

BANK INDONESIA



REPORT FOR THE FINANCIAL YEAR 1989/90

BANK INDONESIA

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TASIKMALAYA, TEGAL, TERNATE, UJUNG PANDANG, YOGYAKARTA

Position as per end of March 1990

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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 usual, as a monetary authority, Bank Indonesia presents information on Indonesia's economic and monetary developments. This 1989/90 annual report covers developments in the first year of the Fifth Five Year Development Plan (Repelita V), the last stage of the first long-term (25 years) development plan. By completing the basic framework, Repelita V sets the stage for the process of take-off in Repelita VI in particular and the second long-term development plan in general.

Despite a slowdown in worldwide economic growth in 1989, Indonesia experienced favorable economic development with GDP growth of 7.4%. This growth, which surpassed the Repelita V average target of 5% p.a., was supported by monetary stability and a firm balance of payments. These achievements make us optimistic about reaching the targets of Repelita V. High growth in 1989 could not have been achieved without a series of adjustment policies implemented by the Government. These policies have succeeded in improving the attractiveness of investment and the business climate and induced financial and banking sectors to develop rapidly. This, in turn, has enabled the non-oil/gas sector in particular and economy in general to develop greater resiliency and vibrancy.

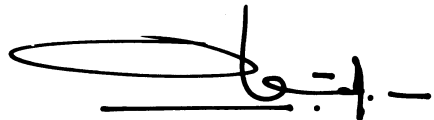
Continuing the implementation of policies issued in previous years, on January 29, 1990, the Government issued a package of policies on credit. This package was intended to

strengthen the national credit system by consolidating the function of banks and other financial institutions in managing and implementing the credit system, by increasing credit to small-scale businesses, and by strengthening Bank Indonesia's role in maintaining monetary stability and in supervising banks. So, those banks and other financial institutions are expected to develop more soundly.

Owing to favorable economic development in 1989/90, including the stronger economic structure, and the Government's serious commitment to continue necessary adjustment policies, Indonesia is expected to be able to take advantage of changes occurring in the country or overseas. This, in turn, would strengthen the basis of development stage in the future.

Finally, this report was completed owing to excellent cooperation with various ministries and other related institutions for which I want to express my deepest gratitude. I hope, the information contained in this report will be useful to all of us.

Jakarta, December 1990



Prof. Dr. Adrianus Mooy
Governor of Bank Indonesia

I. INTRODUCTION

A. General

A series of adjustment measures adopted by the Government in the early 1980s designed to cope with various challenges, both internal and external, while simultaneously laying a stronger foundation for development, have shown favorable outcomes. The adjustment measures have contributed to increasing economic activities and stimulating community participation in development, thereby enabling the achievement of sufficiently high economic growth in the past few years. In 1989, the first year of the implementation of the Fifth Five-year Development Plan (*Rencana Pembangunan Lima Tahun V* or Repelita V), the economy recorded a respectable growth rate of 7.4%, despite a slowdown in world economic growth. Indonesia's economic growth in 1989, which surpassed the 5% annual average target of the Repelita V, was primarily induced by the expansion of non-oil/gas exports and investment.

The achievement of high economic growth was also accompanied by further improvements in economic structure as reflected in the composition of exports, production, funds, and government revenues. The improvement in the structure of export was characterized by a continued increase of non-oil/gas exports, especially manufactured products, an expansion of the export markets, and further diversification of the types of export commodities. The strengthened production structure was reflected, in a higher share of the manufacturing and services industry in total domestic production, despite increases in the output of other sectors. The improvement in the structure of funds was evidenced by the rapid in-

crease in the funds mobilized from the capital market. The enhanced structure of government revenue was reflected in the increasing share of non-oil/gas receipts. Furthermore, the improvement in economic structure was accompanied by continued self-sufficiency in rice, first achieved in 1984.

Concurrent with the attainment of a high rate of economic growth, the number of people living below the poverty line declined markedly. This achievement was closely related to the further expansion of exports and non-oil/gas industries, in addition to an increase in rice production and agricultural output in general. Furthermore, poverty alleviation was attributable to various policies adopted, inter alia, development expenditure targeted at the poor and the provision of credits on concessional terms for the economically weak group. Nevertheless, the large number of people living in poverty constitutes a challenge to be coped with in the future.

In the past few years, the balance of payments developed favorably. These developments were mainly reflected in the steady expansion of non-oil/gas exports, thereby reaffirming their importance in total exports. This favorable outcome was due mainly to improvements in the competitiveness of Indonesia's products in the international and domestic market that was supported, inter alia, by the maintenance of a realistic exchange rate. Furthermore, the Government -- in view of the slight slackening of export growth recently -- has continued the effort to further promote non-oil/gas exports so as to restore their rapid pace.

The attainment of high economic growth

was also coupled with the maintenance of monetary stability as reflected in the low level of inflation (less than 6% annually in the past two years) and a reasonable level of interest rates. This was attributable to, among other things, to the adoption of a cautious monetary policy stance by providing an appropriate increase in money supply adequate to support investment and production.

The improvements in Indonesia's economy were also attributable to the deregulation measures in the areas of money, finance, and banking adopted since 1983. Following the introduction of the policy package of October 1988, the banking sector recorded substantial progress within a relatively brief period of time. The number of banks (comprising commercial banks, developments banks, and savings banks) increased remarkably from 111 banks in October 1988 to 151 banks at the end of March 1990, while the number of offices went from 1,683 to 2,842. During the same period, the number of rural credit banks (*bank perkreditasi rakyat* or BPRs) rose from 7,706 to 7,820. The expansion of the banking network was followed by improvements in efficiency and expansion of banking services through the introduction of new banking products. In line with these developments, savings mobilized soared from Rp36.9 trillion at the end of October 1988 to Rp59.2 trillion at the end of March 1990 and bank lending increased from Rp42.7 trillion to Rp 71.6 trillion. Furthermore, since the adoption of the policy package of October 1988, interest rates for deposits and lending showed a downward trend. As was the case with the banking sector, the capital market, which constituted an alternative source of investment funds, showed impressive progress since the introduction of the

December 1988 policy package. This was reflected, among other things, in the substantial increase in the number of listed companies and market capitalization.

The favorable developments in the financial sector showed that the series of policies pursued were successful in laying a solid foundation for the development of an efficient financial sector, capable of supporting development. With a view to further strengthening this foundation, on January 29, 1990 the Government adopted a policy package relating to credit. The package outlined improvements in the credit system by phasing out Bank Indonesia liquidity credits (*Kredit Likuiditas Bank Indonesia* or KLBI); continuing the banking sector's support for maintaining self-sufficiency in rice and achieving self-sufficiency in other foodstuffs; developing cooperatives and promoting investment, simplifying the interest rate structure so as to allow reasonable rates; and securing the availability of credit for small-scale enterprises and cooperative units. The policy package was also intended to promote economic activities in Indonesia's eastern region, the potentials of which have not been fully developed yet. Through this policy, it is expected that monetary stability could be maintained, savings mobilization induced, and the role of banking in supporting equitable developments promoted.

B. Indonesia's Economic Developments in 1989/90

The growth rate of the Indonesian economy rose from 5.7% in 1988 to 7.4% in 1989, the highest rate of growth since 1982. On the expenditure side, the 1989 rate of growth was attributable to increased domestic demand, especially investment

and government consumption, and persistently strong external demand, especially continued increases in non-oil/gas exports despite slow world growth in recent years. On the production side, the higher rate of economic growth was attributable to better economic performance of both the non-oil/gas and the oil/gas sector, which increased by 8.2% and 4.1% in 1989, respectively, compared with 7.4% and -0.6% in 1988. The higher rate of growth in the oil/gas sector stemmed from an reversal in the growth of the oil/gas mining subsector, from -3.5% to 4.8%.

By economic sector, the high growth rate of Gross Domestic Product (GDP) in 1989 was buoyed by the growth of the manufacturing sector and of the trade, hotel, and restaurant sector. In addition, the higher growth rate of the mining and quarrying sector made marked contribution to the achievement of the high GDP growth rate. The manufacturing sector continued to register a firm growth rate of 9.1%, compared with 12.0% in the preceding year. As in previous years, the growth rate in the manufacturing sector was mainly due to production of non-oil/gas export commodities. Meanwhile, the trade, hotel, and restaurant sector registered a higher rate of growth, 10.0% compared with 9.1% in the preceding year, attributable to a higher rate of growth in the wholesale and retail trade subsector. The rate of growth in the mining and quarrying sector significantly increased, from -2.9% in the preceding year to 5.3%. In addition to higher oil production, the increase in the rate of growth of the mining and quarrying sector was attributable to higher production coal, copper, and tin. In the meantime, the agricultural sector registered a persistently high rate of growth, although it decreased to 4.3% from 4.7% in the preceding year.

The lower rate of growth was mainly caused by a decrease in the rate of growth of the foodcrop subsector due to the lower production of some non-rice foodcrop commodities. It could be noted that in 1989 the rice production registered a markedly higher rate of expansion than in the preceding year.

In 1989/90, Indonesia's balance of payments continued to face various pressures, such as depressed prices of some primary commodities, a deceleration in world economic growth, and continued protectionist measures in some industrial countries. However, Indonesia's balance of payments performed well, showing a lower current account deficit whose ratio to GDP shrunk from 2.2% to 1.7%. This was mainly brought about by a continuous increase in non-oil/gas exports, especially manufactured products. With this development, in the reporting year, the structure of Indonesia's balance of payments became stronger.

Non-oil/gas exports increased by 18.9% in 1988/89 reaching \$14,493 million. This increase occurred as exports of manufactured and mining products grew, respectively by 18.7% and 42.0%, while agricultural commodities declined by 6.3%. With this development, the share of manufactured products in non-oil/gas exports remained the highest, namely 82.4%, followed by agricultural products having a share of 13.8% and mining products of 3.8%. Meanwhile, imports rose by 21.4% reaching \$17,374 million, closely associated with increasing activities of the domestic economy, especially investment, and because of higher prices for imported commodities. Furthermore, the services account deficit widened by 9.3% to \$8,055 million due, among other things, to increased import transportation costs and persistently high debt service payments. The

deficit in the current account decreased from \$1,859 million to \$1,599 million.

In the reporting year, capital transactions registered a surplus, but the surplus was lower than that in the preceding year. This was mainly caused by a decline in net inflows of government capital, while net inflows of private capital increased. It should be added that, in the reporting year, amortization payments on government borrowing decreased as a result of the strengthened value of the US dollar against major world currencies, especially the yen.

In the reporting year, official foreign exchange reserves at Bank Indonesia rose by \$248 million, raising official reserves to \$6,259 million as of the end of March 1990, equivalent to 4.6 months of non-oil/gas imports. Taking into account the reserves at foreign exchange banks amounting to \$3,900 million as of the end of March 1990, national foreign exchange reserves reached \$10,159 million, equivalent to 7.4 months of non-oil/gas imports.

In 1989/90, the Government continued to maintain a realistic rupiah exchange rate so as to keep Indonesia's products competitive, both in the international as well as in the domestic markets, and to support a business climate conducive to investment activities. The rupiah exchange rate depreciated against the US dollar (3.73%), the German mark (13.66%), the British pound sterling (1.26%), the French franc (13.95%), the Dutch guilder (13.69%), and the Singaporean dollar (7.51%). Meanwhile, in the same period, the rupiah exchange rate appreciated against the Japanese yen (15.56%) and the Australian dollar (4.39%).

In the monetary sector, the growth of broad money or the domestic liquidity (M_2),

accelerated strongly, reaching 45.7% as against 23.9% in the preceding year. This acceleration occurred in both money supply in the narrow sense (M_1) and in quasi money, 47.6% and 44.8%, respectively. Meanwhile, the rate of economic growth increased significantly and the rate of inflation remained controllable at a relatively low level (5.48%). These developments reflected success in the field of monetary policy which was directed to meeting the increasing liquidity needs from the strong acceleration in investment and production activities, while maintaining price stability.

Bank credit had a highly expansionary effect on money supply. The increase was reflected in the increase in claims on private enterprises and individuals of Rp28,558 billion as compared to Rp10,718 billion in the previous year. In the meantime, the external sector, the government finance, and other sectors continued to have contractionary effect on money supply.

In the field of government finance, actual revenue and expenditure in 1989/90 reached Rp38,169 billion, which was 4.4% higher than budgeted and 15.7% higher than the outturn of the preceding year's budget. Total domestic revenue reached Rp28,740 billion (75.3%) and development receipts reached Rp9,429 billion (24.7%). Of the domestic revenue, Rp11,252 billion (39.0%) originated from oil/gas receipts and Rp17,488 billion (61.0%) from non-oil/gas receipts. The latter receipts were 29.8% higher than last year's outturn. In the meantime, development receipts decreased by 5.6% as against the outturn in the preceding year, mainly due to a reduction in foreign aid for local cost financing.

Actual development expenditures reached Rp13,834 billion, much of which was used to

finance development programs in the general economy (53.1%), regional development, business, environment (17.8%), and education and culture (13.3%). Meanwhile, routine expenditures reached Rp24,331 billion, which was spent chiefly on personnel expenditures, material expenditures, and amortization and interest payments.

Bank credit rose by 53.8% reaching Rp71,564 billion. By group of banks, the highest increase in credit was recorded by private national banks, namely 98.3%, equivalent to Rp11,243 billion. Meanwhile, credit extended by state banks rose by 40.7% or Rp12,319 billion, by foreign banks by 89.9% or Rp1,792 billion, and by regional development banks (*bank pembangunan daerah* or BPDs) by 46.5% or Rp576 billion.

By sector, bank credits to all sectors of the economy increased. Credits to the trade sector rose by 55.3% reaching Rp22,814 billion. They were spent mainly on financing export transactions, especially of manufactured commodities and other services. Credits to the manufacturing sector increased by 43.1% reaching Rp22,449 billion, especially for financing of textile, garment, and leather industries; chemicals, oil, coal, rubber, and plastic industries; and wood and wood products. Meanwhile, credit to the agricultural sector rose by 38.8%, reaching Rp5,982 billion, chiefly used to finance the development of foodcrop and fishery subsectors. Credit to the services sector, for transportation, warehousing, communication, electricity, gas, water, and construction, also increased, by 56.3% to Rp11,862 billion.

In line with the efforts to reach a more equitable distribution, credits extended to small-scale businesses increased strongly. Outstanding small-scale investment credits (*Kredit Investasi Kecil* or KIK) reached

Rp749 billion, an increase of 75.4% compared to 36.9% in the preceding year. In the meantime, permanent working capital credit (*Kredit Modal Kerja Permanen* or KMKP) reached Rp1,947 billion, an increase of 31.2% compared to 19.1% in the preceding year. In addition, outstanding general rural credit (*Kredit Umum Pedesaan* or Kupedes) reached Rp938 billion, increasing by 54.5% compared to a rise of 31.4% in the preceding year.

Funds mobilization through banks increased by 49.8% reaching Rp59,192 billion. Demand deposits continued to increase remarkably, by 51.6% compared to 24.3% in the preceding year. Meanwhile, time deposits continued to increase at a significant rate, 37.3% compared with 28.2% in the preceding year. The fastest rate of funds mobilization occurred in the form of savings deposits, namely by 176.2% compared to 35.4% in the year before.

The number of banks, comprising commercial banks, development banks, and savings banks, increased by 40 to 151 in the reporting year. Meanwhile the number of bank offices, comprising held offices, branch offices, and auxiliary branch offices, increased by 978 to 2,842. In addition, the number of village banks, paddy banks, petty- traders banks, and rural fund and credit institutions increased by 114 to 7,820. The development of the bank office network, including BPRs, occurred in all regions of the country.

C. Economic Prospects for 1990/91

After the difficult period of adjustment in the 1980s, Indonesia is entering the decade of the 1990s with an economic foundation that is more efficient, stronger, and more competitive. Nevertheless, in 1990/91 Indonesia will still be confronted with several

challenges. The main challenges include creating employment for the increasing labor force, raising people's income, alleviating poverty, and reducing income gaps across community groups and regions. In order to cope with these challenges, various efforts are to be undertaken and economic growth needs to be maintained at a sufficiently high level, especially by increasing investment and by promoting the non-oil/gas sector. However, Indonesia is faced with several constraints, both external and internal.

On the external front, the main constraints encountered include the deceleration in world economic growth, high international interest rates, persistent protectionist measures by industrial countries, and the reformation of economic systems in Eastern Europe. The deceleration in economic growth following the adoption of a tight monetary policy stance by developed countries will bring about a decline in import growth by those countries. Furthermore, the tight monetary policy stance will drive international interest rates upward and this will adversely affect Indonesia with its open economic system in the sense that it might induce capital outflows and therefore creates an upward pressure on domestic interest rates. The reformation of economic systems in Eastern Europe is expected to intensify competition for Indonesia's exporters of manufactured products in the international market and to reduce the availability of funds for developing countries, both in the form of private capital inflows and official loans.

On the other hand, the continued relocation of industries from Japan and Newly-industrialized Economies (NIEs), is expected to lead to increasing foreign direct investment in Indonesia. Other factors which may have some bearings on Indonesia's economic performance include oil prices and exchange rates of the world major currencies. On the

internal side, the main constraints come from infrastructure and facilities, which have to keep up with the pace of investment, and from the availability of sufficient funds for investment.

In view of the limitation of government revenue, most of the investment funds are expected to be mobilized from the private sector. Moreover, the funds which are mobilized from the private sector also help support the maintenance of monetary stability. It is worth noting that the constraints on the internal side are more severe now that the need to accelerate the pace of development of Indonesia's eastern region is better understood.

Despite these various challenges and constraints, non-oil/gas exports and investment are still projected to perform favorably in 1990/91. The increase in non-oil/gas exports will mainly result from the expansion of private sector production capacity, especially those that are export-oriented companies under foreign direct investment (*penanaman modal asing* or PMA) and domestic investment (*penanaman modal dalam negeri* or PMDN) schemes. Investment is also estimated to increase in line with improvements in the business climate. This is mainly accounted for by a further opening of investment areas following the lifting of the Priority List (*Daftar Skala Prioritas* or DSP) which has been replaced by the Negative Investment List (*Daftar Negatif Investasi* or DNI) since May 1989.

On the basis of the above mentioned developments, the money supply is projected to increase due to the expansionary effects of the foreign sector and of credit, despite the contractionary effects of the government sector. The expansionary effect of the foreign sector originates from the surplus

in the balance of payments and that of the credit sector stems from higher economic activities. The expansionary effect of the credit sector will be smaller than in the reporting year owing to the phasing out of liquidity credit following the introduction of the January 1990 policy package. The contractionary effect of the government sector was due to increases in oil and gas and tax receipts.

Taking account of the high economic growth in the past few years, the monetary policy stance will continue to be cautious. This implies increasing the money supply in line

with the need to finance productive activities which will in turn promote growth while maintaining monetary stability. Taking into account the prospective developments coupled with the determination on the part of the Government to undertake cautious macroeconomic management, a sufficiently high rate of economic growth in a stable monetary environment may be attained in 1990/91. The cautious macroeconomic management will be conducive to economic expansion given the prevailing constraints such that monetary and balance of payments stability can be maintained and a sustainable rate of growth be achieved.

II. MONETARY POLICY AND DEVELOPMENTS

A. Monetary Policy

The financial policy package of October 27, 1988 followed by its supplementary regulations has had a positive impact on the financial sector and fostered the development of Indonesia's economy as a whole. The positive impact on the financial sector was mainly reflected in the rapid growth of funds mobilization, through banks and the capital market, and in the improvement of banking services along with the expansion of banks' operating network. The coordination among financial policies and other economic policies has promoted a high rate of economic growth accompanied by a low rate of inflation, strengthened the external balance as reflected in the rapid growth of non-oil/gas exports, and encouraged investment and production.

While a low rate of inflation and external balance were preserved during the reporting year, monetary policy was designed to meet the increasing demand for liquidity stemming from the rapid growth in investment and production. The implementation of monetary policy was marked by a rapid growth in the money supply and in a declining trend in interest rates without inducing pressures on inflation and on the balance of payments, in the context of a fast growing economy.

To further develop a strong and efficient financial sector conducive to supporting the objective of growth and equitable distribution, the Government introduced new measures on January 29, 1990 aimed at improving the national credit system. Through these measures, banks and nonbank financial

institutions (NBFIs) are encouraged to be more self-reliant in mobilizing financial resources from the public and channeling the mobilized resources funds to productive sectors, while gradually reducing their dependency on Bank Indonesia liquidity credits (*Kredit Likuiditas Bank Indonesia* or KLBI).

It is noteworthy that access to subsidized liquidity credits fostered a rapid expansion of bank credit, mainly to finance non-oil/gas exports and small-scale businesses. However, the increase in KLBI had a number of drawbacks. The increase in liquidity credits would not only be inflationary in nature, but it also could induce foreign exchange speculation. In addition, access to huge amounts of liquidity credits reduced incentives to mobilize funds from the public. In consequence, the greater the possibility of banks' access to liquidity credits, the more difficult it could be for Bank Indonesia to implement effective monetary policy and, in particular, to control inflation. Under the January 29, 1990 package, liquidity credits will only be made available for activities which support cooperatives, investment, and the achievement of self-sufficiency in food. Apart from the above activities, bank credits are expected to be financed by banks' own resources. Furthermore, to encourage the development of small-scale businesses and to foster the objective of equitable distribution, all domestic banks are required to lend 20% of their total credits to small-scale businesses.

B. Money Supply and Factors Affecting Its Change

In the reporting year, monetary developments were characterized by a rapid

increase in money supply, in broad and in narrow terms, accompanied by declining rates of interest and price stability. These rapid monetary developments took place for the first time during the last ten years and were characterized by a higher growth rate of M1 as compared to that of M2. This was partly explained by the increasing demand for demand deposits which were closely associated with buoyant economic activities.

