$2,038.8 million. At the end of the reporting year, the outstanding ADB loans to Indonesia amounted to \$1,799.1 million.

It is worth noting that since 1987 Indonesia has obtained program loans from the IDB's Ordinary Resources. At the end of the reporting year, these loans amounted to \$350 million with a total disbursement of \$250 million. The maturity of these loans

ranges from 15 to 35 years, including a grace period of between 3 and 10 years. The interest rate was set at approximately 7.0%.

The maturity of loans from Ordinary Resources ranges from 10 to 25 years including a grace period of between 3 and 8 years. Interest charges, set at 7.53% for the period of July - December 1988, were lowered to 6.42% for the period of January-June 1989 constituting the lowest rate since the operation of the ADB in 1968. A commitment fee of 0.75% is charged for undisbursed loans.

As for the loans from the Asian Development Fund, the maturity ranges from 35 to 40 years including a 7 to 10 years grace period. Loans originating from these special funds are not subject to interest charges but carry an administration fee of 1.0% p.a. on the disbursed amount.

In December 1988, under the Complementary Financing Scheme, the ADB introduced an "ADB Guarantee" scheme. Under this scheme, the ADB seeks to provide additional financing, originating from commercial sources, to developing member countries at a lower interest rate with a longer maturity not normally available in commercial markets. For these loans, the ADB guarantees the commercial cofinanciers repayments of the principal and interest of the loans for the later maturities. Regarding this guarantee operation, Indonesia was the first country to make use of this facility with a loan of \$50 million. The maturity of the loan was 21 years including a grace period of 5 years with the ADB guarantee covering the period from the 16th through the 21st year. This loan carried an interest of 5.8972% p.a. including a guarantee fee of 0.1472%.

4. Islamic Development Bank (IDB)

Financial assistance provided by the IDB to Indonesia remained at ID43.5 million ¹⁾ consisting of ID16.8 million for equity participation, ID15.0 million for loans, ID8.6 million for leasing, and ID3.1 million for installment sales. Of this financial assistance, ID16.8 million (38.6%) has been disbursed, comprising loans of ID6.5 million and equity of ID10.3 million.

With a view to promoting trade, especially nontraditional commodities, among the member countries, the IDB introduced the Longer Term Trade Financing Scheme (LTTFS) in 1987. Under this scheme, importers are allowed to pay up to 24 months for consumer goods, 36 months for semi-finished goods, and 60 months for capital goods. In this regard, importers are subject to a mark up of approximately 7.0%, while exporters receive direct payments from the IDB. This facility is exclusively granted to the LTTFS member countries with a maximum amount based on the amount of the members' contribution. In order to promote Indonesia's non-oil exports, especially to the members of the Organization of Islamic Conference, Indonesia officially joined the LTTFS in November 1988.

5. Inter-Governmental Group on Indonesia (IGGI)

At the 31st IGGI meeting in The Hague on June 14-15, 1988, it was agreed that new financial assistance amounting to \$4,015.7 million would be made available to

Indonesia, consisting of bilateral assistance of \$2,177.7 million and multilateral assistance of \$1,838.0 million. As of the end of the reporting year, total approvals of IGGI loans amounted to \$56,094.9 million of which \$39,288.5 million was in the form of bilateral loans and \$16,806.4 million was from multilateral financial institutions.

Based on the terms and requirements, of the total approvals, \$34,515.9 million constituted Official Development Assistance (ODA) loans on concessional terms and \$21,579.0 million were non-ODA loans. Of the approved amount, \$43,066.7 million (76.8%) has been disbursed, consisting of \$31,786.4 million of bilateral loans and \$11,280.3 million from multilateral financial institutions. At the end of the reporting year, outstanding IGGI loans stood at \$30,640.0 million.

6. Association of South East Asian Nations (ASEAN)

At the ASEAN Economic Minister Meeting in Pattaya, Thailand, in October 1988, enhanced cooperation was reached in the areas of trade, industry, and finance. In the area of trade, an agreement was concluded on the addition of 1,679 commodities to be included in the Preferential Trade Arrangement (PTA) 1988 with a margin of preference (MOP) of at least 25%. Hence, the commodities included in the PTA totalled 14,462. Regarding the MOP in the ASEAN Industrial Joint Venture (AIJV) projects, it was deepened from 75% to 90%. In the area of industry, the Memorandum of Understanding on the Brand-to-Brand Complementation in Automotive Industry (BBC Scheme) was signed. This scheme was intended to promote the expansion of industry and trade

1) ID1.00 (Islamic Dinar) = SDR1.00.

through the production and exchange of specified components of certain vehicles. In the area of finance, it was agreed to increase the initial authorized capital of the ASEAN Reinsurance Corporation (ARC) -- established in Singapore in July 1988 -- from \$20 million to \$30 million. As regards tourism, in September 1988 the Agreement on the Establishment of the ASEAN Tourism and Information Center (ATIC) was signed in Kuala Lumpur with the objective of promoting tourism in ASEAN.

With a view to establishing a closer cooperation among ASEAN private sectors and between ASEAN public and private sectors, the ASEAN Chambers of Commerce and Industry (ACCI) conducted a meeting in Kuala Lumpur, July 1988. It was concluded that the bilateral relation inter-ASEAN countries would be further fostered so as to provide greater opportunities for ASEAN businessmen to cooperate.

With the objective of promoting cooperation with developed countries, the ASEAN continued the dialogues with the European Community (EC), Australia, Japan, and New Zealand during the reporting year. The dialogue covered the areas of trade, investment, technology transfer, and encouragement of the private sector's participation.

Closer cooperation between ASEAN and the EC were promoted by holding an ASEAN-EC Ministerial Meeting in Dusseldorf in May 1988 which was followed by the ASEAN-EC Joint Cooperation Committee Meeting in Brussels in December 1988. Agreements were reached during these meetings to promote cooperation in the areas of industry and

investment through the establishment of joint-venture enterprises and the expansion of trade, inter alia, by reviewing the EC's Generalized System of Preferences (GSP).

The ASEAN-Australia Forum held in Manila in June 1988 discussed the implementation of the second phase of the ASEAN-Australia Economic Cooperation Program (AAECP), which began in July 1989 for a five year period. It was agreed that the AAECP Phase II would be concentrated in the areas of trade and investment promotion, science and technology, and agro-based project, with special reference to the development of human

With a view to enhancing cooperation between the ASEAN and Japan, the ASEAN-Japan Development Fund was established in Kuala Lumpur in July 1988, with the provision of \$2 billion of concessional loans and equities for the development of industries in the private sector. Furthermore, in Tokyo in September 1988, the ASEAN-Japan Forum agreed to promote Japan's investment in ASEAN countries, to review Japan's GSP so as to expand ASEAN's exports to Japan, to promote private sector's participation, and to launch five projects under the Inter-ASEAN Technical Exchange Program (IATEP) to be financed by Japan.

The ASEAN-New Zealand Dialogue, held in Yogyakarta in November 1988, agreed to promote trade by reviewing New Zealand's GSP and by establishing the Trade and Investment Promotion Project (TIPP) to be funded by New Zealand. Furthermore, it was also agreed to increase cooperation in order to enhance the participation of the private sector.

VIII. INDONESIA'S BALANCE OF PAYMENTS

A. Balance of Payments Policy

1. General

In 1988/89, Indonesia's balance of payments continued to experience pressures from different sources such as the decline in world oil prices and protectionist measures in some industrialized countries. These pressures, however, were alleviated by adjustment and deregulation measures taken by the Government in recent years, better growth in the world economy, price rises of some major non-oil/gas export commodities, and less fluctuations in the US dollar exchange rate. The most positive impact of the adjustment and deregulation measures was the significant growth of non-oil/gas exports.

As in previous years, the Government continued a managed floating exchange rate policy. The reporting year was marked by policy measures directed to promote non-oil/gas exports, to increase earnings from the services sector, and to raise foreign capital inflows. The policy was implemented through a series of policy packages launched in October, November, and December 1988. In addition, the Government adopted some measures related to export credit facilities, trade procedures, and facilities in the tourism sector.

As regards exports, the Government lifted the territorial restrictions on the usage of business licenses (*Surat Izin Usaha Perdagangan* or SIUP) and provided export credit facilities for suppliers of raw materials, semi-finished products, and finished products for export purposes. In the area of imports, the Government attempted to upgrade

importers' qualification, changed the validity period of importers' identification number (*Angka Pengenal Importir* or API) to an unlimited period, and lessened the non-tariff protection. In the services area, the Government simplified shipping licensing and opened a number of airports and seaports as tourist ports of entry. As regards capital flows, the Government continued to give priority to concessional borrowings, taking into account the nation's capacity to repay. In addition, the Government adjusted the premium and maturity of swaps and allowed the establishment of joint-venture companies for goods distribution, financing institutions, banks, and insurances.

2. Exchange rate policy

In the reporting year, by continuously adhering to the principle of a free foreign exchange system and implementing a managed floating exchange rate, the Government continued to maintain a realistic rupiah exchange rate. This policy was aimed at improving the competitiveness of Indonesia's tradeable goods in both international and domestic markets and inducing a favorable business climate for foreign capital inflows. As mentioned in the previous chapter, on May 8, 1988 the status of Indonesia within the IMF was upgraded from Article XIV to Article VIII of the IMF Articles of Agreement.

3. Export policy

In order to boost non-oil/gas exports, in the reporting year the Government adjusted its policy in the area of trade procedures, taxation, and credit. To facilitate export financing and

expedite foreign exchange transactions, the Government introduced a policy package on October 27, 1988, which partly covered institutional matters.

With regard to trade procedures, the SIUP which used to be effective only for certain areas in Indonesia was validated for use throughout the country.¹⁾ In addition, the Government adjusted some of the trade procedures for textiles and textile products by giving additional export quotas as stimulant to exporters who are capable of meeting their quotas as well as to those belonging to the economically-weak group.²⁾ To accelerate the growth of exports of finished rattan products and processed timber as well as to assure the availability of raw materials without neglecting forest conservation, the Government advanced the implementation of the export ban on semi-finished rattan products by moving forward its effective date from January 1, 1989 to July 1, 1988 and prohibited the exports of chip-wood materials and sawn timbers of low quality.³⁾ To facilitate the marketing of rattan and to avoid unhealthy competition among exporters, the Government established a quota system for registered exporters of rattan mats and a marketing agency (*Badan Pemasaran Bersama*).⁴⁾ In order to enhance the value added of Indonesia's export commodities, the Government banned the production and exports of low quality rubber, namely SIR 50.⁵⁾

With regard to taxation, the Government imposed a specific export tax on sawn timber, comprising seven classifications ranging from \$3 to \$900 per cubic meter. To promote exports of processed and sawn timber (except *ramin*, white *meranti*, agathis, ebony, *sonokeling*, and *sonokembang*) produced and shipped from Irian Jaya, the Government granted a 50% reduction on the rates of the export tax. Export taxes on other commodities were fixed between 0% to 30% and additional export taxes for certain commodities were adjusted to 20% of the export standard price.⁶⁾

In the area of credit, export credit facilities, which had formerly been given only to exporters, were extended to suppliers of raw materials, semi-finished products, and finished products for export purposes in October 1988. To stimulate exports of finished rattan products, the interest rate on export credits was set at 9% p.a. for exporters and suppliers of raw rattan, semi-finished rattan products, and finished rattan products.⁷⁾

As regards institutional aspects, the Government simplified requirements for non-foreign exchange banks to upgrade their status to foreign exchange banks with the objective of increasing non-oil/gas exports. The branch offices of foreign exchange banks, which were previously not allowed to manage foreign exchange transactions, were allowed to do so by simply notifying Bank Indonesia. The Government also permitted the establishment of joint-venture banks and allowed the opening of foreign banks' sub-branch offices in Jakarta and six other

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- 1) Minister of Trade Decree No. 372/Kp/XI/88, November 21, 1988.
 - 2) Minister of Trade Dccree No. 180/Kp/VI/88, June 21, 1988.
 - 3) Minister of Trade Decrees Nos. 190/Kp/VI/88, June 30, 1988; 275/Kp/VIII/88, August 31, 1988; and 292/Kp/IX/88, September 19, 1988.
 - 4) - Minister of Trade Decree No. 410/Kp/XII/88, December 22, 1988.
- Director General of Foreign Trade Decision No.865/DAGLU/Kp/XII/88, December 22, 1988.
 - 5) Minister of Trade Decree No. 184/Kp/VI/88, June 25, 1988.

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- 6) Minister of Finance Decrees Nos. 210/KMK.013/1989 and 211/KMK.013/1989, March 2, 1989.
 - 7) - Board of Directors of Bank Indonesia Decree No. 21/43/KEP/DIR, October 19, 1988.
- Bank Indonesia Circular Letters Nos. 21/3/UKU and 21/4/UKU, October 19, 1988.

cities, namely Bandung, Denpasar, Medan, Semarang, Surabaya, and Ujung Pandang. It should be noted that 12 months after the issuance of a license, outstanding export credits extended by those banks should reach at least 50% of their total outstanding credits.⁸⁾

4. Import policy

In the reporting year, the Government continued to adjust procedures and taxation related to imports. To keep pace with the development of international trade, on January 1, 1989 the Government changed the classification system of goods from Customs Cooperation Council Nomenclature (CCCN) to the Harmonized Commodity Description and Coding System (HS).

Regarding import procedures, the Government granted the opportunity to general importers to upgrade their qualification to become “importer plus”. With this status they are allowed to import certain goods without being subjected to certain trade procedures.⁹⁾ To become an “importer plus”, an importer is required to possess an API and taxpayer identification number (*Nomor Pokok Wajib Pajak* or NPWP) and to have a clean record in fulfilling an importer's obligations. The Government also abolished the validity period of API and limited API held by foreign direct investment (*penanaman modal asing* or PMA) and domestic investment (*penanaman modal dalam negeri* or PMDN) companies.¹⁰⁾

In the reporting year, the Government reduced the number of goods subject to non tariff barriers. The goods affected by the new measures comprised 82 items of the chemical industry, 30 items of the metal industry, 50 items of the food and beverage industry, 110 items of the textile industry, and 46 items of the agricultural industry.¹¹⁾ Out of the total 318 items, 301 items may be imported by “importer plus” and the rest by certain registered importers or “importer producers” and by certain “producer importers”. In order to simplify arrangements for the supply of cotton, the Government abolished the regulation on domestic cotton procurement which linked the importation of cotton to the purchase of domestic cotton.¹²⁾

With regard to taxation, the Government adjusted the import duty and additional import duty for several commodities.¹³⁾ The adjustments covered reductions of effective rates on 86 items, fixation of tax rates based on percentages for 22 items, which were formerly subject to specific rates, and increases in effective rates on 72 items. To improve the packaging quality of exported goods, the Government exempted import duty and value-added tax (VAT) on 6 imported goods intended for export packaging. For these goods, the Government also settled the restitution of already paid import duty, additional import duty, VAT, and/or sales tax on luxury goods (*Pajak Penjualan atas Barang Mewah* or PPnBM).¹⁴⁾ This import facility is provided for “exporter producers” who export their own products. Furthermore, imports of

8) - Board of Directors of Bank Indonesia Decrees Nos. 21/45/KEP/DIR and 21/46/KEP/DIR, October 27, 1988.

- Bank Indonesia Circular Letters Nos. 21/6/BPPP; 21/7/BPPP; and 21/8/BPPP, October 27, 1988.

- Minister of Finance Decrees Nos; 1068/KMK.00/1988 and 1069/KMK.00/1988, October 27, 1988.

9) Minister of Trade Decree No. 374/Kp/XI/1988, November 21, 1988.

10) Minister of Trade Decree Nos. 373/Kp/XI/1988 and Nos. 378/Kp/XI/1988, November 21, 1988.

11) Minister of Trade Decree No. 375/Kp/XI/1988, November 21, 1988.

12) Minister of Trade Decree No. 165/Kp/VI/1988, June 10, 1988.

13) Minister of Finance Decree No. 1160/KMK.00/1988, November 21, 1988.

14) Minister of Finance Decree No. 1261/KMK.00/1988, December 22, 1988.

sample materials which had formerly been exempted from import duty, additional import duty, VAT, and sales tax on luxury goods were also exempted from income tax of article 22 (*Pajak Penghasilan artikel 22* or PPh of art. 22) in the reporting year and granted restitution of import duty, additional import duty, VAT, and PPnBM¹⁵⁾

In order to protect and develop the growth of domestic industry, the Government adjusted the rates on import duty and additional import duty of certain goods.¹⁶⁾ In connection with the change in classification of goods from CCCN to HS, the Government altered the rates of import duty and additional import duty on several imported goods. The rates of import duties and additional import duties are listed in the 1989 Guide on Rates of Import Duties (*Buku Tarif Bea Masuk Indonesia 1989*).¹⁷⁾

5. Policy on services

In the services sector, the policy was directed at raising foreign exchange earnings from tourism, transportation, and other services sectors. In addition, the Government also attempted to improve information services on sea transportation.

To raise foreign exchange earnings from the tourism sector, the Government designated two airports, namely Sepinggan (Balikpapan) and Juanda (Surabaya) as well as two seaports,

namely Sekupang (Batam Island) and Tanjung Pinang (Riau) to be tourist ports of entry.¹⁸⁾ In addition, to enhance the service in foreign currency trading and the purchase of traveller's checks, the Government lifted the validity period of business licenses of money changers and allowed non-foreign exchange banks to act as money changers.¹⁹⁾ Another measure adopted to encourage foreign tourist arrivals was the simplification of procedures to operate passenger vessels by only requiring operation permits.²⁰⁾

As regards the transportation sector, the Government reduced the types of business licenses from 5 to 2, i.e. a business license for domestic and overseas shipping and a business license for traditional shipping. The business licenses serve the purpose of operating permit and of special requirements (*"Dispensasi Syarat Bendera"*) needed if the shipping company uses foreign vessels. Foreign shipping companies are permitted to operate in Indonesian territory by setting up a joint-venture company or appointing national shipping companies as their agents.²¹⁾

In order to develop the role of sea transportation so as to promote non-oil/gas exports, the Government appointed the Executive Board of Commodity Exchange (*Badan Pelaksana Bursa Komoditi* or Bapebti) to provide information for shipping companies and users of overseas sea transportation on schedules, ports of embarkation and disembarkation, and freight rates.²²⁾

15) Minister of Finance Decree No. 29/KMK.00/1989, January 10, 1989.

16) Minister of Finance Decrees Nos. 644/KMK.05/1988, June 13, 1988; 726/KMK.05/1988, July 13, 1988; 791/KMK.05/1988, August 12, 1988; 1154/KMK.05/1988, November 18, 1988; and 153/KMK.00/1989, February 13, 1989.

17) - Government Regulation No. 26/1988, December 19, 1988. - Minister of Finance Decrees Nos. 1305/KMK.00/1988, December 26, 1988; 127/KMK.00/1989 and 128/KMK.00/1989, February 3, 1989; and 190/KMK.00/1989, February 24, 1989.

18) Presidential Decree No. 46/1988, November 8, 1988.

19) Board of Directors of Bank Indonesia Decree No. 21/47/KEP/DIR, October 27, 1988.

20) Government Regulation No. 17/1988, November 21, 1988.

21) Minister of Communication Decree Nos. KM/79/1988 and KM/80/1988, November 21, 1988.

22) Minister of Trade and Minister of Communication Joint Decrees Nos. 371/Kpb/XI/1988 and KM 81/1988, November 21, 1988.

To increase foreign exchange earnings originating from other sectors, the Government raised charges levied on foreigners or foreign legal entities conducting fishing in Indonesian Economic Exclusive Zone. ²³⁾

6. Policy on capital flows

As in previous years, foreign funds were again needed to maintain the continuity of development in view of the scarcity of domestic development funds. The foreign funds consisted of official borrowings, borrowings by state enterprises and private borrowers, and foreign direct investment.

The cautious policy on foreign borrowing was continued by giving priority to soft-term, untied borrowings, considering the nation's capacity to repay, and its capability to pay on schedule. In the reporting year, the Government made efforts to acquire special assistance in the form of program aid and local financing which is on soft-term and quick-disbursing. Such assistance was intended to alleviate pressures on the balance of payments as well as to ease the constraints on domestic funds for financing government projects. To ease the debt burden, the Government continued to make less use of "Export Credit Facility" which is less concessional and in general requires the borrower to import goods from the creditor country.

In order to enhance the role of the private sector in financing development, the Government continued to create a business climate that stimulates foreign investment. To encourage foreign capital inflows and avoid capital flight, the Government made some

adjustments on the premium rate and maturity of swaps facility provided by Bank Indonesia. The swap premium was set as the difference between prevailing domestic and foreign interest rates. Swap maturities were fixed at 1 month as the minimum and 3 years as the maximum. ²⁴⁾ In order to optimize the utilization of foreign borrowings, the Government cancelled the provision concerning the ceiling on foreign borrowings by foreign exchange banks and non-bank financial institutions (NBFIs). In this regard, foreign exchange banks and NBFIs are not allowed to maintain net open foreign exchange positions either short or long beyond 25% of their capital. ²⁵⁾

To encourage investment and facilitate the distribution of goods, in November 1988 PMA companies in the area of production business were allowed to establish joint-ventures with private national companies and to act as the distributor or agency in the marketing of products in the domestic market. The PMA companies are also permitted to sell directly to other companies which use their products as capital goods, spare parts, building materials/equipments, or raw materials/auxiliary goods for their production. ²⁶⁾

In order to promote PMA, the Government allowed the establishment of joint-venture financing companies in which the share owned by foreign parties shall not be more than 85% of the paid-up capital. Business conducted by the joint-venture financing

23) Minister of Agriculture Decree No. 477/Kpts/IK.120/7/88, July 16, 1988.

24) - Board of Directors of Bank Indonesia Decree No. 21/49/KEP/DIR, October 27, 1988.

- Bank Indonesia Circular Letter No. 21/16/UD, October 27, 1988.

25) Board of Directors of Bank Indonesia Decree No. 21/80/KEP/DIR, March 25, 1989.

26) - Government Regulation No. 19/1988, November 21, 1988.
- Minister of Trade Decree No. 376/Kp/XI/1988, November 21, 1988.

companies cover, among others, leasing and venture capital.²⁷⁾ Similarly, the Government also allowed the establishment of indemnity insurance and life insurance companies in the form of joint ventures in which the share owned by the foreign party shall not be more than 80%.²⁸⁾ An opportunity was also provided for setting up new joint-venture banks, where the equity of the foreign party was set at 85% at the most.²⁹⁾

In order to simplify the procedure of providing funds in rupiah for investment purposes, PMA companies may now sell their foreign exchange derived from their foreign exchange account directly to foreign exchange banks.³⁰⁾ Under the old regulation, PMA companies had to sell foreign exchange to Bank Indonesia.

In addition to the policies described above, the Government also took other initiatives aimed at attracting foreign investment to Indonesia. In this regard, the Government encouraged private national entrepreneurs to conduct investment promotions abroad. Furthermore, in June 1988, Indonesia joined the Multilateral Investment Guarantee Agency (MIGA), an institution belonging to the IBRD (World Bank Group) which was set up to promote investment by providing guarantees for non-commercial risks.

27) - Presidential Decree No. 61/1988, December 20, 1988.
- Minister of Finance Decree No. 1251/KMK.013/1988, December 20, 1988.

28) - Presidential Decree No. 40/1988, October 26, 1988.
- Minister of Finance Decrees Nos. 1249/KMK.013/ 1988 and 1250/KMK013/1988, December 20, 1988.

29) - Minister of Finance Decree No. 1068/KMK.00/1988, October 27, 1988.

- Bank Indonesia Circular Letters No. 21/6/BPPP, October 27, 1988 and No. 21/20/BPPP, March 25, 1989.

30) Bank Indonesia Circular Letter No. 21/65/ULN, March 20, 1989.

B. Balance of Payments Developments

1. General

In 1988/89, Indonesia's balance of payments was in a sustainable position as reflected, among others, by a significant increase in non-oil/gas exports, especially manufacturing goods. The increase was attributable to continued efforts directed to diversify the range of export products as well as to higher volume and prices of several major commodities in the international market. Given the increase in non-oil/gas exports, even though exports of oil/gas experienced a decline and total imports increased, the surplus in the trade balance rose by \$122 million to \$5,513 million. The decrease in oil/gas exports was accounted for by lower oil prices while increases in imports were closely related to the increase in economic activity, to the adjustment measures undertaken in the trading sector, and to price rises of several imported goods. Earnings in services, especially from tourism, recorded an increase. However, as there were increases in interest payments on the government debt and in freight costs for imports, the current account deficit widened slightly by \$152 million to \$1,859 million.

Official capital transactions were marked by an increase in net disbursements although repayments on account of principal moved up. Private capital transactions, on the other hand, showed net capital outflows, although there was a significant increase in capital inflows of PMA companies. Consequently, during the reporting year official foreign exchange reserves with Bank Indonesia decreased by \$677 million to \$6,011 million, equivalent to 5.3 months of non-oil/gas imports (c&f). However, taking into account

foreign exchange reserves held by foreign exchange banks, national foreign exchange reserves at the end of March 1989 rose by \$546 million, reaching \$10,938 million, an amount sufficient to finance non-oil/gas imports (c&f) for 9.7 months.

2. Current account

In 1988/89, the current account deficit rose slightly to \$1,859 million compared with \$1,707 million in the previous year. This was accounted for by higher expenditures on imports and services which could not be compensated for by increases in total export earnings by \$1,481 million to \$19,824 million. Import and services outlays rose by \$1,359 million and \$274 million to \$14,311 million and \$7,372 million, respectively.

Non-oil/gas exports grew by 28.2% to \$12,184 million mainly as a result of price increases for several major non-oil/gas export commodities as well as measures taken to promote exports. Oil/gas exports fell by 13.6% to \$7,640 million following the decrease in oil prices in international markets.

By country of destination, Japan and the United States were the most important markets for Indonesian exports, with a share of 41.4% and 16.1% in the total export value. Following were the ASEAN countries (10.8%) and the European Community (EC) (11.0%). Among the ASEAN countries, Singapore took the first place with a share of 78.4%, followed by Malaysia (9.0%), Thailand (8.4%), and the Philippines (4.1%) (Table IX).

The increased value of total imports was brought about by an increase in imports of non-oil/gas companies. Import expenditures of non-oil/gas companies rose by 15.5% to \$12,239 million, among others, due to the impact of the deregulation policy in trade and

attempts to boost exports. Higher prices for several imported goods also contributed to the rise.

By country of origin, Japan and the United States were Indonesia's prime supplies of imports, with a share of 24.6% and 15.2%, respectively. The ASEAN countries provided 9.7% and the EC 17.0% of total imports. Among the ASEAN countries, Singapore again had the highest share with 65.7%, followed by Malaysia, Thailand, and the Philippines with shares of 21.9%, 9.7%, and 2.7%, respectively (Table X).

In the reporting year, payments on services rose due to higher expenditures on non-oil/gas services which increased by 11.3% to \$4,864 million mainly due to interest payments on government debt and payments on freight for imports.

2.1. Non oil/gas exports

In the reporting year, non-oil/gas exports played a more important role as they increased from 51.8% to 61.4% of Indonesia's total exports. The value of non-oil/gas exports rose impressively by 28.2% to \$12,184 million. The rise was attributable to a series of policy measures as well as price rises of several major commodities, like rubber, palm oil, aluminum, and tin. It is worth noting that increased non-oil/gas exports also included other commodities such as footwear, plastic products, and watches/clocks.

By country of destination, non-oil/gas exports were not only directed to Japan and the United States, but also to the EC, the newly industrialized economies (NIEs) and the Middle East. The share of non-oil/gas exports to Japan grew from 21.9% to 24.4%, while those to the EC and the Middle East increased slightly from 17.7% and 2.6% to 18.4% and

3.5%, respectively. On the other hand, the share of these exports to the United States fell from 18.6% to 15.7%. The share of the NIEs remained at 22.7%. At the same time, the share of non-oil/gas exports to ASEAN countries increased from 15.5% to 15.8%, while those to the People's Republic of China (PRC) decreased from 4.5% to 3.3%.

Timber

In 1988/89, exports of timber remained at its all time high, with a share of 23.6% of total non-oil/gas exports. Comprising mainly plywood and sawn timber, timber exports increased by 16.7% to \$2,879 million. The rise was attributable to a 12.4% increase in plywood exports to \$2,069 million. The plywood export volume rose by 11.9% due to the increasing demand from Japan as a result of the establishment of Indonesia's plywood trading house in Japan, while the supply of plywood remained ample. Since July 1, 1988, exports of certain kinds of plywood to the United States have no longer been covered under the Generalized System of Preferences (GSP). Sawn timber exports grew by 25.2% to \$676 million, due to increases in volume by 11.5% and price by 12.4%.

Japan, the EC, and the United States were the largest export markets for Indonesia's timber, with shares of 27.6%, 14.0%, and 11.3%, respectively. Other important markets were the PRC (8.8%), Singapore (8.1%), Hong Kong (7.0%), and Taiwan (6.3%).

Textiles

Textile exports occupied the second rank in non-oil/gas exports in the reporting year as they moved up from 10.5% to 11.2% of total non-oil/gas exports. The value of textile exports rose by 36.7% reaching \$1,370 million due to the rise in exports of textile

materials and garments by 34.0% and 43.6%, respectively. In its efforts to promote textile exports, the Government has attempted to gain larger export quota through bilateral summit meetings with, among others, the EC and the United States. For the period of January 1 to December 31, 1989 Indonesia acquired a 67.7% increase in its export quota of textiles/textile products directed to the EC. Based on the new quota, Indonesia assumed Hongkong's position and occupied the first rank of textile exporters for certain categories among Asian countries. Meanwhile, through a bilateral agreement, the period for the export quota of Indonesian textiles to the United States has been extended to June 30, 1992.

The United States and the EC were the most important buyers of Indonesia's textiles, with a share of 33.4% and 30.0%, respectively. Following were Singapore (7.6%), Japan (6.7%), and Hong Kong (5.4%).

Rubber

In the reporting year, the share of rubber exports fell from 11.1% to 10.1%, causing a shift in its rank from second to third position in non-oil/gas exports. However, the value of rubber exports rose by 17.2% reaching \$1,236 million, resulting from increases in volume of 1.8% and prices of 15.1%. The rise was closely related to the increasing demand from industrialized countries for natural rubber in motor-vehicle tire industries and other industries, such as of rubber gloves.

By country of destination, the United States was the largest buyer with a 45.5% share. Other important buyers were Singapore (22.3%), the EC (14.4%), and Japan (4.1%).

Coffee

In the reporting year, the share of coffee in total non-oil/gas exports declined from 5.2% to 4.7%, but it still kept the fourth position among non-oil/gas exports. The value of coffee exports grew by 15.7% to \$572 million owing to a 16.8% increase in volume. It is worth noting that for the period of October 1988 to September 1989, Indonesia obtained a larger export quota from the International Coffee Organization (ICO), 5.19% of the global quota, or equivalent to 162,293 tons. However, the quota was not sufficient to accommodate Indonesia's larger supply and this has led to increased exports to non-quota countries from 76,000 tons to 156,000 tons, resulting an increase in the share of total coffee exports from 28.0% to 49.0%. It may be added that most of Indonesia's coffee destined for export was of the robusta variety.

The EC and Japan were the biggest markets for Indonesia's coffee exports with shares of 19.1% and 18.5%, respectively. Following were the United States (10.6%), Algeria (8.3%), and South Korea (4.3%).

Shrimps

The share of shrimp exports reached 4.4% of total non-oil/gas exports in the reporting year. The value of shrimp exports jumped by 45.9% amounting to \$537 million. This was the result of a 39.8% price increase caused by the decreasing supply from India and Taiwan. Export volume rose by 4.4% due to the increased production of shrimps cultivated in shrimpponds.

By country of destination, Japan was the biggest importer with a share of 78.3%. Other importers were the EC (8.4%), Singapore (4.5%), the United States (4.4%), and Hong Kong (2.7%).

Handicrafts

In 1988/89, share of Indonesian handicrafts in total non-oil/gas exports increased to 3.6%. The value of handicraft exports increased by 55.1% to \$445 million. The rise was a result of a 54.3% increase in export volume attributable to efforts taken to diversify the variety of handicrafts for exports.