In 1989/90, domestic liquidity (M2), comprising M1 and quasi money, increased by 45.7%, reaching Rp64,367 billion compared with 23.9% in the preceding year (Table 2.1). The increase in M2 was attributable to growth in M1 by 47.6% and in quasi money by 44.8%. The high increases in M1 and quasi money were not only closely associated with the increase in domestic income but also with the increase in banking services, including the widening network of bank offices and the attractive savings schemes offered by banks. It should be added that, in the preceding year, M1 rose only by 18.9% and quasi money by 26.6%. Taking into account the inflation rate, real money supply during the reporting year rose by 38.0% compared with 16.0% in the preceding year (Table 2.3).

As in the preceding year, the increase in M1 was mainly attributable to demand deposits, which rose by 70.1% compared with 25.1% in the preceding year, reaching Rp14,375 billion at the end of the reporting year. This increase was mainly due to demand deposits owned by private enterprises and individuals which was partly associated with the increase in transactions and the attractive interest earned from demand deposits. Meanwhile, currency increased by 18.6% reaching Rp7,780 billion. With the abovementioned developments, the share of demand deposits

increased to 64.9% compared with 56.3% at the end of the preceding year, while the share of currency declined to 35.1% (Table 2.2).

In the meantime, the growth of M1 in real terms increased by 39.8% compared with 11.4% in the preceding year (Table 2.3).

During the reporting year, the money multiplier for M1 and M2 increased on average to 1.9 and 5.9 from 1.6 and 4.6 in 1988/89. The increases were not only caused by the reduction in the reserves requirement ratio from 15% to 2% but also by the change in public preferences in holding money, which was reflected in a lower ratio of currency to demand deposits (C/D) and quasi money to demand deposits (T/D). During the reporting year, C/D and T/D declined to 0.66 and 3.39, respectively, compared with 0.83 and 3.61 at the end of 1988/89. The declining ratios reflected the buoyant business activities along with the economic expansion. In addition, the reduction of the reserve requirement following the announcement of the October 27, 1988 policy package has also increased banks' ability to extend credits to the business sector.

The domestic sector recorded a significant expansionary effect on M1, while the external sector recorded a contractionary effect. The expansionary effect of the domestic sector originated from the huge increase in bank credits, whereas the government sector had a contractionary effect. As shown in Table 2.4, claims on entities, enterprises, and individuals, which constituted an important factor in the increase in net domestic assets, had an expansionary effect of Rp29,667 billion compared with Rp11.931 billion in the year before. This expansionary effect was mainly attributable to an increase in claims

on private enterprises and individuals of Rp28,558 billion compared with Rp10,718 billion in the preceding year. The increase in claims on private enterprises and individuals was mainly attributable to higher financing for working capital and investments.

In the reporting year, the government sector recorded a contractionary effect of Rp85 billion compared with Rp120 billion in the preceding year. The contractionary effect in the last two years was mainly attributable to the increase in tax revenues, which was closely associated with intensive and extensive efforts in tax collection, despite the increase in routine and development expenditures.

Quasi money rose by Rp13,054 billion compared with Rp6,124 billion in the preceding year. The significant increase was not only closely associated with the increase in domestic income but also with the increase in funds mobilization through the banking sector. Meanwhile, net foreign assets and net other items registered contractionary effects, of Rp712 billion and Rp8,670 billion, respectively.

C. Monetary Prospects for 1990/91

As a consequence of the successful implementation of a series of policies adopted in the last few years, Indonesia's economy in 1990/91 is expected to perform favorably, as reflected in a high rate of growth, albeit lower than that of the preceding year. The favorable economic prospect is closely associated not only with

a continued increase in the private sector investment, but also with higher government spending as reflected in the state budget. In the external sector, the overall balance of payments is expected to record a surplus due to persistent efforts to promote non-oil/gas exports and the improvement of oil prices, albeit a slight weakening in the world economy.

Based on the abovementioned developments, the demand for domestic liquidity is expected to remain high so that the supply of M1 and M2 in 1990/91 is expected to increase although not as much as in the preceding year. Viewed from the factors affecting money supply, the external sector is expected to contribute an expansionary effect in line with the expected surplus in the balance of payments. The government sector will have a contractionary effect due to higher government revenues, mainly from oil/gas and taxes, as compared to the increased government expenditures. Bank credit is expected to contribute a significant expansionary effect in line with the improvement in economic activities. However, the growth in bank credit will not be as fast as that in the preceding year, mainly owing to the withdrawal of liquidity credits.

It should be noted that the inflation rate will be kept low so as to support the maintenance of interest rates at a level that will encourage funds mobilization and simultaneously maintain a positive investment climate and prevent capital outflows.

TABLE 2.1
MONEY SUPPLY
(billions of rupiah)

End of period	M ₂ ¹⁾			M ₁ 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	23,153	29.1		10,104	43.6	13,049	56.4
1985/86	24,168	24.3		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
1989/90							
June	47,477		7.5	15,938	33.6	31,539	66.4
September	51,945		9.4	17,193	33.1	34,752	66.9
December	58,705	39.8	13.0	20,114	34.3	38,591	65.7
March	64,367	45.7	9.6	22,155	34.4	42,212	65.6

1) Consists of money and quasi money.

2) Consists of currency and demand deposits.

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

4) Includes valuation adjustments of foreign currency deposits amounting to Rp620 billion.

5) Includes valuation adjustments of foreign currency deposits amounting to Rp1,447 billion.

TABLE 2.2
MONEY SUPPLY (M₁)
(billions of rupiah)

End of period	Outstanding	Change		Currency		Demand Deposits	
		Annual	Quarterly	Outstanding	Share (%)	Outstanding	Share (%)
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		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		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	10,104	17.7		4,440	43.9	5,664	56.1
1985/86	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
1989/90							
June	15,938		6.2	6,632	41.6	9,306	58.4
September	17,193		7.9	6,900	40.1	10,293	59.9
December	20,114	39.8	17.0	7,426	36.9	12,688	63.1
March	22,155	47.6	10.1	7,780	35.1	14,375	64.9

TABLE 2.3
TOTAL AND INDEX OF MONEY SUPPLY

End of period	M ₂ (billions of Rp)	M ₁ (billions of Rp)	Price index ¹⁾ (April 1977 - March 1978 = 100)	M ₂ in real terms (billions of Rp)	M ₁ in real terms (billions of Rp)	Index of real M ₂ (March 1979 = 100)	Index of real M ₁ (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	23,153	10,104	252.20	9,180	4,006	269.05	174.24
1985/86	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	27,061	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
1989/90							
June	47,477	15,938	330.42	14,369	4,824	421.13	209.83
September	51,945	17,193	332.93	15,602	5,164	457.27	224.62
December	58,705	20,114	336.96	17,422	5,969	510.61	259.64
March	64,367	22,155	342.05	18,818	6,477	551.52	281.73

1) Based on 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)

	1982/83 ²⁾	1983	1983/84	1984	1984/85	1985	1985/86	1986 ³⁾	1986/87 ³⁾	1987	1987/88	1988	1988/89	1989				1989/90	
														I	II	III	IV		I
I. Net foreign assets	229	3,243	3,299	3,654	2,935	1,813	1,071	1,841	2,344	2,442	2,359	(528)	(179)	744	(2,037)	323	1,403	(401)	(712)
II. Central government	486	(1,506)	(2,335)	(3,359)	(3,004)	(278)	1,142	498	(1,475)	1,539 ⁴⁾	1,820 ⁴⁾	229	(120)	(626)	173	188	(936)	490	(85)
III. Claims on entities, enterprises, and individuals	3,039	2,435	2,636	3,836	3,465	3,847	3,834	4,797	5,568	6,975	8,200	11,728	11,931	2,670	7,165	6,056	7,686	8,760	29,667
1. Claims on official entities and public enterprises	382	104	278	190	138	513	177	253	641	730	533	659	1,213	302	82	1,416	(354)	(35)	1,109
2. Claims on private enterprises and individuals	2,657	2,331	2,358	3,646	3,327	3,334	3,657	4,544	4,927	6,245	7,667	11,069	10,718	2,368	7,083	4,640	8,040	8,795	28,558
IV. Net other items	(1,658)	(584)	(88)	(857)	292	(166)	(1,326)	(2,628)	(2,114)	(4,732) ⁴⁾	(5,210) ⁴⁾	(3,316)	(3,125)	(619)	(1,991)	(2,099)	(1,394)	(3,187)	(8,670)
V. Quasi money ¹⁾	(1,492)	(3,140)	(2,836)	(2,262)	(2,755)	(3,693)	(3,234)	(2,935)	(3,298)	(5,216)	(6,043)	(6,406)	(6,124)	(1,552)	(2,381)	(3,213)	(3,838)	(3,621)	(13,054)
Money supply movement	604	448	676	1,012	933	1,523	1,487	1,573	1,025	1,008	1,126	1,707	2,383	617	929	1,255	2,921	2,041	7,146
— Currency	459	399	554	379	231	728	1,259	898	629	444	200	464	686	313	73	268	526	354	1,221
— Demand deposit	145	49	122	633	702	795	228	675	396	564	926	1,243	1,697	304	856	987	2,395	1,687	5,925

1) Consists of time and savings deposits in rupiah and 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 was initially recorded at the government sector, but since September 1987 transferred to net other items.

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

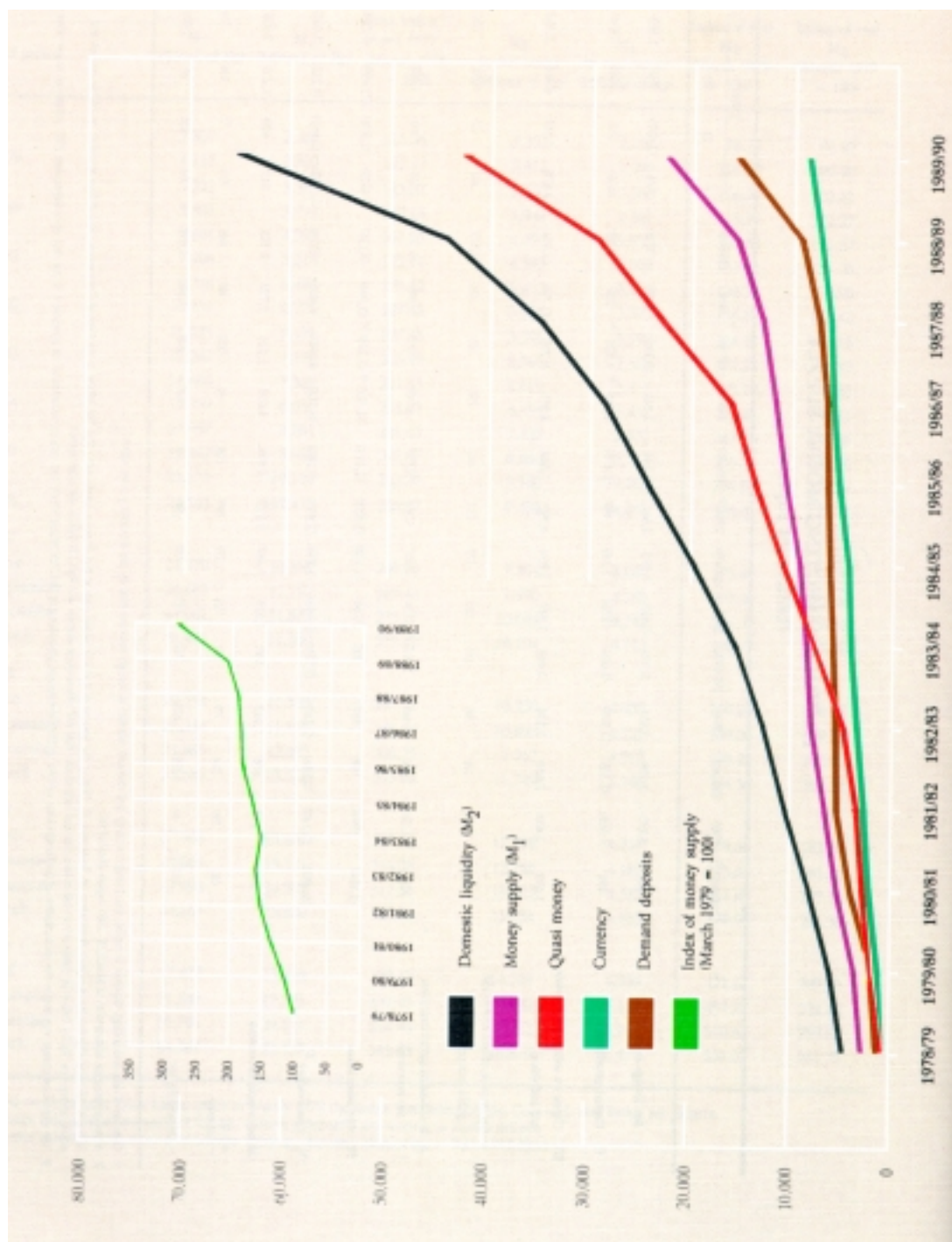
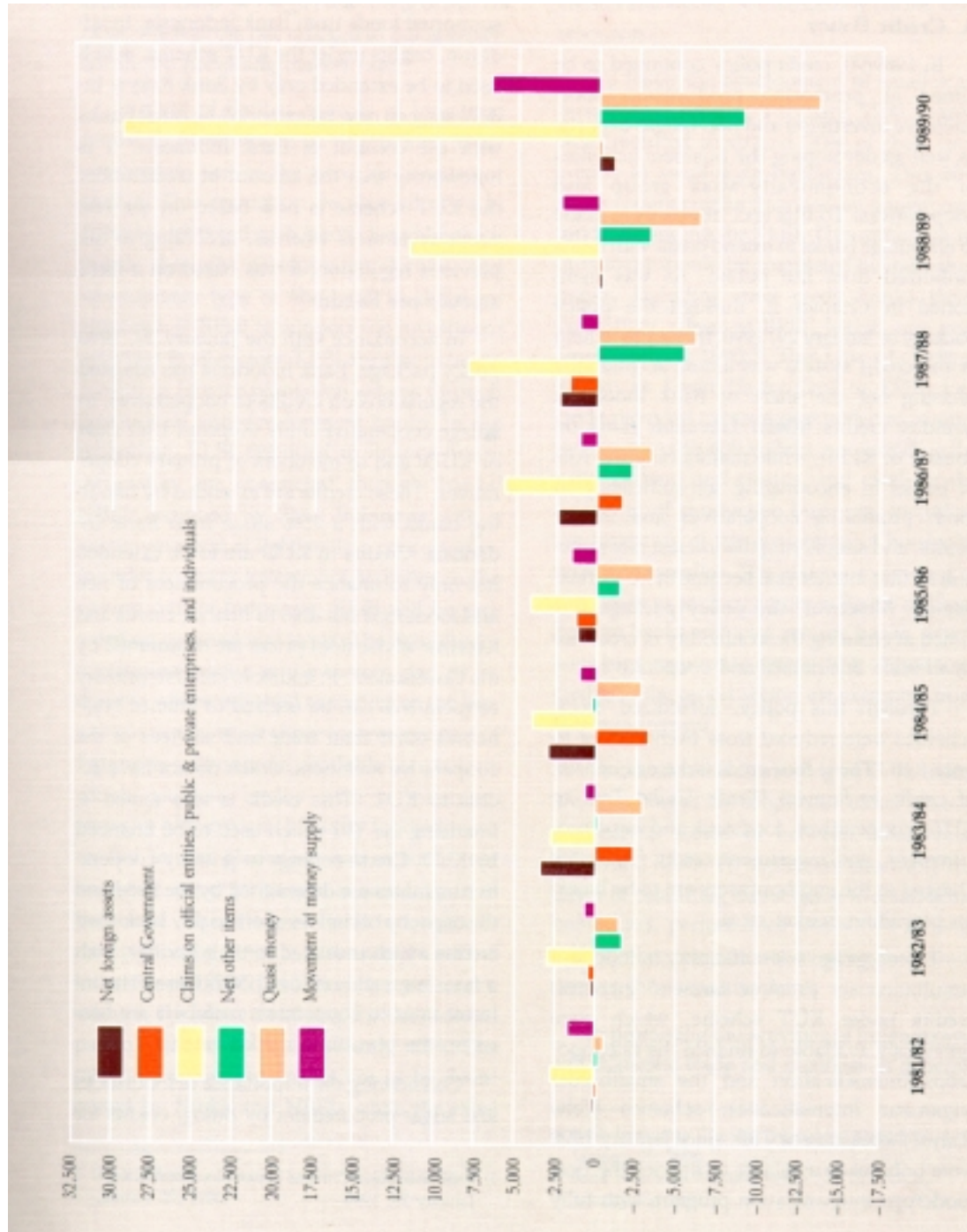


CHART 2
FACTORS AFFECTING MONEY SUPPLY
(bilions of rupiah)



III. BANK CREDIT

A. Credit Policy

In 1989/90, credit policy continued to be aimed at promoting productive, labor intensive investment and non-oil/gas exports, as well as developing the business activities of the economically-weak group and cooperatives. To this end, efforts were made to encourage banks to extend credit with funds mobilized from the public. As was mentioned in Chapter II, through the policy package of January 29, 1990, the improvement of the credit system was aimed at gradually phasing out the share of Bank Indonesia liquidity credits (*Kredit Likuiditas Bank Indonesia* or KLBI), while maintaining the role of banks in encouraging self-sufficiency in food, promoting cooperatives and investments, and simplifying the interest rate structure so that interest rate become more market related. Moreover, the policy package was aimed at ensuring the availability of credit for small-scale businesses and cooperatives.

Through this policy, subsidized credit schemes were reduced from twenty three to only four. These four credit schemes consist of credit to farmers (*Kredit Usaha Tani* or KUT), cooperatives, foodstock and sugar procurement, and investment credit. The rates charged to the end borrowers are to be based on prevailing market rates.

To encourage self-sufficiency in food and simultaneously promote farmers' incomes, credits under KUT scheme, which were previously available to finance the rice/foodcrops intensification and the small-holder sugarcane intensification schemes (*Tebu Rakyat Intensifikasi* or TRI), since January 1990 were only made available to

finance the rice/foodcrops intensification program with fully supported funds from Bank Indonesia. In addition, credits under the KUT scheme, which used to be extended only by Bank Rakyat Indonesia, can now be extended by other banks with the consent of Bank Indonesia. It is noteworthy that the amount of credit under the KUT scheme is now based on the real needs of farmers whereas, according to the previous regulation, it was based on a fixed amount per hectare.¹⁾

In accordance with the January 29, 1990 policy package, Bank Indonesia has adjusted the regulations on credits to cooperatives, to village, cooperative units (*Koperasi Unit Desa* or KUD) and to members of primary cooperatives. These credits are extended by handling banks with a 75% share from Bank Indonesia. Credits to KUD are to be extended not only to finance the procurement of rice and foodcrops but also to finance cloves and fertilizer whose floor prices are determined by the Government. In addition, credit to primary cooperatives can be utilized to finance businesses other than trade and services of the cooperative members, which do not have access to KUT. This credit is also aimed at financing the TRI which used to be financed by KUT. Credit ceilings to primary cooperative members are determined by the need and the capacity of the members to pay back their credits which is related to their savings, with a maximum amount of Rp30 million. The interest rates to cooperative members are based on the prevailing market rates.

1) Bank Indonesia Circular Letter No. 22/2/UKK, January 29, 1990.

Considering the importance of foodstocks and sugar procurement by Bulog, credits for these activities continue to be fully financed by Bank Indonesia. The discount rate charged by Bank Indonesia is based on money market securities (*Surat Berharga Pasar Uang* or SBPU) rates, whereas the rate charged to Bulog is based on the prevailing market rate.²⁾

In view of limited sources of long-term funds, KLBI continued to be provided to accommodate part of the need for investment credits. This regulation became effective in February 1990 and such credits are to be channeled through development banks and development type of nonbank financial institutions (NBFIs) to support the investment activities in all sectors. KLBI are also to be extended to finance plantation estates through commercial and development banks. In the meantime, KLBI extended to finance house ownership are channeled through banks/NBFIs assigned by Bank Indonesia with a maximum credit of Rp50 million per customer. In order to foster investment activities in the eastern part of Indonesia, KLBI will be provided on concessional terms. The maturity for investment credits in the eastern part of Indonesia will be adjusted according to the borrower's needs, while those for western part of Indonesia will only be available for projects which requires credits with a minimum maturity of five years. Maturity for credits extended to the plantation sub-sector is not restricted, either for eastern or western part of Indonesia. The share of Bank Indonesia financing for the projects in the eastern part of Indonesia in 1990/91 is 50% of the total credit, whereas the share financing for the western part of Indonesia

would be only 40%. The rates on investment credits are to be determined by banks and NBFIs while the rates charged by Bank Indonesia are related to the SBPU's rates.³⁾ Schemes other than the above four credits schemes are classified as general credits and would be financed by banks' own resources.

To foster the development of small-scale businesses, starting February 1990, banks were required to extend 20% of their total credits to small-scale businesses. This 20% share covers credits financed by banks' own funds, excluding the KLBI. This minimum requirement should be completed by individual banks, including rural credit banks (*bank perkreditan rakyat* or BPR), within one year after February 1990.⁴⁾ This type of credit is known as *Kredit Usaha Kecil* or KUK, i.e., credit provided to businesses with a maximum total assets of Rp600 million, not including the value of land and estates, and used for the financing of productive business, including the financing of the ownership of houses of type 70 or smaller. The maximum amount of this credit to each customer is Rp200 million. Foreign banks and joint venture banks, which have been required to extend 50% of their total credits to the export sector, are exempted from this requirement.

To broaden the channeling of KUK, banks are encouraged to cooperate, either among commercial banks or between commercial banks and BPRs. To implement effectively the target of extending this scheme to small-scale businesses, performance under this scheme will be taken into account in rating the soundness of the respective bank.

2) Bank Indonesia Circular Letter No. 22/7/UKU, January 29, 1990.

3) Bank Indonesia Circular Letter No. 22/6/UKU, January 29, 1990.

4) Bank Indonesia Circular Letter No. 22/4/UKK, January 29, 1990.

In promoting the activities of international and domestic trade and business in general, since April 1989 foreign exchange banks and NBFIs are no longer subject to ceilings on offshore borrowing as long as those banks and NBFIs maintain their net foreign exchange open position at 25% of their own equity.⁵⁾ To utilize effectively the offshore borrowing, efforts could be made, among other things, to channeling these funds in the form of credits in foreign currency. The removal of this ceiling has enabled banks/NBFIs to extend more credits in foreign currencies.⁶⁾

B. Credit Developments

In the reporting year, bank credits recorded a huge increase, Rp25,038 billion or 53.8%, reaching Rp71,564 billion compared with 32.6% in 1988/89 (Table 3.1). This increase occurred mainly in the manufacturing and trade sectors.

Credit extended by deposit money banks (DMBs) rose by Rp25,930 billion or by 57.7% compared with 33.7% in the preceding year. Credit from state banks rose by Rp12,319 billion or 40.7%, from private national commercial banks (*bank umum swasta nasional* or BUSNs) by Rp11,243 billion or 98.3%, from foreign banks by Rp1,792 billion or 89.9%, and from regional development banks (*bank pembangunan daerah* or BPDs) by Rp576 billion or 46.5%. Direct credits from Bank Indonesia declined by Rp892 billion or 56.3% compared with an increase of 8.2% in the preceding year. This decline was due mainly to a shift of credits for State Savings Bank (*Bank Tabungan Negara* or BTN) to liquidity credits since BTN was classified as a DMB (Table 3.4).

By economic sector, a major increase took place in the manufacturing sector, i.e. 43.1%, reaching Rp22,449 billion, mainly extended to finance textile and leather industries, chemical, oil, and other processing industries, as well as timber industry and the processing of its products. Credit extended to the trade sector rose by 55.3% reaching Rp22,814 billion, which were used to finance exports mainly of finished products and to finance wholesale and retail trading. Credits to the mining and the services sectors increased by 33.8% and 56.3%, reaching Rp519 billion and Rp11,862 billion, respectively. Credit to the agricultural sector increased rapidly by 38.8% reaching Rp5,982 billion and was mainly utilized to develop the fishery and foodcrop subsectors. The share of credit to the trade sector played a major role (31.9%), while the share of credits to the agricultural, manufacturing, and services sectors were 8.4%, 31.4% and 16.6%, respectively.

Classified by credit use, working capital credits rose by 62.3% reaching Rp55,141 billion compared with 33.1% in 1988/89. Investment credits reached Rp16,423 billion, rising by 31.0%, about the same percentage as that in the preceding year. Of working capital credits, 38.8% were extended to the trade sector, 28.5% to the manufacturing sector, 14.2% to the services sector, and 4.1% to the agricultural sector. Of investment credits, 40.9% were extended to the manufacturing sector, 22.7% to the agricultural sector, 24.6% to the services sector, 8.6% to the trade sector, and 2.0% to the mining sector (Table 3.2).

During the reporting year, credits to priority sectors extended by DMBs increased by 74.2% reaching Rp20,142 billion compared with 41.0% in the preceding year. Of this amount, working capital credits in-

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

6) Bank Indonesia Circular Letter No. 22/1/UKU, April 29, 1989.

creased to Rp16,059 billion, a rise of 79.7% compared with 41.0% in 1988/89. This was mainly associated with the increase in export credits. Investment credits to priority sector reached Rp4,083 billion, an increase of 55.4% compared with 41.0% in the preceding year. Regarding the non-priority sector, working capital and investment credits increased by 53.8% and 46.4% to Rp38,614 billion and Rp12,117 billion, respectively. It should be noted that working capital and investment credits in the preceding year increased only by 33.2% and 26.0%, respectively (Table 3.4).

At the end of the reporting year, outstanding credit under the small-scale investment credit (*Kredit Investasi Kecil* or KIK) program stood at Rp749 billion, an increase of 75.4% compared with 36.9% in the preceding year. The value of the approved applications rose by 31.2% to Rp1,947 billion, with the number of customers increasing by 7.0% to 334 thousand. Permanent working capital credit (*Kredit Modal Kerja Permanen* or KMKP) outstanding reached

Rp1,784 billion, a rise of 58.3% compared with 19.1% in 1988/89. The value of the approved applications rose by 30.7% reaching Rp5,854 billion with the number of customers increasing by 4.2% to 2,491 thousand at the end of the reporting year. Outstanding general rural credit (*Kredit Umum Pedesaan* or Kupedes) rose to Rp938 billion or a rise of 54.5% compared with 31.4% in the preceding year.

In addition to the types of credit to high priority sectors extended by DMBs, there are also other high priority credits which are extended by NBFIs and KUDs. Credits extended by NBFIs increased by 61.1% to Rp593 billion including house ownership credit (*Kredit Pemilikan Rumah* or KPR) extended to middle income groups by PT Papan Sejahtera. The amount of KPR extended by PT Papan Sejahtera reached Rp236 billion, an increase of 24.2% with 16,542 customers. Small-scale credit channeled through KUDs to low income groups and petty traders (*Kredit Candak Kulak* or KCK) reached Rp15 billion.

TABLE 3.1
BANK CREDITS IN RUPIAH AND FOREIGN CURRENCY
BY ECONOMIC SECTOR ¹⁾
(billions of rupiah)

Specification	March 31					Jun. 30	Sep. 30	Dec. 31	Mar. 31
	1985	1986	1987	1988	1989	1989	1989	1989	1990
Credits in rupiah	18,735	22,134	27,349	33,962	44,615	49,213	53,641	58,975	65,814
– Agriculture	1,390	1,825	2,197	2,854	4,273	4,693	4,912	5,214	5,834
– Mining ²⁾	379	258	394	281	371	387	399	456	462
– Manufacturing ³⁾	6,520	7,504	9,355	11,374	14,632	15,271	16,548	17,654	19,508
– Trade ⁴⁾	6,168	7,127	8,400	10,821	14,374	15,798	17,348	19,342	21,811
– Services ⁵⁾	3,277	3,784	4,188	5,676	7,165	7,894	8,666	9,600	10,549
– Others	1,001	1,636	2,815	2,956	3,800	5,170	5,768	6,709	7,650
Credits in foreign currency	601	296	503	1,119	1,911	2,449	3,741	4,631	5,750
– Agriculture	--	--	--	37	38	43	47	69	148
– Mining	--	--	--	13	17	16	58	135	57
– Manufacturing	478	133	153	554	1,051	1,334	2,319	2,679	2,941
– Trade	37	33	104	176	313	455	579	767	1,003
– Services	84	129	215	302	425	498	619	824	1,313
– Others	2	1	31	37	67	103	119	157	288
Total	19,336	22,430	27,852	35,081	46,526	51,662	57,382	63,606	71,564
– Agriculture	1,390	1,825	2,197	2,891	4,311	4,736	4,959	5,283	5,982
– Mining	379	258	394	294	388	403	457	591	519
– Manufacturing	6,998	7,637	9,508	11,928	15,683	16,605	18,867	20,333	22,449
– Trade	6,205	7,160	8,504	10,997	14,687	16,253	17,927	20,109	22,814
– Services	3,361	3,913	4,403	5,978	7,590	8,392	9,285	10,424	11,862
– Others	1,003	1,637	2,846	2,993	3,867	5,273	5,887	6,866	7,938

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 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.

³⁾ Credits for the processing of agricultural 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 SECTOR ¹⁾
(billions of rupiah)

Specification	March 31					Jun. 30	Sept. 30	Dec. 31	Mar. 31
	1985	1986	1987	1988	1989	1989	1989	1989	1990
Working capital	13,570	15,983	19,927	25,533	33,985	39,473	43,366	48,618	55,141
– Agriculture	646	771	848	1,092	1,606	1,789	1,825	1,926	2,261
– Mining	34	36	25	64	66	69	132	233	198
– Manufacturing	4,387	5,054	6,256	8,122	10,717	11,799	12,784	13,909	15,740
– Trade	5,886	6,769	8,081	10,563	13,978	15,432	17,034	19,087	21,394
– Services	2,240	2,525	2,881	3,782	4,828	5,237	5,829	6,750	7,829
– Others	377	828	1,836	1,910	2,790	5,147	5,762	6,713	7,719
Investment credits ²⁾	5,766	6,447	7,925	9,548	12,541	12,189	14,016	14,988	16,423
– Agriculture	744	1,054	1,349	1,799	2,705	2,947	3,134	3,357	3,721
– Mining	345	222	369	230	322	334	325	358	321
– Manufacturing	2,611	2,583	3,252	3,806	4,966	4,806	6,083	6,424	6,709
– Trade	319	391	423	434	709	821	893	1,022	1,420
– Services	1,121	1,388	1,522	2,196	2,762	3,155	3,456	3,674	4,033
– Others	626	809	1,010	1,083	1,077	126	125	153	219
Total	19,336	22,430	27,852	35,081	46,526	51,662	57,382	63,606	71,564
– Agriculture	1,390	1,825	2,197	2,891	4,311	4,736	4,959	5,283	5,982
– Mining ³⁾	379	258	394	294	388	403	457	591	519
– Manufacturing ⁴⁾	6,998	7,637	9,508	11,928	15,683	16,605	18,867	20,333	22,449
– Trade ⁵⁾	6,205	7,160	8,504	10,997	14,687	16,253	17,927	20,109	22,814
– Services ⁶⁾	3,361	3,913	4,403	5,978	7,590	8,392	9,285	10,424	11,862
– Others	1,003	1,637	2,846	2,993	3,867	5,273	5,887	6,866	7,938

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
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
	1985	1986	1987	1988	1989	1989	1989	1989	1990
1. Small Scale Investment Credits (KIK)									
– Number of application approved (customers)	256	272	290	298	316	322	329	336	334
– Value of application approved	946	1,054	1,176	1,294	1,484	1,538	1,603	1,701	1,947
– Outstanding credits	356	326	311	312	427	473	532	582	749
2. Permanent Working Capital Credits (KMKP)									
– Number of application approved (customers)	1,871	2,053	2,216	2,281	2,391	2,416	2,438	2,461	2,491
– Value of application approved	2,448	2,869	3,438	3,837	4,478	4,698	4,921	5,193	5,854
– Outstanding credits	931	889	879	946	1,127	1,242	1,356	1,503	1,784
3. KIK/KMKP (1 + 2)									
– Number of application approved (customers)	2,127	2,325	2,506	2,579	2,707	2,738	2,767	2,797	2,798
– Value of application approved	3,394	3,923	4,614	5,131	5,962	6,234	6,524	6,894	7,801
– Outstanding credits	1,287	1,215	1,190	1,258	1,554	1,715	1,888	2,085	2,533
4. Kupedes ²⁾	166	273	383	462	607	659	742	815	938
– Investment	12	12	15	16	29	37	57	55	79
– Working capital	154	261	368	446	578	622	685	760	859
5. Working Capital Credits under Keppres No. 29/1984	36	67	46	54	77	96	128	144	161
6. Credits with maximum of Rp75 million	79	185	324	525	997	1,251	1,612	2,084	2,938
– Investment	40	78	143	208	372	479	612	745	1,145
– Working capital	39	107	181	317	625	772	1,000	1,339	1,793
7. Credits for Teachers (KPG) ³⁾	58	112	283	306	317	326	332	349	380
8. Credits for Indonesian students (KMI)	26	35	45	52	57	58	64	63	56
9. Credits for Cooperatives	271	300	275	340	405	450	411	391	416
– Investment	78	76	71	74	54	55	57	57	57
– Working capital	193	224	204	266	351	395	354	334	359
10. Bimas ⁴⁾	161	145	137	134	133	132	132	132	132
11. Inpres Pasar	82	94	96	92	91	91	91	91	91
12. Pension Credits	28	35	45	50	62	80	125	162	196
13. Viability Credits up to Rp75 million	67	89	100	100	--	--	--	--	--
14. Keppres No.14A/1980 credits	70	69	63	63					
15. House ownership Credits (KPR) State Savings Bank (BTN)									
– Customers	241	333	363	425	539	597	603	612	626
– Outstanding credits	803	1,196	1,391	1,613	2,120	2,289	2,400	2,352	2,370
16. Credits for Student Dormitories	0.5	4.8	6.1	4.6	7.5	7.5	7.5	3.9	3.9
17. Perusahaan Inti Rakyat (PIR) Plasma	99	132	210	339	445	442	473	520	497
18. Rejuvenation, rehabilitation, and extension of export plantation (PRPTE)	139	148	158	326	338	348	403	410	412
19. House Ownership Credits (KPR) P.T. Papan Sejahtera									
– Customers	2.33	2.84	4.67	9.05	13.20	15.47	16.60	16.85	16.54
– Outstanding credits	33	41	68	132	190	235	254	253	236
20. Kredit Candak Kulak									
– Customers	14,045	15,271	16,171	16,503	16,795	1,682	17,375	17,472	17,046
– Outstanding credits	12	12	14	14	15	15	15	15	15
Total	3,418	4,153	4,834	5,865	7,416	8,195	9,078	9,870	11,375

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
	1985	1986	1987	1988	1989	1989	1989	1989	1990
1. State banks ¹⁾	13,522	15,240	18,902	22,894	30,270	34,710	38,020	39,579	42,589
1.1. Priority	4,780	5,295	5,522	6,941	9,485	13,249	14,217	14,836	15,860
– Working capital	3,891	4,285	4,291	5,426	7,386	10,983	11,868	12,281	13,207
– Investment	889	1,010	1,231	1,515	2,099	2,266	2,349	2,555	2,653
1.2. Non-priority	8,742	9,945	13,380	15,953	20,785	21,461	23,803	24,743	26,729
– Working capital	5,135	5,708	8,067	9,689	12,992	13,212	15,082	14,233	15,465
– Investment	3,607	4,237	5,313	6,264	7,793	8,249	8,721	10,510	11,264
2. Private national commercial banks	3,269	4,487	5,772	8,210	11,441	12,487	14,483	18,591	22,684
2.1. Priority	160	275	394	813	1,405	1,595	1,878	2,358	3,083
– Working capital	97	189	252	626	1,092	1,194	1,371	1,685	2,070
– Investment	63	86	142	187	313	401	507	673	1,013
2.2. Non-priority	3,109	4,212	5,378	7,397	10,036	10,892	12,605	16,233	19,601
– Working capital	3,020	4,117	5,252	7,223	9,698	10,647	12,220	15,737	18,977
– Investment	89	95	126	174	338	245	385	496	624
3. Regional development banks	545	633	786	994	1,238	1,359	1,486	1,625	1,814
3.1. Priority	159	202	252	319	444	494	545	632	798
– Working capital	77	106	116	158	229	255	288	330	381
– Investment	82	96	136	161	215	239	257	302	417
3.2. Non-priority	386	431	534	675	794	865	941	993	1,016
– Working capital	326	353	436	561	656	620	778	839	851
– Investment	60	78	98	114	138	245	163	154	165
4. Foreign banks	1,062	1,072	1,219	1,520	1,994	2,460	2,750	3,115	3,786
4.1. Priority	--	19	70	130	230	362	362	350	401
– Working capital	--	19	70	130	230	362	362	350	401
– Investment	--	--	--	--	--	--	--	--	--
4.2. Non-priority	1,062	1,053	1,149	1,390	1,764	2,098	2,388	2,765	3,385
– Working capital	1,050	1,045	1,127	1,375	1,757	2,085	2,377	2,719	3,321
– Investment	12	8	22	15	7	13	11	46	64
5. Total (1 through 4)	18,398	21,432	26,679	33,618	44,943	51,016	56,739	62,910	70,873
5.1. Priority	5,099	5,791	6,238	8,203	11,564	15,700	17,002	18,176	20,142
– Working capital	4,065	4,599	4,729	6,340	8,937	12,794	13,889	14,646	16,059
– Investment	1,034	1,192	1,509	1,863	2,627	2,906	3,113	3,530	4,083
5.2. Non-priority	13,299	15,641	20,441	25,415	33,379	35,316	39,737	44,734	50,731
– Working capital	9,531	11,223	14,882	18,848	25,103	26,564	30,457	33,528	38,614
– Investment	3,768	4,418	5,559	6,567	8,276	8,752	9,280	11,206	12,117

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

IV. MOBILIZATION OF FUNDS

A. Policy on Mobilization of Funds

In response to the increased financing needs for production and investment, it has become more important to intensify the mobilization of funds from the public. The Government, therefore, has improved a number of stipulations contained in the policy package of October 27, 1988 in regard to savings mobilizations and taxes on interest earned from time deposits, certificates of deposits, and savings deposits. These improvements were designed to create an environment conducive to encouraging banks to create savings schemes, to promote their services for depositors, to enhance efficiency, and to treat all type of savings schemes equally.

To promote savings mobilization, banks were encouraged to develop their own savings schemes. In this context, during the reporting year, the implementation of Tabanas and Taska schemes were no longer regulated and the guarantee on Tabanas and Taska by Bank Indonesia was revoked.¹⁾ Through this new regulation, savings mobilization is expected to be further promoted. In line with this policy, Bank Indonesia established a communication forum known as *Forum Komunikasi Pendidikan Menabung (FKPM)* with Bank Indonesia as the coordinator.²⁾ Since the establishment of FKPM, the coordinating and supervisory council of the national savings movement (*Dewan Koordinasi dan Pembina Gerakan Tabungan Nasional* or Dekop GTN) was dismissed while their educational program was continued by FKPM.

To enhance banks' efficiency and to promote the equal treatment of all banks, through the December 1989 policy package, time deposits mobilized by state commercial banks and the State Development Bank (*Bank Pembangunan Indonesia* or Bapindo) were no longer guaranteed by Bank Indonesia.³⁾

To treat all types of savings schemes equally, taxes which were previously imposed according to the type of savings schemes are now imposed on the basis of the value of savings. To encourage the public to save, especially small depositors, taxes imposed on interest earned from time deposits and certificates of deposits of those small depositors were suspended. In this regard, small depositors are defined as those who own financial savings, either in the form of time, savings, and certificates of deposits in any bank or NBFIs with a total value of no more than Rp5 million.⁴⁾

To promote the development of the capital market, and simultaneously encourage capital inflows, the Government regulated the purchases of stocks by foreign investors. Foreign investors are allowed to purchase up to 49% of stocks in the primary market or up to 49% of stocks listed in the bourse and over the counter. However, foreign investors are not allowed to purchase stocks issued by private banks until new regulations for the banking sector is introduced.⁵⁾

1) Bank Indonesia Circular Letter No. 22/133/UPG, December 1, 1989.

2) Bank Indonesia Circular Letter No. 22/134/UPG, December 1, 1989.

3) Board of Directors of Bank Indonesia Decree No. 22/65/KEP/DIR, December 1, 1989.

4) Bank Indonesia Circular Letter No. 22/132/UPG, December 1, 1989.

5) Minister of Finance Decree No. 1055/KMK.013/1989, September 16, 1989.

B. Banks' Fund Developments

Funds mobilized through the banking system, comprising demand, time, and savings deposits, reached Rp59,192 billion at the end of reporting year, a rise of 49.8%, mainly due to growing savings deposits (Table 4.1). With this development, the share of savings deposits increased from 6.3% to 11.6%. The share of demand deposits in total bank deposits rose from 26.7% to 27.0%, whereas that of time deposits declined from 67.0% to 61.4%.

1. Demand deposits

Total demand deposits, comprising rupiah and foreign currency deposits, rose by 51.6% reaching Rp15,978 billion at the end of the reporting year. Rupiah deposits rose by 49.6%, whereas foreign currency deposits increased by 64.1%. The increase in demand deposits reflected higher utilization of banking services which was closely associated with a pick-up in business activities.

1.1. Rupiah demand deposits

Rupiah demand deposits mobilized by banks reached Rp13,611 billion at the end of reporting year, rising by 49.6% compared with 26.6% in the preceding year. The increase at state banks was 27.6%, at private national banks 98.7%, at regional development banks (BPDs) 38.2%, and at foreign banks 102.3%. As a result of these diverse movements, the share of rupiah demand deposits mobilized by private national banks and foreign banks increased from 25.6% and 3.8% to 34.0% and 5.1%, respectively. The share of rupiah demand deposits mobilized by state banks and BPDs declined from 61.7% and 8.9% to 52.7% and 8.2% at the end of March 1990 (Table 4.2).

1.2. Foreign currency demand deposits

During the reporting year, the rupiah value of foreign currency demand deposits increased by 64.1% to Rp2,367 billion, mainly due to an increase of 301.5% at private national banks, while those at foreign and state banks increased by 53.9% and 30.2%, respectively. The share of foreign currency demand deposits mobilized by state banks and foreign banks declined from 56.2% and 34.3% to 44.6% and 32.2%, respectively, whereas those of private national banks rose from 9.5% to 23.2% (Table 4.2).

2. Time deposits

During the reporting year, time deposits rose by 37.3% reaching Rp36,350 billion. This increase occurred in both rupiah and foreign currency time deposits.

2.1. Rupiah time deposits

Rupiah time deposits mobilized by banks during the reporting year increased to Rp28,028 billion, a rise of 33.6% compared with 26.0% in the preceding year. The increase occurred at all banks private national banks by 56.0% to Rp11,539 billion, state banks by 19.1% to Rp4,878 billion, BPDs by 60.1% to Rp442 billion, and foreign banks by 43.4% to Rp 1,169 billion. The share of rupiah time deposits in total deposits mobilized by private national banks, foreign banks, and BPDs increased from 35.3%, 3.9%, and 1.3% to 41.2%, 4.2%, and 1.6%. The share of rupiah time deposits mobilized by state banks declined from 59.5% to 53.1% (Table 4.3).