The main markets for handicraft exports were the EC and Japan, recording shares of 24.8% and 23.3%, respectively. Following were the United States (16.4%), Singapore (8.7%), Hong Kong (4.096), and Australia (3.9%).

Aluminum

The share of aluminum exports in the reporting year remained at 2.6% of total non-oil/gas exports. The value of aluminum exports grew by 25.7% to \$308 million, as the price in international market jumped by 50.3%. The increase was closely related to the growing demand from industrialized countries, which could not be met by the producing countries. The export volume, by contrast, recorded a 19.7% shortfall owing to the suspension of shipments to Japan.

By country of destination, 93.0% of aluminum exports, were shipped to Japan and 6.6% to Singapore.

Palm oil

The share of palm oil exports recorded a slight increase from 2.2% to 2.6% of total non-oil/gas exports. The value of palm oil exports increased significantly by 46.3% to \$313 million as the result of rises in volume and price by 14.6% and 27.6%, respectively. The price rise was an outcome of the increasing demand for palm oil as a

consequence of the short supply of soybean oil in world markets.

The biggest market for Indonesia's palm oil was the EC, with a share of 78.2%. Following were India (9.7%), Italy (7.9%), and Kenya (5.9%).

Tin

In the reporting year, the share of tin exports remained unchanged, namely 1.4% of total non-oil/gas exports. The value of tin exports grew considerably by 15.4% to \$165 million, due to volume and price increases of 9.1% and 5.8%, respectively. Higher volume and price were the result of the Supply Rationalization Scheme arranged by the Association of Tin Producing Countries (ATPC) since 1987. For the period of March 1988 to February 1989, Indonesia was entitled to an increase of 18.4% in its export quota, amounting to 29,000 tons of the world supply totalling 101,90 tons. It may be added that the success of the quota system in avoiding price declines was supported by non-ATPC countries, such as Brazil and the PRC, which reduced their exports.

Indonesia's main market for tin exports was Singapore (82.3%). Other markets were the Netherlands (12.2%) and the Soviet Union (3.4%).

Tea

The share of tea in non-oil/gas exports remained around 1.2% in the reporting year. The value of tea exports increased moderately by 12.6% to \$134 million due to rises in volume and price by 10.2% and 2.0%, respectively. As in the preceding year, these increases were the result of reduced supply from India and Sri Lanka,

the major tea producers. It is worth noting that similar to those two countries, Indonesia's tea exports consisted largely of black tea (80% of total value).

Countries of destination for Indonesian tea were the Soviet Union (15.2%), the EC (15.2%), Pakistan (13.8%), the United States (11.6%), Egypt (10.8%), and Jordan (8.9%).

Other major export commodities

Other major export commodities consisted of footwear, nickel, glassware, electrical appliances, foodstuffs, cement, hides, copper, steel, paper, fertilizer, tobacco, pepper, and gold. Total exports of these commodities grew by 42.5% to \$2,486 million. Rises in export values comprised nickel (144.5%), glassware (140.0%), footwear (133.3%), electrical appliances (90.9%), foodstuffs (63.6%), cement (57.5%), steel (48.4%), paper (36.9%), copper (28.0%), fertilizer (15.4%), hides (15.3%), tobacco (12.3%), and gold (0.3%). Export increases resulting from volume increases were recorded for footwear, glassware, steel, electrical appliances, tobacco, gold, and cement; those resulting from price rises comprised foodstuffs, hides, fertilizer, paper, and copper. Export value of pepper declined by 15.2% due to a 39.8% decrease in price.

It is worth noting that the export value of raw rattan and semi-finished rattan products dropped by 77.2% as a result of a decrease in export volume. The situation was brought about by the government policy to switch exports of raw rattan and semi-finished rattan products to exports of finished rattan products. Exports of "other commodities" accelerated by 34.3% to \$1,351 million comprising, among others, electrical

TABLE 8.1
INDONESIA'S BALANCE OF PAYMENTS ¹⁾
(millions of \$)

Transactions	1984/85	1985/86	1986/87	1987/88	1988/89 *
A. Current Account	-1,968	-1,832	-4,051	-1,707	-1,859
1. Merchandise	5,474	6,060	2,246	5,391	5,513
a. Exports, f.o.b.	19,901	18,612	13,697	18,343	19,824
i. Non-oil /gas	5,907	6,175	6,731	9,502	12,184
ii. Oil/gas	13,994	12,437	6,966	8,841	7,640
- Oil	(10,625)	(8,816)	(4,798)	(6,159)	(5,007)
- LNG	(3,369)	(3,621)	(2,168)	(2,628)	(2,508)
- LPG ²⁾	(--)	(--)	(--)	(54)	(125)
b. Imports, f.o.b.	-14,427	-12,552	-11,451	-12,952	-14,311
i. Non-oil/gas	-11,630	-10,078	-9,356	-10,597	-12,239
ii. Oil/gas ³⁾	-2,797	-2,474	-2,095	-2,355	-2,072
- Oil	(-2,605)	(-2,282)	(-1,908)	(-2,190)	(-1,912)
- LNG	(-192)	(-192)	(-187)	(-165)	(-160)
2. Services	-7,442	-7,892	-6,297	-7,098	-7,372
a. Non-oil/gas	-4,061	-4,052	-4,010	-4,372	-4,864
b. Oil/gas ³⁾	-3,381	-3,840	-2,287	-2,726	-2,508
- Oil	(-2,175)	(-2,530)	(-1,464)	(-1,635)	(-1,560)
- LNG	(-1,206)	(-1,310)	(-823)	(-1,091)	(-948)
B. Capital Account, excluding Reserves	2,726	2,360	4,575	3,235	2,614
1. Official Transfer & Capital, net	2,227	1,788	3,343	1,526	2,825
a. Official inflows	3,519	3,432	5,472	4,575	6,588
i. IGGI	3,189	2,751	3,978	4,368	5,468
- Food Aid	(52)	(38)	(48)	(30)	(23)
- Program Aid	(—)	(—)	(—)	(828)	(1,407)
- Project Aid	(3,137)	(2,713)	(3,930)	(3,510)	(4,038)
ii. Non-IGGI (Project Aid)	330	681	1,494	207	1,120
b. Official Debt Repayment	-1,292	-1,644	-2,129	-3,049	-3,763
- Pre-July 1966 debts	(-32)	(-36)	(-123)	(-84)	(-88)
- Post-July 1966 debts	(-1,260)	(-1,608)	(-2,006)	(-2,965)	(-3,675)
2. Miscellaneous Capital, net	499	572	1,232	1,709	-211
- Direct Investment	(245)	(299)	(252)	(544)	(585)
- Government Enterprises	(254)	(273)	(980)	(1,165)	(-796)
C. Total (A through B)	758	528	524	1,528	755
D. Net Errors and Omissions	-91	-498	-1,262	57	-1,432
E. Reserves ⁴⁾	-667	-30	738	-1,585	677
1. Reserves position with the Fund	(9)	(-15)	(-9)	(-8)	(5)
2. Short-term foreign liabilities	(-1)	(—)	(—)	(—)	(—)
3. Short-term foreign assets	(-675)	(-15)	(747)	(-1,577)	(672)

1) The presentation based on the IMF standard is shown in Table VII of the Appendices.

2) Before fiscal year 1987/88, LPG export was included in oil export as a product export.

3) Oil/gas imports consist of oil and other imports by oil/gas enterprises, while oil/gas services cover payments of foreign contractors' share and net other services payments related to oil/gas transactions.

4) Negative is for surplus and positive is for deficit.

TABLE 8.2
VALUE OF EXPORTS ¹⁾
(millions of \$)

Items	1984/85	1985/86 ²	1986/87 ²	1987/88 ²	1988/89 [*]
A. Non-oil/gas	5,907	6,175	6,731	9,502	12,184
Timber	1,167	1,217	1,592	2,468	2,879
– Log	(135)	(2)	(3)	(3)	(5)
– Plywood	(696)	(848)	(1,156)	(1,840)	(2,069)
– Sawn timber	(320)	(349)	(408)	(540)	(676)
– Others	(16)	(18)	(25)	(85)	(129)
Rubber	856	714	752	1,055	1,236
Coffee	568	659	753	497	572
Palm oil	95	170	114	214	313
Animal and produce	219	274	380	466	783
– Shrimps	(183)	(228)	(317)	(368)	(537)
– Others	(36)	(46)	(63)	(98)	(246)
T e a	211	134	106	119	134
Foodstuffs	129	164	141	195	319
– Tapioca	(31)	(42)	(52)	(93)	(153)
– Others	(98)	(122)	(89)	(102)	(166)
Pepper	66	82	152	158	144
Tobacco	44	55	78	65	73
Copra cakes	18	35	34	41	38
Hides	40	37	45	59	68
Rattan	96	80	99	162	37
Textiles and textile products	418	577	632	1,002	1,370
Handicrafts	116	187	142	287	445
Electrical appliances	134	109	46	55	105
Urea fertilizer	31	109	97	117	135
Cement	14	23	47	54	85
Iron steel	15	36	51	213	316
Paper	21	22	44	111	152
Glassware	11	9	15	45	108
Footwear	6	7	13	33	77
Mining products	775	800	726	1,080	1,444
– Tin	(252)	(248)	(156)	(143)	(165)
– Copper	(132)	(133)	(144)	(186)	(238)
– Aluminum	(208)	(223)	(201)	(245)	(308)
– Nickel	(121)	(139)	(112)	(146)	(357)
– Gold	(--)	(--)	(61)	(308)	(309)
– Others ²⁾	(62)	(57)	(52)	(52)	(67)
Miscellaneous	857	675	672	1,006	1,351
B. Oil ³⁾	10,625	8,816	4,798	6,159	5,007
C. Gas	3,369	3,621	2,168	2,682	2,632
– LNG	3,369	3,621	2,168	2,628	2,508
– LPG ⁴⁾	--	--	--	54	124
Total (A + B + C)	19,901	18,612	13,697	18,343	19,823

1) Based on f.o.b. value

2) Includes natural sand, which for 1984/85 through 1988/89 were \$7.5 million, \$9.2 million, \$8.6 million, \$11.0 million, and \$10.4 million, respectively.

3) Includes crude oil and oil products.

4) Before fiscal year 1987/88, LPG export was included in oil export as a product export.

TABLE 8.3
VOLUME OF EXPORTS
(thousands of tons)

Items	1984/85	1985/86 ¹	1986/87 ²	1987/88 ²	1988/89 [*]
A. Non-oil/gas	40,071	81,605	74,743	62,975	47,855
Timber	5,201	4,670	5,509	6,737	7,634
- Log	(1,223)	(79)	(168)	(146)	(195)
- Plywood	(2,105)	(2,495)	(2,949)	(3,833)	(4,290)
- Sawn timber	(1,789)	(2,017)	(2,267)	(2,479)	(2,764)
- Others	(84)	(79)	(125)	(279)	(385)
Rubber	1,042	1,082	1,064	1,198	1,219
Coffee	308	294	310	274	320
Palm oil	175	504	569	704	807
Animal and produce	87	109	128	183	225
- Shrimps	(44)	(52)	(58)	(91)	(95)
- Others	(43)	(57)	(70)	(92)	(130)
T e a	91	102	93	98	108
Foodstuffs	1,166	1,418	981	2,323	2,459
- Tapioca	(418)	(534)	(439)	(833)	(1,362)
- Others	(748)	(884)	(542)	(1,490)	(1,097)
Pepper	34	25	33	35	53
Tobacco	23	21	27	30	33
Copra cakes	213	433	348	384	306
Hides	9	8	10	6	4
Rattan	101	92	116	135	30
Textiles and textile products	78	111	128	196	231
Handicrafts	30	79	40	70	108
Electrical appliances	33	7	14	14	40
Urea fertilizer	208	1,047	1,212	1,272	998
Cement	516	955	2,012	2,316	3,316
Iron steel	108	199	243	791	1,260
Paper	39	46	167	206	227
Glassware	38	28	44	125	231
Footwear	1	2	3	8	13
Mining products	28,985	68,204	59,654	42,280	24,014
- Tin	(22)	(23)	(24)	(22)	(24)
- Copper	(242)	(279)	(271)	(290)	(318)
- Aluminum	(153)	(219)	(177)	(152)	(127)
- Nickel	(955)	(943)	(1,288)	(1,455)	(1,585)
- Gold	(--)	(--)	(--)	(--)	(--)
- Others ¹⁾	(27,613)	(66,740)	(57,894)	(40,361)	(21,960)
Miscellaneous	1,585	2,166	2,037	3,588	4,219
B. Oil (millions of barrels) ²⁾	367	338	384	355	336
C. Gas					
- LNG (millions of MMBTU) ³⁾	778	776	793	894	945
- LPG (thousands of tons) ⁴⁾	--	--	--	514	1,353

1) Includes natural sands, which for 1984/85 through 1988/89 were 24,489 thousand tons, 64,134 thousand tons, 54,781 thousand tons, 38,053 thousand tons, and 25,048 thousand tons, respectively.

2) Includes crude oil and oil products.

3) MMBTU = Mille Mille British Thermal Unit.

4) Before fiscal year 1987/88, LPG export was included in oil export as a product export.

TABLE 8.4
OIL EXPORT BY COUNTRY OF DESTINATION 1)
(millions of barrels and millions of \$)

Countries	1984/85		1985/86		1986/87		1987/88		1988/89	
	Barrels	\$	Barrels	\$	Barrels	\$	Barrels	\$	Barrels	\$
1. United States of America										
Share (%)	97.7	2,824.4	107.8	2,820.8	108.2	1,331.2	87.6	1,532.3	87.4	1,261.7
- Crude oil	26.6	26.6	31.9	32.0	28.2	27.7	24.7	24.9	26.0	25.2
- Oil products	83.5	2,435.9	99.2	2,610.2	94.8	1,168.9	79.3	1,400.8	79.9	1,156.8
	14.2	388.5	8.6	210.6	13.4	162.3	8.3	131.5	7.5	104.9
2. Japan										
Share (%)	179.9	5,187.9	167.1	4,328.6	176.6	2,255.7	209.8	3,592.0	204.8	3,129.2
- Crude oil	49.0	48.8	49.4	49.1	46.0	47.0	59.1	58.3	61.0	62.5
- Oil products	145.4	4,242.0	130.5	3,434.8	141.0	1,802.4	152.3	2,651.6	154.5	2,403.9
	34.5	945.9	36.6	893.8	35.6	453.3	57.5	940.4	50.3	725.3
3. Other countries										
Share (%)	89.8	2,613.1	63.4	1,667.0	99.0	1,211.8	57.5	1,035.1	43.7	615.8
- Crude oil	24.4	24.6	18.7	18.9	25.8	25.3	16.2	16.8	13.0	12.3
- Oil products	86.8	2,534.0	59.6	1,568.3	94.0	1,146.9	57.0	1,014.0	40.1	576.0
	3.0	79.1	3.8	98.7	5.0	64.9	0.5	21.1	3.6	39.8
4. Total (1+2+3)										
Share (%)	367.4	10,625.4	338.3	8,816.4	383.8	4,798.7	354.9	6,159.4	335.9	5,006.7
- Crude oil	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
- Oil products	315.7	9,211.9	289.3	7,613.3	329.8	4,118.2	288.6	5,066.4	274.5	4,136.7
	51.7	1,413.5	49.0	1,203.1	54.0	680.5	66.3	1,093.0	61.4	870.0

1) Based on f.o.b. value

TABLE 8.5
LNG AND LPG EXPORTS

Year	L N G			L P G ¹⁾		
	Value ²⁾ (millions of of \$)	Volume (millions of MMBTU)	Price (\$/MMBTU)	Value ²⁾ (millions of \$)	Volume millions of tons)	Price (\$/tons)
1984/85	3,369	778	4.33	140.8	742.3	189.68
1985/86	3,621	776	4.67	102.8	580.3	177.15
1986/87	2,168	793	2.73	43.3	514.8	84.11
1987/88	2,628	894	2.94	54.2	513.6	105.53
1988/89 *	2,508	945	2.65	123.8	1,352.6	91.53

1) Before fiscal year 1987/88, LPG export was included in oil export as a product export.

2) Based on f.o.b. value.

Source : - Pertamina,
- Ditjen Migas.

machineries equipments, and parts, finished rattan products, plastic products, chemical products, optical and photograhic instruments, boats, motor vehicles, and watches/clocks.

2.2. Oil/gas exports

In the reporting year, the value of Indonesia's oil exports fell by 18.7% to \$5,007 million. Decreases were reported for the export volume as well as the average export price. The volume of oil exports declined by 5.4% to 335.9 million barrels, due to a significant increase in domestic oil consumption. The average export price of Indonesian oil decreased by 14.2% to \$15.07/barrel, following the worldwide fall in oil prices as there was increased oil supply in international markets. The larger oil supply was mainly brought about by excessive oil production by OPEC members, which was above the quota, as well as by non-OPEC countries. It is worth noting that in the last quarter of the reporting year world oil prices improved as a result of the decrease in oil supply.

By country of destination, Japan and the United States were the major markets for Indonesian oil with a share of 62.5% and 25.2%, respectively (Table 8.4).

In order to promote oil exports, the Government continued to diversify the range of exported oil products. The outcome of this continuous effort was the exportation of jet petrol-IV to the United States. To reduce domestic oil consumption and to increase oil exports, energy diversification for domestic consumption, such as geothermal energy for electric centers, fuel gas for motor vehicles, and coal for industries, was encouraged. In the reporting year, LNG export value fell by 4.6% to \$2,508 million, which comprised exports to Japan amounting to \$2,204 million and to South Korea to \$304 million. The decline was accounted for by a decrease in the average price of LNG by 9.9% to \$2.65 per MMBTU. This was closely related to lower oil price although export volume of LNG increased by 5.7% to 945.2 million MMBTU (Table 8.5).

LPG exports grew by 284.1% to \$123.8

TABLE 8.6
VALUE OF IMPORTS ¹⁾
(millions of \$)

Items	1984/85	1985/86	1986/87	1987/88	1988/89 *
A. Imports by non-oil/LNG enterprises	11,630	10,078	9,356	10,597	12,239
A.1. General imports	8,631	7,322	7,106	8,347	10,294
– Program imports	(335)	(201)	(183)	(219)	(411)
– Non-program imports ²⁾	(8,296)	(7,121)	(6,923)	(8,128)	(9,883)
A.2. Foreign aid imports	2,999	2,756	2,250	2,250	1,945
– Program aid	(52)	(38)	(43)	(27)	(20)
– Project aid	(2,947)	(2,718)	(2,207)	(2,223)	(1,925)
B. Imports by oil and and LNG enterprises	2,797	2,474	2,095	2,355	2,072
C. Total (A+B)	14,427	12,552	11,451	12,952	14,311

1) Based on f.o.b. value.

2) Includes imports under PMA companies, state enterprises, and other private enterprises.

million as a result of an increase in the export volume by 263.4% to 1,352.6 thousand tons (Table 8.5). This substantial increase in export volume was closely related to the commencement of LPG exports to Japan. The Government has approved an LPG sales contract with Japan for 1.95 million tons per year for 10 years. In this connection, a special refinery was constructed in Arun and Badak, one train each, with a production capacity of 1.60 and 0.35 million tons per year, respectively.

2.3. Imports

In the reporting year, the import value grew by 10.5% to \$14,311 million as imports of non-oil/gas companies increased by 15.5% to \$12,239 million. On the other hand, imports of oil/gas companies fell by 12% to \$2,072 million. The rise in imports of non-oil/gas companies was related to the increase in economic activity and to the adjustment measures in trade as well as the price increases of several imported goods.

Increases in imports of non-oil/gas companies were recorded for general imports, whereas imports financed by foreign aid registered a decrease. General imports, consisting of program and non-program imports, increased by 87.7% and 21.6% to \$411 million and \$9,883 million, respectively (Table 8.6).

Imports of oil/gas companies showed a considerable decrease of 12.0% to \$2,072 million. This was caused, among others, by a substantial drop of crude oil imports by 41% to \$299.7 million resulting from decreases in import prices and volume.

Classified by economic category, the share of raw/auxiliary materials in total imports grew slightly from 49.0% to 49.9% which constituted the largest item in total imports (Table 8.7). The share of capital goods in total imports decreased from 29.3% to 28.6% and that of consumption goods from 21.7% to 21.5%.

TABLE 8.7
IMPORTS BY ECONOMIC CATEGORY
(percentage)

Year	Capital goods	Basic materials and auxiliaries	Consumer goods
1984/85	32.3	56.5	11.2
1985/86	31.3	55.4	13.3
1986/87	30.0	46.0	24.0
1987/88	29.3	49.0	21.7
1988/89 *	28.6	49.9	21.5

2.4. Services account

In the reporting year, the deficit in the services account widened by 3.9% to \$7,372 million, stemming from service transactions of non-oil/gas companies which rose by 11.3% to \$4,864 million (net). This higher deficit was caused by an increase in freight costs for imports of 15.5% to \$1,347 million and a rise in the deficit on investment income by 14.2% to \$2,956 million. Increased payments on investment income were accounted for by an 8.1% increase in interest payments on the foreign debt to \$2,565 million (Table 8.8). Payments in service transactions of oil/gas companies declined by 8.0% to \$2,508 million. It is noteworthy that in the reporting year foreign exchange earnings from tourism rose by 42.8% to \$1,431 million due to measures adopted to promote tourism.

3. Capital movements in the non-monetary sector

In 1988/89, net capital inflows of the non-monetary sector fell from \$3,235 million to \$2,614 million. Net private capital outflows recorded at \$211 million while net inflow of official capital at \$2,825 million (Table 8.1).

3.1. Official capital movements

Official capital inflows increased substantially from \$2,013 million to \$6,588 million. The rise was accounted for by the Government's efforts to expedite the implementation of development projects financed by external borrowing. The amortization payments on the government debt increased by \$714 million to \$3,763 million, resulting in net official capital inflows of \$2,825 million, an increase of \$1,299 million compared with the previous year (Table 8.1).

3.1.a. Loans and external assistance

In the reporting year, official capital inflows rose by 44.0% to \$6,588 million comprising loans on concessional terms (62.7%), loans from Export Credit Facility (22.3%), and commercial loans (15.0%). Of the total amount, borrowing from IGGI members reached \$5,468 million, an increase of 25.2%. The rise was due to higher disbursements of special assistance in the form of program aid and local financing which amounted to \$2,049 million, an increase of 61.8%. The special assistance was provided by OECF - Japan (\$981 million), Exim Bank of Japan (\$441 million), the World Bank (\$423 million), and ADB (\$131 million).

Non-IGGI borrowing moved up from \$207 million to \$1,120 million as a result of an increase in commercial loans from \$200 million to \$985 million.

3.1.b. Debt repayment

Amortization payments on official foreign debt rose by 23.4% to \$3,763 million in 1988/89 as a result of higher payments on maturing principal. Taking into account the

TABLE 8.8
SERVICES PAYMENTS (NET)
(millions of \$)

Items	1984/85	1985/86	1986/87	1987/88	1988/89 *
1. Freights on imports	1,571	1,356	1,237	1,401	1,555
a. Non-oil/gas	1,291	1,108	1,029	1,166	1,347
b. Oil	261	228	190	219	191
c. LNG	19	20	18	16	17
2. Other transportation	293	274	229	226	317
a. Non-oil/gas	224	231	208	220	230
b. Oil	69	43	21	6	87
c. LNG	--	--	--	--	--
3. Investment income	3,698	3,814	3,153	3,825	4,198
a. Non-oil/gas	1,689	1,708	2,032	2,588	2,956
b. Oil	1,243	1,222	740	890	809
c. LNG	766	884	381	347	433
4. Others	1,880	2,448	1,678	1,646	1,302
a. Non-oil/gas	857	1,005	741	398	331
b. Oil	602	1,037	513	520	473
c. LNG	421	406	424	728	498
5. Total (1 through 4)	7,442	7,892	6,297	7,098	7,372
a. Non-oil/gas	4,061	4,052	4,010	4,372	4,864
b. Oil	2,175	2,530	1,464	1,635	1,560
c. LNG	1,206	1,310	823	1,091	948

interest payments, debt service payments on external debt rose from \$5,421 million to \$6,328 million. Given this increase in total payments, the debt service ratio (DSR), defined as the ratio of principal and interest payments on official debt to merchandise export receipts, increased from 29.5% to 31.9%. Taking into account exports of services, the DSR reached 28.9% compared with 27.1% in the preceding year.

3.1.c. Disbursed and outstanding external debt

At the end of March 1989, the outstanding external government debt rose by 5.6% to \$40,520 million. Of that amount, 43.0% was denominated in the Japanese yen and 38.5% in the US dollar (Table 8.10).

With respect to sources of credit, the largest portion of new government debt originated from IGGI donors (75.6%), comprising bilateral arrangements (69.6%) and multilateral arrangements (30.4%) which mainly originated from IBRD and ADB. The largest portion of non-IGGI debt (65.7%) was owed to international commercial banks.

Classified with respect to terms, IGGI debt under ODA and non-ODA terms amounted to \$22,879 million (56.5%) and \$17,641 million (43.5%), respectively. Debt under ODA terms comprising program aids, special assistance, and project aids amounted to \$2,504 million, \$2,674 million, and \$17,701 million, respectively.

Debt under non-ODA terms consisting of

TABLE 8.9
GOVERNMENT FOREIGN DEBTS
(millions of \$)

Items	1984/85	1985/86	1986/87	1987/88	1988/89 *
1. IGGI	3,189	2,751	3,978	4,368	5,468
a. ODA	1,494	1,370	1,980	2,837	3,996
– Food aid ¹⁾	(52)	(38)	(48)	(30)	(23)
– Program aid ²⁾	(--)	(--)	(--)	(920)	(1,582)
– Project aid	(1,442)	(1,332)	(1,932)	(1,887)	(2,391)
b. Non-ODA	1,695	1,381	1,998 ³⁾	1,531 ³⁾	1,472 ³⁾
2. Non-IGGI (project aid)	330	681	1,494	207	1,120
a. ODA	29	47	75	7	135
b. Non-ODA	301	634	1,419	200	985
Total (1 + 2)	3,519	3,432	5,472	4,575	6,588

1) Borrowings under food aid program.

2) Special loans under concessional terms to assist government program.

3) Includes loans from Exim Bank of Japan.

special assistance from Exim Bank of Japan, "Credit Export Facility", and commercial loans amounted to \$1,413 million, \$9,739 million, and \$6,489 million, respectively. Of the entire official debt, 56.5% was concessional.

3.2. Private capital movements

In the reporting year, the inflows of private capital comprising capital flows of PMA companies, state-owned enterprises, and other private companies increased to \$2,008 million. This was mainly brought about by increased capital inflows of PMA companies and state enterprises. The increasing capital inflows of state enterprises were due to the expansion of LNG and LPG projects and the construction of LPG and paraxylene refineries in Cilacap, while the increase in capital inflows of PMA companies was closely associated with the positive impact of government measures to attract foreign investment.

In the meantime, private capital outflows recorded a substantial increase to \$2,219 million, in particular because of higher amortization payments by PMA companies and other private entities. In the reporting year, total net private capital outflows reached \$211 million.

4. Monetary movements

In the reporting year, the current account registered a deficit of \$1,859 million, while net capital inflows showed a surplus of \$2,614 million. Foreign exchange reserves held by Bank Indonesia recorded a decline of \$677 million compared with an increase of \$1,508 million in the previous year.

Official foreign exchange reserves declined to \$6,011 million by the end of March 1989, sufficient to finance non-oil/gas imports for 5.3 months. Taking into account foreign exchange reserves held by foreign exchange banks amounting to

TABLE 8.10
DISBURSED AND OUTSTANDING EXTERNAL DEBTS
end of March 1989
(millions of \$)

Items	Position
I. Government debts	40,520
1. Old debts ¹⁾	1,312
2. New debts	39,208
a. IGGI	30,640
i. ODA	(19,896)
– Food aid	2,504
– Program aid	2,554
– Projet aid	14,838
ii. Non-ODA ²⁾	(10,744)
b. Non-IGGI	8,568
– ODA	(1,671)
– Non-ODA	(6,897)
II. Debts of state enterprises	911
Total (I + II)	41,431

1) Old debts are those obtained prior to July 1966.

2) Including special loans from Eximbank Japan.

\$4,927 million, compared with \$3,704 million at the end of March 1988, national foreign exchange reserves at the end of March 1989 reached \$10,938 million or equivalent to 9.7 months of non-oil/gas imports.

5. Exchange rate developments

In 1988/89, the Government continued to follow a managed-floating system based on a basket of currencies. The system was adopted in order to promote the competitiveness of Indonesia's exports in international markets and of domestic products vis-a-vis imported goods, to stimulate foreign investment, and to prevent capital flight.

During the reporting year, the rupiah exchange rate depreciated by 0.13% against the Japanese yen, by 5.32% against the US dollar, by 7.46% against the Singapore dollar,

and by 14.85% against the Australian dollar. During the same period, however, the rupiah exchange rate appreciated by 5.31% against the British poundsterling, by 7.05% against the French franc, by 7.61% against the German mark, and by 7.81% against the Dutch guilder.

C. Indonesia's Balance of Payments Prospects for 1989/90

Despite the challenges Indonesia has to face, such as protectionist measures in some industrialized countries, Indonesia's balance of payments for 1989/90 is expected to improve further compared with the reporting year. This promising projection is based on the presumption that export receipts are expected to increase significantly, due to higher non-oil/gas as well as oil/gas exports. In addition, the growth in payments for

imports and services is expected to be slower than the growth in exports, reducing the current account deficit in 1989/90. Capital inflows are expected to record a significant surplus, mainly because of higher net capital inflows of PMA companies. Hence, the overall balance of payments in 1989/90 is expected to record a surplus.

Non-oil/gas exports in 1989/90 are expected to show a significant increase, mainly due to the diversification and increased competitiveness of Indonesian exports as a result of recent deregulation measures. In addition, improvements in the world trade volume and in the prices of non-oil/gas exports in international markets are expected to increase exports. Non-oil/gas imports are estimated to increase as well, owing to the assumption that government measures will encourage the role of private companies in the economy, especially those which are export oriented. Furthermore, non-oil/gas service payments (net) are expected to rise, mainly due to higher interest payments and freight on imports despite a considerable increase in revenue from tourism.

Net oil/gas export earnings are expected to increase as oil/gas prices have shown a promising development since January 1989. This increase is closely associated with the improvement in international oil prices and the Government's efforts to improve the value added of oil/gas exports through diversification of oil products. LNG and LPG exports will also rise, as oil prices and the LPG export volume are expected to increase.

In 1989/90, official capital inflows are expected to increase compared with the reporting year. However, since amortization payments on official external debt are projected to increase, net official capital inflows in 1989/90 are expected to remain unchanged compared with the reporting year. Net private capital inflows are expected to record a significant surplus as the result of government measures to encourage foreign investment. Based on the above projection, Indonesia's overall balance of payments is expected to register a higher surplus in 1989/90 than in the reporting year.

CHART 3
PERSENTAGE OF EXPORT BY COUNTRY OF DESTINATION

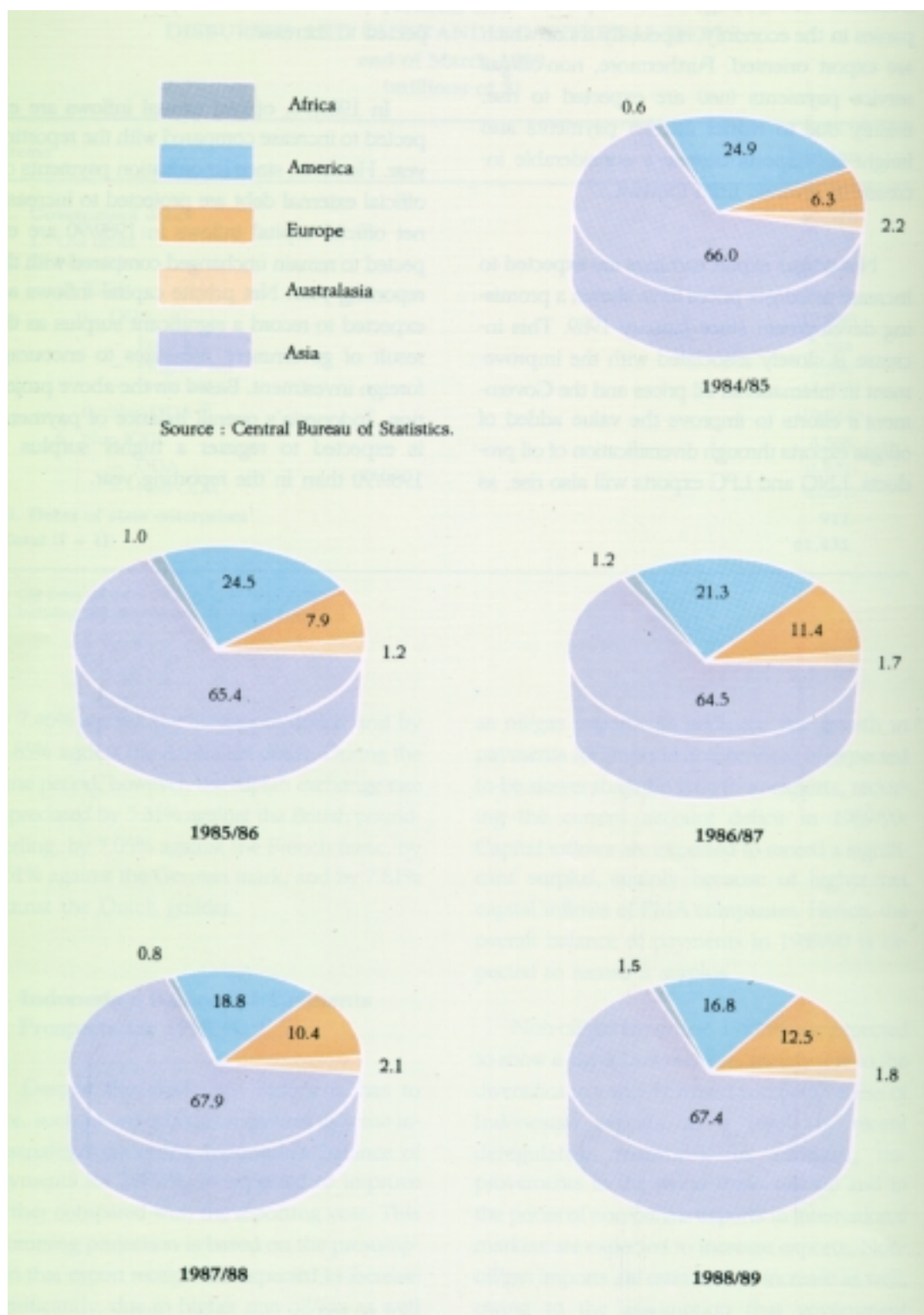


CHART 4
PERSENTAGE OF IMPORTS BY COUNTRY OF ORIGIN

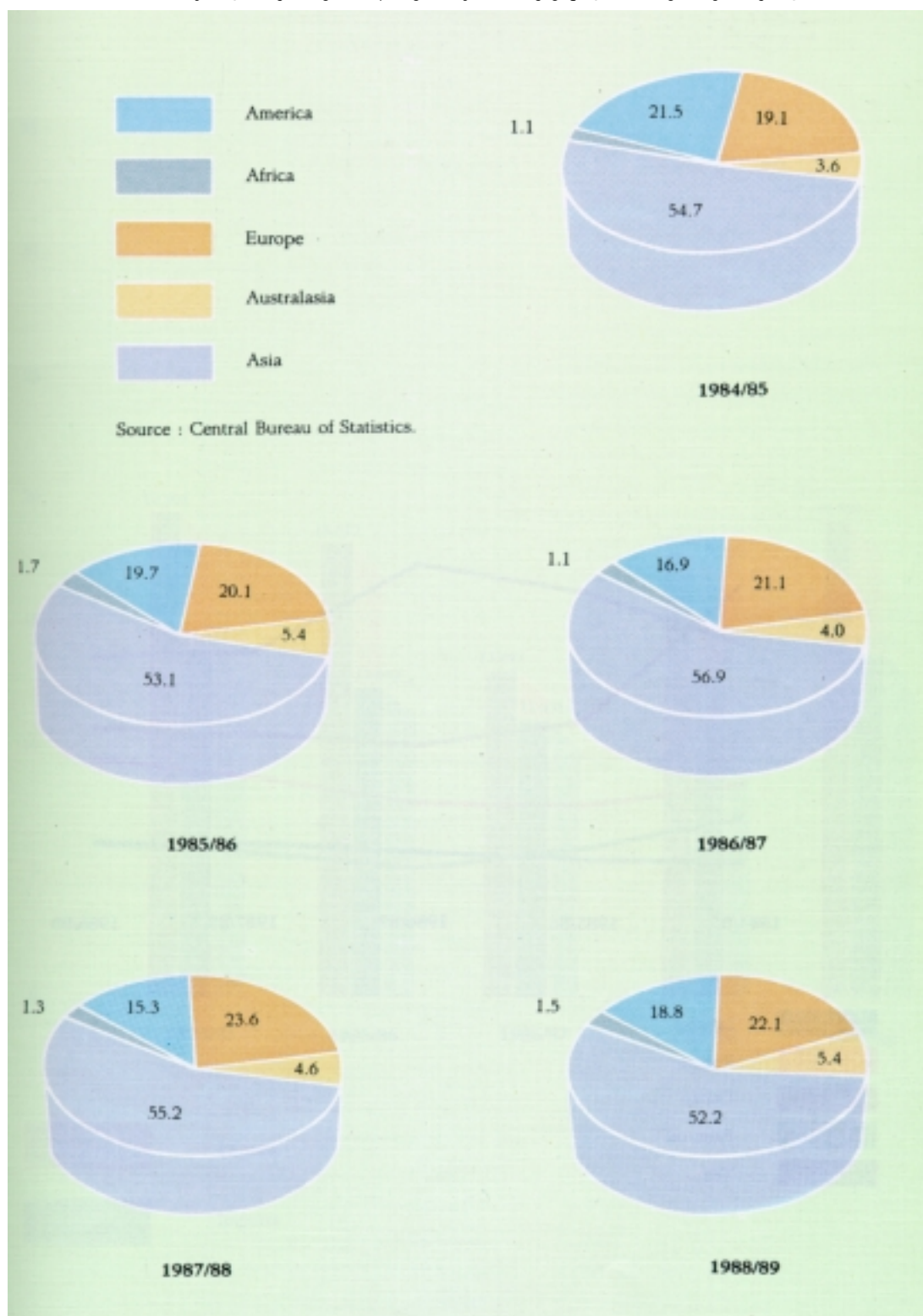


CHART 5
UNIT PRICES OF SELECTED EXPORT COMMODITIES
(\$ per ton)

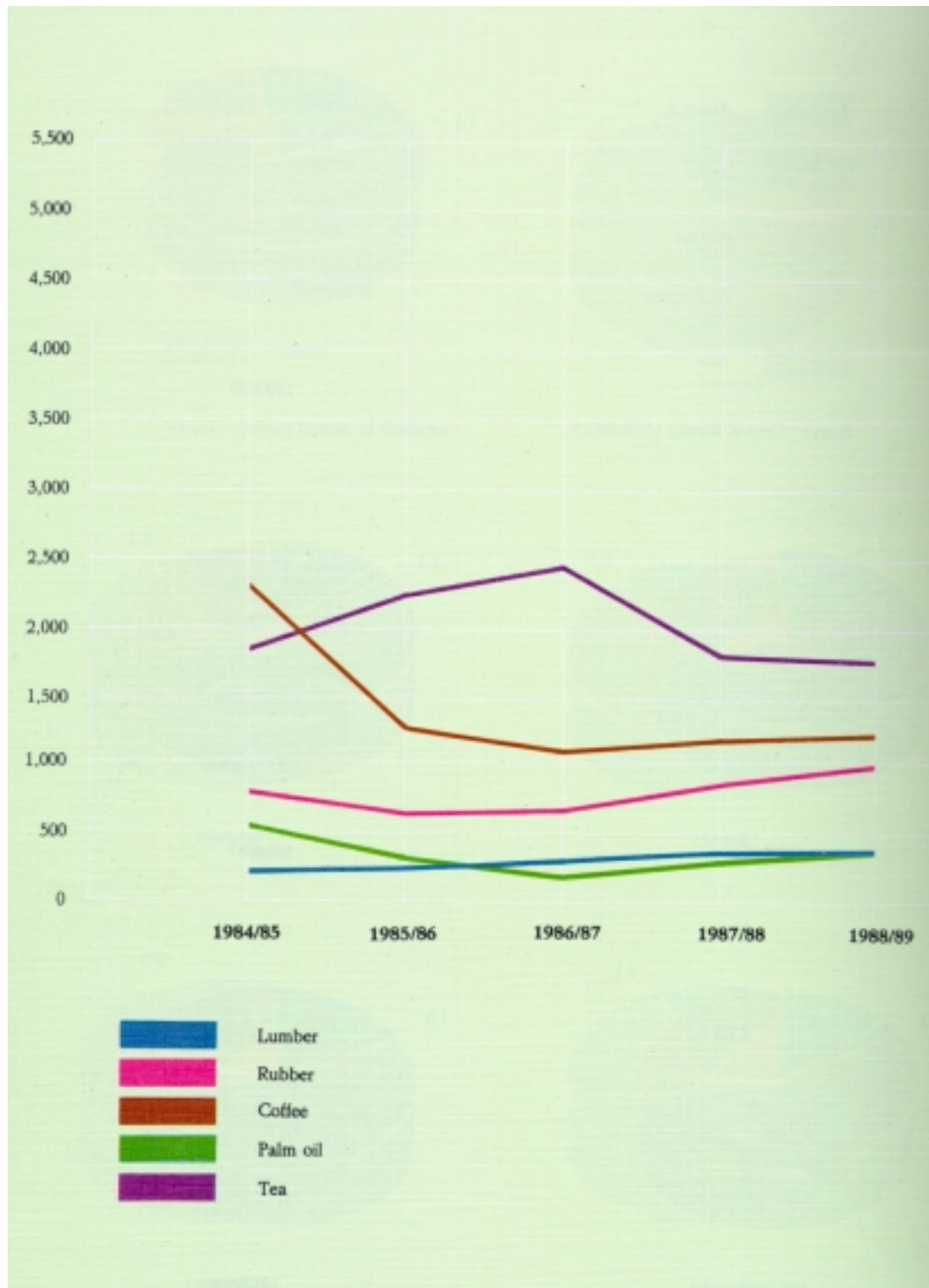
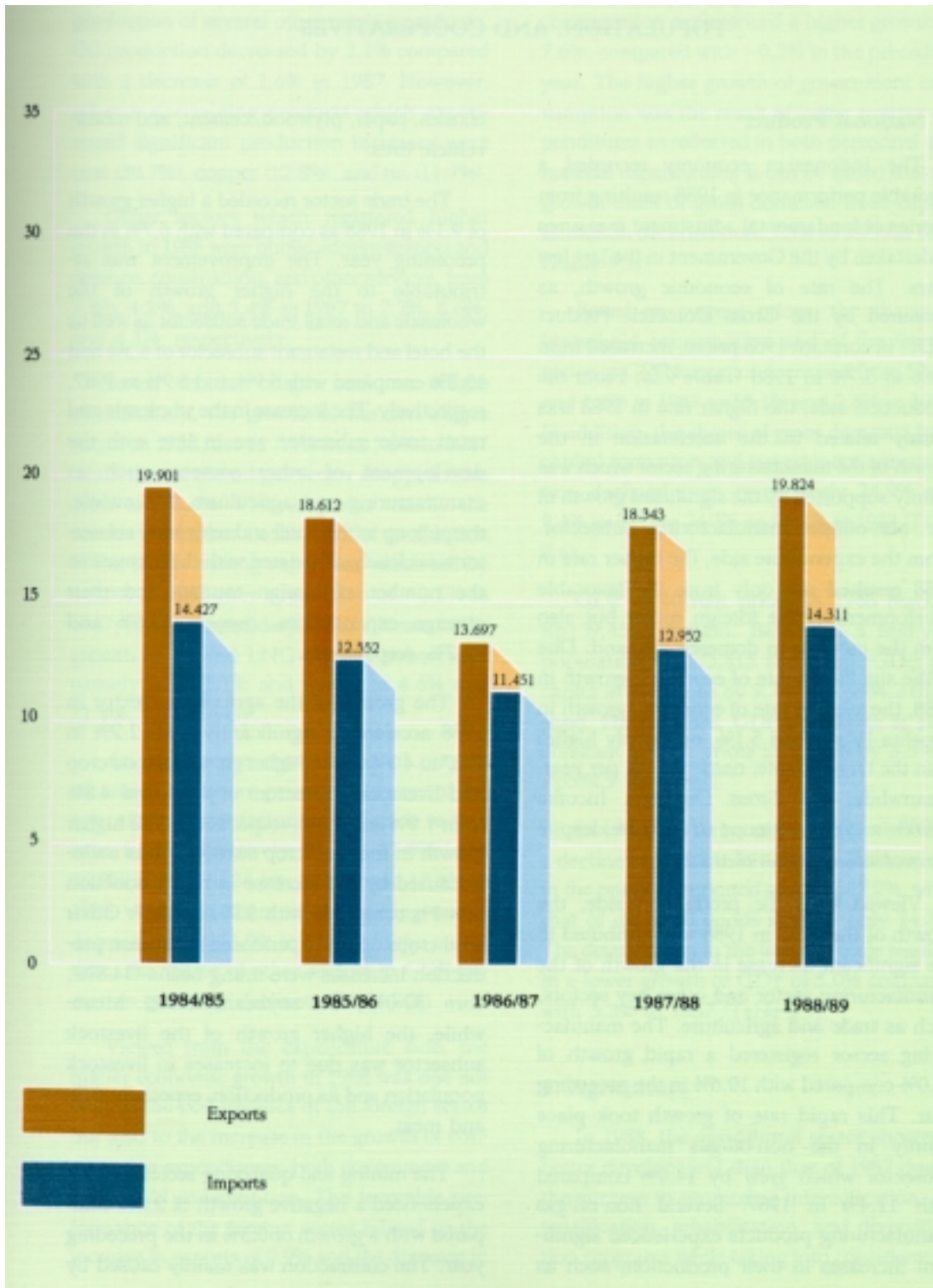


CHART 6
FOREIGN TRADE
(billions of \$)



IX. NATIONAL PRODUCT, INVESTMENT, PRICES, POPULATION, AND COOPERATIVES

A. National Product

The Indonesian economy recorded a favorable performance in 1988 resulting from a series of fundamental adjustment measures undertaken by the Government in the last few years. The rate of economic growth, as measured by the Gross Domestic Product (GDP) in constant 1983 prices, increased from 4.8% to 5.7% in 1988. (Table 9.2). From the production side, the higher rate in 1988 was closely related to the acceleration in the growth of the manufacturing sector which was mainly supported by the significant growth of the non-oil/gas manufacturing subsector. From the expenditure side, the higher rate in 1988 resulted not only from the favorable development of the foreign sector but also from the increase in domestic demand. Due to the significant rate of economic growth in 1988, the average rate of economic growth in Repelita IV reached 5.1%, or slightly higher than the targeted rate, namely 5.0% per year. Meanwhile, the Gross Domestic Income (GDI) in 1988 continued to increase despite the worsening terms of trade.

Viewed from the production side, the growth of the GDP in 1988 was attributed to the significant increase in the growth of the manufacturing sector and other key sectors, such as trade and agriculture. The manufacturing sector registered a rapid growth of 13.0% compared with 10.6% in the preceding year. This rapid rate of growth took place mainly in the non-oil/gas manufacturing subsector which grew by 14.0% compared with 11.4% in 1987. Several non-oil/gas manufacturing products

experienced significant increases in their production, such as textiles, paper, plywood, cement, and motor-vehicle tires.

The trade sector recorded a higher growth of 9.1% in 1988 as compared with 6.7% in the preceding year. The improvement was attributable to the higher growth of the wholesale and retail trade subsector as well as the hotel and restaurant subsector of 8.3% and 13.3% compared with 6.9% and 5.9% in 1987, respectively. The increase in the wholesale and retail trade subsector was in line with the development of other sectors, such as manufacturing and agriculture. Meanwhile, the pick-up in the hotel and restaurant subsector was closely associated with the increase in the number of foreign tourists and their average expenditures, namely 22.6% and 22.7%, respectively.

The growth of the agricultural sector in 1988 accelerated significantly from 2.2% in 1987 to 4.3% due to higher growth of food crop and livestock subsectors of 4.0% and 4.8% from 1.0% and 2.3%, respectively. The higher growth in the food crop subsector was mainly caused by the increase in rice production of 4.2% compared with 0.9% in 1987. Other food crops which experienced significant production increases were mung beans (34.8%), corn (32.0%), and soybeans (8.0%). Meanwhile, the higher growth of the livestock subsector was due to increases in livestock population and its production, especially milk and meat.

The mining and quarrying sector in 1988 experienced a negative growth of 2.6% compared with a growth of 0.3% in the

preceding year. The contraction was mainly caused by lower oil production despite increases in the production of several other mining products. Oil production decreased by 2.1% compared with a decrease of 1.6% in 1987. However, other major mining products which experienced significant production increases were coal (30.7%), copper (12.8%), and tin (11.7%).

Other sectors which registered higher growth in 1988 were public administration and defence, construction, and other services, from 7.3%, 4.2%, and 3.4% in 1987 to 7.7%, 6.6%, and 4.3%, respectively.

Based on the oil/gas and non-oil/gas classification, the growth of the non-oil/gas sector in 1988 rose to 7.4% from 5.6% in 1987 while that of the oil/gas sector dropped from 1.6% to -0.6%. This drop was mainly the result of a further decline in the production of the oil/gas mining subsector, which fell by -3.5% in 1988 after a reduction of -0.1% in 1987; this happened despite the increase in the growth of oil and LNG refinery subsectors, namely from 1.1% and 10.6% to 4.6% and 11.4%, respectively.

As regards the composition of output, measured in current prices, the shares of the agricultural, manufacturing, and trade sectors rose from respectively 23.3%, 17.0%, and 16.8% in 1987 to 24.1%, 18.5%, and 17.3% in 1988 while the share of the mining sector decreased from 13.9% to 11.6%. In the meantime, the shares of other sectors in GDP formation generally declined (Table 9.3).

Viewed from the expenditure side, the higher economic growth in 1988 was due not only to the performance of the foreign sector but also to the increase in the growth of consumption expenditures, both govern-

ment and household consumption. The favorable performance of the foreign sector related to the increase in exports of 0.9% and the decrease in imports of -19.1%. Meanwhile, government consumption experienced a higher growth of 7.6%, compared with -0.2% in the preceding year. The higher growth of government consumption was the result of larger routine expenditures as reflected in both personnel and material expenditures. It can be added that the growth rates of gross domestic fixed capital formation declined from 5.5% to 2.9% in 1988 (Table 9.5).

Based on current prices, the shares of household consumption and of the foreign sector in GDP formation increased from 57.8% and 1.6% in 1987 to 58.1% and 2.6% in 1988. In addition, the shares of gross domestic fixed capital formation and government consumption declined from respectively 24.9% and 9.4% in 1987 to 24.3% and 9.1% in 1988 (Table 9.6).

GDP at current prices in 1988 reached Rp139,452.2 billion. Based on a mid-year population of 173,415 thousand, GDP per capita in 1988 rose by 9.7% to Rp804.2 thousand. Furthermore, GDP per capita at 1983 constant market prices increased by 3.5% to Rp574.9 thousand.

In 1988, the terms of trade index showed a decline of 16.4% resulting from the increase in the prices of imported goods of 37.2%, while that of exported goods rose by only 14.7%. The deterioration in the terms of trade resulted in a lower growth of GDY of 2.0% compared with 5.3% in 1987 (Table 9.7).

1. Agriculture

In 1988, the agricultural sector showed a better development than that of 1987 due

TABLE 9.1
GROSS DOMESTIC PRODUCT BY SECTOR
(billions of rupiah)

Sectors	At 1983 constant market prices					At current market prices				
	1984	1985	1986	1987	1988 *	1984	1985	1986	1987	1988 *
Agriculture, forestry, and fishery	18,431.1	19,209.0	19,698.7	20,136.4	21,007.7	20,333.9	22,413.5	24,750.5	29,016.0	33,597.9
- Farm food crops	11,598.7	11,894.6	12,186.2	12,306.3	12,796.9	12,606.0	13,760.8	14,964.5	17,386.6	20,681.0
- Smallholder plantation crops	2,349.3	2,575.7	2,580.5	2,693.1	2,832.9	2,738.7	2,978.5	3,534.3	4,140.4	4,402.5
- Private plantation crops	445.5	510.8	561.8	564.5	576.8	593.0	714.6	690.4	978.4	1,010.7
- Livestocks	1,890.1	2,036.5	2,063.7	2,110.8	2,211.7	2,084.1	2,427.0	2,639.6	3,014.6	3,544.8
- Forestry	894.4	850.7	888.7	967.9	1,013.0	939.0	938.0	1,000.6	1,246.8	1,370.3
- Fishery	1,253.1	1,340.7	1,417.8	1,493.8	1,576.4	1,373.1	1,594.6	1,921.1	2,249.2	2,588.6
Mining and quarrying	17,120.1	15,480.4	16,308.6	16,365.5	15,934.0	16,937.6	13,570.8	11,502.8	17,266.8	16,184.9
- Oil and LNG	16,186.9	14,512.6	15,237.0	15,219.3	14,691.2	15,916.7	12,583.8	10,501.8	15,979.4	14,442.3
- Others	933.2	967.8	1,071.6	1,146.2	1,242.8	1,020.9	987.0	1,001.0	1,287.4	1,742.6
Manufacturing	12,078.8	13,430.5	14,678.1	16,235.3	18,339.9	13,112.9	15,503.4	17,184.7	21,150.4	25,821.0
- Non-oil/LNG	8,663.0	9,745.4	10,828.1	12,064.4	13,758.2	9,393.5	11,216.0	13,300.8	17,233.4	21,410.2
- Oil/gas	3,415.8	3,685.1	3,850.0	4,170.9	4,581.7	3,719.4	4,287.4	3,883.9	3,917.0	4,410.8
- Oil refinery	625.6	766.6	927.2	937.7	980.4	1,012.7	1,863.7	1,915.4	1,819.7	1,824.3
- LNG	2,790.2	2,918.5	2,922.8	3,233.2	3,601.3	2,706.7	2,423.7	1,968.5	2,097.3	2,586.5
Electricity, gas, and water supply	324.0	360.9	429.8	494.6	547.5	354.2	395.9	647.1	746.9	836.9
Construction	4,393.8	4,508.0	4,609.0	4,802.9	5,119.1	4,756.8	5,301.8	5,313.8	6,087.4	6,988.4
Trade	11,793.0	12,388.5	13,450.3	14,357.8	15,662.3	13,363.2	15,354.9	17,083.4	20,870.2	24,167.2
- Wholesale and retail	10,010.0	10,401.9	11,229.0	12,006.5	12,998.5	11,300.1	12,900.2	14,116.3	17,383.1	20,144.1
- Hotel and restaurant	1,783.0	1,986.6	2,221.3	2,351.3	2,663.8	2,063.1	2,454.7	2,967.1	3,487.1	4,023.1
Transportation and communication	4,443.1	4,487.0	4,668.4	4,937.2	5,225.2	5,050.8	6,100.3	6,406.9	7,414.1	8,059.3
- Transportation	4,008.1	4,031.8	4,178.1	4,393.7	4,637.5	4,611.3	5,538.5	5,769.7	6,638.8	7,237.3
- Communication	435.0	455.2	490.3	543.5	587.7	439.5	561.8	637.2	775.3	822.0
Banking and other financial intermediaries	2,801.8	2,998.5	3,464.9	3,530.5	3,597.2	3,080.4	3,511.0	4,058.8	4,023.7	5,263.4
Ownership of dwelling	2,411.5	2,461.0	2,545.1	2,653.9	2,762.2	2,572.6	2,775.0	2,976.0	3,349.1	3,736.0
Public administration and defence	5,996.7	6,455.1	6,862.1	7,366.1	7,932.1	6,469.9	7,925.1	8,307.3	8,911.8	9,446.2
Services	3,116.8	3,180.2	3,298.6	3,422.1	3,569.8	3,717.9	3,998.6	4,314.6	4,902.5	5,351.0
Gross Domestic Product	82,910.7	84,959.1	90,013.6	94,302.3	99,697.0	89,750.2	96,850.3	102,545.9	124,538.9	139,452.2
- Non-oil/LNG	63,308.0	66,761.4	70,926.6	74,912.1	80,424.1	70,114.1	79,979.1	88,160.2	104,642.5	120,599.1
- Oil and LNG	19,602.7	18,197.7	19,087.0	19,390.2	19,272.9	19,636.1	16,871.2	14,385.7	19,896.4	18,853.1

Source : Central Bureau of Statistics.

TABLE 9.2
PERCENTAGE CHANGE OF GROSS DOMESTIC PRODUCT BY SECTOR

Sectors	At 1983 constant market prices					At current market prices				
	1984	1985	1986	1987	1988 *	1984	1985	1986	1987	1988 *
Agriculture, forestry, and fishery										
- Farm food crops	4.2	4.2	2.5	2.2	4.3	14.9	10.2	10.4	17.2	15.8
- Smallholder plantation crops	4.9	2.6	2.5	1.0	4.0	14.0	9.2	8.7	16.2	18.9
- Private plantation crops	2.4	9.6	0.2	4.4	5.2	19.3	8.8	18.7	17.1	6.3
- Livestocks	18.7	14.7	10.0	0.5	2.2	58.0	20.5	-3.4	41.7	3.3
- Forestry	7.7	7.7	1.3	2.3	4.8	18.8	16.5	8.8	14.2	17.6
- Fishery	-10.0	-4.9	4.5	8.9	4.7	-5.6	-0.1	6.7	24.6	9.9
Mining and quarrying	2.7	7.0	5.8	5.4	5.5	12.5	16.1	20.5	17.1	15.1
- Oil and LNG	6.3	-9.6	5.3	0.3	-2.6	5.2	-19.9	-15.2	50.1	-6.3
- Others	7.2	-10.3	5.0	-0.1	-3.5	5.4	-20.9	-16.5	52.2	-9.6
Manufacturing	-7.1	3.7	10.7	7.0	8.4	1.6	-3.3	1.4	28.6	35.4
- Non-oil/LNG	22.1	11.2	9.3	10.6	13.0	32.5	18.2	10.8	23.1	22.1
- Oil/gas	13.0	12.5	11.1	11.4	14.0	22.5	19.4	18.6	29.6	24.2
- Oil refinery	53.2	7.9	4.5	8.3	9.8	66.8	15.3	-9.4	0.9	12.6
- LNG	74.3	22.5	20.9	1.1	4.6	182.2	84.0	2.8	-5.0	0.3
Electricity, gas, and water supply	49.1	4.6	0.1	10.6	11.4	44.7	-10.5	-18.8	6.5	23.3
Construction	3.2	11.4	19.1	15.1	10.7	12.8	11.8	63.5	15.4	12.0
Trade	-4.4	2.6	2.2	4.2	6.6	3.5	11.5	0.2	14.6	14.8
- Wholesale and retail	2.2	5.0	8.6	6.7	9.1	15.8	14.9	11.3	22.2	15.8
- Hotel and restaurant	0.8	3.9	8.0	6.9	8.3	13.8	14.2	9.4	23.1	15.9
Transportation and communication	10.9	11.4	11.8	5.9	13.3	28.3	19.0	20.9	17.5	15.4
- Transportation	8.4	1.0	4.0	5.8	5.8	23.2	20.8	5.0	15.7	8.7
- Communication	8.5	0.6	3.6	5.2	5.5	24.8	20.1	4.2	15.1	9.0
Banking and other financial intermediaries	7.6	4.6	7.7	10.9	8.1	8.7	27.8	13.4	21.7	6.0
Ownership of dwelling	18.8	7.0	15.6	1.9	1.9	30.6	14.0	15.6	18.8	9.1
Public administration and defence	2.4	2.1	3.4	4.3	4.1	9.2	7.9	7.2	12.5	11.6
Services	5.0	7.6	6.3	7.3	7.7	13.3	22.5	4.8	7.3	6.0
Gross Domestic Product	3.9	2.0	3.7	3.7	4.3	23.9	7.5	7.9	13.6	9.1
- Non-oil/LNG	6.7	2.5	5.9	4.8	5.7	15.5	7.9	5.9	21.4	12.0
- Oil and LNG	4.9	5.5	6.2	5.6	7.4	16.2	14.1	10.2	18.7	15.2
	13.1	-7.2	4.9	1.6	-0.6	13.3	-14.1	-14.7	38.3	-5.2

Source : Central Bureau of Statistics.

TABLE 9.3
PERCENTAGE DISTRIBUTION OF GROSS DOMESTIC PRODUCT BY SECTOR

Sectors	At 1983 constant market prices					At current market prices				
	1984	1985	1986	1987	1988 *	1984	1985	1986	1987	1988 *
Agriculture, forestry, and fishery	22.2	22.6	21.9	21.4	21.1	22.7	23.1	24.1	23.3	24.1
- Farm food crops	14.0	14.0	13.5	13.0	12.8	14.0	14.2	14.6	14.0	14.8
- Smallholder plantation crops	2.8	3.0	2.9	2.9	2.8	3.1	3.1	3.4	3.3	3.2
- Private plantation crops	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.7
- Livestocks	2.3	2.4	2.3	2.2	2.2	2.3	2.5	2.6	2.4	2.5
- Forestry	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
- Fishery	1.5	1.6	1.6	1.6	1.6	1.5	1.6	1.9	1.8	1.9
Mining and quarrying	20.6	18.2	18.1	17.4	16.0	18.9	14.0	11.2	13.9	11.6
- Oil and LNG	19.5	17.1	16.9	16.1	14.7	17.7	13.0	10.2	12.8	10.4
- Others	1.1	1.1	1.2	1.2	1.2	1.1	1.0	1.0	1.0	1.2
Manufacturing	14.6	15.8	16.3	17.2	18.4	14.6	16.0	16.8	17.0	18.5
- Non-oil/LNG	10.4	11.5	12.0	12.8	13.8	10.5	11.6	13.0	13.8	15.4
- Oil/gas	4.1	4.3	4.3	4.4	4.6	4.1	4.4	3.8	3.1	3.2
- Oil refinery	0.8	0.9	1.0	1.0	1.0	1.1	1.9	1.9	1.5	1.3
- LNG	3.4	3.4	3.2	3.4	3.6	3.0	2.5	1.9	1.7	1.9
Electricity, gas, and water supply	0.4	0.4	0.5	0.5	0.5	0.4	0.4	0.6	0.6	0.6
Construction	5.3	5.3	5.1	5.1	5.1	5.3	5.5	5.2	4.9	5.0
Trade	14.2	14.6	14.9	15.2	15.7	14.9	15.9	16.7	16.8	17.3
- Wholesale and retail	12.1	12.2	12.5	12.7	13.0	12.6	13.3	13.8	14.0	14.4
- Hotel and restaurant	2.2	2.3	2.5	2.5	2.7	2.3	2.5	2.9	2.8	2.9
Transportation and communication	5.4	5.3	5.2	5.2	5.2	5.6	6.3	6.2	6.0	5.8
- Transportation	4.8	4.7	4.6	4.7	4.7	5.1	5.7	5.6	5.3	5.2
- Communication	0.5	0.5	0.5	0.6	0.6	0.5	0.6	0.6	0.6	0.6
Banking and other financial intermediaries	3.4	3.5	3.8	3.7	3.6	3.4	3.6	4.0	3.9	3.8
Ownership of dwelling	2.9	2.9	2.8	2.8	2.8	2.9	2.9	2.9	2.7	2.7
Public administration and defence	7.2	7.6	7.6	7.8	8.0	7.2	8.2	8.1	7.2	6.8
Services	3.8	3.7	3.7	3.6	3.6	4.1	4.1	4.2	3.9	3.8
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
- Non-oil/LNG	76.4	78.6	78.8	79.4	80.7	78.1	82.6	86.0	84.0	86.5
- Oil and LNG	23.6	21.4	21.2	20.6	19.3	21.9	17.4	14.0	16.0	13.5

Source : Central Bureau of Statistics.