By maturity, the largest increases were recorded for 1-month, 6-month, and 12-

TABLE 4.1
BANKING FUND ¹⁾
(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	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 :										
March	7,189	1,292	8,481	16,656	3,998	20,654	1,402	433	1,835	30,970
June	7,855	1,347	9,202	18,166	4,385	22,551	1,388	400	1,788	33,541
September	7,949	1,274	9,223	19,907	4,696	24,603	1,415	445	1,860	35,686
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
April	8,160	1,438	9,598	21,602	5,479	27,081	1,661	914	2,575	39,254
May	8,640	1,603	10,243	22,351	5,597	27,948	1,663	1,039	2,702	40,893
June	10,117	1,501	11,618	23,078	5,584	28,662	1,647	1,155	2,802	43,082
July	9,688	1,524	11,212	23,640	5,726	29,366	1,625	1,357	2,982	43,560
August	9,947	1,671	11,618	24,418	5,644	30,062	1,636	1,594	3,230	44,910
September	10,937	1,591	12,528	25,069	6,025	31,094	1,650	2,035	3,685	47,307
October	11,162	1,917	13,079	25,224	6,007	31,231	1,675	2,462	4,137	48,447
November	11,345	2,011	13,356	26,262	6,313	32,575	1,725	2,893	4,618	50,549
December	13,032	2,118	15,150	27,069	6,943	34,012	1,883	3,330	5,213	54,375
1990										
January	11,860	2,074	13,934	27,782	6,726	34,508	1,870	3,774	5,644	54,086
February	12,538	2,142	14,680	27,977	6,931	34,908	1,848	4,375	6,223	55,811
March	13,611	2,367	15,978	28,029	8,321	36,350	1,892	4,972	6,864	59,192

¹⁾ Includes funds owned by the Central Government and by non-residents.

²⁾ Includes certificates of deposit.

TABLE 4.2
DEMAND 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 & joint venture 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	931	104	1,035	147	7	154	149	--	149	91	107	198	1,318	218	1,536
1979	1,446	442	1,888	222	5	227	205	--	205	124	116	240	1,997	563	2,560
1980	2,526	923	3,449	330	339	327	331	--	327	173	158	331	3,356	1,090	4,446
1981	3,514	753	4,267	413	13	426	315	--	315	170	202	372	4,412	968	5,380
1982	3,194	835	4,029	566	33	599	359	--	359	179	234	413	4,298	1,102	5,400
1983	2,960	1,301	4,261	766	49	815	415	--	415	223	317	540	4,564	1,667	6,031
1984	3,641	1,355	4,996	824	29	853	587	--	587	303	587	530	5,279	1,687	6,966
1985	4,353	580	4,933	1,177	44	1,221	655	--	655	271	348	619	6,456	972	7,428
1986 :															
March	4,109	580	4,689	1,157	59	1,216	572	--	572	248	316	564	6,086	955	7,041
June	3,853	559	4,412	1,288	64	1,352	581	--	581	288	317	605	6,010	940	6,950
September	4,221	838	5,059	1,301	88	1,389	636	--	636	320	503	823	6,478	1,429	7,907
December	4,562	768	330	1,354	129	1,483	564	--	564	273	506	779	6,753	1,403	8,156
1987 :															
March	3,848	829	4,677	1,507	109	1,616	500	--	500	308	461	769	6,163	1,399	7,562
June	4,135	1,017	5,152	1,486	115	1,601	554	--	554	294	500	794	6,469	1,632	8,101
September	4,445	757	5,202	1,546	94	1,640	608	--	608	312	452	764	6,911	1,303	8,214
December	4,735	751	5,486	1,725	113	1,838	671	--	671	311	491	802	7,442	1,355	8,797
1988 :															
March	4,419	706	5,125	1,807	91	1,898	632	--	632	331	495	826	7,189	1,292	8,481
June	4,815	734	5,549	1,908	111	2,019	795	--	795	337	504	841	7,855	1,349	9,204
September	4,780	739	5,519	1,957	111	2,068	878	--	878	334	424	758	7,949	1,274	9,223
December	5,456	814	6,270	2,192	155	2,347	945	--	945	327	461	788	8,920	1,430	10,350
1989 :															
January	4,695	728	5,423	2,122	111	2,233	935	--	935	350	510	860	8,102	1,349	9,451
February	4,728	727	5,455	2,237	111	2,348	949	--	949	371	500	871	8,285	1,338	9,623
March	5,619	810	6,429	2,332	137	2,469	807	--	807	343	495	838	9,101	1,442	10,543
April	4,530	794	5,324	2,473	150	2,623	767	--	767	390	494	884	8,160	1,438	9,598
May	4,894	933	5,827	2,533	170	2,703	830	--	830	383	500	883	8,640	1,603	10,243
June	6,124	805	6,929	2,654	164	2,818	943	--	943	396	532	928	10,117	1,501	11,618
July	5,484	832	6,316	2,770	148	2,918	993	--	993	441	544	985	9,688	1,524	11,212
August	5,664	938	6,602	2,828	161	2,989	1,005	--	1,005	450	572	1,022	9,947	1,671	11,618
September	6,394	774	7,168	3,022	260	3,282	1,060	--	1,060	461	557	1,018	10,937	1,591	12,528
October	6,316	1,031	7,347	3,230	230	3,460	1,078	--	1,078	538	656	1,194	11,162	1,917	13,079
November	6,351	1,081	7,432	3,360	278	3,638	1,097	--	1,097	536	653	1,189	11,344	2,012	13,356
December	7,686	1,073	8,759	3,673	397	4,070	1,153	--	1,153	520	648	1,168	13,032	2,118	15,150
1990 :															
January	6,417	1,065	7,482	3,722	336	4,058	1,170	--	1,170	551	673	1,224	11,860	2,074	13,934
February	6,814	1,029	7,843	3,938	398	4,336	1,183	--	1,183	603	715	1,318	12,538	2,142	14,680
March	7,168	1,055	8,223	4,634	550	5,184	1,115	--	1,115	694	762	1,456	13,611	2,367	15,978

1) Includes certificates of deposit.

2) Includes State Development Bank (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 GROUP OF BANKS 1)
(billions of rupiah)

End of period	State banks 2)			Private national banks 3)			Regional development banks			Foreign & joint venture 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	7.779	1.757	9.536
1985	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	4.122	160	--	160	816	1.006	1.822	10.779	3.669	14.448
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	11.447	3.465	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	4.929	201	--	201	701	712	1.413	13.861	3.414	17.275
December	9.283	2.044	11.327	5.212	739	5.951	206	--	206	665	759	1.424	15.366	3.542	18.908
1988 :															
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
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
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
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
April	12.713	3.159	15.872	7.731	1.487	9.218	285	--	285	872	834	1.706	21.601	5.480	27.081
May	12.899	2.987	15.886	8.215	1.573	9.788	295	--	295	942	1.037	1.979	22.351	5.597	27.948
June	13.330	3.119	16.449	8.488	1.610	10.098	303	--	303	957	855	1.812	23.078	5.584	28.662
July	13.529	3.082	16.611	8.793	1.627	10.420	308	--	308	1.010	1.016	2.026	23.640	5.725	29.365
August	13.553	3.051	16.604	9.506	1.718	11.224	326	--	326	1.032	876	1.908	24.417	5.645	30.062
September	14.006	3.263	17.269	9.630	1.740	11.370	339	--	339	1.094	1.022	2.116	25.069	6.025	31.094
October	13.913	3.230	17.143	9.921	1.811	11.732	348	--	348	1.041	966	2.007	25.223	6.007	31.230
November	14.336	3.319	17.655	10.434	1.992	12.426	356	--	356	1.136	1.002	2.138	26.262	6.313	32.575
December	14.743	3.703	18.446	10.863	2.184	13.047	379	--	379	1.085	1.056	2.141	27.070	6.943	34.013
1990 :															
January	15.066	3.321	18.387	11.157	2.341	13.498	418	--	418	1.141	1.064	2.205	27.782	6.726	34.508
February	15.003	3.454	18.457	11.351	2.401	13.752	438	--	438	1.186	1.075	2.261	27.978	6.930	34.908
March	14.878	4.291	19.169	11.539	2.729	14.268	442	--	442	1.169	1.302	2.471	28.028	8.322	36.350

1) Includes certificates of deposit.

2) Includes State Development Bank (Bapindo) and State Savings Bank (BTN).

3) Includes private development banks and private savings banks.

TABLE 4.4
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	(53)	19	1	20	785	467	1,252
1980	679	--	679	128	13	141	183	293	476	100	36	136	(168)	28	(140)	21	2	23	943	372	1,315
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	2,982
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	536	--	536	9,327	223	9,550	1,504	320	1,824	1,403	521	1,924	1,329	1,774	3,103	189	1	190	14,388	2,839	17,127
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	1	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	2,369	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 :																					
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
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
September	1,804	1	1,805	6,604	559	7,163	2,242	612	3,554	4,700	1,026	5,726	3,618	2,497	6,115	239	1	240	19,907	4,696	24,603
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	2,588	6,210	350	9	359	20,200	5,501	25,701
March	2,072	1	2,073	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	5,492	26,476
April	2,194	--	2,194	7,604	678	8,282	3,254	984	4,238	4,777	1,515	6,292	3,327	2,299	5,626	336	2	338	21,602	5,478	27,080
May	2,275	--	2,275	7,556	707	8,263	3,732	835	4,567	4,763	1,653	6,416	3,710	2,400	6,110	315	2	317	22,351	5,597	27,948
June	2,262	--	2,262	7,787	715	8,502	3,894	728	4,622	4,915	1,155	6,070	3,652	2,983	6,635	569	4	573	23,079	5,585	28,664
July	2,166	--	2,166	8,077	755	8,832	4,011	751	4,762	5,130	1,188	6,318	3,943	3,028	6,871	414	4	418	23,641	5,726	29,367
August	2,202	--	2,202	8,231	736	8,967	4,251	699	4,950	5,405	1,146	6,551	3,926	3,056	6,982	403	8	411	24,418	5,645	30,063
September	2,220	--	2,220	8,466	758	9,224	4,457	697	5,154	5,536	1,182	6,718	4,042	3,358	7,400	404	8	412	25,125	6,003	31,128
October	2,349	--	2,349	8,611	826	9,437	4,558	598	5,156	5,315	1,481	6,796	4,864	3,054	7,918	328	47	375	26,025	6,006	32,031
November	2,284	--	2,284	8,591	894	9,485	4,858	642	5,500	5,330	1,364	6,694	4,413	3,388	7,801	388	24	412	26,264	6,312	32,576
December	2,217	--	2,217	9,423	807	10,230	4,945	633	5,578	5,313	1,374	6,687	4,680	4,060	8,740	491	69	560	27,069	6,943	34,012
1990 :																					
January	2,199	--	2,199	9,962	606	10,568	5,198	949	6,147	5,577	1,864	7,441	4,389	3,967	7,696	457	--	457	27,782	6,726	34,508
February	2,186	--	2,186	10,151	749	10,900	5,325	690	6,015	5,406	1,509	6,915	4,416	3,963	8,379	493	20	513	27,977	6,931	34,908
March	2,177	--	2,177	10,290	859	11,149	5,381	700	6,081	5,116	1,730	6,846	4,575	5,012	9,587	490	20	510	28,029	8,321	36,350

1) Includes mature time deposits.

TABLE 4.5
INTEREST RATES ON TIME DEPOSITS IN RUPIAH
AND FOREIGN CURRENCY
(percent per annum)

Maturity	March 1989		March 1990	
	Rupiah	Foreign currency	Rupiah	Foreign currency
State banks				
— 1 month	15.50–17.50	6.00–9.35	14.00	7.90–8.50
— 3 months	16.70–18.00	6.75–9.70	14.50	7.72–8.35
— 6 months	17.50–19.00	7.00–9.95	15.25	7.48–8.42
— 12 months	17.50–19.50	7.35–10.07	15.50	7.32–8.48
— 24 months	18.00–19.50	--	15.75	--
Private national banks				
— 1 month	17.00–21.00	8.25–9.12	13.00–17.25	7.25–9.25
— 3 months	18.00–22.50	8.50–9.50	14.75–18.00	7.25–9.25
— 6 months	18.50–22.50	8.25–9.50	15.50–18.50	7.25–9.25
— 12 months	19.00–22.50	8.25–9.75	15.75–19.00	7.25–9.25
— 24 months	19.50–22.50	--	17.50–21.00	7.25–9.25
Foreign banks				
— 1 month	15.00–19.00	5.25–8.50	14.00–16.25	5.00–7.50
— 3 months	15.00–20.00	5.75–8.50	14.25–16.00	5.75–7.50
— 6 months	16.00–20.00	6.00–8.62	14.25–16.75	6.00–7.50
— 12 months	16.00–21.00	6.25–8.75	14.38–16.75	6.25–7.50

month time deposits which rose by 27.9%, 78.2%, and 42.4%, respectively, whereas those of 3-month and 24-month rose by only 8.3% and 5.1%. Viewed in terms of shares, 6-month and 12-month time deposits increased from 14.4% and 34.4% to 19.2% and 36.7%, respectively, whereas the share of 3-month and 24-month time deposits declined from 22.5% and 9.9% to 18.3% and 7.8%, respectively (Table 4.4).

During the reporting year, weighted average interest rates on rupiah time deposits declined to 16.86% compared to with 18.18% in the preceding year. Interest rates at state banks declined from a range of 15.50% - 19.50% to 14.00% - 15.75%, those at private national banks declined from a range of 17.00% - 22.50% to 13.00% - 21.00%, and those at foreign banks from 15.00% - 21.00% to 14.00% - 16.75% (Table 4.5). The decline in interest rates was

closely associated with the government efforts to reduce interest rates through lowering the rates on monetary instruments, such as Bank Indonesia certificates (*Sertifikat Bank Indonesia* or SBIs) and money market securities (*Surat Berharga Pasar Uang* or SBPUs).

2.2. Foreign currency time deposits

During the reporting year, the rupiah value of foreign currency time deposits rose by 51.6% to Rp8,322 billion. This increase took place at private national banks, state banks, and foreign banks, with increases of 87.3%, 40.3%, and 33.5%, respectively. In terms of maturity, 1-month, 3-month, and 12-month time deposits increased by 110.5%, 21.1%, and 25.0%, respectively. The share of 1-month time deposits, which remained the largest, increased from 43.4% to 60.2% at the end of 1989/90. It should

TABLE 4.6
SAVINGS DEPOSITS
(billions of rupiah)

End of period	Tabanas/Taska		Others		Total	
	Number of depositors ¹⁾	Out-standing	Number of depositors ¹⁾	Out-standing	Number of depositors ¹⁾	Out-standing
1978	7,466	192	2,045	9	9,511	201
1979	8,002	213	2,192	13	10,194	226
1980	8,879	292	2,317	22	11,196	314
1981	9,493	384	2,346	35	11,839	419
1982	9,968	446	2,649	44	12,617	490
1983	11,069	532	2,509	52	13,578	584
1984	12,441	670	2,715	84	15,156	754
1985	14,730	936	2,637	84	17,367	1,020
1986 :						
March	15,050	1,059	2,364	153	17,414	1,212
June	15,648	1,045	822	200	16,470	1,245
September	16,147	1,075	699	142	16,846	1,217
December	16,395	1,218	871	169	17,266	1,387
1987 :						
March	16,746	1,287	1,218	299	17,964	1,586
June	17,096	1,212	1,493	354	18,589	1,566
September	17,284	1,176	1,646	243	18,930	1,419
December	17,806	1,331	1,730	296	19,536	1,627
1988 :						
March	18,501	1,402	1,945	433	20,446	2,378
June	18,325	1,388	2,070	400	20,395	2,470
September	18,881	1,415	2,381	446	21,262	2,827
December	20,406	1,569	3,261	605	23,667	3,866
1989 :						
January	19,293	1,634	2,808	631	22,101	2,265
February	19,437	1,670	2,972	708	22,409	2,378
March	19,361	1,646	3,305	839	22,666	2,485
April	19,268	1,661	3,285	914	22,553	2,575
May	19,566	1,662	3,390	1,040	22,956	2,702
June	19,687	1,647	3,649	1,155	23,336	2,802
July	19,863	1,625	4,083	1,357	23,946	2,982
August	20,088	1,636	4,349	1,594	24,437	3,230
September	20,472	1,349	4,690	2,036	25,162	3,385
October	20,633	1,675	5,045	2,462	25,678	4,137
November	21,123	1,725	5,324	2,893	26,447	4,618
December	20,673	1,883	5,700	3,330	26,373	5,213
1990 :						
January	20,350	1,870	6,136	3,774	26,486	5,644
February	20,256	1,848	6,576	4,375	26,832	6,223
March	20,250	1,892	6,956	4,972	27,206	6,864

¹⁾ In thousands of accounts.

TABLE 4.7
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–December	8,022	13.26
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–March	3,398	13.49
April–June	2,884	14.65
July–September	3,044	14.98
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
April	1,689	13.30
May	1,705	11.08
June	1,858	11.79
April–June	5,252	12.04
July	1,769	12.85
August	2,096	12.01
September	2,317	12.02
July–September	6,182	12.25
October	2,544	12.02
November	2,861	12.04
December	2,448	12.23
October–December	7,853	12.09
1990 : January	2,345	10.09
February	2,060	10.26
March	2,684	10.77
January–March	7,089	10.40

TABLE 4.8
CERTIFICATES OF DEPOSIT 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: March	64	158	222
June	68	185	253
September	52	169	221
December	59	148	207
1989 : January	64	137	201
February	67	88	155
March	61	91	152
April	60	90	150
May	57	84	141
June	56	95	151
July	69	100	169
August	66	99	165
September	64	98	162
October	63	98	161
November	61	85	146
December	64	98	162
1990 : January	57	103	160
February	68	84	152
March	77	88	165

¹⁾ Outstanding certificates of deposit 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⁾ Before March 1985 included certificates of deposit owned by foreign banks, since March 1988 has included outstanding certificates of deposit owned by private national commercial banks.

TABLE 4.9
INTEREST RATES ON CERTIFICATES OF DEPOSIT
(percent per annum)

Maturity	1989				1990
	March	June	September	December	March
1 month	15.00–17.40	15.30–17.75	15.30–17.75	14.80–17.50	14.00–16.20
3 months	15.00–18.60	16.00–19.25	16.00–19.25	14.85–19.00	14.50–17.00
6 months	14.50–19.50	16.00–20.50	16.00–20.50	15.61–20.00	14.30–17.75
12 months	15.40–20.70	15.60–20.50	15.00–20.75	15.10–20.50	14.30–18.00
24 months	13.50–22.80	13.50–20.75	13.50–20.75	13.25–21.50	13.50–18.35

be noted that although those of other maturities experienced increases, their shares declined.

3. Savings deposits

The outstanding amount of savings deposits reached Rp6,864 billion at the end the reporting year, a remarkable increase of 176.2% compared with 35.4% in the preceding year (Table 4.6). The highest increase, 627.8%, was recorded at private national banks. This tremendous increase was closely associated with the liberalization granted to banks that allowed them to offer diversified new savings schemes.

In the reporting year, the outstanding amount of Tabanas/Taska reached Rp1,892 billion, an increase of 14.9% compared with 17.4% in the preceding year, while the number of savings accounts rose by 4.6% reaching 20,250 thousand accounts. Other types of savings deposits, including the haj pilgrimage expense savings scheme (*Tabungan Ongkos Naik Haji* or ONH), rose rapidly. At the end of the reporting year, these savings schemes reached Rp4,972 billion, a substantial increase of 492.6% compared with 93.8% in the preceding year. It should be

noted that the ONH constitutes savings of prospective haj pilgrims to cover their expenses in fulfilling the haj pilgrimage. In 1989/90, the ONH was fixed

at Rp5,150 thousand for each person, an increase of 7.7% from the year before.⁶⁾ In the reporting year, ONH savings deposits increased by 16.3% to Rp278.4 billion for 54,067 prospective haj pilgrims compared with Rp239.4 billion with 50,094 persons in the preceding year.

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 107.5% to Rp26,376 billion. The average interest rate on interbank funds showed a significantly declining trend, namely from 15.0% in 1988/89 to 11.7% in 1989/90. The decline was recorded mainly during the last quarter of the reporting year (Table 4.7).

6) Presidential Decree No. 1 of 1989, January 5, 1989.