TABLE 9.4
EXPENDITURES ON GROSS DOMESTIC PRODUCT
(billions of rupiah)

Sectors	At 1983 constant market prices					At current market prices				
	1984	1985	1986	1987	1988 *	1984	1985	1986	1987	1988 *
Consumption expenditures	57,295.2	58,439.2	59,771.3	61,426.1	64,136.6	63,188.0	68,094.5	74,684.0	83,752.4	93,751.7
– Private consumption	48,942.2	49,448.0	50,530.0	52,200.4	54,212.3	54,065.5	57,201.4	63,355.3	71,988.9	80,995.9
– Government consumption	8,353.0	8,991.2	9,241.3	9,225.7	9,924.3	9,121.5	10,893.1	11,328.7	11,763.5	12,755.8
Gross domestic capital formation	18,296.5	19,615.8	21,421.7	22,596.8	23,246.0	20,136.1	22,366.9	24,781.9	30,980.2	33,907.0
Change in stock ¹⁾	4,314.3	6,504.6	6,256.1	4,822.1	2,740.7	3,268.6	4,693.0	4,887.3	7,846.3	8,169.2
Exports of goods and non-factor services	21,143.8	19,494.4	22,457.4	25,742.4	25,980.1	22,998.1	21,533.5	19,227.4	29,894.7	34,615.9
Less :										
Imports of goods and non-factor services	18,139.1	19,094.9	19,882.9	20,285.2	16,406.4	19,840.5	19,837.7	21,034.7	27,934.7	30,991.7
Gross Domestic Product	82,910.7	84,959.1	90,013.6	94,302.2	99,697.0	89,750.3	96,850.2	102,545.9	124,538.9	139,452.1
Net factor income from abroad	-3,823.0	-3,793.9	-3,997.0	-4,368.7	-3,564.6	-4,181.6	-3,941.5	-4,226.4	-6,016.1	-6,733.4
Gross National Product	79,087.7	81,165.2	86,016.6	89,933.5	96,132.4	85,568.7	92,908.7	98,319.5	118,522.8	132,718.7
Less :										
Net indirect taxes	2,653.0	3,024.3	3,445.4	4,550.1	6,364.5	2,723.4	3,596.5	6,528.7	7,183.2	8,410.9
Less :										
Depreciation	4,145.5	4,248.0	4,500.7	4,715.1	4,984.8	4,487.5	4,842.5	5,127.3	6,226.9	6,972.6
National Income	72,289.2	73,892.9	78,070.5	80,668.3	84,783.1	78,357.8	84,469.7	86,663.5	105,112.7	117,335.2

¹⁾ Residual.
Source : Central Bureau of Statistics.

TABLE 9.5
PERCENTAGE CHANGE OF EXPENDITURES ON GROSS DOMESTIC PRODUCT

Sectors	At 1983 constant market prices					At current market prices				
	1984	1985	1986	1987	1988 *	1984	1985	1986	1987	1988 *
Consumption expenditures	3.9	2.0	2.3	2.8	4.4	14.6	7.8	9.7	12.1	11.9
- Private consumption	4.0	1.0	2.2	3.3	3.9	14.9	5.8	10.8	13.6	12.5
- Government consumption	3.4	7.6	2.8	-0.2	7.6	12.9	19.4	4.0	3.8	8.4
Gross domestic capital formation	-6.0	7.2	9.2	5.5	2.9	3.4	11.1	10.8	25.0	9.4
Change in stock ¹⁾	52.2	50.8	-3.8	-22.9	-43.2	15.3	43.6	4.1	60.5	4.1
Exports of goods and non-factor services	6.5	-7.8	15.2	14.6	0.9	15.9	-6.4	-10.7	55.5	15.8
Less :										
Imports of goods and non-factor services	-7.5	5.3	4.2	2.0	-19.1	1.2	-0.0	6.0	32.8	10.9
Gross Domestic Product	6.7	2.5	5.9	4.8	5.7	15.5	7.9	5.9	21.4	12.0
Net factor income from abroad	16.5	-0.8	5.4	9.3	-18.4	27.5	-5.7	7.2	42.3	11.9
Gross National Product	6.3	2.6	6.0	4.6	6.9	15.0	8.6	5.8	20.5	12.0
Less :										
Net indirect taxes	8.3	14.0	13.9	32.1	39.9	11.1	32.1	81.5	10.0	17.1
Less :										
Depreciation	6.7	2.5	5.9	4.8	5.7	15.5	7.9	5.9	21.4	12.0
National Income	6.2	2.2	5.7	3.3	5.1	15.1	7.8	2.6	21.3	11.6

1) Residual

Source : Central Bureau of Statistics.

TABLE 9.6
PERCENTAGE DISTRIBUTION OF EXPENDITURES ON GROSS DOMESTIC PRODUCT

Sectors	At 1983 constant market prices					At current market prices				
	1984	1985	1986	1987	1988 *	1984	1985	1986	1987	1988 *
Consumption expenditures	69.1	68.8	66.4	65.2	64.4	70.4	70.3	72.8	67.2	67.2
– Private consumption	59.0	58.2	56.1	55.4	54.4	60.2	59.1	61.8	57.8	58.1
– Government consumption	10.1	10.6	10.3	9.8	10.0	10.2	11.2	11.0	9.4	9.1
Gross domestic capital formation	22.1	23.1	23.8	24.0	23.3	22.4	23.1	24.2	24.9	24.3
Change in stock ¹⁾	5.2	7.7	7.0	5.1	2.7	3.6	4.8	4.8	6.3	5.9
Exports of goods and non-factor services	25.5	22.9	24.9	27.2	26.0	25.6	22.2	18.8	24.0	24.8
Less :										
Imports of goods and non-factor services	21.9	22.5	22.1	21.5	16.5	22.1	20.5	20.5	22.4	22.2
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Net factor income from abroad	-4.6	-4.5	-4.4	-4.6	-3.6	-4.7	-4.1	-4.1	-4.8	-4.8
Gross National Product	95.4	95.5	95.6	95.4	96.4	95.3	95.9	95.9	95.2	95.2
Less :										
Net indirect taxes	3.2	3.6	3.8	4.8	6.4	3.0	3.7	6.4	5.8	6.0
Less :										
Depreciation	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
National Income	87.2	87.0	86.7	85.5	85.0	87.3	87.2	84.5	84.4	84.2

¹⁾ Residual
Source : Central Bureau of Statistics.

CHART 7
DEVELOPMENTS OF GROSS DOMESTIC PRODUCT
AT CURRENT AND 1983 CONSTAN MARKET PRICES
(percentage)

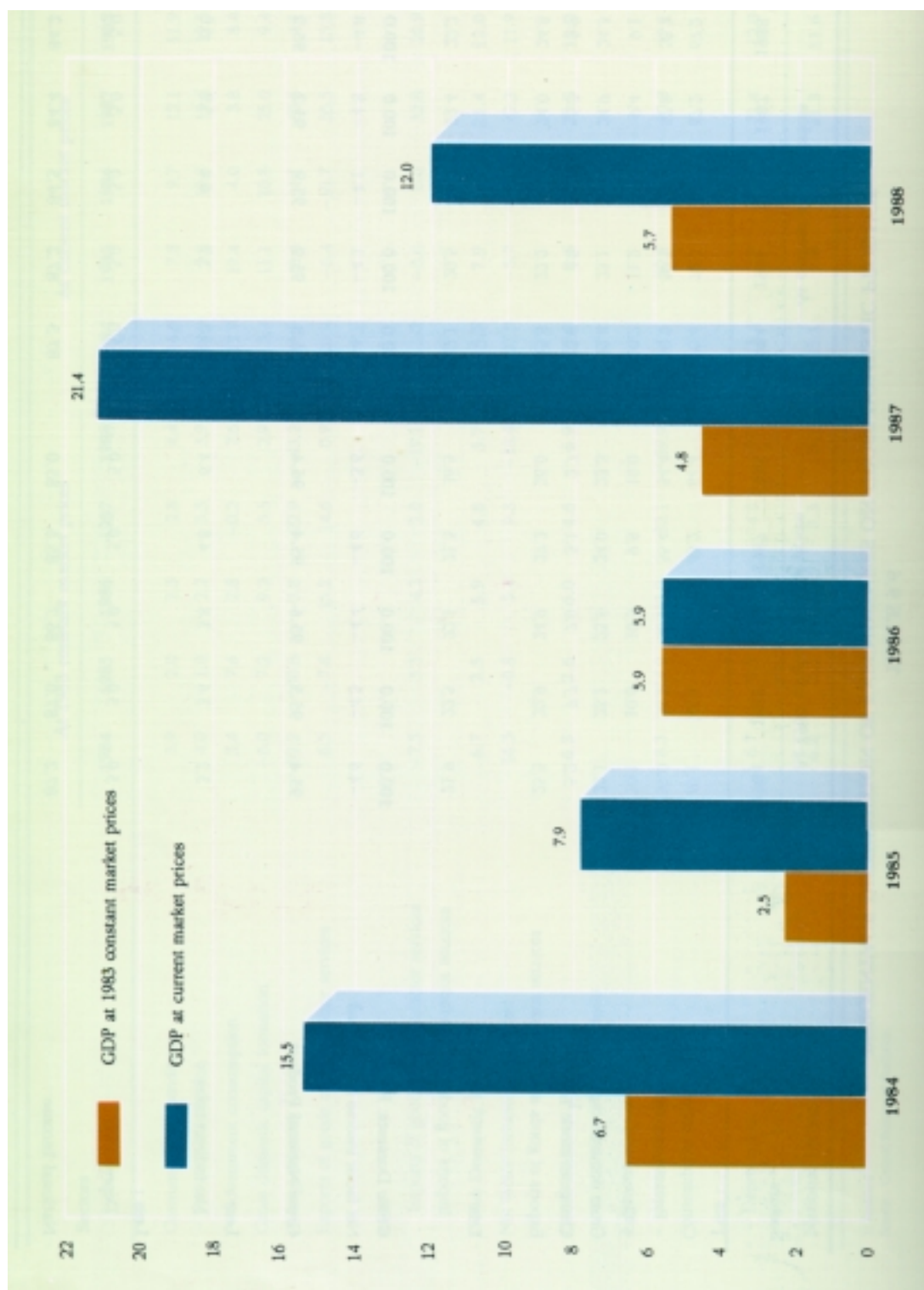


CHART 8
GROWTH OF SEVERAL IMPORTANT SECTORS
IN GROSS DOMESTIC PRODUCT
(percentage)

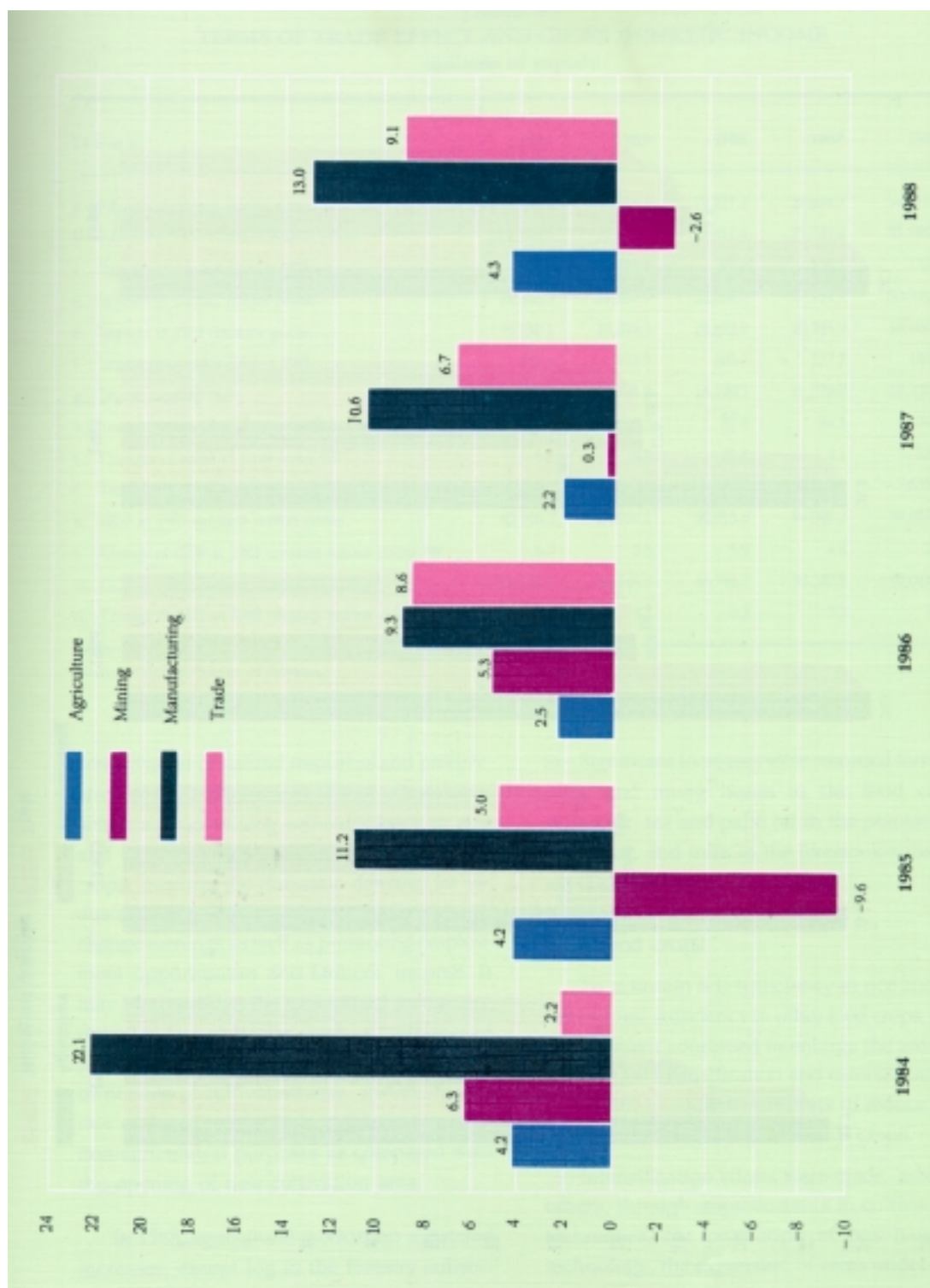


CHART 9
PERSENTAGE DISTRIBUTION OF GROSS DOMESTIC PRODUCT
BY SECTOR AT CURRENT PRICES

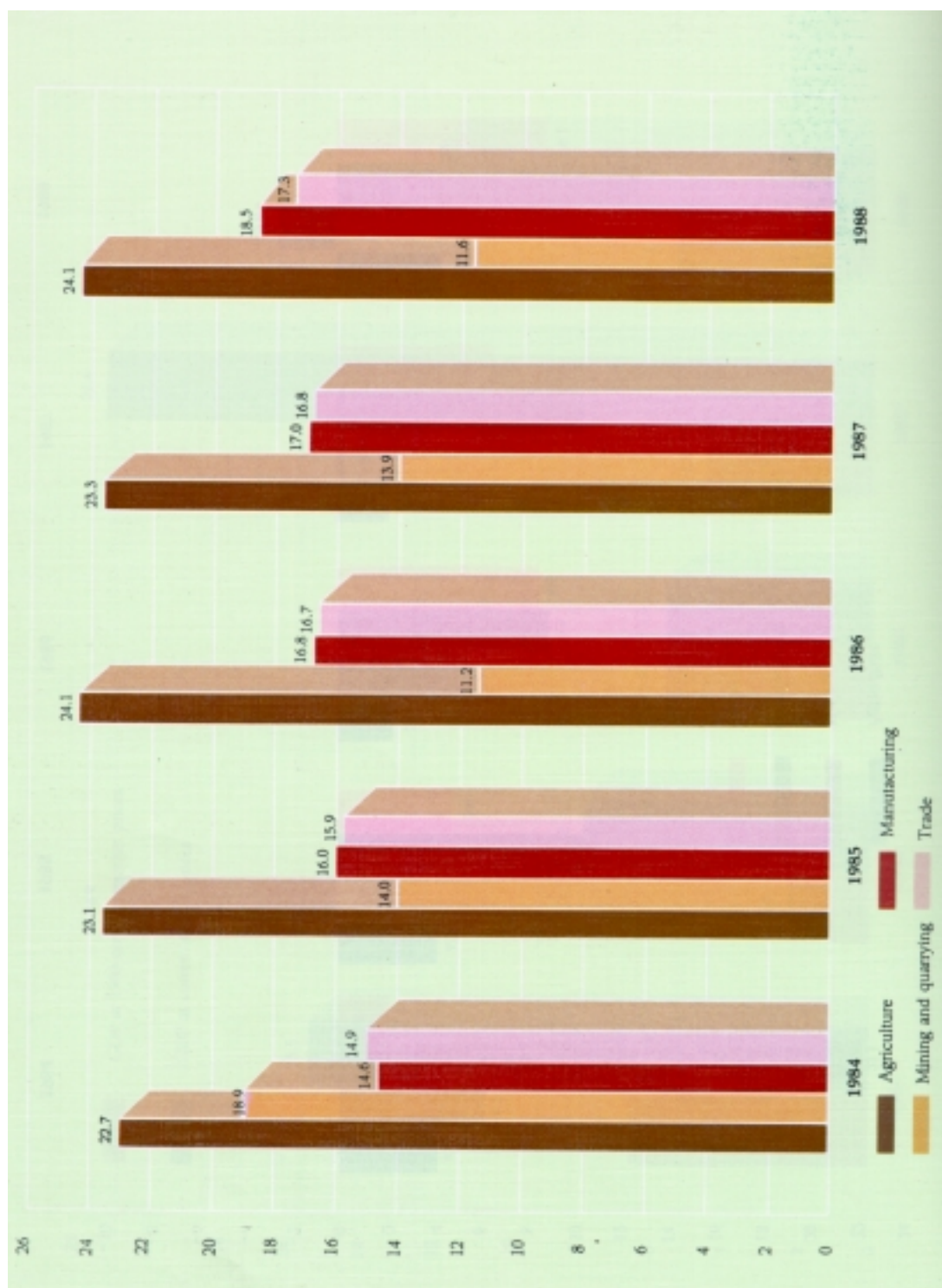


TABLE 9.7
TERMS OF TRADE EFFECT AND GROSS DOMESTIC INCOME
(billions of rupiah)

I t e m s	1984	1985	1986	1987	1988 *
a. Exports at current market prices	22,998.1	21,533.5	19,227.4	29,894.7	34,615.9
b. Exports at 1983 constant market prices	21,143.8	19,494.4	22,457.4	25,742.4	25,980.1
c. Export price index [(a:b) x 100]	108.8	110.5	85.6	116.1	133.2
d. Imports at current market prices	19,840.5	19,837.7	21,034.7	27,934.7	30,991.7
e. Imports at 1983 constant prices	18,139.1	19,094.9	19,892.9	20,285.2	16,406.4
f. Import price index [(d:e) x 100]	109.4	103.9	105.7	137.7	188.9
g. Import capacity (a:f)	21,022.0	20,725.2	18,190.5	21,710.0	18,325.0
h. Terms of trade index [(c:f) x 100]	99.4	106.3	81.0	84.3	70.5
i. Changes of terms of trade index (%)	-0.6	6.9	-23.8	4.1	-16.4
j. Terms of trade effect (g-b)	-121.8	1,230.8	-4,266.9	-4,032.4	-7,655.1
k. GDP at 1983 constant market prices	82,910.7	84,959.1	90,013.6	94,302.2	99,697.0
l. Change of GDP at 1983 constant market prices (%)	6.7	2.5	5.9	4.8	5.7
m. GDY at 1983 constant market prices (k+j)	82,788.9	86,189.9	85,746.7	90,269.8	92,041.9
n. Change of GDY at 1983 constant market prices (%)	5.8	4.1	-0.5	5.3	2.0

Source : Central Bureau of Statistics.

to the success in promoting intensification, extensification, rehabilitation, and diversification programs while taking into consideration conservation of natural resources and preservation of the environment. These efforts were aimed at maintaining self-sufficiency in rice and achieving self-sufficiency in other food crops, meeting the domestic demand for industrial raw materials, and raising foreign exchange earnings as well as promoting employment opportunities and farmers' income. It may be added that the agricultural sector continued to face obstacles, such as high rates of post-harvest losses, especially paddy, small ownership of cultivation area, and the higher rate of land conversion from agricultural to non-agricultural purposes as compared with

the opening of new cultivation area.

In 1988, agricultural production registered increases, except log in the forestry subsector. Significant increases were recorded for rice, corn, and mung beans in the food crop subsector, tea and palm oil in the plantation subsector, and milk in the livestock subsector (Table 9.8).

1.1. Food crops

To maintain self-sufficiency in rice and to achieve self-sufficiency in other food crops, the Government continued to enlarge the area of agricultural intensification and extensification in 1988/89 in addition to efforts to reduce the rate of rice loss and to diversify crops.

TABLE 9.8
AGRICULTURAL PRODUCTION
(thousands of tons)

Products	1984	1985	1986	1987	1988 *
1. Foodstuffs					
– Rice	25,932	26,542	27,014	27,253	28,403
– Corn	5,288	4,330	5,920	5,155	6,806
– Cassava	14,167	14,037 ^f	13,312	14,356	15,280
– Sweet potatoes	2,157	2,161	2,091	2,013	2,066
– Peanuts	535	528	642	533	565
– Soybeans	769	870	1,227	1,161	1,254
– Mung beans	187	200	213	204	275
2. Plantation crops					
– Rubber	1,033	1,055	1,109	1,130	1,170
• Smallholder	(704)	(720)	(763)	(795)	(835)
• Estate	(329)	(335)	(346)	(335)	(335)
– Copra	1,750	1,920	2,114	2,075	2,105
– Palm oil	1,147	1,243	1,350	1,506	1,690
– Palm kernels	247	258	266	319	356
– Granulated sugar	1,810	1,899	1,894	2,176	2,202
– T e a	126	127	136	126	156
• Smallholder	(24)	(30)	(31)	(25)	(32)
• Estate	(102)	(97)	(105)	(101)	(124)
– Coffee	315	311	339	380	398
• Smallholder	(291)	(288)	(316)	(359)	(375)
• Estate	(24)	(23)	(23)	(21)	(23)
– Tobacco	108	161	164	113	119
• Smallholder	(104)	(156)	(159)	(110)	(116)
• Estate	(4)	(5)	(5)	(3)	(3)
– Pepper	46	41	40	49	52
– Nutmeg	18	14	15	15.5	16
– Cloves	49	42	55	58	60
3. Livestock					
– Meat	742	808	860	895	928
– Eggs	355	370	432 ^f	452	466
– Milk ¹⁾	179	192	220	235	262
4. Forestry					
Wood ²⁾	27,716	24,277	27,403	28,255	22,860
5. Fishery					
– S e a	1,713	1,822	1,923	2,017	2,166
– Inland	548	573	607	653	715

1) Millions of liters.

2) Thousands of cubic meters.

Source : – Supplement to the President's Report to Parliament, August 16, 1989.
– Ministry of Agriculture.

Intensification efforts were made, among others, through improvements in cultivation techniques, the promotion of post-harvest technology, the expansion of areas under the special intensification program (*Intensifikasi Khusus* or Insus) and the super insus program (*Supra Insus*), the implementation of Integrated Pest Management, and through supervision to farmers. In 1988/89, the expansion of Insus reached the area of 3,144 thousand hectares while that of Supra Insus was 1,276 thousand hectares. The increase in Supra

Insus area was attributable to the expansion of the program to Aceh, North Sumatera, South Sumatera, and Lampung so that 11 provinces were covered. Owing to these efforts, the average production per hectare of food crops increased (Tables 9.9 and 9.11).

With regard to the extensification program, the Government continued to open new rice fields in connection with the transmigration program and to maximize the utilization of existing irrigation networks. In 1988/89, the new rice fields covered the area of 30,6 thousand hectares. In addition, the Government encouraged the utilization of "sleeping land" by providing prime seeds to farmers. To reduce the rate of rice loss, which was considered relatively high, the Government continued to intensify guidance by training farmers and provided post-harvest facilities. Meanwhile, the food crop diversification program introduced in 1974 continued to be enhanced through the cultivation of mixed farming and alternate planting.

Rice production in 1988 rose significantly by 4.2% reaching 28,403 thousand tons after experiencing a slowdown since 1985. The higher production of rice was closely related to the success of intensification programs as reflected in the increase in average rice production per hectare of 2.2% as well as the increase in paddy harvested areas of 1.7% (Table 9.9). Owing to the higher rice production, the domestic demand for rice in the reporting year, which was estimated at 28,030 thousand tons, could still be fulfilled.

In 1988, the production of secondary crops registered increases after experiencing several declines in 1987. The increases resulted not only from an expansion in harvested areas but also from higher land productivity

TABLE 9.9
PADDY PRODUCTION, HARVESTED
AREA, AND AVERAGE YIELD PER HA

Year	Output ¹⁾ (thousands of tons)	Harvested area (thousands of ha)	Average yield ¹⁾ (tons/ha)
1984	25,932	9,764	2.66
1985	26,542	9,902	2.68
1986	27,014	9,988	2.70
1987	27,253	9,923	2.75
1988 *	28,403	10,090	2.81

1) Equivalent of rice.

Source : Supplement to the President's Report to Parliament,
August 16, 1989.

TABLE 9.10
NUMBER AND CAPACITY OF
PRODUCTION OF RICE MILLS

Year	Number of rice mills (thousands of units)	Capacity of production (millions of tons)
1983	59.4	24.5
1984	60.5	25.7
1985	62.9	27.6
1986	65.8	29.5
1987 *	66.5	31.2

Source : Ministry of Agriculture.

TABLE 9.11
OUTPUT, HARVESTED AREA, AND AVERAGE YIELD
OF SECONDARY CROPS

Particulars	1984	1985	1986	1987	1988
Output (thousands of tons)					
— Corn ¹⁾	5,288	4,330	5,920	5,155	6,806
— Cassava	14,167	14,057	13,312	14,356	15,280
— Sweet potatoes	2,156	2,161	2,091	2,013	2,066
— Peanuts	535	528	642	533	565
— Soybeans	769	870	1,227	1,161	1,254
— Mung beans	187	200	213	204	275
Harvested area (thousands of ha)					
— Corn	3,086	2,440 ^r	3,143	2,626	3,367
— Cassava	1,350	1,292	1,170	1,222	1,264
— Sweet potatoes	263	256	253	229	227
— Peanuts	537	510	601	551	585
— Soybeans	859	896	1,254	1,101	1,155
— Mung beans	289	286	293	277	354
Average yield (quintal/ha)					
— Corn ¹⁾	17.1	17.7	18.8	19.6	20.2
— Cassava	105.0	108.8	113.8	117.5	120.9
— Sweet potatoes	82.0	84.4	83.0	87.9	91.0
— Peanuts	9.9	10.4	10.7	9.7	9.7
— Soybeans	9.0	9.7	9.8	10.6	10.9
— Mung beans	6.5	7.0	7.3	7.4	7.8

¹⁾ Equivalent of corn kernels.

Source : Supplement of the President's Report to Parliament, August 16, 1989.

(Table 9.11) due to the success of the government program of providing prime seeds and increasing farmers' participation in the alternate planting scheme. Food crops which recorded increased production in 1988 were, among others, mung beans (34.8%), corn (32.0%), soybeans (8.0%), peanuts (6.0%), and sweet potatoes (2.6%).

It may be added that to raise farmers' income and to increase food crop production, the Government raised the floor prices of paddy and secondary crops.¹⁾ As of January 1, 1989,

the floor price of dry paddy (*gabah kering giling*) increased from Rp210.00 to Rp250.00 per kg; while those of corn, soybeans, and mung beans were raised from Rp125.00, Rp325.00, and Rp350.00 to Rp140.00, Rp370.00, and Rp400.00 per kg, respectively.

1.2. Cash crops

In the reporting period, the government policy in promoting cash crops was directed toward raising production and exports as well as meeting domestic demand, especially for manufacturing purposes. In its implementation, the policy stressed the

¹⁾ Presidential Instruction No. 4/1988, October 15, 1988.

enhancement of the productivity of smallholders' estates through intensification and rehabilitation programs implemented in development service units (*Unit Pelayanan Pengembangan* or UPP) and smallholder nucleus estate schemes (*Perusahaan Inti Rakyat* or PIR) and self supporting programs. In the reporting year, efforts to promote smallholders' estates encountered problems, such as the slow process of land ownership conversion to farmers and inefficient post-harvest facilities.

With regard to extensification and diversification, the Government promoted the programs through the encouragement of private and public-entrepreneur investments in the field of plantation through the PIR scheme. However, there were still constraints faced by private investors in the plantation subsector, such as the short period of "land exploitation rights" (*Hak Guna Usaha* or HGU) and an insufficient communication infrastructure. It may be added that the development of plantations was also linked to efforts to conserve natural resources in critical areas, such as Wonogiri and Gunung Kidul in Central Jawa.

In 1988, increases were recorded in the production of cash crops and area of plantations. Cash crops experiencing significant increases were tea, palm oil, pepper, and tobacco. Plantation areas rose by 6.0% to 11,069 thousand hectares, of which 9,565 thousand hectares were smallholders' estates, 921 thousand hectares were state estates, and 583 thousand hectares were private estates.

In 1988, rubber production increased by 3.5% to 1,170 thousand tons due, among other factors, to favorable rubber prices in the world market. Most of Indonesia's rubber production was in the form of crumb

rubber (87%) which was closely related to the government policy to promote crumb rubber production.²⁾ The area of rubber plantations increased by 2.3% reaching 3,076 thousand hectares, of which 83% was smallholders' estates. It may be added that Indonesia is the second major rubber producing country after Malaysia. In 1988, exports of Indonesian rubber rose by 5.1% reaching 1,230 thousand tons.

Copra production in 1988 increased by 1.4% reaching 2,105 thousand tons. The increase was attributable, among other factors, to the success in conducting coconut rejuvenation by planting hybrid coconuts. Meanwhile, area of coconut plantations which were mostly smallholders' estates experienced an increase of 8.5% to 3,444 thousand hectares.

In 1988, the production of palm oil increased by 12.1% reaching 1,690 thousand tons, of which 79% was produced by state estates and the remainder by private estates. The increase in production was closely associated with the government policy of encouraging investment in oil palm plantations. The area of oil palm reached 888 thousand hectares, an increase of 25.4% over the preceding year. Meanwhile, the area under the PIR scheme in 1988/89 reached 195 thousand hectares, of which 141 thousand hectares were cultivated by smallholders and 54 thousand hectares of nucleus estates. Exports of palm oil rose by 36.5% in 1988 reaching 834 thousand tons.

The production of sugar in 1988 rose by 1.2% to 2,202 thousand tons. The increase in production was attributable to the expansion in sugar planting areas by 3.0%

2) Presidential Decree No. 85/1971, December 18, 1971.

reaching 378 thousand hectares, of which 72% was cultivated by smallholders. Areas under the smallholders' sugar intensification program (*Tebu Rakyat Intensifikasi* or TRI) rose by 0.5% to 218 thousand hectares. In an effort to increase sugarcane production, pioneering work has been done to utilize dry land for planting sugarcane and research has been undertaken to produce sugar from other sugar sources, such as thatch palm and coconut. Meanwhile, to meet the growing domestic demand for sugar, in 1988 Indonesia imported sugar from other countries.

Tea production in 1988 rose appreciably by 23.8% reaching 156 thousand tons, most of which was the variety of black tea produced by state and private estates. The higher production of tea was closely related to rejuvenation activity and the increase in tea plantation areas. The area of tea plantations rose by 16.096 reaching 145 thousand hectares, of which 57% was cultivated by state and private estates and the remainder by smallholders' estates. Exports of tea in 1988 increased by 14.9% to 108 thousand tons.