TABLE 4.10
ISSUANCE, REPAYMENT, AND OUTSTANDING POSITION OF
BANK INDONESIA CERTIFICATES (SBI) ¹⁾
(billions of rupiah)

Period	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	8,328	5,035	6,934	1,394
April–March	6,186	8,328	5,035	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	27,874		27,267		768
April–June	371	15,840	163	15,471	369
July ²⁾ –September	7,625	23,465	6,210	21,681	1,784
October–December	10,511	33,976	11,424	33,105	871
January–March	9,367	43,343	9,470	45,575	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	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 ³⁾	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
1989/90	49,317		49,471		2,216
April	2,122	81,094	1,954	78,556	2,538
May	4,768	85,862	4,367	82,923	2,939
June	4,010	89,872	4,318	87,241	2,631
July	3,981	93,853	3,772	91,013	2,840
August	4,552	98,405	4,448	95,461	2,944
September	4,434	102,839	4,422	99,883	2,956
October	5,121	107,960	4,821	104,704	3,256
November	6,353	114,313	5,778	110,482	3,831
December	4,284	118,597	4,814	115,296	3,301
January	4,487	123,084	4,060	119,356	3,728
February	2,726	125,810	3,265	122,621	3,189
March	2,479	128,289	3,452	126,073	2,216

¹⁾ The issuance of SBI was 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 4.11
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	13.63 – 14.50	--	--	--
January – March	13.50 – 15.44	--	--	--
1988/89				
April – June	15.30 – 15.44	--	--	--
July – September	15.00 – 15.50	--	--	--
October – December	13.63 – 16.50	--	15.00 – 15.50	--
January – March	13.00 – 15.50	--	14.63 – 17.75	--
1989/90				
April	13.13 – 13.75	--	16.63 – 16.75	--
May	12.88 – 13.00	--	15.38 – 16.00	16.38 – 16.50
June	12.75 – 12.88	--	15.25 – 15.38	16.25 – 16.31
July	12.69 – 12.81	--	15.13 – 15.25	16.25 – 16.25
August	12.38 – 12.50	--	14.94 – 15.00	15.94 – 16.13
September	11.75 – 12.38	--	14.63 – 14.88	15.69 – 15.88
October	11.25 – 11.75	--	14.25 – 14.63	15.25 – 15.50
November	10.38 – 11.00	--	13.63 – 14.19	14.75 – 15.19
December	10.25 – 10.38	--	13.50 – 13.50	14.50 – 14.63
January	10.00 – 10.25	--	13.13 – 13.25	14.00 – 14.25
February	10.00 – 10.00	--	13.13 – 13.13	13.94 – 13.94
March	10.00 – 10.00	--	13.13 – 13.13	13.94 – 13.94

¹⁾ The 15-day SBI had been issued since October 1984 but was lifted on May 18, 1985. Since July 23, 1987 the issuance of the 7-day SBI has been started while the 30-day and 90-day SBI were 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 4.12
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–June	15,784.9	16,302.4	405.3
July–September	74.9	480.2	--
October–December	--	--	--
January–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	112.2	144.6	--
1989/90			
April	369.1	158.7	210.4
May	--	210.4	--
June	--	--	--
July	--	--	--
August	--	--	--
September	--	--	--
October	--	--	--
November	--	--	--
December	--	--	--
January	166.1	--	166.1
February	302.1	335.0	133.2
March	464.8	345.3	252.7

2. Certificates of deposit (CDs)

During the reporting year, CDs increased by 8.6% to Rp165 billion compared with a decline of 31.5% in the preceding year (Table 4.8). By group of banks, the increase mainly came from those at state banks (26.2%). In the meantime, the interest rates on CDs declined from a range of 13.50% - 22.80% per annum at the end of 1988/89 to 13.50% - 18.35% at the end of 1989/90 (Table 4.9).

3. Money market securities (SBPUs)

During the reporting year, Bank Indonesia made a limited purchase of SBPUs in line with the prevailing monetary developments. The overliquid money market in the first 9 months of the reporting year made Bank Indonesia purchase only Rp369.1 billion of SBPUs. During the last three months, due to the relatively tight money market condition, Bank Indonesia increased its SBPUs purchases of Rp933.0 billion. Taking into account the repayment of Rp1,049.4 billion, at the end of the reporting year, outstanding SBPUs stood at Rp252.7 billion (Table 4.12). The discount rate on 1-day and 1-month SBPUs declined from 14.13% and 17.00% at the end of 1988/89 to 14.05% and 14.05% at the end of 1989/90.

4. Bank Indonesia certificates (SBIs)

During the reporting year, the auction of Bank Indonesia certificates (*Sertifikat Bank Indonesia* or SBIs) amounted to Rp49,317 billion compared with Rp35,629 billion in the preceding year. This significant increase was closely associated with the overliquid market, owing to the maturing SBIs issued

after the October 1988 policy package since May 1989. Taking into account maturing SBIs, outstanding SBIs at the end of 1989/90 recorded a slight decline to Rp2,216 billion compared with Rp2,370 billion at the end of the preceding year (Table 4.10).

The average discount rate on SBIs recorded a declining trend. The discount rate of 7-day SBIs declined from 13.75% in early April of 1989 to 10.00% at the end of 1989/90 whereas those of 1-month and 3-month SBIs declined by 16.75% and 16.50% to 13.13% and 13.94%, respectively.

5. Non-bank financial institution (NBFI) papers

During the reporting year (up to February 1990), funds mobilized through the issuance of money market papers by NBFIs, especially in the form of promissory notes, recorded an increase of 34.9% to Rp1,990 billion compared with a rise of 14.5% in the preceding year. The increase was mainly due to an increased investment by enterprises in NBFI papers. Most of the papers were issued by investment-type NBFIs.

D. Capital Market

During the reporting year, 60 new companies went public and 11 companies issued bonds; this brought the total to 85 companies issuing stocks and 22 companies issuing bonds as of the end of 1989/90. The total value of stocks that had been issued at the bourse increased from Rp349.0 billion at the end of March 1989 to Rp5,583.9 billion at the end of March 1990, while that of bonds rose from Rp1,100.7 billion to Rp1,562.2 billion.

The stocks traded in the secondary market amounted to 240,322 thousand shares with a value of Rp2,693.8 billion, compared with 18,666 thousand shares with a value of Rp112.9 billion in the preceding year.

In addition to trading stocks and bonds through the capital market, PT Danareksa was also authorized to issue share certificates and fund certificates. In the reporting year, there were 3 types of fund certificates issued totaling

8 million certificates with a total value of Rp80 billion. With these new additional fund certificates, there were 9 types of fund certificates totaling 13,689.8 thousand certificates in circulation with a total value of Rp136.9 billion and 3 types of share certificates totaling 1,667.9 thousand certificates with a value of Rp2.2 billion. In total, share certificates and fund certificates in circulation at the end of the reporting year stood at 15,357.7 thousand certificates with a value of Rp139.1 billion.

V. BANKING AND OTHER FINANCIAL INSTITUTIONS

A. Banking

1. Banking sector policy

During the reporting year, banking sector policy continued to be directed at enhancing the role of banks in promoting economic development. To this end, the Government improved the regulations regarding the opening of bank offices in order to expand banks' operational network. The expansion of the banking network was required to enhance banks' services conducive to supporting non-oil/gas exports, investment activities, and the distribution of development. Meanwhile, the State Savings Bank (*Bank Tabungan Negara* or BTN) was allowed to accept checking deposits.¹⁾ To strengthen the soundness of banks and non-bank financial institutions (NBFIs), the Government improved the regulations on legal lending limits regarding credits extended to individuals and group of borrowers.

When opening regional offices, coordinator offices, special branch offices, main branch offices, and branch offices, national banks were required to obtain licenses from the Ministry of Finance; such licenses will be granted based on the recommendation from Bank Indonesia. The opening of lower level branches such as sub-branch offices and cashier unit offices within the same local clearing area is not subject to such a requirement.²⁾ Licenses

are required for the opening of branch offices of joint-venture banks and subbranch offices of foreign banks. In addition, joint-venture banks or their branch offices and foreign banks' sub-branches which were generally allowed to operate in seven major cities were also allowed to operate in Batam Island.³⁾ Furthermore, rural credit banks (*bank perkreditan rakyat* or BPR) which obtained business license before the October 27, 1988 policy package and were domiciled outside the state capital, provincial capital, and district capital were allowed to open branch offices, cash-service units, or other types of offices in the same sub-district where the main office of BPR is located without a license from the Minister of Finance but are obligated to report to Bank Indonesia.⁴⁾ Those BPRs established after the October 1988 package, domiciled outside the state capital, provincial capital and district capital, were also allowed to open their branch offices outside their sub-district area with a license from the Minister of Finance.

As regard the improvement of legal lending limits, the Government exempted certain types of credits to which this regulation was applied. The type of credits now excluded are credits guaranteed by the Government, high priority credits, and syndicated loans to the extend that funds originated from other banks.⁵⁾

1) Board of Directors of Bank Indonesia Decree to Bank Tabungan Negara No. 22/9/DIR/UPG, April 29, 1989.
2) Bank Indonesia Circular Letter No. 22/6/BPPP, September 16, 1989.

3) Bank Indonesia Circular Letter No. 22/8/BPPP, January 29, 1990.
4) Bank Indonesia Circular Letter No. 22/7/BPPP, November 14, 1990.
5) Bank Indonesia Circular Letters No. 21/18/BPPP, March 26, 1989 and No. 22/2/BPPP, April 29, 1989.

2. Banking developments

During the reporting year, there were several bank mergers and changes in bank status, namely a merger of 2 private national commercial banks (*bank umum swasta nasional* or BUSNs) to 1 BUSN, a merger of 1 BPR, becoming a BUSN's branch office, a merger of 4 BPRs to 1 BUSN, and a promotion of 6 BPRs to BUSNs. In addition, 41 new banks were established, comprising 29 BUSNs and 12 joint-venture banks. At the end of the reporting year, the number of commercial, development banks, and savings banks was 151 compared with 111 at the end of March 1989.

The number of bank offices (head, branch, and sub-branch offices) increased by 978 to 2,842 (Table 5.1). The number of commercial banks increased from 79 to 119, comprised of 5 state banks, 91 BUSNs, and 23 foreign/joint-venture banks. The number of commercial bank offices (head, branch, and sub-branch offices) increased from 1,493 to 2,392. The increase occurred for state banks, BUSNs, and foreign/joint-venture banks. The number of state commercial bank offices increased by 74, BUSNs by 816, and foreign/joint-venture banks by 19. At the end of March 1990, the number of state commercial bank offices totalled 892, BUSNs 1,460, and foreign/joint-venture banks 40. In addition to foreign bank offices there were 66 foreign banks' representative offices. It should be noted that there were 29 state commercial bank offices and 7 BUSN offices overseas.

At the end of the reporting year, the number of development banks remained unchanged at 29, consisting of 1 state development bank (*Bank Pembangunan Indonesia* or Bapindo), 27 regional development banks (*bank pembangunan*

daerah or BPDs), and 1 private development bank. The number of branch offices of Bapindo and BPDs increased by 2 and 57, respectively, whereas those of the private development bank reduced by 1, bringing the total number of offices of Bapindo, BPDs, and the private development bank to 26, 326, and 5.

In the reporting year, the number of savings banks remained unchanged at 3, with 1 state savings bank (BTN) and 2 private savings banks. The number of BTN branch offices increased by 4 and those of private savings banks' branch offices by 7, so that the total number of state and private savings bank offices were 22 and 71, respectively. The number of BPRs increased from 7,706 to 7,820. This was attributable to the establishment of 139 BPRs despite the revocation of the operation permits of 25 BPRs.

The activities of deposit money banks (DMBs) with regard to total assets, credit extended, and fund mobilized continued to show a favorable performance. In the reporting year, total assets rose by 42.6% to Rp103,271 billion, outstanding credits rose by 52.3% to Rp74,729 billion, and mobilized funds rose by 54.5% to Rp71,033 billion (Table 5.2).

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

TABLE 5.1
NUMBER OF BANKS AND THEIR OFFICES IN INDONESIA

Particulars	March 31, 1989	1989/90		March 31, 1990
	Number of banks/offices	Estab- lished	Licences revoked	Number of banks/offices
Commercial banks				
State commercial banks				
– Number of banks	5	--	--	5
– Number of offices	818	74	--	892
Private national commercial banks				
– Number of banks	63	29	1	91
– Number of offices	644	817	1	1,460
Foreign/joint venture banks				
– Number of banks	11	12	--	23
– Number of offices	21	19	--	40
Development banks				
State development banks				
– Number of banks	1	--	--	1
– Number of offices	24	2	--	26
Regional development banks				
– Number of banks	27	--	--	27
– Number of offices	269	57	--	326
Private development banks				
– Number of banks	1	--	--	1
– Number of offices	6	--	1	5
Savings banks				
State savings banks				
– Number of banks	1	--	--	1
– Number of offices	18	4	--	22
Private savings banks				
– Number of banks	2	--	--	2
– Number of offices	64	7	--	71
Number of commercial banks, development banks, and savings banks				
– Number of banks	111	41	1	151
– Number of offices	1,864	980	2	2,842
Rural credit banks ¹⁾				
– BPR-Non Rural				
– New BPR	--	137	--	137
– Petty traders' banks/village banks	204	2	11	195
– BKPD	217	--	--	217
– BPR-Rural				
– Village banks	3,293	--	14	3,279
– Paddy banks	2,056	--	--	2,056
– LDKP	1,936	--	--	1,936
Total number of banks	7,817	180	26	7,971
Total number of offices ²⁾	9,570	1,119	27	10,662

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
(billions of rupiah)

Items	March 31, 1989					March 31, 1990				
	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	524	126	131	15	796	663	227	161	20	1,071
Bank Indonesia	2,352	630	132	103	3,217	2,408	1,190	92	55	3,745
Securities	76	3	--	--	79	204	36	--	113	353
Domestic drafts	692	1,179	147	211	2,229	1,943	2,338	205	333	4,819
Outstanding loans	32,719	10,794	1,218	1,608	46,339	45,716	18,746	1,815	2,582	68,859
Foreign exchange assets										
— Loans	1,850	519	--	346	2,715	3,009	1,657	--	1,204	5,870
— Others	7,516	1,806	1	1,002	10,325	8,616	3,607	2	1,376	13,601
Participations	92	22	1	1	116	134	107	1	1	243
Premises, furniture, and fixtures	465	274	86	62	887	594	503	95	96	1,288
Other assets	3,728	1,361	382	259	5,730	1,968	1,210	84	160	3,422
ASSETS = LIABILITIES	50,014	16,714	2,098	3,607	72,433	65,255	29,621	2,455	5,940	103,271
LIABILITIES										
Paid up capital	52	486	147	55	740	52	1,455	168	608	2,283
Reserves/profit and loss account	2,127	473	103	75	2,778	3,257	291	136	164	3,848
Borrowings	4,277	369	74	60	4,780	6,997	265	145	136	7,543
Demand deposits	5,619	2,332	807	343	9,101	7,168	4,634	1,115	693	13,610
Time and savings deposits	14,021	7,788	377	815	23,001	17,858	14,401	626	1,178	34,063
Draft payable	494	166	57	38	755	817	615	87	85	1,604
Guarantee deposits	117	43	9	2	171	181	--	12	3	196
Foreign exchange liabilities										
— Demand deposits	813	129	--	526	1,468	1,079	904	--	795	2,778
— Time and savings deposits	2,975	1,438	--	945	5,358	4,292	2,796	--	1,314	8,402
— Borrowings	980	290	--	62	1,332	1,744	931	--	162	2,837
— Others	2,325	324	--	186	2,835	2,346	913	--	187	3,446
Bank Indonesia	12,088	1,318	452	187	14,045	15,480	2,227	86	218	18,011
Other liabilities	4,126	1,558	72	313	6,069	3,984	189	80	397	4,650

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

Group of banks	Assets			Loans			Funds		
	March			March			March		
	1988	1989	1990	1988	1989	1990	1988	1989	1990
State banks	68.9	69.0	63.2	69.0	70.5	66.4	63.4	63.7	52.5
Private national banks	22.3	23.1	28.7	23.8	23.0	27.2	26.4	27.3	39.9
Regional development banks	3.1	2.9	2.4	2.9	2.5	2.6	2.9	2.9	3.7
Foreign banks	5.7	5.0	5.8	4.3	4.0	3.8	7.3	6.1	3.9

During the reporting year, the total amount of rupiah reserves of all banks stood at Rp2,447.8 billion or 5.3% of the total mobilized funds. The highest percentage was maintained by BPDs, namely at 11.1%, followed by state banks at 6.3%, foreign banks at 4.0%, and BUSNs at 3.7%. The maintenance of banks reserves above the required reserves that occurred during the reporting year reflected the cautious attitude of banks (Table 5.4).

To improve demand deposits transactions and enhance banks' services to the public, 1 state bank branch office was designated as a local clearing house, bringing the total number of local clearing houses to 36.

Efforts to promote BPDs continued to be conducted by providing technical assistance. The technical assistance was provided by Indonesian Banking Development Institute (*Lembaga Pengembangan Perbankan Indonesia* or LPPi) in the form of implementation of an operational manual. This kind of technical assistance was given to 7 BPDs (of Bengkulu, Jambi, Aceh, South Kalimantan, Central Kalimantan, East Kalimantan, and Yogyakarta).

B. Other Financial Institutions

During the reporting year, efforts to promote the development of other financial institutions continued to be conducted. Other financial institutions include NBFIs, insurance companies, financing companies, and pawnshops.

1. Non-bank financial institutions (NBFIs)

Towards the end of the reporting year, the number of NBFIs remained unchanged at 14, comprised of 9 investment finance NBFIs, 3 development finance NBFIs, and 2 of others. Total investment and funds mobilized by NBFIs performed favorably. Investment increased by 32.1% to Rp3,787 billion. The mobilized funds, mainly originating from issued securities, rose by 31.5% to Rp3,803 billion (Tables 5.5 and 5.6).

During the reporting year, total assets of investment finance NBFIs increased by 33.4% to Rp2,717 billion. Investment by these institutions rose by 28.1% to Rp2,514 billion, most of which was carried out by purchasing corporate securities. At the same time, mobilized funds increased by 28.1% to

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

Items	1988/89				1989/90					
	State banks	Private national commercial banks	Regional development banks	Foreign/ joint venture banks	Total	State banks	Private national commercial banks	Regional development banks	Foreign joint venture banks	Total
a. Reserves	1,640.0	569.6	167.1	110.3	2,487.0	1,490.0	702.2	177.8	77.8	2,447.8
b. Current liabilities	15,353.3	6,458.9	981.5	987.6	23,781.3	23,490.3	18,946.1	1,601.0	1,966.3	46,003.7
c. Reserves as percentage of current liabilities { (a : b)×100 }	10.7	8.8	17.0	11.2	10.5	6.3	3.7	11.1	4.0	5.3
d. Reserves requirement ¹⁾	1,470.8	618.8	94.0	94.6	2,278.2	469.8	378.9	32.0	39.3	920.0
e. Excess/deficiency (a – d)	169.2	(49.2)	73.1	15.7	208.8	1,020.2	323.3	145.8	38.5	1,527.8
f. Reserves with Bank Indonesia	1,228.6	416.3	72.3	92.2	1,809.4	1,001.9	423.4	86.1	53.0	1,564.4

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

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

Items	March 31, 1989			March 31, 1990		
	Development type ¹⁾	Investment type	Total	Development type ¹⁾	Investment type	Total
Investment of funds						
Call money	--	36	36	--	87	87
Marketable securities	295	1,877	2,172	394	2,369	2,763
Loans extended	593	--	593	850	--	850
Equity participation	7	37	44	10	48	58
Others	9	13	22	19	10	29
Others	904	1,963	2,867	1,273	2,514	3,787
Sources of funds						
Call money	--	98	98	--	158	158
Securities issued	241	1,234	1,475	436	1,554	1,990
Loans received	536	405	941	682	454	1,137
Subordinated loans	63	83	146	62	110	172
Capital	84	147	231	103	243	346
Total	924	1,967	2,891	1,283	2,519	3,803

¹⁾ Includes non-bank financial institutions for financing house ownership.

Source : Ministry of Finance.

Rp2,519 billion, mainly obtained from the issuance of money market securities. As was the case with investment finance NBFIs, development finance NBFIs and other NBFIs also performed favorably. Total assets of these two types of NBFIs surged by 41.8% to Rp1,417 billion, whereas investment increased by 40.8% to Rp1,273 billion, mainly through extending credits and purchasing securities. A rapid increase was also registered in the mobilization of funds, which rose by 38.9% to Rp1,283 billion, mainly from credit obtained and securities issued.

2. Insurance companies

In 1988, insurance companies performed well, as reflected in the increase of their total assets, premium mobilized, and investment. Total assets reached Rp3,906 billion,

13.0% higher than in the year before. Gross premium receipts in 1988 was Rp1,645 billion, 9.0% higher than in the preceding year. Investment also increased by 21.8% to Rp3,091 billion, while claims in 1988 stood at Rp1,024 billion or 16.1% higher than in the year before (Table 5.7).

PT Asuransi Kredit Indonesia (PT Askrindo), one of the indemnity insurance companies, functions primarily to provide insurance for small-scale investment credits, permanent working capital credits and working capital credit up to Rp75 million. Insurance coverage by PT Askrindo in 1989 amounted to Rp2,641.0 billion, 106 5% higher than in 1988. Premiums totalled Rp95.5 billion, 94.1% higher than in the year before, while claims declined by 15.6% to Rp52.0 billion.

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

Items	March 31, 1989			March 31, 1990		
	Development type ¹⁾	Investment type	Total	Development type ¹⁾	Investment type	Total
Current assets						
Cash and banks	13	12	25	31	44	75
Call money	--	36	36	--	87	87
Marketable securities						
– Shares and bonds	1	13	14	4	165	169
– Others	264	1,803	2,067	341	2,116	2,457
Loans and advances	78	--	78	106	--	106
Other current assets	62	50	112	93	147	240
Other assets						
Non-marketable securities						
– Shares and bonds	3	11	14	5	11	16
– Others	30	61	91	49	88	137
Loans and advances	515	--	515	744	--	744
Equity participation	4	26	30	5	37	42
Fixed assets	20	11	31	20	12	32
Others	9	13	22	19	10	29
ASSETS = LIABILITIES	999	2,036	3,035	1,417	2,717	4,134
Current liabilities						
Call money	--	98	98	--	158	158
Securities issued	130	1,220	1,350	241	1,538	1,779
Loans received	77	342	419	100	357	457
Other current liabilities	58	58	116	133	198	331
Other liabilities						
Securities issued	111	14	125	195	16	211
Loans received	459	43	502	573	48	621
Others	17	31	48	10	49	59
Capital and subordinated loans						
Paid-in capital	42	28	70	69	90	159
Reserves	19	2	21	10	12	22
Retained earnings	23	117	140	24	141	165
Subordinated loans	63	83	146	62	110	172

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
(billions of rupiah)

Type of insurance	Total assets			Gross premiums			Claims			Investments		
	1986	1987	1988	1986	1987	1988	1986	1987	1988	1986	1987	1988
Life insurance	566	677	799	181	244	198	270	418	470	413	491	596
Social insurance	1,456	1,767	1,930	280	299	314	89	103	150	1,211	1,463	1,785
Indemnity insurance and reinsurance ¹⁾	748	1,013	1,177	723	966	1,033	426	361	404	391	584	710
Total	2,770	3,457	3,906	1,184	1,509	1,645	785	882	1,024	2,015	2,538	3,091

¹⁾ Includes PT Askrindo and PT Asei.

Source : Ministry of Finance.

PT Asuransi Ekspor Indonesia (PT Asei), established in November 1985, provides export insurance and export credit guarantees. In 1989/90, its export insurance coverage, premiums, and claims were Rp123.0 billion, Rp0.5 billion, and Rp0.2 billion, respectively. At the same time, its export guarantee coverage, premiums, and claims were Rp10,883.9 billion, Rp74.9 billion, and Rp95.1 billion, 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 risks on credits extended by banks to cooperatives. In 1989/90, Perum PKK insured Rp523 billion of bank loans to cooperatives amounting to Rp569 billion. The maximum premium charged on this type of guarantee remained 2% of the guaranteed credit value.

3. Financing companies

A financing company is a company which provides funds for financing capital goods. A financing company is not supposed to

mobilize funds from the public by issuing demand, time and savings deposits or promissory notes. However, they are allowed to issue promissory notes as a guarantee for credits from banks. A financing company must be established as a limited liability company or cooperative. In addition, domestic

financing companies are allowed to establish joint-venture companies with a maximum foreign share of 85% of the paid-up capital. Financing activities include leasing, venture capital, securities traders, factoring companies, credit card business, and consumer financing.

A financing company is also allowed to engage in the operations of more than one type of financing companies after adjusting its capital adequacy. In addition, banks and NBFIs that meet certain requirements are allowed to engage in one or more financing activities.

At the end of 1989/1990, the number of financing companies was 102, each of which could undertake more than one type of financing. By type of financing, there were

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

Particulars	1983	1984	1985	1986	1987	1988	1989
Number of offices ¹⁾	473	474	479	479	480	483	488
Total loans extended	221	246	274	285	330	357	383
Redemption	210	239	271	280	319	349	375
Outstanding loans	55	62	65	70	81	90	98

1) In units of accounts
Source : Perjan Pegadaian.

101 companies engaged in leasing, 14 in factoring, 21 in venture capital, 15 in credit card business, and 28 in consumer credit. Leasing companies included 1 state company, 65 private national companies, and 35 joint-venture companies. In 1989, total assets of the leasing industry rose by 41.4% to Rp3,093.4 billion. The increase was attributable to bouyant business activities, as reflected in the business contracts signed by the leasing industry which increased from Rp1,682.2 billion in 1988 to Rp2,700.7 billion in 1989.

4. Pawnshops

The activities of pawnshops (*Perusahaan Jawatan Pegadaian* or *Perjan Pegadaian*) are intended to provide loans

to persons with low income facing financial difficulties. As in the previous year, the maximum loan extended to each borrower was increased, from Rp300,000.00 to Rp500,000.00 with monthly interest rates of 3.0% or 4.0% and a maximum maturity of 6 months.

In 1989, the number of pawnshop offices throughout Indonesia increased by 5 to 488 offices. The activities of these institutions continued to rise, as indicated in the amount of loans and repayments, totalling, respectively, Rp383 billion and Rp375 billion, increases of 7.3% and 7.5% over the preceding year. Following these movements, outstanding loans went up by Rp8 billion to Rp98 billion at the end of December 1989 (Table 5.8).

VI. GOVERNMENT FINANCE

A. General

The implementation of the government budget for the fiscal year 1989/90, which constituted the first budget for the Fifth Five-Year Development Plan (*Rencana Pembangunan Lima Tahun V* or Repelita V), continued to be based on the trilogy principles of development and the dynamic balanced budget policy. During the reporting year, continued efforts to reduce the dependence on oil/gas as a source of fiscal revenue were made through the intensification and extensification of tax efforts. In addition to tax revenue, efforts were also made to raise non-tax revenue by improving the efficiency, productivity, management, and operation of state-owned enterprises and by intensifying non-tax revenue from state agencies. Concurrent with the improvement in domestic economic condition and the increase in non-oil/gas revenues, total domestic revenues rose rapidly such that the relative size of foreign aid, especially in the form of special assistance, declined during the reporting year.

On the expenditure side, the implementation of the budget continued to be based on the principle of inducing greater efficiency in resource use. Routine expenditures were directed to promote honest, disciplined, and effective public administration through a more efficient allocation of resources. Efficiency was gained through improving the qualifications of personnel, improving the implementation of payment control systems in material expenditures, and gradually eliminating budget subsidies. Meanwhile, development expenditures were directed more selectively towards high priority development projects,

taking into account the distribution of regional projects and the viability of projects at the local level.

The government budget for 1989/90 was fixed at a balance of Rp36,575 billion, 26.3% higher than the budget of the year before (Table 6.1). The realized budget for 1989/90 stood at Rp38,169 billion, 4.4% higher than the budgeted amount or 15.7% higher than the realization in the preceding year. On the revenue side, the increase was attributable to domestic revenue originating mainly from the oil/gas sector that was, in turn, due to the higher price of Indonesia's oil on the world market (i.e., \$17.85/barrel as compared with the targeted oil price of \$14.0/barrel). On the expenditure side the higher outturn was attributable to the increase in routine expenditure, owing to the increased salaries of civil servants, army personnel, and retirees that were raised by 15% in April 1989 and 10% in January 1990. The increase in salaries was aimed at promoting the welfare of government officers. In addition, due to the increase of crude oil prices in the world market during 1989/90, 2.9% of routine expenditure was allocated to subsidize fuel oil. It should be noted that the fuel oil subsidy had previously not been included in the government budget. Taking into account the 1989/90 inflation rate of 5.48%, actual receipts and expenditures, in real terms, recorded an increase of 10.2% compared with 15.8% in the preceding year.

In the reporting year, government savings, representing the difference between domestic revenue and routine expenditure, reached Rp4,409 billion, an increase of 94.7% from the preceding year.

TABLE 6.1
GOVERNMENT REVENUE AND EXPENDITURE
(billions of rupiah)

Particulars	1985/86	1986/87	1987/88	1988/89	1989/90		1990/91
					Budget	Actuals	Budget
I. Revenue	22,825	21,893	26,961	32,995	36,575	38,169	42,873
1. Domestic	19,253	16,141	20,803	23,004	25,250	28,740	31,584
2. Development	3,572	5,752	6,158	9,991	11,325	9,429	11,289
II. Expenditure	22,824	21,891	26,959	32,990	36,575	38,165	42,873
1. Routine	11,951	13,559	17,482	20,739	23,445	24,331	26,648
2. Development	10,873	8,332	9,477	12,251	13,130	13,834	16,225
III. Public Savings (I.1 - II.1)	7,302	2,582	3,321	2,265	1,805	4,409	4,936
IV. Total development funds (I.2 + III)	10,874	8,334	9,479	12,256	13,130	13,838	16,225
V. Surplus (+)/deficit (-)	1	2	2	5	0	4	0

Source : Ministry of Finance.

B. Government Revenue

Revenue In the reporting year, the outturn of government revenue, comprised of domestic and development revenue, reached Rp38,169 billion, or 4.4% higher than the budgeted amount and 15.7% higher from the outturn of the preceding year (Table 6.2). Domestic revenue reached Rp28,740 billion or 13.8% higher than budgeted and 24.9% higher than the outturn of the year before. Meanwhile, development receipts, comprised of program and project aid, reached Rp9,429 billion, 16.7% lower than targeted and 5.6% lower than the outturn in the preceding year.

Oil/gas receipts reached Rp11,252 billion or 42.4% higher than budgeted and 18.1% higher than the outturn of the preceding year. This increase was mainly attributable to unexpected higher oil prices in the world market.

The outturn of non-oil/gas receipts, originating mainly from taxes, reached Rp15,426 billion, 3.5% higher than budgeted and 29.5% higher than the outturn of the preceding year. This increase was not only due to an improvement in the domestic economy, but also to successful tax reform policy. Enhanced collection efforts were achieved, among other things, through more intensive guidance and information on taxation provided by tax officers in cooperation with mass media. In addition, efforts were also made to enhance services to tax payers through the improvement in tax administration. It should be noted that the share of domestic revenue from the non-oil/gas sector, which in 1988/89 stood at 58.6% of total domestic revenue, increased to 60.8% during the reporting year.

Taxes which recorded increases were the income tax (*Pajak Penghasilan* or PPh), the

TABLE 6.2
GOVERNMENT REVENUE
(billions of rupiah)

Particulars	1985/86	1986/87	1987/88	1988/89	1989/90		1990/91
					Budget	Actuals	Budget
I. Domestic revenue	19,253	16,141	20,803	23,004	25,250	28,740	31,584
A. Oil and gas receipt	11,145	6,338	10,047	9,527	7,900	11,252	10,783
1. Oil	9,447	5,264	8,720	8,326	6,703	9,418	8,835
2. Gas	1,698	1,074	1,327	1,201	1,197	1,834	1,948
B. Non-oil and gas receipts	8,108	9,803	10,756	13,477	17,350	17,488	20,801
1. Taxes on income	2,313	2,271	2,663	3,949	4,948	5,488	6,516
– 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	2,327	2,900	3,390	4,505	5,831	5,837	6,825
– Sales tax	--	--	--	--	--	--	--
– Sales tax on import	--	--	--	--	--	--	--
3. Import duties	607	960	938	1,192	1,421	1,587	1,972
4. Excise duties	944	1,056	1,106	1,390	1,487	1,477	1,911
5. Export tax	51	79	184	156	160	171	108
6. Land and building taxes	224	190	275	424	638	590	620
– Land tax (Ipeda)	167	--	--	--	--	--	--
– Property tax	57	--	--	--	--	--	--
7. Others	150	190	223	292	424	276	289
8. Non-tax receipts	1,492	1,147	1,977	1,569	2,048	2,062	2,560
9. Fuel-oil receipts	--	1,010	--	--	393	--	--
II. Development receipts	3,572	5,752	6,158	9,991	11,325	9,429	11,289
A. Program aid	69	1,957	728	2,041	1,799	1,007	2,885
1. Food	69	81	103	33	72	11	34
2. Local cost	--	1,876	625	2,008	1,727	996	2,851
B. Project aid	3,503	3,795	5,430	7,950	9,526	8,422	8,404
Total	22,825	21,893	26,961	32,995	36,575	38,169	42,873

Source : Ministry of Finance.

value-added tax (VAT), the sales tax on luxurious goods (*Pajak Penjualan atas Barang Mewah* or PPnBM), import duties and export duties. Meanwhile, excise duties, land and building taxes (*Pajak Bumi dan Bangunan* or PBB), and others, i.e., stamp duties and auction duties, recorded a lower outturn than budgeted.

During the reporting year, actual income tax collection reached Rp5,488 billion, 10.9% higher than budgeted and 39.0% higher than the outturn in the preceding year. This increase was not only attributable to the improvement of the economy, but also to the increased number of taxpayers and public conscientiousness in paying taxes. To alleviate the tax burden on the poor, the minimum income tax exemption was raised from Rp2,880 thousand to Rp4,320 thousand for a family of five.

The outturn for VAT and PPnBM reached Rp5,837 billion, slightly higher than budgeted and 29.6% higher than the outturn in the preceding year. The higher outturn of VAT was partly brought about by the improvement in the economy; the broadened tax base, as reflected in the imposition of a sales tax on services transactions (except for 13 types of services); and by the escalated tariff on PPnBM. The total outturn of import duties, excise duties, export duties, land and building taxes, and other taxes reached Rp4,101 billion, 0.7% lower than budgeted, but 18.8% higher than the outturn of the preceding year. The highest increase, 11.7%, occurred for import duties. This was due to an increase in imports as domestic economic activities improved.

Non-tax revenue, comprising dividends surrendered by state enterprises, forest retribution, forest exploitation retribution, and others, reached Rp2,062 billion, slightly

higher than budgeted and 31.4% higher than the outturn in the preceding year. This was mainly due to the higher amount of dividends paid by state enterprises because of the improvement in their management.

Development revenue reached Rp9,429 billion, 16.7% lower than budgeted and 5.6% less than the outturn of the preceding year. Development revenue comprised Rp11 billion of food aid, Rp996 billion of local cost financing, and Rp8,422 billion of project aid. The lower outturn of development revenues was in line with government policy of reducing the share of external sources, mainly special assistance.

C. Government Expenditure

In the reporting year, actual government expenditure, comprising routine and development expenditure, reached Rp38,165 billion, 4.3% higher than budgeted and 15.7% higher than the outturn of the preceding year (Table 6.3).

Routine expenditure, comprising outlays on personnel, materials, subsidies to local governments, debt amortization and interest payments, and others, reached Rp24,331 billion, 3.8% higher than budgeted and 17.3% higher than the outturn of the preceding year.

Personnel expenditure reached Rp6,201 billion, 3.9% higher than budgeted and 24.1% higher than the outturn of the preceding year. Material expenditure reached Rp1,702 billion, 15.2% higher than budgeted, mainly due to the increase in operational cost of government offices. Meanwhile, subsidies to local governments amounted to Rp3,566 billion or slightly lower than budgeted. This expenditure was allocated to finance routine administration of the local government, salaries to Inpres primary-school teachers, nurses and paramedics, and district and village chiefs. The outturn of amortization

TABLE 6.3
GOVERNMENT EXPENDITURE
(billions of rupiah)

Particulars	1985/86	1986/87	1987/88	1988/89	1989/90		1990/91
					Budget	Actuals	Budget
I. Routine expenditure	11,951	13,559	17,482	20,739	23,445	24,331	26,648
1. Personnel expenditure	4,018	4,311	4,617	4,998	5,966	6,201	6,909
– Rice allowances	402	406	451	518	616	588	636
– Salaries and pensions	3,073	3,330	3,561	3,833	4,608	4,826	5,486
– Food allowances	300	288	299	327	371	373	381
– Other domestic personnel expenditure	161	177	176	185	206	243	216
– Overseas personnel expenditure	82	110	130	135	165	171	190
2. Material expenditure	1,367	1,366	1,329	1,492	1,477	1,702	1,721
– Domestic	1,310	1,293	1,239	1,378	1,345	1,569	1,568
– External	57	73	90	114	132	133	153
3. Subsidies to local governments	2,489	2,650	2,816	3,038	3,594	3,566	4,227
– Irian Jaya	241	240	224	259	253	228	273
– Others	2,248	2,410	2,592	2,779	3,341	3,338	3,954
4. Amortization and interest payment	3,323	5,058	8,205	10,940	12,237	11,939	12,984
– Domestic debt	20	--	39	77	149	149	245
– Foreign debt	3,303	5,058	8,166	10,863	12,088	11,790	12,739
5. Food stock expenditure	--	29	--	--	--	--	--
6. Others	754	145	515	271	171	923	807
II. Development expenditure	10,873	8,332	9,477	12,251	13,130	13,834	16,225
1. Departments/institutions including national defence and security	4,467	2,004	1,385	1,856	1,474	2,509	4,598
2. Regional development	1,503	1,466	1,334	1,491	1,759	1,719	2,835
– Subsidies to villages	99	86	102	112	112	112	181
– Subsidies to regencies (kabupaten)	189	188	263	267	270	270	392
– East Timor	7	7	5	6	--	--	--
– Subsidies to provinces	287	293	291	334	324	324	486
– Land tax (Ipeda/PBB)	167	171	223	344	517	478	502
– Development of primary school	526	496	193	130	100	100	370
– Subsidies for reconstruction and development of shopping centers	4	11	3	3	3	3	3
– Public health centers	111	108	74	99	122	122	189
– Subsidies for afforestation and reforestation	43	31	16	16	16	16	33
– Subsidies for infrastructure development	70	75	164	180	295	294	679
3. Other development expenditure	1,400	1,067	1,328	954	371	1,184	388
– Subsidies on fertilizer	477	467	756	200	155	278	155
– Government capital participation	412	86	57	125	58	141	75
– Others	511	514	515	629	158	765	158
4. Project aid	3,503	3,795	5,430	7,950	9,526	8,422	8,404
Total	22,824	21,891	26,959	32,990	36,575	38,165	42,873

Source : Ministry of Finance.

TABLE 6.4
DEVELOPMENT EXPENDITURE BY SECTOR
(billions of rupiah)

Particulars	1985/86	1986/87	1987/88	1988/89	1989/90		1990/91
					Budget	Actuals	Budget
1. Government	386	215	138	179	128	188	183
– State apparatus	278	190	118	152	99	163	142
– Law	108	25	20	27	29	25	41
2. National defence and security	590	554	514	555	813	720	982
3. Education and culture	1,687	1,365	1,359	2,327	1,962	1,840	2,471
– Education, youth, culture, and religion	1,413	1,184	1,181	1,606	1,683	1,507	2,065
– Science, technology, and research	274	181	178	721	279	333	406
4. Health, social welfare, role of women, population, and family planning	398	326	225	338	434	470	592
5. Housing and human settlement	335	337	431	481	620	495	729
6. Religion and manpower	742	331	218	284	362	306	591
– Religion	77	39	18	18	27	25	35
– Manpower and transmigration	665	292	200	266	335	281	556
7. Economy	5,422	3,881	5,243	6,487	6,719	7,347	8,163
– Agriculture and imigration	1,138	890	1,937	1,611	1,994	2,049	2,392
– Manufacturing	963	465	215	447	342	400	447
– Mining and energy	1,673	1,176	1,206	2,074	1,615	1,418	1,973
– Transportation and tourism	1,484	1,131	1,598	2,012	2,522	3,006	3,042
– Information, press, and social communication	71	33	28	28	46	59	65
– Trade and cooperatives	93	186	259	315	200	415	244
8. Regional, business enterprises, and environment	1,313	1,323	1,349	1,600	2,092	2,468	2,514
– Regional, rural, and urban development	850	939	930	1,137	1,552	1,369	1,873
– Development of business enterprises	220	211	219	238	291	625	339
– National resources and environment	243	173	200	225	249	474	302
Total	10,873	8,332	9,477	12,251	13,130	13,834	16,225

Source : Minsitry of Finance.

and interest payments amounted to Rp11,939 billion, 2.4% lower than budgeted. This lower outturn was mainly attributable to the unexpected appreciation of US dollar towards several world major currencies, particularly the yen. It should be noted that most of the debt repayment was in terms of non-US-dollar currencies. Other routine expenditure, which consisted of fuel oil subsidies, cost of official administration, arrears of telephone and public utilities bills, reached Rp923 billion. This was 439.8% higher than budgeted and 240.6% higher than the outturn of last year. This increase was mainly due to unbudgeted expenditure for fuel oil subsidies of Rp706 billion.

In the reporting year, development expenditure reached Rp13,834 billion, 5.4% higher than budgeted and 12.9% higher than the outturn of the preceding year. Development expenditures were mainly utilized to finance infrastructure conducive to promoting development objectives. These expenditures comprised Rp5,412 billion (39.1%) of local cost financing and Rp8,422 billion (60.9%) of project aid.; their outturn increased respectively by 25.8% and 5.9% over the preceding year. Local cost financing was allocated to finance ministries/government institutions (46.4%), regional development (31.7%), and others (21.9%). Regional development expenditures reached Rp1,719 billion, 2.3% lower than budgeted but 15.3% higher than the outturn of the preceding year. These expenditures were aimed at promoting the capacity of each province in achieving a more equitable distribution of development either through Inpres program or through the sources obtained from land and building taxes.

Most of the development expenditure were utilized to finance development programs in the economic sector (53.1%), regional development, business, environment (17.8%), and education and culture (13.3%). The outturn in the economic

sector reached Rp7,347 billion and was mainly utilized to finance telecommunication and tourism (40.9%), agriculture and irrigation (27.9%), mining and energy (19.3%) (Table 6.4). Expenditure for agriculture and irrigation were mainly used to finance the promotion of foodcrops, fishery, plantation estates, and operation/maintenance of irrigation. These were all aimed at achieving the sustainable self-sufficiency in food.

D. Government Budget for Fiscal Year 1990/91

The government budget for the fiscal year 1990/91, constituting the second budget for Repelita V, was fixed at a balanced amount of Rp42,873 billion or 12.3% higher than the outturn of the preceding year. Domestic revenue was fixed at Rp31,584 billion or 9.9% higher than the outturn of the preceding year, comprising Rp10,783 billion of oil/gas revenue and Rp20,801 billion of non-oil/gas revenue. Development receipts were fixed at Rp11,289 billion, comprising Rp34 billion of pure program aid, Rp2,851 billion local cost financing aid, and Rp8,404 billion of project aid. Routine expenditures were fixed at Rp26,648 billion or 9.5% higher than the outturn of the preceding year of which most were utilized for the amortization payments on foreign borrowing (Rp12,739 billion).

Based on these budget figures, government savings are expected to be Rp4,936 billion or 12.0% higher than the outturn of the preceding year. Development expenditure were fixed at Rp 16,225 billion or 17.3% higher than the outturn of 1989/90. The allocation of development expenditures was mainly directed at building the basic infrastructure that is needed for the development of the economy, human resources, basic public services, operation and maintenance of infrastructure, and programs aiming to eliminate poverty.

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

A. World Economic Developments

The world economy showed a less favorable performance in 1989 than in the preceding year as reflected in the moderation of economic growth of both industrial and developing countries and in the deceleration in the growth of trade volume. The developments were also characterized by an acceleration of inflation rates and an increase in interest rates. World economic developments were also characterized by the substantial external imbalances, especially among several major industrial countries, persistent protectionist measures by a number of industrial countries, lower net flows of financial resources to developing countries, a severe debt burden in certain developing countries, and a deterioration in the prices of non-oil primary commodities in the world market.