The production of coffee rose by 4.7% in 1988 to 398 thousand tons, of which 94% was contributed by smallholders' estates. The variety of coffee produced was mostly robusta which was planted mainly in Lampung and South Sumatera. In 1988, the area of coffee plantations went up by 1.3% reaching 955 thousand hectares. It should be noted that Indonesia is one of the main coffee producing countries which in 1988 exported 307 thousand tons of coffee, an increase of 3.4% from the preceding year.

Owing to the success of the intensification program supported by favorable rain fall, tobacco production in 1988 increased by

5.3% reaching 119 thousand tons. Areas of tobacco planting remained unchanged, namely 200 thousand hectares, mostly smallholders' estates. Exports of tobacco rose by 7.1% in 1988 reaching 30 thousand tons.

The production of major spices, including pepper, nutmeg, and cloves took place mostly at smallholders' estates. In 1988, the production of pepper, nutmeg, and cloves rose by 6.1%, 3.2%, and 3.5% reaching 52 thousand tons, 16 thousand tons, and 60 thousand tons, respectively. Meanwhile, the plantation areas of those spices increased respectively by 9.4%, 6.396, and 1.696 to 93 thousand hectares, 68 thousand hectares, and 703 thousand hectares. Exports of pepper in 1988 rose substantially by 36.496 to 45 thousand tons which was closely related to the growing overseas demand. In the meantime, the price of cloves at producer level continuously declined reaching Rp2,500 per kg in 1988, compared with the floor price of Rp6,500 per kg. The decrease in the price of cloves was attributable, among others, to a big harvest and the low quality of cloves. The low quality of cloves was due to unfavorable rain fall during harvest time and unsuitable land for growing cloves. It may be added that because of the drop in clove prices, some farmers have shifted their activity to other crops, such as cocoa.

1.3. Livestock

In the reporting year, government policy in the livestock subsector continued to be directed towards increasing livestock population and its products by stressing the prevention and eradication of veterinary diseases. Those policies were aimed at meeting the consumption needs for animal protein and promoting exports as well as import substitution. In this regard, efforts

to increase livestock products were conducted, among others, through the UPP scheme, the PIR scheme, intensification programs for raising the number of animal used in the field (*Intensifikasi Ternak Kerja* or *Intek*) and for domestic chickens (*Intensifikasi Ternak Ayam Bukan Ras* or *Intab*) as well as through the provision of guidance. In 1988, the PIR scheme using imported milch cows from the United States was reimplemented; *Intek* was introduced to achieve the dual objectives of supporting soil cultivation and providing organic fertilizer whereas *Intab* was conducted to increase farmers' income and the availability of nutritious food. Meanwhile, guidance was directed toward improving genetic quality, spreading the breeds of livestock, enhancing the quality of fodder, promoting veterinary disease control, and improving the post-harvest treatment. The Government gave priority to the supervision of smallscale livestock-farms through group of farmers to facilitate the distribution of farm inputs, information, and the provision of

vaccination. It may be added that constraints faced in promoting livestock farming were, among others, insufficient and low quality of fodder, lack of awareness and knowledge of the farmers about livestock health, expensive medicines, and inadequate post-harvest treatment.

The production of meat, eggs, and milk reached 928 thousand tons, 466 thousand tons, and 262 million liters in 1988, increases respectively of 3.7%, 3.1%, and 11.5% (Table 9.8). The substantial increase of milk was due to the larger number of productive milch cows and the improved conditions of milk coopera fives in the country. Meanwhile, livestock population generally increased (Table 9.12). The population of milch cows and broiler rose significantly by 11.6% and 8.0% because of the importation of milch cows from the United States and the promotion of private investment in milch cow and broiler farms. It should be added that since July 1988 Indonesia has been exporting goat and

TABLE 9.12
LIVESTOCK BY THE YEAR END
(thousands of heads)

Items	1984	1985	1986	1987	1988 *
Cows	9,236	9,318	9,516 ^f	9,510	9,802
Milch cows	203	208	222	233	260
Buffaloes	2,743	3,245	3,496	3,296	3,297
Goats	11,947	9,629	10,738	10,392	10,555
Sheep	4,698	4,884	5,284	5,364	5,445
Horses	659	668	715	658	664
Pigs	5,112	5,560	6,216	6,339	6,464
Ducks	24,694	23,870	27,002	26,025	25,197
Chicken					
- Layer	29,559	31,875	38,689	39,968	42,461
- Broiler	110,580	143,657	173,795	218,183	235,661
- Local	166,815	155,627	162,991	168,405	173,999

Source : Supplement to the President's Report to Parliament, August 16, 1989.

sheep carcass to the Middle East. The prospects for livestock farming in Indonesia are expected to be bright due to the rising demand from abroad, such as cattle from Malaysia, pork from Singapore, and chickens from the Middle East and Japan.

1.4. Forestry

In the reporting year, policies in the forestry subsector continued to be directed toward optimizing the utilization of forest resources while taking into consideration their preservation. To increase the capacity of productive forests, the Government intensified the maintenance and reforestation of exploited woodland including the implementation of Indonesia's selective cutting system (*Tebang Pilih Indonesia* or TPI) and the establishment of timber estate (*Hutan Tanaman Industri*). To prevent unsustainable exploitation of forests and to preserve its existence, the Government banned exports of chipwood and low quality sawn timber³⁾ and continued to make efforts to prevent illegal cutting. Problems in preserving forests and its resources were illegal cutting and slow progress in reforestation as compared with the cutting.

The acreage of reforestation recorded 12.9 thousand hectares and afforestation 54.5 thousand hectares. The establishment of timber estate introduced in 1984/85 covered the area of 6.5 thousand hectares in the reporting year. In addition, the number of forest exploitation right (Hak Pengusahaan Hutan or HPH) holders rose by 7 to 545 while the exploitation areas

increased by 1.8% reaching 56.5 million hectares.

In 1988, the production of logs declined by 19.1% to 22,860 thousand cubic meters. The decline was due, among other factors, to stricter controls on logs production and to the diminishing area of productive forests and its further away location from river banks. Other forest products potentially generating foreign exchange were rattan, tengkawang (*dipterocarpaceae*), charcoal, resin, and copal.

Rattan cultivation continued to be developed through the establishment of rattan estates and smallholders' estates for rattan, especially in Kalimantan, Sulawesi, and parts of Sumatera. As the largest producer of rattan, Indonesia has only exported finished-products of rattan since July 1, 1988.⁴⁾ It should be noted that rattan exports in 1988 reached 59 thousand tons.

1.5. Fishery

In the reporting year, government policy in the fishery subsector continued to be aimed at increasing the production through promoting inland cultivation, coast and deep-sea fishing, and exploitation of the economic exclusive zones by taking into consideration conservation of fishery resources and preservation of the environment. It can be added that the main problem faced in the fishery subsector remained the underutilization of fishery resources.

The low exploitation rate of sea-fishery resources, which was only 33%, was closely associated with the unequitable exploitation

3) - Minister of Trade Decree No. 292/Kp/LY/1988, September 19, 1988
- Minister of Finance Decree No. 992/KMK/10/1988, October 14, 1988.

4) Minister of Trade Decree No. 190/KpM/1988, June 30, 1988.

of sea-fishery resources. Most of the fishing activity was concentrated along the north coast of Jawa, south of Bali, and in the Strait of Malaka where the exploitation was beyond the sustainable potential capacity. In this connection, the Government provided training to fishermen in 1988 to promote deep-sea and ocean fishing as well as to encourage fishermen to conduct inland cultivation. Meanwhile, the exploitation of public water fishery (lakes, rivers, and dams) was registered at 41%; the area of brackish-water fishponds reached 322 thousand hectares and fresh-water fishponds 49 thousand hectares.

Fish production in 1988 rose by 7.9% reaching 2,881 thousand tons, of which 75% was sea fish (Table 9.8). The potential capacity of sea fishing and public water fishing were estimated at 6.6 million tons and 0.7 million ton per year while the potential area of mangrove swamps was + 840 thousand hectares.

Shrimp and tuna/skipjack again constituted the major export commodities of the fishery subsector with a share of 53.7% in volume and 77.4% in value. Shrimppond cultivation is considered to have a good potential as Indonesia owns long coastal areas and it could be carried out through the application of the smallholders' nucleus shrimppond cultivation scheme (*Tambak Inti Rakyat* or TIR) and shrimppond intensification scheme (*Intensifikasi Tambak* or Intam).

2. Mining and energy

2.1. Mining

Policies on mining continued to be directed towards promoting exploration, exploitation, and processing activities to optimize the utilization of mineral resources for national development. To these ends, in the reporting

year the Government took a series of measures on oil and gas mining in an effort to increase exploration and exploitation activities. Those measures, among others, included the revision of the oil-sharing formula and the price of prorata oil, the abolishment of commerciality requirement, and provision of investment credits. Meanwhile, on non-oil/gas mining, the Government continued to promote diversification of mineral resources through the expansion of geological surveys and through mapping, exploration, and exploitation of mineral resources.

In the reporting year, production in the mining sector generally developed favorably. Natural gas production continued to increase steadily in 1988/89 in line with the expanded market of LNG and LPG overseas. Production of several other important mining products, such as tin, coal, nickel ore, ferro-nickel, and nickel matte also rose owing to the increase in demand and the expansion of production capacity; prices in the international markets for these products also increased. It should be noted that the production of oil decreased in the reporting year due to the slowdown in exploration and exploitation activities in the preceding years. In addition, the production of bauxite decreased due to the lower demand from Japan as the only buyer of Indonesian bauxite.

Oil and natural gas

In the reporting year, the Government implemented a series of policy measures designed to promote the exploration and exploitation of oil and natural gas which had slowed down due to the uncertain oil price developments in the past few years. More attractive incentives to contractors were granted under the production sharing agreement which included, among others, the revision of the oil-sharing formula and the

TABLE 9.13
SELECTED MINING OUTPUT

I t e m s	Units	1984/85	1985/86	1986/87	1987/88	1988/89 *
1. Oil	million barrels	532.2	490.9	516.1	508.0	497.4
— Crude oil	million barrels	(481.7)	(438.9)	(461.4)	(450.2)	(435.7)
— Condensate	million barrels	(50.5)	(52.0)	(54.7)	(57.8)	(61.7)
2. Natural gas	million MSCF ¹⁾	1,548.3	1,582.0	1,657.7	1,737.0	1,787.0
3. Tin	thousand tons	21.7	20.9	24.9	27.3	30.5
4. Coal	thousand tons	1,200.7	1,487.5	1,731.8	1,987.6	2,597.7
5. Copper	thousand tons	200.2	233.1	249.2	268.4	302.7
6. Nickel						
— Nickel ore	thousand tons	956.3	986.9	1,680.6	1,782.1	1,881.6
— Ferro-nickel ²⁾	thousand tons	4.7	4.8	4.4	4.0	4.8
— Nickel matte ²⁾	thousand tons	22.2	20.1 ^r	31.8	25.1	30.2
7. Bauxite	thousand tons	1,009.6	712.8	636.4	654.2	514.1
8. Gold	kilograms	215.0	308.0	619.6	3,913.0	5,050.0
9. Silver	kilograms	2,171.0	2,179.0	5,786.0	61,727.0	64,049.0

1) MSCF = Mille Standard Cubic Feet.

2) Equivalent to nickel metal.

Source : Supplement to the President's Report to Parliament, August 16, 1989.

price of prorata oil, the abolishment of commerciality requirement, and the provision of larger investment credits.

Based on the new policies, the old/extended production sharing contract on conventional/frontier fields is treated differently from new contracts. As far as the old/extended contract is concerned, the oil-sharing between the Government and contractors, in general, continues to be fixed at 85% : 15% except for tertiary oil recovery, which was fixed at 80% : 20%, and that of oil produced from pre-tertiary sediment and deep-sea working areas was fixed by incremental split.⁵⁾ For the new production sharing contract, the share of oil produced from marginal working areas and tertiary oil recoveries was fixed at 80% : 20%

for conventional field and 75% : 25% for frontier field, while that from pre-tertiary sediment and deep-sea working areas was fixed by incremental split.⁶⁾ It should be noted that as part of the new policy, the Government revoked the commerciality requirement, which stipulated that before an oil field was developed, the contractor was obliged to guarantee the Government an income of at least 25% of gross production. In addition, the Government imposed the requirement that 20% of the first tranche of oil, before subtracting "costoil", be shared between the Government and the contractor based on the oil sharing formula of 85% : 15%, and the remainder (80%) would be shared based on the prevailing stipulation.

5) For pre-tertiary sediment and deep-sea working area (deeper than 600 feet) the sharing was fixed as follows : production up to 50,000 bpd at 80% : 20%, 50,000 - 150,000 bpd at 85% : 15%, and 150,000 bpd and more at 90% : 10%.

6) Especially for new contracts on oil produced from pretertiary sediment located in frontier field, the sharing was fixed by incremental split as follows: production up to 50,000 bpd at 75% : 25%, 50,000-150,000 bpd at 80% : 20%, and 150,000 bpd and more at 85% : 15%.

In addition to the revision of the oil-sharing formula, the Government also revised the prorate delivery price of crude oil from new fields, namely from \$0.20 per barrel to 10% of the export price. Furthermore, in view of promoting exploration activities and regional developments, especially in the eastern part of Indonesia, the Government provided more attractive incentives for production sharing contractors in the form of larger investment credits for deep-sea areas.

In line with the abovementioned efforts, 13 new oil agreements were signed in the reporting year, consisting of 10 Production Sharing Agreements and 3 Joint-venture Agreements. With the additional contracts, at the end of the reporting year, the total number of Production Sharing Agreements and Joint-venture Agreements was 94 and 15, respectively. Meanwhile, exploration activities showed a significant increase in the reporting year. The number of exploratory well drilling increased from 82 to 135 in 1988, of which 13 were drilled by Pertamina, 12 by Contract of Work contractors, and 110 by Production Sharing contractors. It is worth noting that of the 110 wells drilled by Production Sharing contractors, 61 were drilled off-shore.

Oil production in 1988/89 declined by 2.1% to 497.4 million barrels, consisting of 435.7 million barrels of crude oil and 61.7 million barrels of condensates. Out of the total oil production, 457.4 million barrels were produced by Production Sharing contractors, 24.7 million barrels by Pertamina, and 15.3 million barrels by Contract of Work contractors. The lower oil production was associated with the slowdown in exploration and exploitation activities in the last few years.

In 1988/89, natural gas production continued to increase steadily. Compared with the preceding year, the natural gas production

increased by 2.9% to 1,787.0 million MSCF in the reporting year, of which 1,527.0 million MSCF were produced by Production Sharing contractors, 238.5 million MSCF by Pertamina, and the remainder by Contract of Work contractors. It is noteworthy that the increase of production was mainly attributable to the increased use of natural gas for LNG and LPG production and as fuel for several domestic manufacturing subsectors.

Tin

Tin production in 1988/89 increased by 11.7% to 30.5 thousand tons. The pick-up in production was mainly attributable to price increases in the international market. It should be noted that the higher international price was associated with increasing world demand for tin and successful efforts by the Association of Tin Producing Countries (ATPC) since 1987 to rationalize tin supply; these efforts were also supported by non-ATPC countries, namely Brazil and the People's Republic of China (PRC). The successful rationalization was reflected in the gradual reduction in the global overhang of tin stocks from around 48 thousand tons in 1987 to 30 thousand tons in 1988.

In line with the more stable conditions in the tin market, ATPC increased the total tin supply quota by 4.4% to 106.4 thousand tons on March 1, 1989; Indonesia obtained a quota of 31.5 thousand tons, an increase of 8.6%. In the meantime, Brazil and the PRC kept supporting the ATPC's policy of stabilizing tin price in international markets by voluntarily reducing the volume of their exports to 31.5 thousand tons and 10 thousand tons, respectively, in 1989/90.

Coal

In line with the government policy to

promote the use of coal as one of the energy sources, efforts to promote coal production continued to be pursued through the expansion of production capacity of existing coal mines and the development of new mines. In this connection, the Government made efforts to raise the production capacity of Bukit Asam and Ombilin coal mines which are expected to produce 3,300 thousand tons per year in 1992 and 1,600 thousand tons per year in 1989, respectively. In addition, the Government continued to attract private national and foreign investments in coal mining.

In the reporting year, coal production recorded a significant increase of 30.7% to 2,597.7 thousand tons. Of this amount, 2,078.2 thousand tons were produced by Bukit Asam coal mine and the remainder by Ombilin coal mine. At the same time, domestic demand for coal rose significantly by 38.3% reaching 2,103.5 thousand tons. The increase in domestic consumption was closely related to the increased use of coal as energy sources in the cement industry and the steam-powered electric center (*Pusat Listrik Tenaga Uap* or PLTU).

It may be added that, up to the end of the reporting year, there were 9 foreign contractors and 1 private national contractor under Contract of Work in coal mining; of these, 4 were in the stage of trial production.

Other mining products

Other important mining products comprised copper, nickel, bauxite, gold, and silver. In 1988/89, copper production increased significantly by 12.8% to 302.7 thousand tons which was closely related to the increase in demand and improvement in copper prices in the international market.

In the reporting year, nickel ore production reached 1,881.6 thousand tons, an increase of 5.6%. In addition, the production of nickel matte and ferro-nickel rose by 20.3% and 20.0% to 30.2 thousand tons and 4.8 thousand tons, respectively. The higher production of nickel was closely associated with the pickup in international nickel prices.

Unlike the preceding year, bauxite production recorded a decline of 21.4% to 514.1 thousand tons in the reporting year. The lower production was caused by lower demand from Japan, the only buyer of Indonesian bauxite. In an effort to expand export markets, the Government has looked for possibilities to penetrate the Middle East and the United States markets.

The production of gold and silver in 1988/89 increased by 29.1% and 3.8%, respectively, to 5,050.0 kg and 64,049.0 kg, because of higher production of gold mines in Lebong Tandai (South Sumatera) and in Tembagapura (Irian Jaya). It is noteworthy that a contractor under Contract of Work operating in Central Kalimantan started to produce gold in the reporting year with a production capacity of 1,500 kg per year.

2.2. Electric power

In line with the government policies on energy, efforts were directed toward rationalizing the supply as well as economizing and encouraging the efficient use of electric power. To enhance the social welfare and to promote economic activity, the Government continued to build the needed infrastructure to increase the supply and to improve the reliability of electric power as energy sources.

To meet the increasing demand for electric power in the coming years, the Government continued to promote the construction of electricity generating plants. In 1988/89, several electricity generating plants were completed, such as the hydro electric centers (*Pusat Listrik Tenaga Air* or PLTAs) of Cirata and Mrica with installed capacity of 500 MW and 123 MW, the steam-powered electric centers (*Pusat Listrik Tenaga Uap* or PLTUs) of Suralaya Unit II with installed capacity of 400 MW and of Gresik Unit: III and IV with installed capacity each of 200 MW. In total, the installed capacity of electricity generating plants in 1988/89 rose by 17.8% to 8,529 MW (Table 9.14).

In 1988/89, the production of electricity increased significantly by 14.8% to 25,617 million KWH. The higher production was attributed to the increase in the production of State Electric Company (*Perusahaan Umum Listrik Negara* or PLN) of 15.7% reaching 24,940 million KWH. Electricity produced by non-PLN, which is distributed by PLN, declined by 9.4% to 677 million KWH. It may be added that the Government continued to implement village electrification program to further increase power supply in rural areas.

TABLE 9.14
CAPACITY OF ELECTRIC POWER (PLN)
(MW)

Year	Generators					Total
	PLTD	PLTU	PLTA	PLTG	PLTP	
1984/85	860	2,087	536	1,097	30	4,610
1985/86	936	2,487	536	1,117	30	5,635
1986/87	1,326	2,487	1,240	1,117	30	6,200
1987/88	1,652	2,817	1,512	1,117	140	7,238
1988/89*	1,768	3,417	1,970	1,234	140	8,529

Source : State Electric Company (PLN).

TABLE 9.15
PRODUCTION OF ELECTRIC POWER
(millions of KWH) ¹⁾

Year	Generated by PLN	Generated by non-PLN ²⁾	Total
1984/85	13,622	1,155	14,777
1985/86	15,838	1,061	16,899
1986/87	18,199	1,198	19,397
1987/88	21,559	747	22,306
1988/89*	24,940	677	25,617

1) KWH - Kilowatt Hour.

2) Only those distributed to the community through PLN.

Source : State Electric Company (PLN).

By the end of 1988/89, the number of villages benefiting from electricity services reached 18,794 villages or 30.7% of all villages throughout Indonesia.

3. Manufacturing

The policy for the manufacturing sector in the reporting year continued to be based on the strategy to strengthen domestic industrial structure by deepening sectoral linkages with the agricultural and mining sectors. This policy was designed to increase value added and exports, to expand employment opportunities, and to provide goods and services with good quality and highly competitive prices in both domestic and international markets. In the reporting year, the Government introduced several policy measures covering the adjustment of import duties and additional import duties on certain commodities, the exemption or restitution from import duties and VAT and/or sales tax on luxury goods for packaging materials used in export products, the imposition of export regulations for timber and rattan, as well as improvements in the export quota system of textile and textile products.

With a view to protecting the domestic industry, the Government raised duties on several import products. In addition, to improve the competitiveness of domestic products, the Government reduced import duties and additional import duties on imported raw/auxiliary materials to be used in the production of export commodities.⁷⁾ Furthermore, to improve the quality of domestic products and to expedite export activities, the Government exempted or made restitution of import duties, value-added tax and tax on luxury goods on certain imported mould, dies, and packaging materials for export commodities.⁸⁾ In order to accelerate the development of the finished-rattan industry and to secure the availability of raw rattan without necessarily damaging the conservation of rattan, the Government banned export of semi-finished rattan.⁹⁾ Furthermore, the Government banned export of certain types of sawn timber and improved the export quota system regarding textile and textile products.

In the reporting year, the output of manufacturing industry developed favorably. Respectable increases were recorded, inter alia, for motor-vehicle tires, plywood, textiles, weaving yarns, cement, radios and radio cassette recorders, motorcycles, as well as basic metal products, such as steel pipes, wire rods, and aluminum plates. In addition, output of the oil refining industry, LNG, and LPG continued to increase.

Fuel oils

The policy on the oil refining industry

7) Minister of Finance Decree No. 1160/KMK.00/88, November 21, 1988.

8) Minister of Finance Decree No. 1261/KMK.00/1988, December 22, 1988.

9) Minister of Trade Decree No. 190/KP/VI/1988, June 30, 1988.

continued to be directed at satisfying domestic consumption of fuel oils and reducing imports as well as increasing the value added of crude oil processing. This policy was implemented through the optimum utilization of production capacity of refineries and the construction of export-oriented refineries.

In 1988, production of fuel oils rose by 3.5% reaching 158.6 million barrels. Much of this rise was accounted for by the increase in domestic demand for fuel oils of 4.9% reaching 167.9 million barrels. It should be added that the higher increase in fuel oil consumption occurred mainly in the manufacturing and transportation sectors.

Liquefied natural gas (LNG)

In line with efforts to increase value added and foreign exchange earnings from the liquefaction of natural gas, the production and marketing of LNG continued to expand. In 1988/89, LNG production increased significantly by 7.2% to 970.2 million MMBTU, of which 559.0 million MMBTU was from Arun plant and the remainder from Badak plant. As of the end of the reporting year, the total production capacity of LNG refineries (consisting of 11 trains) reached 936.3 million MMBTU, of which 518.4 million MMBTU originated from the Arun plant and the remainder from the Badak plant. The higher LNG output relative to total installed capacity reflected the increased capacity utilization in the reporting year which technically could reach 125% of the installed capacity.

Liquefied petroleum gas (LPG)

With a view to increasing foreign exchange

earnings and diversifying oil/gas export commodities, the Government sought to develop LPG production in the past few years. This development has been carried out by increasing the utilization of production capacity of LPG processing units, and oil refineries as well as by constructing new LPG processing unit. In the reporting year, the construction of LPG processing units, using natural gas from Arun and Bontang as inputs, was completed with capacities of 1.6 million tons and 0.35 million tons, respectively. The LPG processing units were constructed in order to fulfill the sales contract between Pertamina and Japan to supply LPG for 10 years starting from 1988.

In 1988, LPG production increased markedly by 60.2% reaching 1,250.0 thousand tons. This marked increase was due to the production of LPG processing units in Arun and Bontang since mid-1988.

Plywood and sawn timber

Policy with regard to the timber industry was directed toward promoting the value added and foreign exchange earnings while conserving wood resources. In the reporting year, the Government banned the export of chipwood and sawn timber of low value.¹⁰⁾

In 1988/89, output of plywood and sawn timber rose by 12.7% and 3.6%, respectively, reaching 6,940.0 thousand cubic meters and 10,550.6 thousand cubic meters. Following this higher output, exports of plywood and sawn timber rose by 11.9% and 12.0%, respectively, reaching 4,290.0 thousand tons and 2,775.0 thousand tons. The increases in output and exports were closely related to

increases in prices and foreign demand, mainly from Japan. It should be added that there were 111 plywood plants, of which 97 were under domestic investment (*penanaman modal dalam negeri* or PMDN) and 14 were joint-venture companies with a total capacity of 10.4 million cubic meters p.a.

Fertilizer

Government policies on the fertilizer industry were mainly directed toward satisfying the rising domestic demand for fertilizer. To this end, in the reporting year, Pusri Fertilizer Plant Unit I-b in Palembang with a capacity of 570 thousand tons per year was under construction.

In the reporting year, production of urea and non-urea fertilizer declined, respectively by 0.8% to 4,120.0 thousand tons and by 5.0% to 1,693.0 thousand tons. It should be added that the construction of Urea Fertilizer Plant Unit III in East Kalimantan and TSP Fertilizer Plant of Petrochemical Unit in Gresik (with capacities of 570 thousand tons and 500 thousand tons, respectively) were completed during the reporting year, bringing the total production capacity to 7,860.0 thousand tons per year.

Cement

The government policy on the cement industry continued to be directed toward increasing the utilization of production capacity through inducing higher domestic use and promoting exports. As a result, cement production in the reporting year rose by 8.3% to 13,350.0 thousand tons or about 76% of installed capacity. It is worth to note that exports of cement, mainly destined to ASEAN countries, rose significantly by 33.9% to 3,103.0 thousand tons.

10) Minister of Trade Decree No. 292/KP/IX/88, September 19, 1988.

Paper

Policy on the paper industry continued to be directed toward meeting domestic demand and promoting exports. In the reporting year, 2 paper mills at Tangerang (West Jawa) were under expansion, respectively producing writing and printing paper and tissue paper with additional capacities of 200 thousand tons and 3 thousand tons per year. In addition, 1 craft paper mill at Bekasi (West Jawa) with a capacity of 9 thousand tons per year was under construction.

In 1988/89, paper production rose by 14.7% to 908.9 thousand tons or about 62% of production capacity. This increase was closely related to the production of a craft paper plant in Aceh and a short-fiber pulp plant in North Sumatera. Meanwhile, in the reporting year exports of paper reached 174 thousand tons, mostly comprising writing and printing paper. It could be added that in the reporting year imports of certain paper, such as wrapping and cigarette paper, reached 80.9 thousand tons.

Textiles

As in the preceding year, the textile industry showed a favorable development in 1988/89 due to the government policy on promoting textile exports. To smoothen the exportation of textiles and textile products, the Government improved the trade procedures and the export quota system to provide more attractive incentives either to registered exporters or to economically-weak exporters.¹¹⁾

The textile production rose significantly in 1988/89 by 19.7% to 3,503.0 million meters. This higher production was closely related to increased production capacity and successful marketing efforts, particularly in European countries and the United States. In order to support the development of the polyester fiber industry, which utilizes pure terephthalic acid (PTA) as input, the Government promoted the expansion of the production capacity of a PTA plant in Plaju (South Sumatera) from 150 thousand tons to 225 thousand tons per year.

Motor vehicle tires

The tire industry in 1988/89 continued to develop favorably, which was closely associated with expanding export markets and efforts to increase the utilization of installed capacity.

The production of four-wheeled motor vehicle tires rose by 43.8% in the reporting year to 7,314.7 thousand, while those of two-wheeled rose by 28.2% to 4,320.0 thousand. Meanwhile, exports of four-wheeled and two-wheeled motor vehicle tires increased sharply by 178.4% and 82.6% reaching 2,926.6 thousand and 2,219.4 thousand, respectively. It should be added that exports of motor vehicle tires are destined, among others, to ASEAN countries, Pakistan, Australia, and New Zealand. Furthermore, the export market of certain types of tires, particularly for heavy equipments, was expanded to the United States.

Basic metal

To support the development of the domestic basic metal industry, in the reporting year the

11) Director General of Foreign Trade Decision No. 477/Daglu/Kp/VI/1988, June 21, 1988.

TABLE 9.16
SELECTED INDUSTRIAL PRODUCTION

Products	Units	1984/85	1985/86	1986/87	1987/88	1988/89 *
1. Fuel oils ¹⁾	million barrels	128.0	131.4	142.0	153.3	158.6
2. LNG	million MMBTU	783.7	788.5	811.8	905.4	970.2
3. Plywood and sawn timber						
- Plywood	thousand m ³	4,249.1	4,715.0	5,175.0	6,160.0	6,940.0
- Sawn timber	thousand m ³	8,786.0	9,437.0	9,900.0	10,183.0	10,550.6
4. Fertilizer						
- Urea fertilizer	thousand tons	3,044.0	3,690.0	3,957.0	4,154.0 ^f	4,120.0
- Non-urea fertilizer ²⁾	thousand tons	1,383.0	1,533.0	1,744.0	1,781.3	1,693.0
5. Cement	thousand tons	8,858.3	10,026.7	11,322.2 ^f	12,331.1	13,350.0
6. Paper	thousand tons	542.7 ^f	515.9	629.3 ^f	792.5	908.9
7. Textile and weaving yarn						
- Textile	million meters	2,401.6	2,498.7	2,761.5	2,925.6	3,503.0
- Weaving yarn	thousand bales	1,781.6	1,877.2	2,147.8	2,275.7	2,712.3
8. Motor vehicle tires						
- Automobile tires	thousand units	3,944.0	4,085.9 ^f	4,935.0	5,086.1 ^f	7,314.7
- Motorcycle tires	thousand units	2,230.0	2,312.9 ^f	3,093.0	3,370.1 ^f	4,320.0
9. Basic metal industry						
- Sponge iron	thousand tons	756.0	1,086.0	1,283.0	1,337.0	1,083.0
- Steel ingot	thousand tons	901.0	1,023.0	1,144.0	1,337.0	1,490.0
- Concrete steel bar	thousand tons	649.0	671.0	716.0	895.0	890.0
- Wire rod	thousand tons	207.0	321.0	407.0	446.0	490.0
- Steel wire	thousand tons	150.0	99.0	115.0	120.0	125.0
- Steel pipe	thousand tons	211.3	258.5	259.5	244.0	268.3
- Galvanized iron sheet	thousand tons	253.0	274.0	195.0	186.0	163.0
- Aluminum plate	thousand tons	24.5	26.5	24.7	29.0	35.9
10. Transportation means						
- Automobiles	thousand units	153.7	139.7	162.5	160.3	166.7
- Motorcycles	thousand units	272.2	226.8	310.9	249.6	264.0
- Aeroplanes	units	8.0	8.0	5.0	8.0 ^f	12.0
- Helicopters	units	19.0	7.0	12.0	7.0 ^f	11.0
- Steel vessels	thousand BRT	20.9	18.2	7.7	18.0	21.7
11. Salt	thousand tons	370.0	761.5	318.0	1,255.0	850.0
12. Others						
- Clove cigarettes	billion pieces	79.7	84.1	96.3	112.3	133.4
- White cigarettes	billion pieces	27.1	24.0	21.2	21.5	15.2
- Refined coconut oil	thousand tons	267.1	396.0	256.5	445.6	477.7
- Olein	thousand tons	605.1	490.0	587.8	663.7	752.6
- Laundry soap	thousand tons	160.0	161.4	162.3	164.2 ^f	165.5
- Detergent	thousand tons	118.0	144.6	160.5	162.1 ^f	189.0
- Toothpaste	million tubes	240.0	351.0	474.8	484.2	56.1
- Matches	million boxes	1,525.3	2,214.0	2,364.0	2,425.4 ^f	2,670.0
- Electric/telecommunication cords	thousand tons	52.1	58.1	58.7	58.8	59.0
- Light bulbs/TL bulbs	million units	53.2	86.0	87.7	91.6	97.3
- Radio and radio cassette recorders	thousand units	1,576.6	1,883.4	1,649.8	1,080.1	1,681.1
- Car radio cassette recorder	thousand units	460.6	353.0	306.4	238.8	337.1
- Black and white television sets	thousand units	435.7	510.0	455.3		
- Color television sets	thousand units	337.1	240.0	245.2	640.0 ³⁾	530.2 ³⁾
- Refrigerators	thousand units	118.9	148.8	147.7	159.0	98.5
- Sewing machines	thousand units	253.0	170.5	127.5	136.7	45.1
- Storage batteries	thousand units	5,339.3	5,687.9	5,844.8	6,150.6	6,151.1
- Dry batteries	million units	771.8	952.2	1,000.0	1,000.6	1,016.7
- Sprayers	thousand units	188.3	229.5	242.6	248.6	249.1
- Hand tractors	units	1,901.0	973.0	1,891.0	3,000.0	2,490.0
- Diesel engines	thousand units	48.3	41.6	23.9	31.5	32.4
- Hullees	units	1,788.0	2,771.0	1,212.0	1,976.0	830.0

1) End of calendar year.

2) Consists of ZA, TSP, and NPK.

3) Including black and white television sets.

Sources : - Supplement to the President's Report to Parliament, August 16, 1989.

- Ministry of Industry.

Government raised import duties and additional import duties on several basic metal products which are produced domestically. In addition, to promote the competitiveness of industries utilizing basic metal as raw material, the Government reduced import duties and additional import duties on certain basic metal products which were not produced domestically.¹²⁾

In the reporting year, basic metal production which showed increases were aluminum plates (23.8%), steel ingots (11.4%), steel pipes (10.0%), wire rods (9.9%), and steel wires (4.2%), see Table 9.16.

Transportation means

In the reporting year, production of two-wheeled and four-wheeled motor vehicles rose by 5.8% and 4.0% reaching 264.0 thousand units and 166.7 thousand units, respectively. The higher production, among others, resulted from successful marketing in some Asian countries. It may be added that exports of four-wheeled motor vehicles reached 425 units.

In 1988/89, production of aircrafts and helicopters increased from 8 to 12 units and from 7 to 11 units, respectively. PT Industri Pesawat Terbang Nusantara (IPTN) in 1988 sold 1 helicopter of NSA 332 to Malaysia. The production of other transportation means, such as steel vessels, recorded an increase from 18.0 thousand BRT to 21.7 thousand BRT.

Other manufacturing products

In line with the government efforts to promote the competitiveness of

manufacturing products in international and domestic markets, the production of other manufacturing products showed a significant development in the reporting year. The production of radios and car radio cassette recorders rose by 55.6% and 41.2% to 1,681.1 thousand units and 337.1 thousand units, respectively. In addition, the production of clove cigarettes, olein, detergent, matches, and light bulbs also recorded increases (Table 9.16).

4. Transportation, tourism, postal services, and telecommunication

4.1. Transportation

In the reporting year, the Government adopted some fundamental adjustment measures in the field of sea transportation¹³⁾ and continued to implement previous policies on other types of transportation in order to expedite the flow of passengers, cargo, services, and information. The adjustment measures in the field of sea transportation were aimed at enhancing the functioning and capability of national shipping to improve the competitiveness and marketing of Indonesia's products domestically and abroad. In this connection, the Government adjusted stipulations on business permits, business requirements, business permit proposals, and shipping lines. Furthermore, in the field of land transportation, the Government integrated sea transportation and rail services through multi-modal system and restructured the operational network of the state-owned rail company (*Perusahaan*

12) Minister of Finance Decree No. 1160/KMK.00/88 November 21, 1988.

13) - Government Regulation No. 17/1988, November 21, 1988.
- Minister of Communication Decrees No. KM/79/1988, No. KM/80/1988, No. KM/82/1988, and No. KM/83/1988, November 21, 1988.

TABLE 9.17
NUMBER OF VESSELS AND THEIR SAILING SERVICES

Types of shipping	Units	1984/85	1985/86	1986/87	1987/88	1988/89
1. Ocean-going transportation						
— Number of vessels	units	48	48	35	35	35
— Capacity	thousand DWT	624	447	447	447	447
— Cargo	thousand tons	18,965 ^f	12,905	15,687	16,471	17,878
2. Interisland shipping						
— Number of vessels	units	356	275	259	244	274
— Capacity	thousand DWT	455 ^f	414	391	379	503
— Cargo	thousand tons	7,252	8,083	8,514	8,306	9,295
3. Local shipping						
— Number of vessels	units	992	1,036	992	1,036	1,018
— Capacity	thousand BRT	122	131	144	154	152
— Cargo	thousand tons	2,521	2,679	2,746	2,918	3,266
4. Traditional shipping						
— Number of vessels	units	3,490	3,641	3,641	3,641	3,740
— Capacity	thousand BRT	198	198	194	194	199
— Cargo	thousand tons	2,299	2,550	2,736	3,004	2,951
5. Pioneer sailing services						
— Number of vessels	units	25	23	21	14	16
— Capacity	thousand DWT	13	12	12	9	
— Cargo	thousand tons	21	38	40	40	31

Source : Supplement to the President's Report to Parliament, August 16, 1989.

Jawatan kereta Api or PJKA) ¹⁴⁾ In the field of air transportation, the Government made efforts to improve the quality of service by rehabilitating the airline infrastructure and by extending direct overseas flights from tourist ports of entry.

4.1.a. Sea transportation

In the reporting year, in the field of sea transportation, the Government implemented several fundamental adjustment policies which covered, among others, the simplification of the business-permit classification, business requirement, permit proposal, and the setting of shipping lines. As regards the business-permit classification, the Government simplified the classification from five types, namely ocean-going, interisland, local, "special", and traditional

shipping to two types, namely domestic and overseas shipping and traditional shipping. These permits are also valid as operational permits for shipping companies and grant the privilege to domestic shipping lines to use foreign vessels in domestic activities. Non-shipping companies exercising shipping activities are only required to have operational permits. Furthermore, the Government opened the opportunity to set up new shipping companies, which had not happened since 1976.

Regarding business requirements, the Government relaxed the requirement that a shipping company had to own at least two or more vessels (according to the type of its business); from now on it will be sufficient to either own or charter one qualified vessel. In order to meet the increasing demand for domestic sea transportation, national shipping companies are allowed to use foreign vessels through operation lease or charter. Moreover, foreign shipping

14) Minister of Trade and Minister of Communication Joint Decree No. 371/KPS/XI/1988, November 21, 1988.

companies are permitted to conduct businesses in Indonesia by establishing joins-venture companies.

The proposal procedure for a shipping permit was simplified. Recommendations from various institutions which were previously required, are no longer needed. Meanwhile, the shipping lines, which were formerly set by the Government, are now determined by the shipping companies either individually or as a group. Any change concerning the lines only need to be reported to the Directorate General of Sea Transportation. Furthermore, in order to meet the need for sea transportation, the scrapping vessel policy was revoked.¹⁵⁾

In the reporting year, the local shipping fleet decreased while the number of vessels in interisland and traditional shippings and pioneer sailing services increased by respectively 12.3%, 2.7%, and 14.3% reaching 274, 3,740, and 16 vessels. Meanwhile, the number of ocean-going vessels remained unchanged. The output of sea transportation services rose significantly, with substantial increases occurring in local shipping (11.9%) and interisland shipping (11.9%) reaching 3,266 thousand tons and 9,295 thousand tons, respectively (Table 9.17).

4.1.b. Land transportation

In the reporting year, the Government continued to construct roads and bridges in an effort to expedite the flow of road traffic. In this connection, 233 km of new roads, of which 68 km were toll roads, and 823 m of new bridges were completed in

1988/89. In addition, 29,573 km of roads and 16,857 m of bridges were maintained and upgraded. In the reporting year, the number of buses, cargo vehicles, passenger cars, and motorcycles rose significantly (Table 9.18).

To expedite the flow of cargo by rail transportation, a multi-modal transportation system was promoted. This system integrated rail and sea transportation through the construction of dry ports in Jebres (Solo), Rambipuji (Jember), Kertapati (Palembang), and Tebing Tinggi (North Sumatera). It may be added that in the previous year such a terminal had already been built in Gedebage (Bandung). Furthermore, to better manage and enhance rail services, the Government restructured the operational networks of PJKA in Jawa by unifying three operational networks into one. In the reporting year, passenger and cargo transported by trains increased by 4.9% and 25.7%, respectively.

As regards river, lake, and ferry transportation, efforts to enhance these services were made by constructing the infrastructure, namely quays and terminals, and by improving facilities for passengers' safety. In the reporting year, among the river, lake, and ferry transportation, increases were recorded for cargo and vehicles of 69.0% and 0.7%, respectively (Table 9.18).

4.1.c. Air transportation

Developments in the field of air transportation were continued by improving the service and developing smooth, orderly, safe, and efficient operations. Efforts to accomplish these aims were among others carried out by rehabilitating airport infrastructures and equipment as well as modernizing and expanding air fleets. In the

15) Minister of Communication Decree No. KM/61/1988, September 15, 1988.

TABLE 9.18
DEVELOPMENT OF LAND TRANSPORTATION VEHICLES
AND OUTPUT OF SEVERAL LAND TRANSPORTATION SERVICES
(thousands)

Particulars	Units	1984/85	1985/86	1986/87	1987/88	1988/89
Land Transportation Vehicles						
— Buses	units	184.3	228.2	291.1	334.4	371.6
— Cargo vehicles	units	809.5	884.4	880.7	1,012.8	1,124.2
— Passenger cars	units	841.7	997.3	1,034.6	1,189.8	1,320.6
— Motorcycles	units	4,687.9	4,760.7	5,366.3	6,178.3	6,857.9
Output of Railway Transportation						
— Passengers	persons	47,100	47,500	49,630	50,062	52,518
— Passengers — km	persons x km	7,260,000	7,051,152	7,327,186	7,744,000	8,020,000
— Cargo	tons	6,258	6,890	7,680	9,083	11,416
— Cargo ton — km:	tons x km	1,094,000	1,341,000	1,458,000	1,901,000	2,708,000
Output of River, Lake, and Ferry Transportation Services						
— Passengers	persons	22,727	24,926	37,804	41,583	41,560
— Cargo	tons	5,621	4,855	6,112	6,355	10,741
— Vehicles	units	2,659,000	1,863,000	2,901,000	3,046,000	3,067,000

Source : Supplement to the President's Report to Parliament, August 16, 1989.

reporting year, upgradings of the runway capacity of Pattimura airport in Ambon, Samsudin Nur airport in Banjarmasin, Sentani airport in Jayapura, and Sultan Mahmud Badaruddin II airport in Palembang were completed. Moreover, constructions of several airports, including the second stage of Soekarno Hatta International airport in Cengkareng and Eltari airport in Kupang, were in progress. Airstrips in remote areas were developed to serve CN 235 aircrafts. Meanwhile, scheduled airlines operated 175 aircrafts, of which 73 were turbo-jet aircrafts and 102 were turbo-prop aircrafts.

The output of domestic air-transportation, both passenger and cargo, recorded increases of 8.4% and 7.0% to 6,679 thousand persons and 76 thousand tons, respectively. Meanwhile, passengers and cargoes transported by foreign airlines increased by

16.5% and 29.2% reaching 1,735 thousand persons and 62 thousand tons, respectively. The increases were closely related to the opening of several airports as tourist ports of entry and the growing economic activity, especially export.

4.2. Tourism, postal services, and telecommunication

In the reporting year, policies in the field of tourism, postal services, and telecommunication continued to be directed towards increasing foreign exchange earnings and expediting services as well as information. In the field of tourism, the Government adopted a series of policy measures related to the addition of tourist ports of entry, the enhancement of services, and the simplification of licensing procedure in tourism. Meanwhile, in the field of postal

TABLE 9.19
AIR TRANSPORTATION FLEET AND
THE OUTPUT OF THEIR SERVICE

Fleet/output	Units	1984/85	1985/86	1986/87	1987/88	1988/89
Fleet	Units	195	175	177	177	175
Turbo jet		86	86	75	75	73
Turbo-prop		109	89	102	102	102
Output						
– Passenger	thousand persons	6,394	6,781	6,831	7,649	8,414
Domestic flights		5,448	5,515	5,547	6,160	6,679
International flights		946	1,266	1,284	1,489	1,735
– Cargo	thousand tons	80	89	96	119	138
Domestic flights		49	54	60	71	76
International flights		31	35	36	48	62

Source : Supplement to the President's Report to Parliament, August 16, 1989.

services and telecommunication, the Government introduced new policies to facilitate the delivery of official mail, to increase community awareness to use postal area codes, and to extend services of new high-technology products.

4.2.a. Tourism

In the reporting year, the promotion of tourism was mainly aimed at encouraging activities in tourism to raise foreign exchange earnings. In this connection, the Government opened four new tourist ports of entry, namely Sepinggan airport in Balikpapan, Juanda airport in Surabaya, Tanjung Pinang seaport in Riau, and Sekupang seaport on Batam island.¹⁶⁾ At the end of the reporting year, there were 23 tourist ports of entry, consisting of 12 airports and 11 seaports. To improve the quality of service in tourism, the Government launched the “hospitality program” (*Sapta*

Pesona), established requirements and obligations for tourist supervisors and guides, required security guards at high-risk tourist areas,¹⁷⁾ and increased the number of international direct dialing lines in several tourist resorts. Moreover, to provide tourists with practical financial instrument, the Government introduced postal traveler's checks.¹⁸⁾ Also, the Government simplified the licensing procedure for businesses in tourism by authorizing the Chairman of the Capital Investment Coordinating Board to issue temporary and permanent licenses for the businesses.¹⁹⁾ It may be added that in order to determine priorities, to coordinate the implementation of plans, and to evaluate the results of the development program on

16) Presidential Decree No. 46/1988, November 8, 1988.

17) Minister of Tourism, Post, and Telecommunication Decree No. KM 89/UM.0101/MPPT-88, September 17, 1988.

18) Board of Postal and Postal Account Services Decree No. 119/OP/Dirutpos/1988, December 2, 1988.

19) Minister of Tourism, Post, and Telecommunication Decree No. KM 87/PM.108/MPPT-88, September 17, 1988.

TABLE 9.20
NUMBER OF FOREIGN TOURISTS
VISITING INDONESIA
(persons)

Year	Number of tourists
1984	700,910
1985	749,351
1986	825,097
1987	1,050,014
1988*	1,301,249

Source : - Directorate General of Tourism
- Supplement to the President's Report to Parliament,
August 16, 1989

tourism, provincial consultations on tourism are scheduled periodically.²⁰⁾

Tourism promotions -- particularly abroad -- were directed mainly to Singapore, Japan, Australia, and Malaysia. To encourage arrivals of foreign tourists, the Government continued to develop tourist points of interest, especially in Aceh, Riau, West Nusa Tenggara, East Nusa Tenggara, East Kalimantan, and Maluku.

In 1988, the number of foreign tourists visiting Indonesia increased by 23.9% to 1,301,249 persons (Table 9.20). In line with the increasing number of tourists, the number of star-rated hotels also increased, from 334 to 401 hotels with 31,173 rooms; while the number of travel agencies rose by 24.7% to 743.

4.2.b. Postal and postal account services

In the reporting year, the promotion of postal and postal account services

continued to be directed toward enhancing the quality, smoothness, and coverage of postal and postal account services as well as establishing centers of postal services for nearby villages in the capital of districts. To enhance the quality and smoothness of postal services, the Government set some regulations in 1988 to facilitate the delivery of official mail,²¹⁾ to promote community awareness to use postal area codes,²²⁾ to and extend services of new high-technology products, such as electronic mail and transfers by telex.²³⁾

In connection with efforts to enlarge the coverage of postal services, 11 post offices, 56 subsidiary post offices, and 151 auxiliary post offices were built in 1988, bringing the total number to 322, 570, and 2,072 offices, respectively (Table 9.21). With this progress, the number of districts reached by postal services increased from 3,492 to 3,587 districts, or nearly all districts in the country. Meanwhile, postal services also reached 804 transmigration areas. The coverage of international postal service through Express Mail Services (EMS) were expanded from 29 to 31 countries by the end of 1998.

In 1988, postal and postal account services showed increases -- letters by 24.5%, parcels by 9.1%, and drafts by 11.1%. However, postal accounts and checks as well as savings declined by 1.9% and 4.8%, respectively (Table 9.22).

20) Minister of Tourism, Post, and Telecommunication Decree No. KM 4/UM.208/MPPT-89, January 18, 1989.

21) Minister of Tourism, Postal, and Telecommunication and Minister of Finance Joint Decrees No. KM 1/UM.101/MPPT-88 and No. 42/KMK.01/1988, January 14, 1989.

22) Minister of Tourism, Postal, and Telecommunication and Minister of Home Affairs Joint Decrees No. B 48/MK.103/MPPT-88 and No.25/1988, June 29, 1988.

23) Minister of Tourism, Postal, and Telecommunication Decree No. KM 88/PT.101/MPPT-88, September 17, 1988.

4.2.c. Telecommunication

Government policy on telecommunication continued to promote telecommunication services and to expand domestic as well as international networks. Telecommunication services comprised, among others, telephone, telegram, telex, facsimile, and package data communication network (*Sambungan Komunikasi Data Paket* or SDKP)

In 1998, telecommunication networks and connections were expanded by increasing the number of central telephone exchanges by 5 to 719, thereby raising their capacity by 23.1% to 995,143 line units. The number of manual central telephone exchanges decreased by 7 to 496 with a capacity of 121,230 line units and that of automatic exchanges increased by 12 to 223 with 873,913 line units (Table 9.23). Of this capacity, 828,812 line units are in operation, resulting in a telephone density of 211 persons per line unit. Meanwhile, the number of cities covered by the long-distance direct dialing network (*Sambungan Langsung Jarak Jauh* or SLJJ) went up by 12 to 129. The long-distance telephone network (*Sambungan Telepon Jarak Jauh* or STJJ) rose by 0.4% to 732 line units, motor-vehicle telephone network (*Sambungan Telepon Kendaraan Bermotor* or STKB) rose by 42.5% to 9,008 line units, and public telephones went up by 23.9% to 5,744 line units.

In 1988, the number of countries covered by the international direct dialing network (*Sambungan Langsung Internasional* or SLI) increased from 127 to 138, those covered by international telex and telegram remained unchanged, namely 30 countries, and those covered by facsimile rose from 26 to 36 countries. In the meantime, the SKDP services

covered 26 countries in 1988. The capacity of central telex and the number of general telex offices remained unchanged in 1988/89, namely 17,300 line units and 260 offices, respectively. It may be added that the number of earth stations, as supporting facilities for telecommunication through satellite, reached 106 at the end of 1988.

B. Investment

In the reporting year, the Government continued to create a better investment climate. These efforts were carried out by providing broader opportunities for new investment in fields which were formerly closed, improving the regulation regarding term loans and equity participations, and providing facilities, particularly to foreign direct investment (*penanaman modal asing* or PMA) companies. To attract more foreign investment and give assurance to investors, the Government promoted private investment, improved the swap premium calculation, and lengthened swap maturities.

In order to create wider business opportunities, in the reporting year the Government allowed the operation of new shipping companies, which had been prohibited since 1976, and the establishment of joint-venture shipping companies, which had been prohibited since 1967.²⁴⁾ Through the October 27, 1988 policy package, the Government eased regulations for establishing new banks and opening branch office of banks and non-bank financial institutions (NBFIs) and allowed the establishment of joint-venture banks and sub-branch offices of foreign banks in several cities. In addition, through the

24) - Government Regulation No. 17/1988, November 21, 1988.
- Minister of communication Decree No. KM/79/1988, November 21, 1988.

TABLE 9.21
NUMBER OF POST OFFICES

Types of post office	1984	1985	1986	1987	1988*
Main post office	233	264	287	311	322
Subsidiary post office	328	390	458	514	570
Auxiliary post office	1,351	1,635	1,780	1,921	2,072

Source : Directorate General of Post and Telecommunication.

TABLE 9.22
POSTAL ACCOUNTS AND SERVICES

Types of service	1984	1985	1986	1987	1988*
Postal letters (millions)	392	454 ^f	446	465 ^f	497
Postal parcels (thousands)	1,051	1,200	1,230 ^f	1,135	1,239
Postal drafts (billions of rupiah)	259.6	290.4	333.4	378.0	432.8
Postal accounts and cheques (billions of rupiah)	3,398.4	3,754.5	3,761.1	4,550.3	1,466.0
Savings (billions of rupiah)	85.8 ^f	96.7 ^f	125.9 ^f	145.1	139.9

Source : Directorate General of Post and Telecommunication.

TABLE 9.23
NUMBER AND CAPACITY OF TELEPHONE EXCHANGES

Year	Automatic		Manual		Total	
	Telephone exchanges	Capacity (line units)	Telephone exchanges	Capacity (line units)	Telephone exchanges	Capacity (line units)
1984	175	601,309 ^f	508	96,426	683	697,735 ^f
1985	182	674,488	510	104,890	692	779,468 ^f
1986	195	728,000	509	110,555	704	838,555
1987	211	794,976	503	117,046	714	912,022
1988*	223	873,913	496	121,230	719	995,143

Source : Directorate General of Post and Telecommunication.

December 20, 1988 policy package, the Government provided opportunities for the private sector to run leasing and other financing companies and eased the requirements for establishing national and joint-venture insurance companies. Furthermore, the Government also provided greater opportunities to commercial banks, development banks, and NBFIs for extending term loans and for enlarging their equity participation in other institutions.²⁵⁾

As regards facilities extended to PMA companies, the Government relaxed the regulations regarding the marketing of PMAs' products and the selling of their foreign exchange earnings at their own preference. To facilitate the marketing of PMAs' products in the domestic market, PMAs' products, which were formerly distributed through domestic distributors, have been allowed to be distributed through joint-venture distributors since the reporting year. Furthermore, PMA companies are allowed to sell their products directly to other companies which use the products as capital goods, spare parts, building materials, and raw or auxiliary materials in their production process.²⁶⁾ In order to facilitate obtaining rupiah for investment, PMA companies are allowed to sell their foreign exchange holdings to foreign exchange banks.²⁷⁾ Former regulations required them to sell their foreign exchange holdings to Bank Indonesia.

The promotion on private investment in Indonesia was carried out through cooperation with institutions and business organizations,

while promotions abroad were done by sending some investment missions. To attract and to give assurance to foreign investment as well as to prevent capital flight, the Government improved the calculation of the swap premium and lengthened the maturity of swaps.²⁸⁾

1. Foreign direct investment (PMA)

Owing to a series of measures on foreign investment taken by the Government in the last few years, investment approvals in 1988 (excluding oil, gas and financial institutions) increased rapidly reaching \$4,434.4 million (145 projects) compared with \$1,457.1 million (130 projects) in the preceding year. The investment was chiefly intended for manufacturing, with an amount of \$3,827.9 million as compared with \$852.3 million in 1987. In the manufacturing sector, the biggest portion was invested in chemical and pharmaceutical manufactures and in paper manufactures, amounting to \$1,544.3 million and \$1,505.6 million, respectively. Other significant investment took place in hotel business, increasing considerably to \$404.6 million compared with \$196.0 million in the preceding year. By country of origin, investment in 1988 originated mostly from the Federal Republic of Germany (\$955.9 million), Taiwan (\$910.2 million), and the United States (\$671.9 million).

Since the enactment of the Foreign Direct Investment Law in 1967 up to the end of 1988, approved investments amounted to \$21,511.8 million, covering 1,064 projects. Out of the total amount, 76.0% was invested in manufacturing, 8.5% in mining, 4.6% in hotel business, 4.5% in agriculture, forestry and fishery, and 6.4% in other businesses

25) Bank Indonesia Circular Letter No. 21/9/UKU, March 25, 1989.

26) - Government Regulation No. 19/1988, November 21, 1988.
- Minister of Trade Decree No. 376/Kp/XI/1988, November 21, 1988.

27) Bank Indonesia Circular Letter No. 21/65/ULN, March 20, 1989.

28) Bank Indonesia Circular Letter No. 21/6/UD, October 27, 1988.

(Table 9.24). By regional distribution, most of the approved projects, by number, are located in Jakarta, West Jawa, and East Jawa; by value, the largest amount are invested in West Jawa, Jakarta, and North Sumatera (Table 9.25). By country of origin, most of the approved investment originated from Japan, \$6,019.8 million (28.0%), Hong Kong, \$2,316.3 million (10.8%), and the United States, \$1,910.1 million (8.9%) see (Table 9.26).

2. Domestic investment (PMDN)

Approved investment in 1988 rose substantially to Rp14,915.9 billion (845 projects) compared with Rp10,265.0 billion (566 projects) in the preceding year. Most of the approval was in the manufacturing sector, totalling Rp9,746.9 billion compared with Rp5,518.1 billion in 1987. The largest portion of the investment in the manufacturing sector went into chemical and pharmaceutical manufactures (Rp3,057.4 billion) and textile manufactures (Rp2,308.9 billion). Approved investment in residential and office as well as hotel construction rose significantly to Rp846.1 billion and Rp537.0 billion in 1988, compared with Rp173.9 billion and Rp138.8 billion, respectively, in the preceding year.

Since the enactment of the Domestic Investment Law in July 1968 up to the end of 1988, total approved investment reached Rp60,903.0 billion, covering 4,989 projects. By value and number of projects, most of the investments were intended for manufacturing and agricultural, forestry, and fishery sectors (Table 9.27). By regional distribution, both in number and value of approved projects, the major portion was in West Jawa, Jakarta, and East Jawa. It is worth noting that major investment projects outside Jawa were located in Riau, North Sumatera, and East Kalimantan (Table 9.28).

C. Prices

Inflation as measured by the Consumer Price Index registered 6.55% in the reporting year, down from 8.29% recorded in 1987/88. This lower rate of inflation was attributable to prudent monetary policies of the Government and adequate supplies of consumer goods.

On the basis of group of goods, the largest price increase took place for foodstuff (9.30%), although it was lower than in the preceding year (13.93%). Housing and miscellaneous goods and services recorded slight increases of 5.34% and 3.65% compared with 4.69% and 3.58% in 1987/88, respectively. Clothing recorded a lower price increase, namely 3.69%, compared with 5.80%. Based on the share of each group, of the 6.55% inflation rate in the reporting year, 3.94% originated from increases in food prices, 1.51% from housing 0.77% from miscellaneous goods and services, and 0.33% from clothing.

Within the foodstuff group, a particularly high increase was recorded for spices (20.43%) as the result of lower production owing to an unfavorable climate. Higher price rises were also recorded for preserved fish (17.16%) and egg and dairy products (16.88%). Within the housing group, the highest price rises were recorded in furniture (6.81%) and housekeeping (6.22%). The highest rise in the clothing group was for men's clothing (4.75%) and children's clothing (4.28%). Within the group of miscellaneous goods and services, the highest increases were registered for health care and cosmetics (10.37%) and for education (6.65%).

The average monthly price increase in the reporting year was 0.55% compared with 0.69% in 1987/88. The highest increase took place in February 1989 (1.27%) resulting from price increase for spices, while deflation

took place in September 1988 (-0.05%) as the result of lower prices of several subgroups within the foodstuff group.

Wholesale prices as measured by the average Wholesale Price Index (WPI) registered an increase of 7.69% in 1988/89 compared with 18.18% in the preceding year. The lower increase in the WPI was accounted for by lower increases in prices of exported and imported goods, which rose by 5.83% and 4.40%, compared with 34.83% and 15.22% in the preceding year, respectively. Wholesale prices of the agricultural, manufacturing, and mining commodities recorded increases of 12.84%, 9.66%, and 8.96% (Table 9.30). It is worth noting that average prices of several non-oil/gas export commodities in the domestic market showed increases, such as RSS-1 rubber (14.51%), tea (4.82%), plywood (2.05%). Prices of black pepper and robusta coffee decreased by 35.28% and 16.00%, respectively (Table 9.31).

D. Population

In the reporting year, the high rate of population growth remained the main problem in the area of population. This problem continued to be aggravated by imbalances in the age structure and regional distribution, low level of skill and workers' welfare, and inadequate employment opportunities. Based on a population growth rate of 2.1%,²⁹⁾ the total population at the end of 1988 was estimated to have reached 175.2 million.

To cope with the high rate of population growth, the Government implemented the family planning program. To reach a better

distribution of the population and labor force, efforts were made through the transmigration program, regional, rural, and urban development programs and the development of transportation infrastructure. Furthermore, efforts to improve the quality of life were made through the improvement of health, education, and skill. To cope with the inadequate employment opportunities, the Government continued to encourage production activities which are labor intensive, to promote the informal sectors, and to support rural development programs. In addition, in order to re-allocate the labor force in domestic and foreign markets, the Government continued to disseminate information on labor markets and to employ them through the interlocal work program (*Antar Kerja Lokal* or AKL), the interregional work program (*Antar Kerja Antar Daerah* or AKAD), and the international work program (*Antar Kerja Antar Negara* or AKAN).

1. Labor force

In the reporting year, problems in the area of labor force were the rapid growth of the labor force which could not be matched by an expansion in employment, the relatively low productivity and skill level, the unequal regional and sectoral distribution, and the inadequate protection and welfare of the workers. Efforts to expand the employment opportunities were made, among others, through rural development programs and supervision of informal sector developments. Rural development programs covered the new system of labor intensive projects (*Proyek-proyek Padat Karya Gaya Baru* or PPKGB), development aids to districts, and reforestation and afforestation programs. To enhance workers' skill level and productivity, the Government continued to provide training through work training programs (*Balai Latihan*

29) 1985 Intercensus Population Survey conducted by the Central Bureau of Statistics.

TABLE 9.24
APPROVED FOREIGN DIRECT INVESTMENT PROJECTS BY SECTOR
(millions of \$)

Sectors	1984	1985	1986	1987	1988 *	Total ¹⁾ 1967 through 1988	
						Value	Project
Agriculture, forestry, and fishery	0.2	20.5	129.8	133.3	79.7	980.1	117
– Agriculture	0.2	9.0	125.9	116.7	7.7	426.2	55
– Forestry	--	0.2	--	4.6	26.3	385.7	31
– Fishery	--	11.3	3.9	12.0	45.7	168.2	31
Mining	--	--	--	--	--	1,820.6	119
Manufacturing	1,001.7	687.3	536.7	852.3	3,827.9	16,346.3	622
– Food	77.0	5.9	34.2	54.0	231.0	911.1	51
– Textiles	1.2	6.8	9.0	117.9	213.2	1,408.9	89
– Wood	--	--	31.9	44.8	104.3	450.7	46
– Paper	--	25.1	46.8	108.6	1,505.6	2,160.6	19
– Chemical and pharmacy	95.7	337.8	293.8	208.8	1,544.3	4,119.1	177
– Non-metallic mineral	--	2.5	--	251.3	29.8	1,248.6	28
– Basic metal	609.1	65.0	39.4	6.9	61.3	3,361.6	23
– Metal product	210.0	244.2	81.7	56.9	128.8	2,653.7	181
– Others	8.7	--	--	2.9	9.6	32.0	8
Construction	17.0	122.3	64.7	42.2	2.4	408.6	96
Hotel	84.0	--	--	196.0	404.6	989.9	32
Transportation	4.2	--	70.0	213.0	2.5	398.0	12
Residential and office	--	--	--	--	74.5	338.9	27
Services	--	28.9	25.0	20.3	42.8	229.1	39
Total	1,107.1	859.0	826.2	1,457.1	4,434.4	21,511.8	1,064

1) From June 1967 through December 1988, after taking into account the cancelations and shifting of projects from foreign to domestic investment.
Source : Capital Investment Coordinating Board.