World economic growth slowed down to 3.0% in 1989, following an expansion of 4.1% in 1988. The slowdown was mainly associated with a deceleration in the economic growth of industrial countries due to the implementation of tight monetary policy as reflected in an increase in interest rates in most industrial countries. This policy was intended to curb the inflation rate and prevent excess liquidity in view of nearly full capacity utilization. In some countries, this policy was also supported by tight fiscal policy aimed at curtailing budget deficits. The slowdown in the world economic growth brought about some adverse impacts on the exports of developing countries which in turn affected unfavorably the economic growth of those countries.

The inflation rate, as measured by the consumer price index, in both industrial and developing countries showed an increase as against that of the previous year. The higher inflation rates in the industrial countries were accounted for mainly by increases in the prices of oil and foodstuffs, and in some countries, such as Japan and the Federal Republic of Germany (FRG), were also due to an increase in the indirect tax rates, especially taxes on consumer goods. In the developing countries, the inflation rate continued to hike, with a large degree of variation across regions. The high inflation rate in the developing countries were mainly associated with increases in the inflation rate of heavily indebted countries, such as Argentina, Brazil, Peru, and Yugoslavia with inflation rates of more than 1,000%. In most industrial countries, the growth in employment creation - - especially in the services sector - - outstripped the growth of the labor force.

In 1989, international trade performed less favorably than in the preceding year as reflected in a decline in trade volume from 9.1% to 7.3%. Prices of most non-oil primary commodities and manufactured products declined respectively by 0.3% and 0.4%, whereas oil price went up by 21.4%. Hence, the terms of trade of developing countries improved and, conversely, that of industrial countries deteriorated.

With a view to accelerating economic growth through promoting freer trade, starting from December 1989 the General Agreement on Tariffs and Trade (GATT) launched the Trade Policy Review

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

Countries	Real economic growth			Consumer price index			Unemployment rate		
	1987	1988	1989	1987	1988	1989	1987	1988	1989
World¹⁾	3.4	4.1	3.0	--	--	--	--	--	--
OECD :	3.5	4.4	3.6	3.4	3.3	4.3	7.4	6.9	6.4
A. Seven major OECD countries	3.6	4.6	3.5	3.0	2.8	3.8	6.8	6.2	5.7
– Canada	4.5	5.0	2.9	4.0	3.7	4.6	8.8	7.8	7.5
– Fed. Rep. of Germany	1.7	3.6	4.0	0.6	1.2	3.1	6.2	6.1	5.5
– France ²⁾	2.4	3.8	3.7	3.1	2.7	3.3	10.5	10.0	9.5
– Italy ²⁾	3.0	4.2	3.2	4.9	5.3	6.0	12.1	12.1	12.1
– Japan	4.6	5.7	4.9	-0.2	-0.1	1.7	2.8	2.5	2.3
– United Kingdom ²⁾	4.7	4.5	2.3	4.1	4.8	5.5	10.4	8.2	6.2
– United States of America	3.7	4.4	3.0	4.7	3.9	4.4	6.2	5.5	5.3
B. Other OECD countries	3.0	3.4	3.8	5.7	6.6	7.7	9.7	9.4	8.9
Developing countries ²⁾	3.9	4.2	3.0	41.4	70.6	104.6	--	--	--
– Africa	1.2	2.5	3.2	14.7	19.3	20.0	--	--	--
– Asia	8.1	9.0	5.0	9.5	14.4	11.7	--	--	--
– Europe	2.4	1.2	-1.1	35.2	62.6	171.0	--	--	--
– Latin America	3.0	0.5	1.6	130.9	286.4	538.2	--	--	--
– Middle East	-0.6	3.8	3.7	19.2	17.4	13.7	--	--	--
– Oil exporting countries	0.3	2.9	3.4	33.1	33.7	19.0	--	--	--
– Non-oil exporting countries	5.4	4.8	2.9	45.1	88.3	149.5	--	--	--
– Newly-industrialized economies in Asia	12.1	9.5	5.5	2.3	4.7	5.4	--	--	--

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

2) Measured by GDP.

Sources : – IMF, World Economic Outlook – Statistical Appendix, October, 1990.
– OECD, Economic Outlook, No. 47, June 1990.

Mechanism (TPRM) aimed at evaluating periodically trade policy and practices of the contracting parties. During the reporting year, three contracting parties were reviewed, namely the United States, Australia, and Morocco. It may be added that Indonesia is scheduled to be reviewed in December 1990.

1. Developed countries

Economic growth of OECD countries, measured by real GNP or GDP, slipped from 4.4% to 3.6% in 1989. Growth in the seven

major industrial countries went down from 4.6% to 3.5% with the highest rate recorded in Japan (4.9%) and the lowest in the United Kingdom (2.3%).

On average, the inflation rate in the OECD countries rose from 3.3% to 4.3%. This was accounted for by rises in oil prices and groups of foodstuff, as well as indirect taxes imposed in certain countries. In the seven major industrial countries, the inflation rate increased from 2.8% to 3.8% with the highest rate recorded in Italy (6.0%) and the lowest in Japan (1.7%) .

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

Countries	Exports			Imports			Trade balance			Services balance ¹⁾			Current account		
	1987	1988	1989	1987	1988	1989	1987	1988	1989	1987	1988	1989	1987	1988	1989
OECD	--	--	--	--	--	--	-29.5	-6.0	-31.9	-25.0	-43.7	-52.5	-54.5	-49.7	-84.4
Seven major OECD countries	--	--	--	--	--	--	-10.3	9.2	-3.3	-29.3	-51.2	-56.3	-39.6	-42.0	-59.6
– Canada	97.9	114.7	121.0	89.1	105.9	115.9	8.8	8.8	5.1	-16.8	-17.2	-21.7	-8.0	-8.4	-16.6
– Fed. Rep. of Germany	278.0	309.0	326.3	207.8	230.0	247.8	70.2	79.0	78.5	-25.0	-30.5	-25.8	45.2	48.5	52.7
– France	139.7	160.1	171.8	148.6	168.4	182.5	-8.9	-8.3	-10.7	4.8	4.9	7.1	-4.1	-3.4	-3.6
– Italy	116.0	127.4	140.3	115.9	128.6	142.3	0.1	-1.2	-2.0	-1.1	-4.9	-9.6	-1.0	-6.1	-11.6
– Japan	224.5	259.8	269.6	128.2	164.8	192.7	96.4	95.0	76.9	-9.4	-15.4	-19.7	87.0	79.6	57.2
– United Kingdom	129.9	143.7	151.3	146.5	180.6	189.2	-16.6	-36.9	-37.9	11.8	10.3	3.9	-4.8	-26.6	-34.0
– United States of America	249.6	319.3	361.9	409.9	446.5	475.1	-160.3	-127.2	-113.2	6.4	1.6	9.5	-153.9	-125.6	-103.7
Developing countries	595.0	677.1	759.2	541.1	638.1	711.9	53.9	39.0	47.3	-52.2	-53.0	-63.1	1.7	-14.0	-15.8
– Oil exporting countries	151.7	149.4	179.4	103.3	118.1	125.9	48.4	31.3	53.9	-52.5	-52.0	-59.9	-4.1	-20.7	-6.0
– Non-oil exporting countries	443.3	527.7	579.4	437.8	520.0	586.0	5.5	7.7	-6.6	-0.3	-1.0	-3.2	5.8	-6.7	-9.8
– Newly-industrialized economies in Asia	175.3	217.2	249.9	150.0	195.0	232.3	25.3	22.2	17.6	5.1	5.6	3.7	30.4	27.8	21.3

¹⁾ Includes grants.

Source : – OECD Economic Outlook, No. 47, June 1990

– IMF, World Economic Outlook – Statistical Appendix, October 1990.

In general, the unemployment rate in the industrial countries declined from 6.9% to 6.4%. In the seven major OECD countries, it went down from 6.2% to 5.7%, while in other OECD countries from 9.4% to 8.9%.

In 1989, international trade of the OECD countries was characterized by a deterioration in their terms of trade and a deceleration in the growth rate of trade volume. The deterioration in the terms of trade was primarily related to an average oil price increase of 21.4%, whereas the deceleration in the growth rate of trade volume was accounted for by the weak growth of exports and imports in OECD countries. In total, the trade account of the seven major industrial countries showed a shrink from a surplus of \$9.2 billion to a deficit of \$3.3 billion and the current account deficit widened from \$42.0 billion to \$59.6 billion. Despite this overall deterioration, progress was recorded in reducing imbalances in some countries as reflected in the smaller deficit of the US on one hand and the smaller surpluses of Japan and the FRG on the other. The US trade deficit decreased by \$14.0 billion to \$113.2 billion, while the trade surpluses of Japan and the FRG declined by \$18.1 billion and \$0.5 billion to \$76.9 billion and \$78.5 billion, respectively. The US current account deficit also decreased, by \$21.9 billion to \$103.7 billion, while Japan's current account surplus decreased by \$22.4 billion to \$57.2 billion. However, the current account surplus of the FRG registered an increase of \$4.2 billion to \$52.7 billion.

Economic growth in the *United States* slowed down to 3.0% in 1989 compared with 4.4% in the preceding year. The slowdown was a result of a decrease in the growth of the domestic demand from 3.3% to 2.4% and in net foreign demand from

35.5% to 29.5%. The deceleration in domestic demand was accounted for by lower growth of gross investment and private consumption from 5.8% and 3.4% to 1.6% and 2.7%, respectively. The growth of government consumption rose from 0.4% to 2.7%. The decrease in net foreign demand was brought about by a lower growth of the export volume of goods and services from 17.6% to 11.2% which was closely related to stronger dollar exchange rates against most major currencies. Import volume growth of goods and services went down from 6.8% to 6.1%

The inflation rate increased from 3.9% to 4.4% due to higher prices of foodstuffs following a long drought in 1988 and an increase in oil prices. Meanwhile, the unemployment rate decreased from 5.5% to 5.3%, despite slower economic growth.

The US trade deficit narrowed from \$127.2 billion to \$113.2 billion as a result of export growth that was higher than that of imports. Exports rose by \$42.6 billion to \$361.9 billion, whereas imports rose by only \$28.6 billion to \$475.1 billion. The low import growth was accounted for by lower demand for consumer imports. The services account went up by \$7.9 billion, resulting in a \$9.5 billion surplus. The deficit in the current account, therefore, dropped by \$21.9 billion to \$103.7 billion.

Economic growth in Japan declined from 5.7% to 4.9% in 1989 due to weaker domestic demand of 5.9% compared with 7.6% in the previous year. The weak domestic demand was reflected in the lower growth of gross domestic investment, private consumption, and government consumption from 12.6%, 5.1%, and 2.2% to 10.9%, 3.5%, and 2.1%, respectively. On the other hand, an increase in net foreign demand

occurred as a result of higher growth of the export volume of goods and services compared with the import volume. The growth rate of export volume of goods and services accelerated from 8.6% to 15.4%, while that of import volume rose from 20.7% to 21.4%.

In 1989, the inflation rate went up from -0.1% to 1.7%. The lower yen exchange rate against the US dollar, imposition of a consumption tax, and rises in oil prices and wage rates were the main contributors to the high rate. Meanwhile, the unemployment rate registered a slight decline from 2.5% to 2.3% as a result of an expansion in employment, especially in the services sector.

The surplus in the trade account dropped by \$18.1 billion to \$76.9 billion due to a larger increase in imports relative to that in exports. Imports went up from \$27.9 billion to \$192.7 billion, whereas exports increased only by \$9.8 billion to \$269.6 billion. The high import increase was closely related to higher oil prices, domestic demand, and consumption goods, such as cars and electronic products, the production of which was relocated abroad. The services account deficit widened from \$15.4 billion to \$19.7 billion, partly as a result of an increase in overseas tourism. The surplus on the current account, therefore, narrowed from \$79.6 billion to \$57.2 billion.

Economic growth in the *Federal Republic of Germany* (FRO) was 4.0% in 1989, as against 3.6% in 1988. The increase was brought about by an acceleration in net foreign demand from 1.2% to 42.7%, while the growth of the domestic demand went down from 3.7% to 2.8%. The growth in the export volume of goods and services rose from 5.8% to 10.4%, higher than the increase in growth of the import volume of

goods and services which rose from 6.3% to 7.3%. The weak domestic demand was reflected in the declines in growth of the government consumption and private consumption, respectively, from 2.2% and 2.7% to -0.8% and 1.7%. Preparation for the unification of East and West Germany aroused expectations of improved domestic markets and investment needs, which resulted in increases in government as well as private investment. Consequently, growth in gross investment accelerated from 5.9% to 7.2%.

The inflation rate in 1989 reached 3.1%, compared with 1.2% in the preceding year. The high rate was mainly attributable to increases in oil prices, prices of certain groups of foodstuff, and indirect taxes, including customs duties. The unemployment rate fell from 6.1% to 5.5% due to an employment expansion in the manufacturing sector.

The FRG surplus in the trade balance narrowed to \$78.5 billion compared with \$79.0 billion in the previous year. This was the result of an increase in imports of \$17.8 billion to \$247.8 billion, whereas exports rose by \$17.3 billion to \$326.3 billion. Taking into account the \$4.7 billion decrease in the trade services deficit, the current account surplus widened from \$48.5 billion to \$52.7 billion.

Economic growth in *France* slowed down from 3.8% to 3.7% in 1989. The slowdown was brought about by the weakening growth of the domestic demand from 4.0% to 3.2%, following the deceleration in gross investment from 8.6% to 5.6%. This low figure in gross investment was a result of lower private investment in the housing sector, which grew by 1.8% compared with 4.6% in the previous year. Net foreign

demand showed an upward reversal from -12% to 19% as the growth of the export volume of goods and services rose, while the growth of the import volume of goods and services declined. The acceleration in export volume from 8.3% to 11.0% was a result of improved competitiveness of French products in international markets, which was related, among other things, to lower production costs and the depreciation of its currency.

In 1989, the inflation rate went up to 3.3% compared with 2.7% in the previous year as a result of higher prices of oil and groups of foodstuff and weaker exchange rate of franc. The unemployment rate went down from 10.0% to 9.5%. The trade deficit widened by \$2.4 billion to \$10.7 billion, resulting from an increase in imports of \$14.1 billion to \$182.5 billion, while exports increased by \$11.7 billion to \$171.8 billion. The surplus in the services account reached \$7.1 billion, compared with \$4.9 billion in 1988. The deficit in the current account, therefore, widened to \$3.6 billion from \$3.4 billion.

Economic growth in *Italy* decelerated from 4.2% to 3.2% in 1989. The decline was accounted for by weaker growth of domestic demand, 3.3% compared with 4.7% in the previous year, while the growth of the net foreign demand increased from -19.2% to -6.9%. The weakening domestic demand occurred in government consumption, gross investment, and private consumption. The improved net foreign demand was related to an acceleration in the export volume of goods and services from 4.8% to 10.1% compared with the import volume which accelerated from 6.9% to 9.6%. The increase in real exports of goods and services stemmed mainly from the weaker lira.

The inflation rate reached 6.0% in 1989 compared with 5.3% in the previous year. The rise was brought about, partly, by higher rates of value added tax and wages and lower subsidies for health and industry. The unemployment rate remained virtually unchanged from the previous year, i.e., 12.1%.

The trade balance deficit rose from \$1.2 billion to \$2.0 billion, as reflected in an import increase of \$13.7 billion to \$142.3 billion and an export increase of \$12.9 billion to \$140.3 billion. Taking into account the \$4.7 billion increase in the services account deficit to \$9.6 billion, the current account deficit widened from \$6.1 billion to \$11.6 billion.

Economic growth in the *United Kingdom* dropped from 4.5% to 2.3% in 1989 as a result of lower domestic demand compared with net foreign demand. The decline in growth of the domestic demand from 4.4% to 3.2% was brought about by a reduction in the growth of investment and private consumption, from 13.7% and 7.0% to 4.8% and 3.8%, respectively. The decrease in growth of the gross investment mainly occurred in the housing sector, the growth of which fell from 10.3% to 6.2%. On the other hand, higher net foreign demand was reflected in an acceleration in the growth of export volume of goods and services from 0.7% to 4.1% and a deceleration in the growth of import volume from 12.6% to 7.1%.

The inflation rate in 1989 rose from 4.8% to 5.5% which was mainly due to rises in wage rates and import prices following the depreciation of the pound sterling. The unemployment rate was down from 8.2% to 6.2%.

The deficit in the trade account increased by \$1.0 billion to \$37.9 billion as a result of an \$8.6 billion increase in imports to \$189.2 billion, whereas exports increased by \$7.6 billion to \$151.3 billion. The lower growth of the export volume was primarily brought about by a drop in the production of oil following a production interruption of the Piper Alpha oil field since the previous year. The surplus in the services account declined from \$10.3 billion to \$3.9 billion, resulting in an increase in the current account deficit from \$26.6 billion to \$34.0 billion.

In *Canada*, economic growth fell from 5.0% to 2.9% in 1989 as a result of a decrease in the growth rate of domestic demand from 5.8% to 5.5% and in the growth of net foreign demand from -39.9% to -72.7%. The weakening domestic demand occurred in gross investment, private consumption, and government consumption. The deceleration in gross investment followed lower growth of private investment in the non-housing sector which slowed from 18.9% to 8.2%. The low net foreign demand was accounted for by the decrease in the growth of export volume of goods and services from 9.5% to -0.9% despite a deceleration in growth of the import volume from 13.9% to 7.2%. The decrease in exports was mainly brought about by a lower export volume of cars to the US as the Canadian dollar was increasingly stronger against the US dollar, in addition to a decline in exports of wheat due to a poor harvest.

The inflation rate rose from 3.7% to 4.6%, largely as a result of increase in oil prices and wage rates, as well as high prices for certain foodstuffs. The unemployment rate was 7.5%, slightly less than the previous year's 7.8% owing to the lower growth rate in the labor force.

In 1989, the trade surplus decreased to \$5.1 billion as against \$8.8 billion in 1988. The lower surplus was due to a \$10.0 import increase to \$115.9 billion, while exports increased by \$6.3 billion to \$121.0 billion. The increase in imports mostly occurred in capital goods. Taking into account the services account deficit which rose by \$4.5 billion to \$21.7 billion, the current account deficit increased by \$8.2 billion to \$16.6 billion.

Economic growth in *other* OECD countries (17 countries) increased from 3.4% in 1988 to 3.8% in 1989. The highest growth was recorded in Portugal (5.4%), while the lowest was in Iceland (-3.8%).

The inflation rate in other OECD countries accelerated to 7.7%, compared with 6.6% in 1988. The highest rate occurred in Spain (17.3%) and the lowest in Switzerland (0.6%). The unemployment rate declined to 8.9%, compared with 9.4% in 1988.

In 1990, economic growth is projected to slow down slightly since most countries are likely to continue the adoption of a tight monetary policy stance aimed at controlling inflation, and because of the higher oil prices since August 1990. The substantial budget deficit of the US and external imbalances among major industrial countries are likely to continue to persist during the year. The inflation rate is expected to slow down with the adoption of tight monetary policies. The unemployment rate in developed countries is expected to remain unchanged.

2. Developing countries

In 1989, the developing countries were still confronted by unfavorable external conditions, such as the slowing down of world trade growth, increasing international

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

Countries	Real economic growth			Consumer price index		
	1987	1988	1989	1987	1988	1989
ASEAN	5.7	7.5 ^f	7.2	4.9	5.2	6.2
1. Brunei Darussalam	1.1	2.2	3.5	1.7	2.0	2.5
2. Indonesia	4.8	5.7	7.4	8.9	5.5	6.0
3. Malaysia	5.3 ^f	8.7 ^f	8.5	0.9 ^f	2.5	2.8
4. Philippines	5.9	6.6 ^f	5.5	3.8 ^f	8.8 ^f	10.8
5. Singapore	8.8	11.1	9.2	0.5	1.5	2.4
6. Thailand	8.4 ^f	12.0 ^f	10.8	2.5	3.8	5.4

Source : Various publications/reports.

interest rates, and the weakening prices of non-oil commodities. In addition, some countries remained overwhelmed by their debt burden.

As a consequence, economic growth declined from 4.2% to 3.0%. By region, the highest growth was recorded in Asia (5.0%) and the lowest in Europe (-1.1%).

The average inflation rate rose from 70.6% to 104.6% as a result of very high inflation rates in those countries with heavy debt burden, where the government budget deficit was quite substantial. The highest inflation rate was recorded in Latin America (538.2%) and the lowest in Asia (11.7%).

The economic growth of *oil-exporting developing countries* went up from 2.9% to 3.4% due to a higher daily average oil production, which rose from 21.6 million barrels to 23.6 billion barrels. The inflation rate dropped from 33.7% to 19.0%. The surplus in the trade balance increased by \$22.6 billion to \$53.9 billion as a result of

higher increases in exports relative to that of imports. Exports rose by \$30.0 billion to \$179.4 billion, while imports increased by \$7.8 billion to \$125.9 billion. The services account deficit rose by \$7.9 billion to \$59.9 billion. Hence, the current account deficit decreased from \$20.7 billion to \$6.0 billion.

Economic growth in *non-oil exporting developing countries* in 1989 declined from 4.8% to 2.9%, owing mainly to decreases in the prices of non-oil export commodities. The inflation rate rose from 88.3% to 149.5%. The trade balance deteriorated from a surplus of \$7.7 billion to a deficit of \$6.7 billion, due primarily to higher imports following higher oil prices. Taking into account the services account deficit which widened by \$2.2 billion to \$3.2 billion, the current account reversed from a \$6.7 billion surplus to a \$9.8 billion deficit.