TABLE 9.25
APPROVED FOREIGN DIRECT INVESTMENT PROJECTS
BY PROVINCE
(millions of \$)

Provinces	1984	1985	1986	1987	1988 *	Total ¹⁾ 1967 through 1988	
						Value	Project
1. Jakarta	269.1	257.5	258.2	440.4	335.4	4,300.4	339
2. West Jawa	758.3	450.2	422.2	605.8	1,069.4	7,071.6	294
3. Central Jawa	--	--	57.2	32.3	25.1	468.3	29
4. Yogyakarta	--	--	--	--	--	--	--
5. East Jawa	57.2	69.6	9.5	208.3	236.9	1,443.4	88
Jawa & Madura	1,084.6	777.3	747.1	1,286.8	1,666.8	13,283.7	750
6. Aceh	--	9.3	7.5	--	--	690.7	10
7. North Sumatera	--	5.1	50.0	109.1	55.0	2,035.0	41
8. West Sumatera	-13.7	1.4	--	1.5	5.7	61.8	10
9. Riau	21.1	58.1	0.8	--	614.3	844.2	27
10. Jambi	1.2	--	--	--	--	23.8	3
11. South Sumatera	--	--	1.1	2.1	919.9	971.6	17
12. Bengkulu	--	--	--	--	--	--	6
13. Lampung	--	3.6	2.3	2.0	--	76.5	8
Sumatera	8.6	77.5	61.7	114.7	1,594.9	4,703.6	122
14. West Kalimantan	--	--	--	--	24.3	105.7	23
15. Central Kalimantan	--	--	--	9.1	18.3	221.2	32
16. South Kalimantan	--	0.2	2.4	8.1	2.0	72.7	13
17. East Kalimantan	--	--	12.2	1.0	39.0	282.0	33
Kalimantan	--	0.2	14.6	18.2	83.6	681.6	101
18. North Sulawesi	--	--	--	25.0	--	102.7	10
19. Central Sulawesi	--	--	--	--	24.3	25.3	6
20. South Sulawesi	--	--	1.2	1.0	--	1,233.2	14
21. Southeast Sulawesi	--	--	--	--	19.5	35.4	6
Sulawesi	--	--	1.2	26.0	43.8	1,396.6	36
22. Bali	--	--	--	1.4	371.1	460.3	20
23. West Nusa Tenggara	--	--	--	--	3.0	3.0	3
24. East Nusa Tenggara	--	--	1.6	10.0	0.8	16.2	7
25. East Timor	--	--	--	--	--	--	--
26. Maluku	--	2.2	--	--	--	12.4	7
27. Irian Jaya	13.9	1.8	--	--	670.5	954.4	18
Total	1,107.1	859.0	826.2	1,457.1	4,434.5	21,511.8	1,064

1) From June 1967 through December 1988, after taking into account the cancelations and shifting of projects from foreign to domestic investment.
Source : Capital Investment Coordinating Board.

TABLE 9.26
APPROVED FOREIGN DIRECT INVESTMENT PROJECTS
BY COUNTRY OF ORIGIN
(millions of \$)

Countries	1984	1985	1986	1987	1988 *	Total ¹⁾ 1967 through 1988	
						Value	Project
1. Europe	166.1	194.7	124.4	607.0	1,434.4	5,389.6	268
– Netherlands	43.9	11.6	23.3	122.8	270.9	1,269.0	64
– Belgium	--	1.0	--	7.1	--	89.5	12
– United Kingdom	13.9	77.1	46.1	12.7	120.9	535.6	77
– Fed. Rep. of Germany	17.0	65.5	16.5	330.6	955.9	1,828.4	42
– France	8.3	39.5	6.2	42.0	42.2	234.2	18
– Switzerland	83.0	--	12.5	--	1.2	189.6	17
– Others	--	--	19.8	91.8	43.3	1,243.3	38
2. America	94.8	141.4	191.8	106.2	759.6	2,192.2	115
– United States	94.8	141.4	153.8	72.6	671.9	1,910.1	96
– Canada	--	--	11.0	6.9	--	--	--
– Panama	--	--	27.0	26.7	87.7	282.1	19
3. Asia	834.4	432.0	478.8	707.4	1,868.2	10,864.3	518
– Hong Kong	706.1	53.4	9.6	134.9	231.4	2,316.3	123
– Japan	112.1	127.1	328.9	531.8	247.0	6,019.8	246
– Malaysia	--	--	2.5	1.0	20.1	46.0	11
– Philippines	--	2.8	2.3	2.8	--	12.9	5
– Singapore	16.2	--	101.5	6.0	240.2	753.0	51
– Thailand	--	--	4.0	--	10.2	46.0	4
– Taiwan	--	--	18.0	7.9	910.2	1,076.9	21
– Others	--	248.7	12.0	23.0	209.1	593.4	57
4. Australia	2.7	36.1	13.9	2.5	53.2	459.3	91
5. Group of countries	9.1	54.8	17.3	34.0	319.1	2,606.4	72
Total	1,107.1	859.0	826.2	1,457.1	4,434.5	21,511.8	1,064

1) From June 1967 through December 1988, after taking into account the cancelations and shifting of projects from foreign to domestic investment.
Source : Capital Investment Coordinating Board.

TABLE 9.27
APPROVED DOMESTIC INVESTMENT PROJECTS
BY SECTOR
(billions of rupiah)

Sectors	1984	1985	1986	1987	1988 *	Total ¹⁾	
						Value	Project
Agriculture, forestry, and fishery	295.3	935.6	1,900.1	3,525.5	3,184.4	11,586.4	967
– Agriculture	232.6	725.2	1,599.9	2,325.2	2,254.8	7,753.9	409
– Forestry	18.8	36.5	20.7	640.1	486.6	2,258.1	319
– Fishery	43.9	173.9	279.5	560.2	443.0	1,574.4	239
Mining	7.8	37.6	89.1	289.7	110.5	1,786.7	94
Manufacturing	1,436.5	1,632.2	1,842.3	5,518.1	9,746.9	39,786.6	3,283
– Food	91.8	91.3	215.5	456.5	1,728.3	5,394.2	585
– Textiles	126.0	97.0	262.5	1,288.7	2,308.9	5,679.7	609
– Log	48.4	62.0	126.8	696.1	1,486.5	3,807.6	467
– Paper	10.6	15.8	41.1	365.6	237.2	2,816.4	181
– Chemical and pharmacy	273.9	957.7	813.5	2,084.1	3,057.4	10,162.9	646
– Non-metal minerals	213.5	177.8	17.2	132.2	370.7	5,563.3	205
– Basic metal	562.5	25.1	221.1	74.3	180.9	3,271.6	110
– Metal products	109.8	201.8	141.7	410.4	279.0	3,015.4	447
– Others		3.7	2.9	10.2	98.0	75.5	33
Construction	67.1	270.1	74.4	49.6	31.4	649.9	62
Hotel business	214.1	311.5	17.0	138.8	537.0	1,999.4	191
Transportation	5.5	127.4	102.4	367.8	230.7	1,355.2	156
Housing and office business	49.5	267.0	168.5	173.9	846.1	2,301.2	142
Others	24.1	168.3	222.9	201.6	228.9	1,437.6	94
Total	2,099.9	3,749.7	4,416.7	10,265.0	14,915.9	60,903.0	4,989

1) From July 1968 through December 1988, after taking into account the cancelations and shifting of projects from foreign to domestic investment.

Source : Capital Investment Coordinating Board.

TABLE 9.28
APPROVED DOMESTIC INVESTMENT PROJECTS
BY PROVINCE
(billions of rupiah)

Provinces	1984	1985	1986	1987	1988 *	Total ¹⁾ 1968 through 1988	
						Value	Project
1. Jakarta	536.7	630.5	441.8	776.7	1,031.4	6,888.4	766
2. West Jawa	601.8	999.8	1,113.8	3,853.7	5,640.4	20,239.4	1,329
3. Central Jawa	130.3	245.5	205.5	565.5	870.3	4,075.0	372
4. Yogyakarta	6.6	35.8	43.5	28.3	167.1	346.2	79
5. East Jawa	294.6	405.7	321.3	499.1	1,025.7	5,637.2	634
Jawa & Madura	1,570.0	2,317.3	2,125.9	5,723.3	8,734.9	37,186.2	3,180
6. Aceh	24.6	30.2	123.5	25.1	291.4	1,339.6	61
7. North Sumatera	116.8	86.9	427.6	348.6	543.8	3,046.8	241
8. West Sumatera	25.3	105.3	55.9	43.4	118.1	718.0	85
9. Riau	89.1	188.4	440.8	642.2	1,198.8	3,199.8	148
10. Jambi	15.7	40.3	250.0	308.2	298.0	1,135.6	48
11. South Sumatera	47.9	66.2	92.4	346.7	714.7	2,309.7	151
12. Bengkulu	5.0	53.0	46.8	82.2	34.1	264.9	22
13. Lampung	9.6	42.0	25.8	152.7	466.7	1,184.7	92
Sumatera	334.0	612.3	1,462.8	1,949.1	3,665.6	13,199.1	848
14. West Kalimantan	14.0	34.3	87.6	457.4	708.7	1,690.2	147
15. Central Kalimantan	6.9	3.9	22.4	11.3	33.3	266.5	78
16. South Kalimantan	5.5	111.6	59.4	81.2	186.5	686.5	86
17. East Kalimantan	62.8	511.3	318.4	436.8	425.0	2,700.2	181
Kalimantan	89.2	661.1	487.8	986.7	1,353.5	5,343.4	492
18. North Sulawesi	2.7	17.7	145.3	103.4	67.7	465.8	51
19. Central Sulawesi	1.2	7.0	11.8	272.7	55.2	504.6	47
20. South Sulawesi	57.4	47.2	86.7	117.9	120.5	777.7	120
21. Southeast Sulawesi	--	3.7	--	16.0	7.0	510.0	10
Sulawesi	61.3	75.6	243.8	510.0	250.4	2,258.1	228
22. Bali	11.6	16.0	22.1	107.1	214.4	603.5	65
23. West Nusa Tenggara	3.3	39.2	37.2	11.4	25.3	116.1	27
24. East Nusa Tenggara	3.6	7.3	4.8	21.6	21.7	89.3	30
25. East Timor	--	--	1.2	--	1.1	2.3	2
26. Maluku	3.4	16.5	23.1	67.6	328.6	678.3	74
27. Irian Jaya	23.5	4.2	8.0	888.2	320.4	1,426.7	43
Total	2,099.9	3,749.5	4,416.7	10,265.0	14,915.9	60,903.0	4,989

1) From July 1968 through December 1988, after taking into account the cancelations and shifting of projects from foreign to domestic investment..

Source : Capital Investment Coordinating Board.

TABLE 9.29
INDONESIAN CONSUMER PRICE INDEX
(COMPOSITE OF 17 CITIES)
(April 1977 through March 1978 = 100)

Periods	Food-stuffs	Housing	Clothing	Miscellaneous	General Index	Change in the General Index (%)	
						Annual/quarterly ¹⁾	Monthly
1984/1985						+4.31	
March	224.34	273.47	221.08	248.07	242.07		
1985/1986						+5.66	
March	238.23	291.15	228.68	260.58	256.07		
1986/1987						+8.83	
March	261.84	308.16	256.06	289.44	279.49		
1987/88						+8.29	
June	271.83	310.43	266.11	291.65	285.79	+2.25	
September	279.21	312.72	268.39	295.13	290.49	+1.63	
December	296.14	321.45	270.35	297.91	300.75	+3.49	
March	300.64	322.90	270.23	299.94	303.52	+0.92	
1988/1989						+6.55	
April	303.28	324.91	272.68	301.28	305.70		+0.72
May	308.57	325.00	277.10	301.91	308.53		+0.93
June	310.23	326.45	277.33	302.08	309.72		+0.39
July	316.60	327.61	278.18	303.67	313.16		+1.11
August	318.12	328.77	278.79	305.13	314.44		+0.41
September	316.55	329.69	279.35	306.05	314.28		-0.05
October	317.29	332.97	279.27	306.45	315.51		+0.39
November	318.95	334.93	279.77	307.16	316.90		+0.44
December	320.07	335.35	280.02	307.38	317.56		+0.21
January	321.91	336.93	280.87	308.49	319.16		+0.50
February	328.48	340.15	280.87	310.68	323.20		+1.27
March	329.63	340.53	281.40	311.06	323.94		+0.23

1) Annual/quarterly change of the CPI are calculated on a cumulative basis as a summation of the monthly percentage changes.
Source : Central Bureau of Statistics.

TABLE 9.30
INDONESIAN WHOLESALE PRICE INDEX¹⁾
(1983 = 100)

Sectors	1984/85	1985/86	1986/87	1987/88	1988/89	1988/89 against
						1987/88 (percentage changes)
1. Agriculture	114	120	132	148	167	12.84
2. Mining and quarrying	111	119	127	134	146	8.96
3. Manufacturing	109	117	128	145	159	9.66
4. Imports	115	121	138	159	166	4.40
5. Exports	113	109	89	120	127	5.83
- Oil and LNG	113	109	73	105	110	4.76
- Non-oil/LNG	114	116	142	173	186	7.51
6. General index	112	117	121	143	154	7.69

1) Average figures in the respective fiscal year.
Source : Central Bureau of Statistics.

TABLE 9.31
PRICES OF SELECTED EXPORT COMMODITIES
IN JAKARTA MARKET

Periods	Plywood ¹⁾ (Rp/piece)	RSS-1 rubber (Rp/kg)	Robusta coffee (Rp/kg)	Black pepper (Rp/kg)	Tea (Rp/kg)
1986/1987					
June	3,097	807.75	2,300	4,300	1,000
September	3,316	1,122.50	3,400	6,250	1,250
December	4,274	1,334.00	2,500	8,200	1,400
March	4,475	1,344.00 ^f	2,200	7,100	1,300
Average	3,649	1,115.18^e	2,619	5,958	1,183
1987/1988					
June	4,754	1,406.00	2,300	7,000	1,300
September	5,000	1,618.00	2,450	7,500	1,300
December	5,250	1,566.00	2,650	7,250	1,300
March	5,072	1,713.00	2,800	6,400	1,350
Average	4,970	1,562.04	2,500	7,092	1,308
1988/1989					
April	5,072	1,752.00	2,750	6,000	1,350
May	5,072	1,829.00	2,450	6,000	1,350
June	5,072	1,928.00	2,750	6,000	1,350
July	5,072	1,848.00	2,000	4,500	1,350
August	5,072	1,852.00	1,900	3,500	1,350
September	5,072	1,788.00	1,900	3,000	1,350
October	5,072	1,746.50	1,800	3,300	1,350
November	5,072	1,586.00	2,000	4,000	1,350
December	5,072	1,798.00	2,150	4,200	1,350
January	5,072	1,782.00	1,800	4,200	1,500
February	5,072	1,772.00	1,900	4,700	1,500
March	5,072	1,784.00	1,800	n.a	1,300
Average	5,072	1,788.75	2,100	4,491	1,371

1) Pieces of 122 x 244 cm.
Source : Central Bureau of Statistics.

CHART 10
INDONESIA'S CONSUMER PRICE INDEX
BY GROUP OF GOODS AND SERVICES

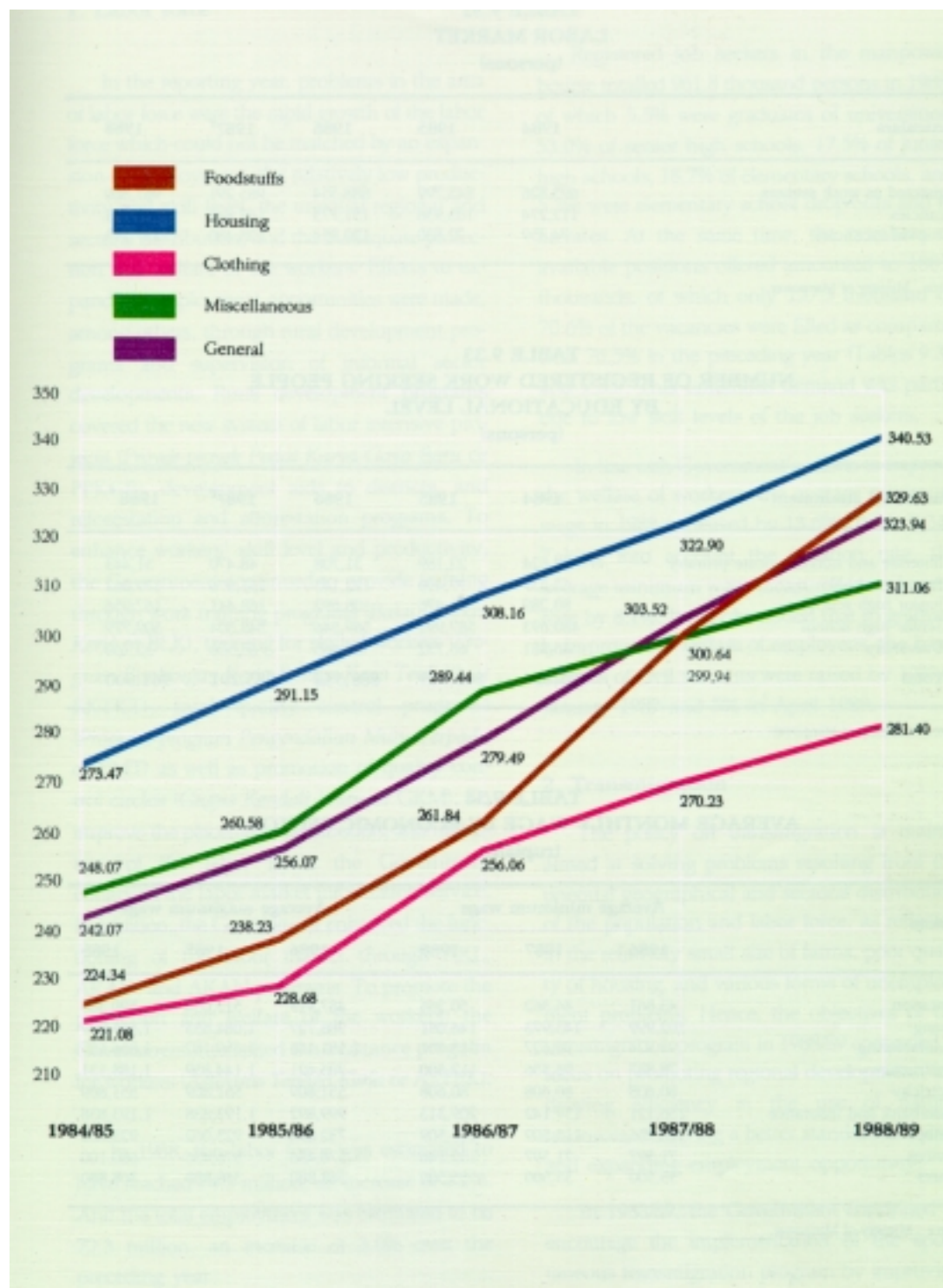


TABLE 9.32
LABOR MARKET
(persons)

Particulars	1984	1985	1986	1987 ^r	1988 [*]
Registered as work seekers	695,826	845,799	888,554	985,291	961,800
Vacancies	112,274	103,936	151,775	167,848	180,301
Occupied vacancies	74,359	72,880	120,954	128,480	127,293

Source : Ministry of Manpower.

TABLE 9.33
NUMBER OF REGISTERED WORK SEEKING PEOPLE
BY EDUCATIONAL LEVEL
(persons)

Educational attainment	1984	1985	1986	1987 ^r	1988 [*]
1. Illiterate and non-certificate primary	24,624	22,189	31,708	48,470	51,443
2. Primary school	63,339	77,410	122,143	151,576	179,862
3. Junior high school	80,289	91,476	108,692	168,441	167,956
4. Senior high school	480,693	587,992	569,346	548,304	509,779
5. University	46,881	66,732	56,465	68,500	52,760
Total	695,826	845,799	888,554	985,291	961,800

Source : Ministry of Manpower.

TABLE 9.34
AVERAGE MONTHLY WAGE BY ECONOMIC SECTOR
(rupiah)

Sectors	Average minimum wage			Average maximum wage		
	1986	1987	1988	1986	1987	1988
Plantation	43,861	46,362	50,266	487,919	513,054	590,385
Mining	102,999	145,973	146,081	988,727	1,084,653	1,593,079
Manufacturing	91,924	98,627	115,701	1,181,116	1,359,182	1,856,189
Construction	78,837	96,356	112,500	703,621	1,144,859	1,188,131
Electricity	80,608	80,608	80,608	551,809	551,809	551,809
Trade/bank and insurance	136,121	159,142	209,313	999,892	1,193,838	1,193,838
Transportation	110,756	115,509	115,509	732,898	923,062	923,062
Services	71,597	71,597	102,146	576,436	576,436	680,100
Others	55,500	55,500	55,500	368,880	368,880	368,880

Source : Ministry of Manpower.

Kerja or BLK), training for skilled workers (*Program Bimbingan Kerja Tenaga Kerja Terdidik* or BKTKT), total quality control programs (*Program-program Pengendalian Mutu Terpadu* or PMT) as well as promotion of quality control circles (*Gugus Kendali Mutu* or GKM). To improve the placement, distribution, and utilization of the labor force, the Government enhanced the labor-market information service. In addition, the Government enhanced the functioning of the labor market through AKL, AKAD, and AKAN programs. To promote the protection and welfare of the workers, the Government intensified the insurance program for workers (*Asuransi Tenaga Kerja* or ASTEK) .

In 1988, the labor force was estimated to have reached 74.5 million, an increase of 3.2% And the total employment was estimated to be 72.3 million, an increase of 3.0% over the preceding year.

Registered job seekers in the manpower bourse totalled 961.8 thousand persons in 1988, of which 5.5% were graduates of universities, 53.0% of senior high schools, 17.5% of junior high schools, 18.7% of elementary schools, and 5.3% were elementary school drop-outs and illiterates. At the same time, the numbers of available positions offered amounted to 180.3 thousands, of which only 127.3 thousand or 70.6% of the vacancies were filled as compared with 76.5% in the preceding year (Tables 9.32 and 9.33). This unfulfilled demand was partly due to low skill levels of the job seekers.

In line with Government's efforts to improve the welfare of workers, the average minimum wage in 1988 increased by 13.6% (Table 9.34). Taking into account the inflation rate, the average minimum wage measured in real terms rose by 8.1%. It may be added that to gradually improve the welfare of employees,

the basic salaries of civil servants were raised by 10% in January 1989 and 5% in April 1989.

2. Transmigration

The policy on transmigration is mainly aimed at solving problems resulting from the unequal geographical and sectoral distribution of the population and labor force, as reflected in the relatively small size of farms, poor quality of housing, and various forms of unemployment problems. Hence, the objectives of the transmigration program in 1988/89 continued to focus on promoting regional development, improving efficiency in the use of natural resources, achieving a better standard of living, and expanding employment opportunity.

In 1988/89, the Government continued to encourage the implementation of the spontaneous transmigration program by improving the quality of resettlement areas and intensifying counselling and guidance on the program. To this end, the Government continued to improve the physical infrastructure and facilities needed to promote production and regional development. Meanwhile, to encourage the business community to participate in the transmigration program, the Government set up a coordinated team consisting of the Ministry of Transmigration and the Indonesian Chamber of Commerce to promote investment and other economic activities in developing transmigration areas and to encourage spontaneous transmigration.³⁰⁾

In the reporting year, 145,109 families migrated, consisting of 27,697 families under the official transmigration program and

30) Minister of Transmigration Decree No. Kep. 40/MEN/1988, July 18, 1988.

TABLE 9.35
REALIZATION OF TRANSMIGRATION
(families)

Year	Target	Realization		
		General transmigration	Spontaneous transmigration	Total
1984/85	125,000	51,558	50,330	101,888
1985/86	135,000	79,682	86,665	166,347
1986/87	150,000	46,351	126,508	172,859
1987/88	165,000	23,134	140,813	163,947
1988/89	175,000	27,697	117,412	145,109

Source : Ministry of Transmigration.

117,412 families under the spontaneous transmigration program (Table 9.35). It may be added that during Repelita IV, the number of transmigrants reached 750,150 families which surpassed the expected target of 750,000 families. This was made possible by improvements in the transmigration areas, particularly the transportation and communication between the location of origin and the resettlement area.

3. Family planning

In the reporting year, the policy on family planning (*Keluarga Berencana* or KB) continued to be directed toward encouraging small families and reducing the population growth through birth control. To this end, the Government continued encouraging the public to actively participate in self-supporting KB, extending family planning service centers, and promoting the efficacy of family planning supervision. To publicize the self-supporting KB, the Government encouraged the private sector and the public, particularly in urban areas, to actively participate in the national KB program through the "Blue Circle KB" services, which are designed to assist people who choose to obtain KB services from

medical practitioners, private midwives, and pharmacies. To enhance KB services, particularly in rural areas, the Government extended KB networks through public health and social service centers (*pos pelayanan terpadu* or Posyandu), rural KB supervision centers, mobile family-planning units, and KB member groups. To enhance the efficacy of KB supervision, the Government continued to improve the skill of field officers besides encouraging coordination between KB service units and government officers as well as other community leaders.

In line with the increasing services of KB, at the end of the reporting year the number of new and active KB members increased to 5.4 million and 18.8 million, respectively (Table 9.36). The number of new KB members reached 114.7% and active KB members reached 98.9% of the targeted numbers. Total number of KB clinics increased by 5.7% to 9,388 clinics.

E. Cooperatives

The policy on cooperatives in 1988/89 addressed institutional supervision and promotion of its operation. Institutional

TABLE 9.36
NUMBER OF HEALTH CLINICS, TARGET, AND REALIZATION OF
NEW AND ACTIVE MEMBERS OF FAMILY PLANNING PROGRAM

Year	Number of health clinics	New members			Active members 1)		
		Target	Realization	%	Target	Realization	%
1983/84	7,064	4,002,860	5,246,184	131.1	12,719,000	14,422,511	113.4
1984/85	7,509	4,819,045	4,072,779	84.5	16,138,662	15,694,832	97.2
1985/86	8,073	5,284,176	5,067,713	95.9	16,749,000	15,319,158	91.5
1986/87	8,464	5,323,000	4,929,008	92.6	17,162,000	16,680,373	97.2
1987/88	8,878	5,579,207	5,185,674	92.9	18,160,000	18,309,634	100.8
1988/89	9,388	4,730,644	5,423,836	114.7	18,976,300	18,768,596	98.1

1) Shows an outstanding number in the stated year, i.e :
new members in a year = active members in the preceding year + new members – drop outs (among others because of pregnancy).

Source : National Family Planning Coordinating Board.

supervision was implemented by providing training, upgrading, and supervision on a regular basis. The promotion of the operation of cooperatives was carried out by providing assistance in obtaining inputs of production and in marketing products as well as by conducting supervision on production. Credit facilities extended to cooperatives and their members were aimed at supporting activities of the economically-weak groups.

In the reporting year, the Government gave guidance on the supervision and development of self-supporting village cooperative unit (*Koperasi Unit Desa Mandiri* or KUD Mandiri) which encourages KUDs to carry out open management, to improve productivity of their members, and to encourage villagers to join KUDs.³¹⁾ It is worth noting that through the October 27, 1988 policy package, the Government permitted the establishment of cooperative banks which had been prohibited since 1973.

31) Minister of Cooperatives Instruction No. 04/INST/M/VI/1908, June 17, 1988.

Regarding the promotion of cooperative operations, the Government made efforts to enhance the role of KUDs in distributing agricultural production inputs. In this connection, since April 1, 1988 KUD has been authorized as sole distributor of subsidized fertilizer and pesticides in rural areas.³²⁾ The number of other business agencies, which were formerly appointed as distributors, would be gradually reduced. By April 1, 1989 KUD is expected to be the sole distributor of subsidized fertilizer and pesticides. Furthermore, the Government gave full details of some regulations on the organizational set-up and on credit procedures to cooperative members.³³⁾ The regulations were aimed at promoting business activity of cooperative members so as to increase their capability in accumulating capital.

The implementation of policies on institutional aspects was reflected in the increased number of cooperatives and their

32) Minister of Trade Decree No. 61/KP/II/1988, February 27, 1988.

33) Bank Indonesia Circular Letter No 21/1/UKK, May 2, 1988.

TABLE 9.37
SELECTED COOPERATIVES INDICATORS

Particulars	Units	1984	1985	1986	1987	1988*
1. Number of cooperatives	units	26,432	28,103	30,446	31,299	33,324
— K U D	units	6,629	6,979	7,350	7,470	7,873
— Non-KUD	units	19,803	21,124	23,096	23,819	25,451
2. Membership	thousand persons	16,402	20,285	21,578	25,545	27,162
— K U D	thousand persons	12,008	14,916	15,733	16,682	17,494
— Non-KUD	thousand persons	4,394	5,370	5,845	8,863	9,668
3. Accumulated savings	million rupiah	131.9	178.1	415.0	435.7	518.0
4. Accumulated capital	million rupiah	467.6	618.8	870.4	1,183.8	926.0
5. Transaction volume	million rupiah	1,490.1	2,213.7	1,453.0	2,218.0	2,031.6
— Copra	million rupiah	16.1	36.9	12.9	8.1	10.0
— Clove	million rupiah	47.8	37.1	24.1	77.3	53.8
— Fishery	million rupiah	71.4	88.6	88.7	88.7	88.8
— Livestocks	million rupiah	87.3	92.7	89.6	92.7	102.5
— Handicrafts	million rupiah	220.5	240.8	341.0	392.2	411.8
— Others	million rupiah	1,047.0	1,713.1	896.7	1,559.0	1,364.7
6. Bank credit to cooperatives ¹⁾	million rupiah	271.1	300.5	275.3	339.6	380.6
7. Channelization of credit to petty traders (KCK)	million rupiah	166.9	204.6	225.1	234.5	244.3

1) Position at the end of the reporting year.

Sources : — Supplemet to the President's Report to Parliament, August 16, 1989.
— Bank Indonesia.

members. In 1988, the number of cooperatives increased by 6.5% to 33,324 units comprising 7,873 KUDs and 25,451 non-KUDs. As a result of the increasing number of cooperatives, the number of cooperative members rose by 6.3% to 27.2 million people, consisting of 17.5 million KUD members and 9.7 million non-KUD members.

The results of policies on operational developments were reflected in the improvement in capital and activities of cooperatives, especially KUDs, which supported economic activity in the villages. As regards capital, members' deposits rose by 18.9% to Rp517.9 billion. However, total assets declined by 8.4% to Rp2,031.6 billion,

partly due to a slowdown of KUD's activity in rice procurement. The activity of KUDs in supporting economic activity in villages covered, among others, the procurement and marketing of foodstuff, the distribution of agricultural production means, and the marketing of plantation, livestock, and fishery products as well as traditional handicrafts. Moreover, KUDs also participated in the distribution of electricity and loans.

In the reporting year, the number of KUDs participating in the procurement and marketing of rice rose by 12.9% to 2,202 units, whereas the number of purchases and sales of rice declined by 13.1% and 17.2%, respectively, to 1.1 million tons and 1.0 million

tons. The decline was mainly attributable to the improvement in the price of rice which encouraged farmers to sell their output directly to the market.

As regards marketing of agricultural production means, there were 1,718 KUDs channelling 3,360.1 thousand tons of fertilizer and 424 KUDs channelling 1,516.2 thousand liters of pesticides in the reporting year. One hundred and thirty cooperatives participated in marketing the products of smallholders' estates and distributed 26.1 thousand tons of copra, while 448 cooperatives distributed 5.4 thousand tons of cloves. The number of cooperatives involved in smallholders' livestock farms remained unchanged, namely 499 units, however, their total assets rose by 10.6% to Rp102.5 billion. In 1988, the number of milch cows owned by cooperative members went up by 19.5% to 126.0 thousand, while milk handled by cooperatives went up by 1.0% to 310.2 million liters. The number of cooperatives participating in smallholders' fishery reached 677 units with 154.1 thousand members and total assets of Rp88.8 billion.

In 1988, the number of cooperatives dealing with traditional handicrafts

decreased by 2.7% to 1,253 units with 290.8 thousand members. However, their total assets rose by 5.0% to Rp411.8 billion.

Participation of KUDs in the distribution of electricity to villages continued to develop favorably. By the end of the reporting year, there were 966 units of KUDs distributing electricity to 6,593 villages, covering 2,028,698 houses.

In the reporting year, credits channelled through cooperatives, mostly petty traders' credits (*Kredit Candak Kulak* or KCK), continued to increase both in volume and in number of customers. The number of cooperatives channelling KCKs up to the end of 1988 were 5,981 units while the value of such credits and the number of KCKs' customers increased by 4.2% and 2.3% reaching Rp244.3 billion and 16.8 million customers, respectively. It may be added that bank credit to cooperatives reached Rp380.6 billion at the end of the reporting year, comprising Rp287.0 billion of working capital credit and Rp93.6 billion of term loans. Of the aforementioned bank credit to cooperatives, Rp349.6 billion were extended to KUDs and Rp31.0 billion to non-KUDs.

APPENDICES

APPENDIX A

BANK INDONESIA CONDENSED BALANCE SHEET as per March 31, 1989 (billions of rupiah)

ASSETS		LIABILITIES	
1. Gold and Foreign Assets		1. Monetary Liabilities	8,817
a. Gold and Foreign Exchange	10,702	a. Currency in Circulation	7,559
b. Other Foreign Assets	275	b. DMBs' Demand Deposits	1,109
2. Claims on Public Sector		c. Private Sector's Demand Deposits	149
a. Central Government	3,791	2. Foreign Exchange Banks' Demand	
b. Official Entities and Public Enterprises	1,013	Deposits in Foreign Currency	150
3. Claims on Deposit Money Banks		3. Other Demand Deposits in Foreign Currency	137
4. Claims on Private Sector		4. Foreign Liabilities	1,047
5. Other Assets		a. Foreign Exchange Liabilities	---
		b. Other Foreign Liabilities	1,047
		5. Government Deposits	9,763
		a. Current Account	6,765
		b. Blocked Account	65
		c. Counterpart Funds	768
		d. Import Guarantee Deposits	186
		e. Others	1,979
		6. Capital and Reserves	1,605
		7. Other Liabilities	16,879
			38,398
			38,398

BANK INDONESIA
PROFIT AND LOSS ACCOUNT 1)
as per March 31, 1989
(billions of rupiah)

EXPENDITURES		REVENUES
EXPENSES		
- Personnel, material, operational	141	- Interest 1,879
- Currency issues	109	- Commission --
- Miscellaneous	760	- Miscellaneous 26
- Depreciation	170	
PROFIT		
- Profit before tax	725	
	1,905	1,905

1) As submitted to the Government.

APPENDIX B

MANAGEMENT OF BANK INDONESIA as of March 31, 1989

1. GOVERNMENT COMMISSIONER AND BOARD OF DIRECTORS

GOVERNMENT COMMISSIONER

A.J. Witono S.

BOARD OF DIRECTORS

Governor : Prof. Dr. Adrianus Mooy
Managing Director : Drs. Binhadi
Managing Director : Sujitno Siswowidagdo, S.E.
Managing Director : T.M. Sjakur Machmud, S.H.
Managing Director : R. Rachmad
Managing Director : Drs. Hendrobudiyanto
Managing Director : Dr. Syahril Sabirin
Managing Director : Dr. Hasudungan Tampubolon

2. GENERAL MANAGERS

Accounting Department	: Sukanto
Banking Research and Development Bureau	: Hendarno Hendarmin, S.E.
Communication and Security Department	: Mrs. Indrawati Soewarso, S.H.
Cooperative and Small Scale Credits Department	: Ir. Achmad Darsana Hardjakusumah
Currency Circulation Department	: Thamrin Soerawisastra, S.H.
Economics and Statistics Department	: Dr. Kilian Sihotang
Foreign Exchange Department	: Paul Soetopo Tjokronegoro, S.E., M.A., M.A.P.E.
General Credits Department	: Siswanto, S.E.
Human Resources Department	: Ekotjipto, S.H.
Internal Control Department	: Dr. Heru Soeprapto, S.E.
Internal Resources Research and Development Department	: Permadi Gandapradja, M.M.
International Department	: Haryono, S.H.
Legal and Secretariat Department	: Mrs. Indrawati Soewarso, S.H.
Logistics Department	: Hartono, S.H.
Money Markets and Clearing Department	: Dahlan M. Sitalaksana, S.E., M.A., M.P.A., M.A.P.E.
Private Banks Supervision Department	: Ibrahim Zarkasi, S.E.
State Banks Supervision Department	: Soehaimi Saleh, S.E.

3. REPRESENTATIVES

London	: Ir. Mansjurdin Nurdin
New York	: Djamalius Luddin, S.E.
Singapore and Kuala Lumpur	: Subijanto Suronegoro, S.E., M.M.
Tokyo	: Sutedja Trisnaatmadja, S.H.

4. REGIONAL COORDINATORS

Coordinator of Bank Indonesia for Central Jawa and Yogyakarta	: Koesen, S.E.
Coordinator of Bank Indonesia for East Jawa	: Drs. Bistok Hutasoit
Coordinator of Bank Indonesia for North Sumatera	: Aibar Durin, S.H.
Coordinator of Bank Indonesia for West Jawa	: Soedharnindhito, S.H.

5. BRANCH MANAGERS

Ambon	: Bahrulkifli, S.H.
Balikpapan	: Sutomo Sunartadirdja, S.E.
Banda Aceh	: Mahmud Arsin
Bandar Lampung	: Judjono Gandasubrata, S.E.
Bandung	: Soedharnindhito, S.H.
Banjarmasin	: Suryono Joyoprayitno, S.E.
Bengkulu	: Onang Sunaryono, S.E.
Cirebon	: Muchtar Suriadihardja, S.E.
Denpasar	: Mohd. Kurdi, S.E.
Dili	: Moeljono, S.E.
Jambi	: M. Tonggur Naibaho, S.E.
Jayapura	: Drs. Sudarto Wirjodarmodjo
Jember	: Urip Koendarto, S.H.
Kediri	: Soediono, S.E.
Kendari	: Muchammad Sjarief, S.H.
Kupang	: Drs. Djumiran Indrojatmoko
Lhokseumawe	: Nasihun
Malang	: Syahriar Lathief
Manado	: Djedi
Mataram	: Abdul Muis Hamid, S.E.
Medan	: Aibar Durin, S.H.
Padang	: Soekisman
Padang Sidempuan	: Mohamad Saih, Bc. Hk.
Palembang	: Darwis Idroes, S.E.
Palu	: J.B.B. Soeharmanto Padmowidjojo, S.E.
Pekanbaru	: Soeparman, S.H.
Pematang Siantar	: Warjoto
Pontianak	: R. Soetrisno
Purwokerto	: Moh. Makruf Saleh, S.H.
Samarinda	: Adji Mulawarman Hasan, S.E.
Sampit	: Pirngadi Siswowitzoto, S.E.
Semarang	: Koesen, S.E.
Sibolga	: Rusly Majid
Solo	: Drs. Tontowi Djauhari L.
Surabaya	: Drs. Bistok Hutasoit
Tasikmalaya	: Muhammad Afif, S.E.
Tegal	: A.L. Tobing
Ternate	: Drs. Haswandi S. Effendi
Ujung Pandang	: Irfano Chamra, S.E., M.P.A.
Yogyakarta	: Sri Hastjarja Poerwasoeparta, S.E.

APPENDIX C

TABLE I
INTEREST RATE AND SELF-FINANCING REQUIREMENT OF
BANK INDONESIA'S REFINANCING FACILITY
(percentage)

Items	Interest charged by handing banks to customers p.a.	Minimum ratio of customer's self- financing requirement in total cost of project	Ratio and interest rate of BI's refinancing facility	
			Ratio	Interest p.a.
I. Working capital credits				
1. Permanent Working Capital Credit (KMKP)	12	--	55	5.2
2. Credits for production, imports, and distribution of fertilizer, insecticide, agriculture, and plantation	12	25	75	3
3. Credits to Private National Plantation (PSN)	12	30	75	3
4. Credits to cooperatives (for members and for the purchase of essential commodities)	12	--	90	3
5. Export credits	freely determined by respective handling bank ¹⁾	15	85	3
6. Credits to national contractors	9	50-70	70	3
7. Credits to villages (Kupedes)	18	--	100	12 ²⁾
8. Working Capital Credits (KMK) through Rp75 million	15	10	70	3
9. KMK Keppres No. 29/1984	15	10	70	3
10. Credits to farmers through KUDs for the intensification of paddy/secondary crops	12	--	100	3
II. Investment credits				
1. Small Investment Credits (KIK)	12	--	55	5.2
2. Plantation credits :				
a. Nucleus Smallholder Estate (PIR)	12	--	80	3
b. PIR-Trans ³⁾	16	35	55	6.5
c. Rejuvenation, Rehabilitation, and Expansion of Export Plants (PRPTE)	12	--	80	3
d. Private National Plantation (PSN)	12	10-30	85	3
3. New rice fields ⁴⁾	12	--	100	3
4. Investment Credits (KI) through Rp75 million	15	10	70	3
5. Credits to cooperatives (for members and for the purchase of essential commodities)	12	--	90	3
6. Credits to villages (Kupedes)	12	--	100	3
III. Others				
1. House Ownership Credits (KPR)	9-15	10-40	75-90	3
2. Credits for Indonesian Students (KMI)	6	--	100	3
3. Credits for Student Dormitories	5	--	80	3

1) An interest rate of 9% p.a. would be applied on credits of which exports have been realized.

2) 95% for state development banks.

3) Excluding reserve for risk.

4) Prior to extending credit to farmer, this credit scheme provided by Bank Indonesia as direct credit to the Ministry of Agriculture.

TABLE II
PLACEMENT OF SHARES AND BONDS IN THE CAPITAL MARKET

Enterprises	Date of go public/ issuance permit	Number of issuance	Value (millions of rupiah)
A. SHARE			
I. JAKARTA STOCK EXCHANGE BOURSE		106,193,767	345,228
1. PT Semen Cibinong	08-06-1977	557,096	7,023
2. PT Centex	05-04-1979	700,000	3,558
3. PT BAT Indonesia	10-19-1979	6,600,000	16,500
4. PT Tificorp	12-29-1979	1,100,000	7,975
5. PT Richardson Vicks Indonesia	03-06-1980	420,000	1,260
6. PT Goodyear Indonesia	11-10-1980	6,150,000	7,688
7. PT Merck Indonesia	06-23-1981	1,680,000	3,192
8. PT Multi Bintang Indonesia	10-27-1981	3,520,012	5,526
9. PT Unilever Indonesia	11-16-1981	9,200,000	29,210
10. PT Sepatu Bata	02-06-1982	1,950,000	2,486
11. PT Unitex	05-12-1982	733,500	1,082
12. PT Sucaco	06-05-1982	16,000,000	71,360
13. PT Bayer Indonesia	06-16-1982	2,324,100	3,079
14. PT Panin Bank	10-28-1982	4,800,000	16,917
15. PT Squibb Indonesia	02-12-1983	972,000	1,021
16. PT AJ Panin Putra	04-30-1983	1,020,000	3,009
17. PT Sari Husada	06-04-1983	1,257,720	2,331
18. PT Pan Union Insurance	08-13-1983	765,000	880
19. PT Singer Indonesia (formerly PT Regnis Indonesia)	11-21-1983	7,971,707	34,435
20. PT Pfizer Indonesia	12-21-1983	600,000	855
21. PT Delta Djakarta	12-23-1983	583,632	1,786
22. PT Hotel Prapatan	12-29-1983	12,500,000	39,668
23. PT Jakarta Int. Hotel	12-30-1983	24,568,000	84,067
24. PT Prodentia Indonesia	10-09-1988	221,000	320
II. PARALLEL BOURSE			
1. PT Zebra Taxi	12-09-1988	2,500,000	3,750
B. BONDS			
I. JAKARTA STOCK EXCHANGE BOURSE ¹⁾		328,955	1,090,718
1. PT Jasa Marga	01-15-1983	256,600	518,718
2. Bapindo	01-29-1983	41,915	225,000
3. PT Papan Sejahtera	04-16-1983	13,050	117,000
4. PT IBJ Leasing	06-15-1988	3,050	10,000
5. PT Astra International	06-23-1988	4,790	60,000
6. PT Uppindo	06-29-1988	2,200	75,000
7. BPD Jawa Timur	09-30-1988	1,000	25,000
8. BPD Jawa Tengah	11-25-1988	1,000	25,000
9. PT Asia Nusantara Leasing	12-15-1988	2,590	5,000
10. Bukopin	03-31-1989	2,760	30,000
II. PARALLEL BOURSE			
1. PT D. Sakti Sejahtera	02-20-1989	1,020	10,000

1) - Interest rate : 15.5% - 19.25% p.a.
- Maturity : 3 - 8 years.

TABLE III
PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES
DURING REPELITA I 1969/70 – 1973/74
(billions of rupiah)

Particular	1969/70		1970/71		1971/72		1972/73		1973/74		Total	
	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	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	708
a. Project aid	(36)	(25)	(45)	(41)	(95)	(45)	(124)	(62)	(140)	(114)	(440)	(287)
b. Program aid	(63)	(66)	(75)	(79)	(85)	(91)	(85)	(96)	(85)	(89)	(393)	(421)
Development funds	123	118	153	176	223	215	264	310	296	458	1,059	1,277
Development expenditures	123	118	153	169	223	196	264	298	296	451	1,059	1,232
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)	(287)
Surplus (+)/deficit(–)	--	--	--	7	--	19	--	12	--	7	--	45

Source : Ministry of Finance.

TABLE IV
PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES
DURING REPSELITA II, 1974/75 - 1978/79
(billions of rupiah)

Particular	1974/75		1975/76		1976/77		1977/78		1978/79		Total	
	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	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	8,872
Government saving	402	738	780	909	849	1,276	978	1,386	1,184	1,522	4,193	5,831
Foreign aid	214	232	192	492	208	784	218	773	224	1,036	1,056	3,317
a. Project aid	(--)	(196)	(--)	(472)	(--)	(774)	(--)	(737)	(--)	(988)	(--)	(3,167)
b. Program aid	(--)	(36)	(--)	(20)	(--)	(10)	(--)	(36)	(--)	(48)	(--)	(150)
Development funds	616	970	972	1,402	1,057	2,060	1,196	2,159	1,408	2,558	5,249	9,149
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)	(--)	(5,959)
b. Project aid	(--)	(196)	(--)	(472)	(--)	(774)	(--)	(737)	(--)	(988)	(--)	(3,167)
Surplus (+)/defisit (-)	--	8	--	3	--	6	--	3	--	2	--	23

Source : Ministry of Finance.

TABLE V
PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES
DURING REPSELITA III, 1979/80 – 1983/84
(billions of rupiah)

Particulars	1979/80		1980/81		1981/82		1982/83		1983/84		Total	
	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals
Domestic revenues	5,440	6,697	6,090	10,227	6,804	12,213	7,526	12,418	8,412	14,433	34,272	55,988
Routine expenditures	3,446	4,062	3,845	5,800	4,294	6,978	4,767	6,996	5,308	8,412	21,660	32,248
Government savings	1,994	2,635	2,245	4,427	2,510	5,235	2,759	5,422	3,104	6,021	12,612	23,740
Foreign aid	1,494	1,381	1,647	1,494	1,840	1,709	2,019	1,940	2,237	3,882	9,237	10,406
a. Project aid	(1,429)	(1,316)	(--)	(1,430)	(--)	(1,664)	(--)	(1,925)	(--)	(3,867)	(--)	(10,202)
b. Program aid	(65)	(65)	(--)	(64)	(--)	(45)	(--)	(15)	(--)	(15)	(--)	(204)
Development funds	3,488	4,016	3,892	5,921	4,350	6,944	4,778	7,362	5,341	9,903	21,849	34,146
Development expenditures	3,488	4,014	3,892	5,916	4,350	6,940	4,778	7,360	5,341	9,899	21,849	34,129
a. Rupiah	(2,059)	(2,698)	(--)	(4,486)	(--)	(5,276)	(--)	(5,435)	(--)	(6,032)	(--)	(23,927)
b. Project aid	(1,429)	(1,316)	(--)	(1,430)	(--)	(1,664)	(--)	(1,925)	(--)	(3,867)	(--)	(10,202)
Surplus(+)/deficit(–)	--	2	--	5	--	4	--	2	--	4	--	17

Source : Ministry of Finance.

TABLE VI
PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES
DURING REPELITA IV 1984/85 – 1988/89
(billions of rupiah)

Particulars	1984/85		1985/86		1986/87		1987/88		1988/89		Total	
	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals
Domestic Revenues	16,149	15,905	19,794	19,253	24,282	16,141	28,319	20,803	33,542	23,004	122,086	95,106
Routine expenditures	10,101	9,429	12,043	11,951	14,583	13,559	16,891	17,482	20,494	20,739	74,112	73,160
Government savings	6,048	6,476	7,751	7,302	9,699	2,582	11,428	3,321	13,048	2,265	47,974	21,946
Foreign aid	4,411	3,478	5,098	3,572	5,715	5,752	6,687	6,158	7,475	9,991	29,387	28,951
a. Project Aid	(4,371)	(3,409)	(--)	(3,503)	(--)	(3,795)	(--)	(5,430)	(--)	(7,950)	(--)	(24,087)
b. Program aid	(40)	(69)	(--)	(69)	(--)	(1,957)	(--)	(728)	(--)	(2,041)	(--)	(4,864)
Development funds	10,459	9,954	12,849	10,874	15,414	8,334	18,115	9,479	20,524	12,256	77,361	50,897
Development expenditures	10,459	9,952	12,849	10,873	15,414	8,332	18,115	9,477	20,524	12,251	77,361	50,885
a. Rupiah	(6,088)	(6,543)	(--)	(7,370)	(--)	(4,537)	(--)	(4,047)	(--)	(4,301)	(--)	(26,798)
b. Project Aid	(4,371)	(3,409)	(--)	(3,503)	(--)	(3,795)	(--)	(5,430)	(--)	(7,950)	(--)	(24,087)
Surplus (+)/deficit (-)	--	2	--	1	--	2	--	2	--	5	--	12

Source : Ministry of Finance.

TABLE VII
INDONESIA'S BALANCE OF PAYMENTS ¹⁾
(millions of dollars)

Items	1984/85	1985/86	1986/87	1987/88	1988/89 *
A. Balance of goods and services	-1,968	-1,832	-4,051	-1,707	-1,859
1. Merchandise goods, exports f.o.b.	19,901	18,612	13,697	18,343	19,824
imports f.o.b	-14,427	-12,552	-11,451	-12,952	-14,311
2. Freight on import	-1,571	-1,356	-1,237	-1,401	-1,555
3. Others transportation	-293	-274	-229	-226	-317
4. Travel	-72	-28	157	477	806
5. Investment income	-3,698	-3,814	-3,153	-3,825	-4,198
5.1. Oil and LNG sector	(-2,009)	(-2,106)	(-1,121)	(-1,237)	(-1,242)
5.2. Direct investment and others	(-1,689)	(-1,708)	(-2,032)	(-2,588)	(-2,956)
6. Government, not included elsewhere	-118	-124	-125	-130	-142
7. Other services	-1,690	-2,296	-1,710	-1,993	-1,966
Balance of goods (1)	5,474	6,060	2,246	5,391	5,513
Balance of services (2 through 7)	-7,442	-7,892	-6,297	-7,098	-7,372
B. Grants	69	110	115	165	166
8. Private	--	--	--	--	--
9. Government	69	110	115	165	166
C. Current account (A + B)	-1,899	-1,722	-3,936	-1,542	-1,693
D. Capital movements	1,990	2,220	5,198	1,485	3,125
D.1. Other than reserves	2,657	2,250	4,460	3,070	2,448
10. Direct investment and other long-term capital movements	2,419	1,868	3,440	1,983	2,425
10.1. Direct investment	245	299	252	544	585
10.2. Bonds	--	300	--	--	169
a. Government	--	300	--	--	169
b. Private	--	--	--	--	--
10.3. Other long-term capital movement	2,174	1,269	3,188	1,439	1,671
a. Government	2,158	1,378	3,228	1,361	2,490
b. Private	16	-109	-40	78	-819
11. Short-term capital movement	238	382	1,020	1,087	23
11.1. Government	--	--	--	--	--
11.2. Private	238	382	1,020	1,087	23
D.2. Reserves	-667	-30	738	-1,585	677
12. Monetary gold	228	-111	-178	-138	163
13. Special Drawing Rights	-10	-42	17	35	5
14. Reserves position in the Fund	9	-15	-9	-8	5
15. Foreign exchange	-893	138	908	-1,474	505
16. Others	-1	--	--	--	-1
E. Errors and Omissions (between C and D)	-91	-498	-1,262	57	-1,432

1) -- The presentation basically follows the Fund.
-- Positive is for credit and negative is for debt.

TABLE VIII
EXPORTS BY COUNTRY OF DESTINATION
(millions of \$)

Country	1984/85	1985/86	1986/87	1987/88	1988/89*
Europe	1,359	1,456	1,544	1,899	2,218
Share (%)	6.3	7.9	11.4	10.4	12.5
Belgium and Luxemburg	65	52	98	128	159
Denmark	5	3	7	14	23
Fed. Rep. of Germany	236	282	328	388	435
France	56	76	95	112	165
Italy	169	151	150	184	197
Netherlands	379	398	445	534	624
Norway	1	3	8	9	7
Sweden	8	11	15	23	22
United Kingdom and Rep. of Ireland	153	199	199	253	341
Others	287	281	199	254	245
America	5,349	4,498	2,880	3,453	2,985
Share (%)	24.9	24.5	21.3	18.8	16.8
Canada	44	53	61	101	93
United States of America	4,342	4,145	2,745	3,292	2,861
Others	963	300	74	60	31
Africa	138	180	161	147	256
Share (%)	0.6	1.0	1.2	0.8	1.5
Asia	14,173	12,001	8,722	12,446	11,948
Share (%)	66.0	65.4	64.5	67.9	67.4
Hong Kong	306	356	340	424	541
India	34	43	64	56	63
Iraq	2	3	3	4	9
Japan	10,135	8,446	5,885	7,981	7,344
Malaysia	96	73	84	118	173
Pakistan	45	50	19	25	37
Philippines	194	188	86	80	78
Singapore	1,972	1,487	1,096	1,576	1,510
Thailand	100	94	59	104	162
Others	1,289	1,261	1,086	2,078	2,031
Australasia	465	212	225	379	323
Share (%)	2.2	1.2	1.7	2.1	1.8
Australia	299	123	154	346	284
New Zealand and Oceania	166	89	71	33	39
Total	21,484	18,347	13,532	18,324	17,730

*) April 1988 through February 1989
Source : Central Bureau of Statistics

TABLE IX
IMPORTS BY COUNTRY OF ORIGIN
(millions of \$)

Country	1984/85	1985/86	1986/87	1987/88	1988/89*
Europe	2,579	1,981	2,439	2,943	2,759
Share (%)	19.1	20.1	21.1	23.6	22.1
Belgium and Luxemburg	102	99	106	148	131
Czechoslovakia	10	3	16	9	20
Democratic Rep. of Germany	3	3	4	15	5
Fed. Rep. of Germany	919	576	789	874	749
France	367	289	309	389	412
Italy	114	101	172	249	137
Netherlands	282	181	217	310	244
Spain	78	87	47	77	122
Sweden	105	102	120	114	109
Switzerland	88	73	121	138	154
United Kingdom and the Rep. of Ireland	281	341	380	326	320
Others	230	126	158	294	356
America	2,902	1,936	1,957	1,909	2,357
Share (%)	21.5	19.7	16.9	15.3	18.8
Canada	330	201	212	336	224
United States of America	2,433	1,549	1,533	1,380	1,905
Others	139	186	212	193	228
Africa	151	168	124	164	188
Share (%)	1.1	1.7	1.1	1.3	1.5
Asia	7,393	5,221	6,576	6,874	6,529
Share (%)	54.7	53.1	56.9	55.2	52.2
Burma	18	1	1	1	1
Hong Kong	64	62	101	106	125
India	49	16	29	38	28
Japan	3,162	2,689	3,267	3,576	3,077
Malaysia	102	33	59	175	265
Pakistan	11	31	33	35	56
Philippines	15	27	61	52	33
People's Republic of China	214	264	353	408	409
Singapore	1,624	663	1,356	657	794
Thailand	66	38	74	90	117
Others	2,068	1,397	1,242	1,736	1,624
Australasia	482	528	471	565	671
Share (%)	3.6	5.4	4.0	4.6	5.4
Australia	408	454	396	489	577
New Zealand and Oceania	74	74	75	76	94
Total	13,507	9,834	11,567	12,455	12,504

*) April 1988 through February 1989.
Source : Central Bureau of Statistics.

Angka Pengenal Importir Terbatas (APIT), or limited importer's identification number, is owned by producers under the PMA or PMDN scheme. Those numbers are provided by the Ministry of Trade or its representative office.

Asian Development Fund is a special fund provided by Asian Development Bank (ADB) since 1968 on concessionary basis.

Bank Perkreditan Rakyat (BPR), or rural credit bank, is a rural bank such as market bank, employee bank, village bank, and paddy bank. This type of bank is engaged primarily in accepting savings and extending loans to traders in market places or villages. The operation of this type of bank is limited to regencies/villages.

Compensatory Financing Facility (CFF) is a facility or loan provided by the IMF to its member country which encounters balance of payments difficulties resulting from temporary export shortfalls due largely to factors beyond the member's control.

Complementary Financing Scheme is a scheme designed to complement a loan provided by ADB involving other financial institutions.

Conventional Oil-field is an area of oil exploration which has been surveyed geologically and proved to have hydrocarbon reserves.

Economically-weak Group is a group comprising either small-scale entrepreneurs including farmers, fishermen, and craftsmen or small-scale corporate bodies. This group is eligible to obtain KIK and/or KMKP credits.

Export Credit Facility regarding official foreign debt is a concessionary loan provided by a creditor country to be used to purchase goods and services from the country. This loan is provided by a creditor government or financial institution and guaranteed by the creditor government.

Frontier Oil-field is an area of oil exploration which has never been surveyed geologically to explore the possibility of having hydrocarbon reserves.

Importir Produsen (IP), or producer importer, is a producer who obtains limited license to import goods required for the process of production on his own preference, including the imported items specified in "Importir Umum Plus"; *Importir Terdaftar (IT)*, or registered importer, is allowed to merely import special items under special arrangements by the Government; *Importir Umum (IU)*, or general importer, obtains import license for general trade; *Importir Umum Plus (IU+)* is an importer with general import license and owns importer's identification number as well as taxpayer identification code and never violates the prevailing regulations.

Indonesia's Selective Cutting System is a wood-cutting system, including the cutting and rehabilitation methods for exploited forests, to be followed by the HPH holders. The diameter of trees to be cut is at least 0.5 meter.

Installment Sale is a financial assistance provided by the Islamic Development Bank (IDB) to its members in the form of sale contract on goods of which the ownership is automatically granted to the buyer. The purchasing price of

the goods plus a maximum mark-up of 10% is to be repaid in installments.

Intensifikasi Khusus (Insus), or special intensification program, is an agricultural intensification program using five cultivation techniques implemented by a group of neighboring farmers to make the best use of resources.

Inter-Governmental Group on Indonesia (IGGI) is a group of aid donors to Indonesia comprising governments and international institutions. The group, established in 1967, conducts regular meetings to assess Indonesia's needs for credits. Aid donors include Australia, Belgium, Canada, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, New Zealand, Switzerland, the United Kingdom, the United States, the Asian Development Bank, the International Monetary Fund, the United Nations Development Program, and the World Bank. The observers include Austria, Denmark, Finland, Norway, Spain, and representatives of the Organization for Economic Cooperation and Development, the European Community, and the United Nations Children's Emergency Fund.

Kredit Candak Kulak (KCK) is a small-scale credit eligible for petty traders. KCK is a soft-term credit with simple procedures, extended to assist the financing of merchandise purchase. Loanable funds for this credit is entirely provided by the State Budget and its distribution is entrusted to KUDs, under the supervision of the Ministry of Cooperatives.

Kredit Investasi Kecil (KIK), or small-scale investment credit, is a credit (medium- or long-term) especially designed to assist indigenous small-scale entrepreneurs or enterprises, on special terms and conditions, for financing their investment in rehabilitating, modernizing, expanding, or funding new projects.

Kredit Modal Kerja Permanen (KMKP), or permanent working capital credit, is a credit on special terms and conditions with simple procedures, especially designed to assist indigenous small-scale entrepreneurs or enterprises for financing their working capital needs.

Kredit Pemilikan Rumah (KPR) or house ownership credit, is a soft-term credit for financing low cost housing. This credit is available for an employee (government or non-government) with an income not exceeding that of a government employee of category IV and is extended through State Savings Bank (BTN).

Kredit Umum Pedesaan (Kupedes), or rural general credit, is a credit designed to encourage the development of small-scale entrepreneurs in rural areas.

Lembaga Dana dan Kredit Pedesaan is another type of rural bank and other credit institutions, having a bank license from the Minister of Finance, which is engaged in mobilizing funds and extending credits in the rural district areas.

Liquidity Credit is a refinancing facility of Bank Indonesia to finance banks' loans to borrowers or to assist banks in case of liquidity problems.

Margin of Preference (MOP) is a percentage discount on prevailing tariffs applicable to certain goods intended to promote inter-ASEAN trade.

Marginal Working Area is an oil field with a production capacity less than 5,000 barrels per day.

Money Supply ($=M_1$) comprises currency and demand deposits, which constitute the cash liabilities of the monetary system to the community.

New System of Labor-intensive Project is a government's program to utilize unemployed and "disguisedly" unemployed workers in a certain local area using available resources and facilities in that area. The main targeted area is the poor and densely populated district, catastrophic region, and agricultural area which suffers a continued decline in its product selling-prices.

Official Mail is all government institutions' and ministries' domestic mails, of which deliveries are on the Ministry of Finance's cost.

Perusahaan Inti Rakyat (PIR), or smallholders' nucleus estate, is a scheme for developing smallholders' business by assigning more established agricultural estates as a nucleus to provide guidance in cultivating, managing, processing, and marketing products. This scheme is carried out, among others, in plantations (PIR-Bun), poultry farms (PIR-Unggas), and fisheries (Tambak Inti Rakyat).

Program Aid is a foreign aid or loan with concessionary basis which can be disbursed directly to overcome balance of payments pressures and to meet the need of local cost financing for government projects; *Pure Program Aid* is obtained in the form of foodstuffs.

Project Aid is a rupiah counter account of foreign aid or loan which will be utilized for the implementation of a project.

Quality Control Circle is a group of 3 to 10 employees from a department or division of a company who discusses and solves their work-problems using total quality control techniques.

Sapta Pesona, or hospitality program, is a seven hospitality formula to attract tourists to come to Indonesia.

Sertifikat Bank Indonesia (SBI), or Bank Indonesia certificate, is a certificate of deposits issued by Bank Indonesia that may be sold to banks or NBFIs and may be traded among them or be discounted to the securities house. The securities house may, in turn, rediscount them to Bank Indonesia.

Sleeping Land is an area of land which is not optimally cultivated.

Supra Insus, or super Insus, is an agricultural intensification program using ten cultivation techniques on the basis of cooperation among groups of farmers in one agricultural guidance area.

Surat Berharga Pasar Uang (SBPU), or money market securities, is a short-term securities issued by a business entity or a bank, which may be traded among banks or NBFIs. In addition, banks and NBFIs may discount the SBPUs to the securities house and the securities house may, in turn, rediscount them to Bank Indonesia. The securities house is an NBFIs designated to execute the trading of its own or its customers' SBPUs.

Total Quality Control (TQC) is a management system which encourages all workers and all levels of managers to participate in the production process using quality control techniques with the objectives to satisfy both consumers and employees.

Unit Pelayanan Pengembangan (UPP), or development service unit, is a type of smallholder-estate development program with the objectives to assist and promote smallholders' estates in cultivating, managing, and marketing their products as well as organizing themselves in cooperatives.