Economic growth in the *newly industrialized economies* (NIEs), namely Hongkong, South Korea, Singapore, and Taiwan, fell to 5.5% in 1989 compared with

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

Countries	Exports (f.o.b.)			Imports (f.o.b.)			Trade balance			Service balance			Current account		
	1987	1988	1989	1987	1988	1989	1987	1988	1989	1987	1988	1989	1987	1988	1989
1. Brunei Darussalam	...	...	...	...	...	...	...	...	...	...	...	...	1.5	1.4	1.6
2. Indonesia	17.2	19.5 ^f	22.7	12.5	13.8 ^f	16.3	4.7	5.7	6.4	-6.9	-7.2	-7.9	-2.3	-1.6	-1.5
3. Malaysia	17.8 ^f	20.9 ^f	24.8	11.9 ^f	15.3 ^f	21.0	5.8	5.6 ^f	3.8	-3.2 ^f	-3.7	-3.9	2.6	1.9	-0.1
4. Philippines	5.7	7.1	7.8	6.7	8.1	10.4	-1.0	-1.0	-2.6	0.5	0.6	1.1	-0.5	-0.4	-1.5
5. Singapore	27.3 ^f	38.0 ^f	43.2	30.0	40.3 ^f	46.0	-2.7 ^f	-2.3 ^f	-2.8	3.8 ^f	4.0 ^f	4.5	0.5	1.7	1.7
6. Thailand	11.6 ^f	15.8 ^f	20.3	12.0 ^f	17.9 ^f	25.2	-0.4 ^f	-2.1 ^f	-4.9	--	0.4 ^f	2.7	-0.4 ^f	-1.7	-2.2

Source : Various publications/reports.

9.5% in the previous year. The decrease was a result of lower export volume, stemming mainly from the weakening competitiveness of their commodities in the international market as a result of the appreciation of their currencies and a higher inflation rate. The inflation rate rose from 4.7% to 5.4% due to an increase in wages. The surplus in the trade account declined by \$4.6 billion to \$17.6 billion, due to a higher increase in imports than that in exports. Imports rose by \$37.3 billion to \$232.3 billion, while exports rose by \$32.7 billion to \$249.9 billion. The surplus in the services account decreased by \$1.9 billion to \$3.7 billion, resulting in a \$6.5 billion drop in the current account surplus to \$21.3 billion.

In 1990, economic growth in the developing countries is expected to be higher than that in the previous year, brought about by structural adjustments taken to boost exports and control inflation. However, developing countries are likely to continue to be confronted with some external constraints, such as the slowdown in the growth of world trade, high interest rates, the low prices of non-oil commodities, and persistent protectionist measures against exports of developing countries. Considering the adjustment measures that have been adopted, the inflation rate in 1990 is expected to decline slightly.

3. ASEAN countries

Economic growth in the ASEAN countries slipped to 7.2% compared with 7.5% in the previous year. However, this growth was higher than in other regions. Lower economic growth occurred in Thailand, Singapore, Malaysia, and the Philippines in response to the tight monetary policy stance adopted by those countries. Indonesia and Brunei Darussalam

experienced higher growth. The highest growth in the ASEAN region was recorded in Thailand (10.8%) and the lowest was in Brunei Darussalam (3.5%).

The inflation rate stood at 6.2% in 1989, compared with 5.2% in the previous year. This was brought about by rises in wage rates and domestic demand. The highest inflation rate was registered in the Philippines (10.8%) and the lowest in Singapore (2.4%).

Indonesia and Brunei Darussalam improved their current account balances, whereas the reverse happened in the Philippines and Thailand. Meanwhile, Malaysia's current account slipped from a surplus to a deficit (Table 7.4).

B. International Monetary Developments

Developments In 1989, international monetary developments were characterized by higher nominal interest rates in industrial countries, strengthening the US dollar against most major currencies, the continued heavy debt burden of developing countries, and an expansion of international liquidity.

Short-term nominal interest rates in the major industrial countries rose from 7.2% to 8.7% in 1989. Rates rose in the UK from 10.3% to 11.5%, in the US from 7.7% to 9.1%, in the FRG from 4.2% to 7.1%, and in Japan from 4.4% to 5.3%. The increase was attributable largely to the adoption of a tight monetary policy stance by most major industrial countries in order to contain inflation. Long-term nominal interest rates in major industrial countries also increased, from 8.0% to 8.1%. Increases occurred in the UK, the FRG, and Japan, respectively, from 9.2%, 6.5%, and 4.8% to 10.2%, 7.0%, and 5.1%.

The US dollar appreciated against most major currencies: 8.6% against the British pound sterling, 7.6% against the Japanese yen, 7.1% against the French franc, 7.0% against the German mark, and 5.4% against the Italian lira. The rise was accounted for by higher domestic interest rates and expectations of economic improvements in the US, as reflected in the lower deficit in the US's trade balance.

In 1989, the developing countries continued to be confronted with a heavy debt burden, though the stock of debt decreased slightly from \$1,216.4 billion in 1988 to \$1,213.5 billion. The decrease occurred in all regions of developing countries except Asia and the Middle East. Following increases in export earnings of developing countries which were supported by higher oil prices, the ratio of total debt to total exports declined from 141.9% to 127.5%. The debt service ratio (DSR) slipped from 19.0% to 16.1%. For some countries, the foreign debt remained a heavy burden despite efforts to alleviate it through rescheduling and through reducing debt and debt service payments.

International liquidity increased from SDR574.7 billion to SDR619.0 billion in 1989. The increase occurred in both industrial and developing countries. Among the industrial countries, higher international reserves were recorded, inter alia, in the US from SDR36.5 billion to SDR57.5 billion, Italy from SDR28.1 billion to SDR37.9 billion, and the FRG from SDR46.8 billion to SDR49.5 billion. Foreign exchange reserves in Japan and the UK decreased from SDR72.7 billion and SDR33.4 billion to SDR64.7 billion and SDR27.1 billion, respectively. In developing countries, increases occurred in Asia, the Middle East, and Africa with the highest increase

achieved by countries in Asia, from SDR112.1 billion to SDR120.8 billion. International reserves of non-oil developing countries rose from SDR150.6 billion to SDR165.3 billion, whereas those of oil-exporting developing countries increased from SDR43.0 billion to SDR43.9 billion.

C. International Relations and Regional Cooperation

1. International Monetary Fund (IMF)

In the reporting year, two main issues were intensively discussed in the IMF meetings, namely the 9th increase in quotas and efforts to overcome member countries' financial arrears to the IMF.

The 9th IMF quota increase, especially the size of increase, has been discussed since 1988. In general, developing countries expected a sufficiently high increase to make the IMF more capable of playing its role in assisting developing countries. On the other hand, developed countries generally expected a quota increase that was not too high and emphasized more on the IMF's role as a catalyst in stimulating the flow of funds from other sources to developing countries. Up to the end of the reporting year, the discussion on the 9th IMF quota increase showed a preference to reach an agreement and, if realized, Indonesia's quota was expected to rise.

In discussions of the efforts to overcome the member countries' financial arrears, it was noted that the arrears reduced the IMF's liquidity and increased the burden on other member countries in the form of higher charges on IMF facilities and lower remuneration. In this connection, a number

of member countries suggested that heavier sanctions be imposed on a country in arrears, for example by the suspension of voting rights in various IMF fore. In addition, it was suggested arrears should be linked to the quota increase, namely that a country in arrears should fulfill its obligations before becoming eligible for the quota increase.

Outstanding IMF assistance received by Indonesia at the end of March 1990 totaled SDR462.9 million, comprising the drawdown of the Compensatory Financing Facility (CFF) in 1987. In addition, in the reporting year, Indonesia also received remuneration on its foreign exchange reserves at the IMF and interest on SDRs, amounting to SDR0.7 million. For facilities received from the IMF, the CFF and allocation of SDRs, Indonesia paid charges of SDR61.1 million in the reporting year.

2. World Bank group

The World Bank's main activity is to provide long-term loans for developing countries to finance their development in various sectors, including the promotion of the private sector. In recent years, World Bank loans have emphasized environmental preservation and poverty alleviation. World Bank assistance to member countries is channeled through the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC).

In the reporting year, the IBRD approved new loans to Indonesia in the amount of \$2,805.3 million compared to \$1,039.9 million in the preceding year. This amount provided financing for 12 projects, among others, in transportation, education, private sector development, industry, agriculture)

health, electricity, and energy. Up to the end of 1989/90, the total of approved loans amounted to \$14,533.4 million. At the same time, withdrawn loans amounted to \$9,324.1 million (64.1%), most of which was used for the sectors of electricity, irrigation, communication, agriculture, and rural development. At the end of the reporting year, the outstanding amount of IBRD loans to Indonesia was \$7,456.5 million.

The interest rate on IBRD loans, which was 7.65% p.a. in the period of January - July 1989 and 7.25% p.a. in the period of July - December 1989, was raised to 7.75% in the period of January - July 1990. On the other hand, since June 29, 1989, the IBRD has reduced its commitment fee from 0.75% to 0.25%.

Total IDA loans approved for Indonesia as of the end of the reporting year remained unchanged at \$943.5 million. Of the total, \$901.6 million (95.6%) had been disbursed, while outstanding loans amounted to \$852.0 million at the end of the reporting year. Those loans were not subject to interest, but an administration fee of 0.75% was charged on the disbursed amount. It is noteworthy that since 1980 Indonesia has been classified as being not eligible for assistance from IDA, because Indonesia has been considered capable of obtaining semi-concessional loans from other sources.

The IFC provides financial assistance to the private sector in the form of loans and equities. Up to the end of the reporting year, the IFC approved financial assistance for Indonesia amounting to \$227.0 million, comprising \$188.5 million in loans and \$38.5 million in equity. Of the total, \$63.7 million originated from IFC's funds and the remainder from syndicated loans. This

assistance was provided to 19 private companies dealing with manufacturing, finance, and tourism.

With the entry of Vanuatu and Fiji in the Multilateral Investment Guarantee Agency (MIGA), those countries belonging to the same constituency as Indonesia were Bangladesh, Fiji, the Republic of Korea, Sri Lanka, Vanuatu, and West Samoa. In the reporting year, MIGA approved guarantees on noncommercial risks for 3 private companies, in Chile, Ghana, and Indonesia, respectively. The Indonesian company obtaining MIGA guarantee approval dealt with copper, silver, and gold mining and the guarantee amounted to \$50 million with a period of 20 years.

3. Asian Development Bank (ADB)

In 1989/90, the ADB approved loans to Indonesia amounting to \$772.3 million. Of this amount, \$667.3 million originated from Ordinary Resources and \$105.0 million from the Asian Development Fund. Therefore, up to the end of the reporting year, the total amount of loans approved by the ADB reached \$5,701.5 million for 133 projects, comprised funds from the Asian Development Fund of \$482.4 million and from Ordinary Resources of \$5,219.1 million. Out of the total approved loans, \$2,750 million (56.4%) had been disbursed. In the reporting year, loan disbursements showed a significant increase to \$711.2 million, compared to \$530.0 million in the preceding year. Meanwhile, at the end of the reporting year, outstanding ADB loans to Indonesia amounted to \$2,189.5 million.

The interest rate on loans originating from the Ordinary Resources, which was 6.42% in the period of January - June 1989 and

reduced to 6.37% in the period of July - December 1989, has been reduced again to 6.33% since January 1990. A commitment fee of 0.75% was charged on undisbursed loans. As for the loans from the Asian Development Fund, the maturity ranged from 35 to 40 years with a 7 to 10 year grace period. These loans were not subject to interest charges but carried an administration fee of 1.0% p.a. of the disbursed amount.

In line with the efforts to assist the development of private sector, together with other private financial institutions, the ADB established the Asian Finance and Investment Corporation Ltd. (AFIC). The ADB placed an equity of \$35 million in this corporation, intended to assist the institution in mobilizing and channeling funds for the development of the private sector. AFIC is an independent private institution in charge, among other things, of providing loans, equities, underwriting, leasing, and guarantees, as well as consulting services to private companies in Asian-Pacific countries.

4. Islamic Development Bank (IDB)

Up to the end of 1989/90, approved IDB financial assistance to Indonesia amounted to ID34.95 million,¹⁾ comprising equities of ID16.84 million, loans of ID15.0 million, and installment sales of ID3.1 million. Of the total, ID20.46 million (58.5%) has been disbursed, comprising ID11.5 million for equity participation and ID8.9 million for loans.

With a view to promoting trade among countries under Longer Term Trade Financing Scheme (LTTFS), in the reporting year IDB approved its portion in financing LTTFS's

1) ID1.00 (Islamic diner) - SDR1.00.

facilities. A project costing up to ID3 million would be fully financed by IDB, while that over ID3 million would be financed up to 80%. In participating in LTTFS, Indonesia has appointed a state bank as the national agency.

5. Inter-Governmental Group on Indonesia (IGGI)

In the 32nd IGGI meeting held in The Hague on June 13 - 14, 1989, it was agreed that financial assistance amounting to \$4,685.8 million would be made available for Indonesia, comprising bilateral assistance of \$2,520.3 million - this included special assistance consisting of program aid and local cost at the amount of \$1,855.1 million - and multilateral assistance, among others from IBRD, ADB, and UNDP, at a total amount of \$2,165.5 million. Up to the end of the reporting year, total approvals of IGGI loans amounted to \$58,906.6 million, of which \$39,439.3 million was in the form of bilateral loans and \$19,467.3 million in multilateral loans.

Based on the loan terms, \$37,288.7 million of the approved loans constituted Official Development Assistance (ODA) and \$21,617.9 million non-ODA. Of the approved amount, \$45,422.7 million has been disbursed, comprising bilateral loans of \$32,302.8 million and multilateral loans of \$13,119.9 million. As of the end of the reporting year, outstanding IGGI loans stood at \$31,430.3 million.

Besides approving the abovementioned loans for Indonesia, the IGGI meeting also supported the Government's efforts in promoting the private sector, environmental conservation, poverty alleviation, and equitable income distribution, as well as state enterprise's efficiency and a cautious foreign loan policy.

6. Association of South East Asian Nations (ASEAN)

In the reporting year, ASEAN countries' cooperation in the areas of industry and trade continued to be expanded. In addition, dialogues between ASEAN and some industrial countries intensified.

In the area of industry, the ASEAN Committee on Industry, Minerals, and Energy (COIME) met in Baguio City, the Philippines in June 1989 and approved criteria for projects jointly financed under ASEAN Minerals Cooperation Plan (AMCP). The AMCP emphasizes projects in downstream industries.

With the objective of promoting cooperation among member countries in the area of trade, ASEAN economic ministers approved the addition of 335 commodities to the 1989 Preferential Trade Arrangement (PTA), with a Margin of Preference (MOP) of 25%. With this addition, the 1989 PTA included a total of 14,801 commodities, 2,848 of which obtained a higher MOP. In 1990, 500 new commodities would be added to the PTA program with a higher MOP for 3,544 commodities.

To promote the cooperation with industrial countries, ASEAN continued to hold dialogues with developed countries, among others, Australia and Japan as well as one of the NIEs, the Republic of Korea. Those dialogues were on the promotion of cooperation in the areas of trade, investment, infrastructure development, and technology transfer. In the ASEAN-Australia Dialogue, held in Perth, Australia, in May 1989 it was agreed to continue the second phase of ASEAN Australia Economic Cooperation Program (AAECP) with a fund of A\$35 million and a period of

5 years starting on July 1, 1989. This fund was set up to finance the promotion of trade and investment as well as development projects in the area of science and food technology, biotechnology, micro-electronics, maritime, and energy. At the 11th ASEAN Japan Forum held in Manila, the Philippines in October 1989, ASEAN expected Japan to promote its economy's openness to international trade and to expand its GSP facility, as well as to give a higher reduction of tariffs on ASEAN countries' exported commodities. To further promote the trade relation between those two sides, in the meeting, Japan's suggestion was agreed to organize a trade expert meeting to prepare the next ASEAN-Japan

Forum and to allow participants from the private sector to join in.

In the cooperation with the Republic of Korea, in August 1989 ASEAN held for the first time a dialogue on the promotion of cooperation with the country. The dialogue was the follow-up of the ASEAN Ministers of Foreign Affairs Agreement reached in Bandar Seri Begawan, Brunei Darussalam in July 1989 about the South Korean Minister of Foreign Affairs' proposal on the development of sectoral cooperation in the areas of trade, investment, and tourism as well as on expanded cooperation in the transfer of technology and development of manpower.

VIII. INDONESIA'S BALANCE OF PAYMENTS

A. Balance of Payments Policy

1. General

Economic policies stance of the Government in the reporting year was a continuation of past policies which concurrently proved to have a positive impact on the balance of payments. These policies were primarily aimed at promoting non-oil/gas exports and investment in order to expand the production of non-oil/gas export commodities, thereby gradually reducing the economy's dependency on oil/gas exports. Several steps were taken, including further reducing trade regulations to promote production efficiency which, in turn, will increase non-oil/gas exports. Regarding the exchange rate policy, the Government continued to pursue a managed floating exchange rate policy to maintain the competitiveness of export commodities in international markets as well as domestic products against imported goods. With respect to capital flows, the Government maintained its prudent borrowing policy and gave wider opportunities to the private sector.

2. Exchange rate policy

While continuously adhering to a free foreign exchange system and a managed floating exchange rate policy, in the reporting year, Bank Indonesia also adopted a new policy aimed at further developing the foreign exchange market. This policy was designed to improve the existing systems and procedures for foreign exchange transactions¹⁾ by directing banks to meet their foreign

exchange needs through foreign exchange markets without the direct involvement of Bank Indonesia. As a result, it is expected that price movements in foreign exchange markets will play an essential role in determining the appropriate exchange rate. With the new regulations, foreign exchange selling by banks originating from exports, swaps and re-swaps and foreign currency bill transactions are carried out in the morning by using an indicative rate. If necessary, however Bank Indonesia may still intervene in the market to influence the exchange rate. To facilitate the banks' needs including those related to the net open position, in the afternoon Bank Indonesia is ready to buy or sell foreign exchange, at a rate determined by Bank Indonesia, based on market developments.

3. Export policy

In order to promote non-oil/gas exports, during 1989/90, the Government improved policies covering trade regulations, taxation, credit, and institutional aspects.

Regarding trade regulations, in October, 1989, the special permit for exporting coffee (*Surat Persetujuan Ekspor Kopi* or SPEK), which formerly allowed coffee shipments from certain provinces only, was changed to allow shipments from all provinces in Indonesia.²⁾ This was related to the suspension of coffee export quotas by the International Coffee Organization (ICO). A wider opportunity was also given to exporters by removing the requirement for an export license for pepper

1) Board of Directors of Bank Indonesia Decree No. 22/45/KEP/DIR, September 16, 1989.

2) - Minister of Trade Decree No. 265/Kp/X/89, October 21, 1989.
- Director General of Foreign Trade Decree No.695/DAGLU/Kp/X/89, October 23, 1989.

in November 1989.³⁾ To expand marketing of dried cassava outside the European Community (EC), the Government set quotas for dried cassava exports to the EC. Quotas were given to registered exporters on the basis of their capability to export to non-EC countries.⁴⁾ Basically, the quota is two times the capability to export to non-EC countries.

Regarding taxation, the Government raised the export tax and the additional export tax on sawn timber and processed timber (KGKO), with amounts varying from \$250/M3 to \$2,400/m3 depending on the type of timber products; This was aimed at promoting the export of manufactured wood products and the growth of downstream wood processing industries. The lowest FOB price of KGKO export was fixed at \$250/m3 plus the related export tax levied upon the KGKO.⁵⁾

In the area of credit, the Government gradually removed the interest rates subsidies on export credits for both primary and nonprimary commodities. In May, 1989, interest rates on export credits were raised to between 14% and 14.5%.⁶⁾ With the issuance of the January 1990 policy package, subsidized export credits were removed completely.⁷⁾ The policy had two objectives, first, to improve the competitiveness of export

commodities and second, to conform to the agreement on the GATT code on subsidies and countervailing duties reached in March 1985, which was aimed at gradually removing export subsidies.

As regards institutional development, a marketing board for sawn and processed timber was established to avoid unhealthy competition among exporters of sawn and processed timber.⁸⁾ It is worth noting that the Government allowed the opening of joint venture banks or their branch offices and subbranch offices of foreign banks on Batam Island to promote non-oil/gas exports, since the region was considered to have a large export potential.⁹⁾

4. Import policy

To promote efficiency in domestic production and investment, the Government improved policies related to imports administration, taxation, and the use of new import documents.

To smooth the supply of corn for domestic industries, the Government removed the import regulation on corn.¹⁰⁾ Formerly, the Logistical Agency (BULOG) was the sole importer of corn.

In taxation, the Government took steps in extending, changing, and fixing import duties and additional import duties on certain imported goods.¹¹⁾ These steps were intended to promote the growth of domestic manufacture. In addition, the promote

3) - Minister of Trade Decrees Nos. 224/Kp/VIII/89, August 24, 1989 and 271/Kp/XI/89, November 1, 1989.

- Director for the Export of Agricultural and Forestry Product Cable No. 2350/Ditekssil tanhut-I/Kwt/XI/89, November 1, 1989.

4) - Minister of Trade Decree No. 272/Kp/XI/89, November 1, 1989.

5) - Minister of Finance Decrees Nos. 1134 and 1134a/KMK.013/89, October 13, 1989 and No. 1208/KMK.013/89, October 30, 1989.

- Minister of Trade Decree No. 252/A/Kp/X/89, October 10, 1989.

- Director General of Foreign Trade Circular Letter No. Eks. 102/DAGLU/0707/89, October 30, 1989.

6) - Board of Directors of Bank Indonesia Decree No 22/9/KEP/DIR, May 2, 1989.

- Bank Indonesia Circular Letters Nos. 22/2/UKU and No. 22/3/UKU, May 2, 1989.

7) - Board of Directors of Bank Indonesia Decree No. 22/81/KEP/DIR, January 29, 1990.

8) - Minister of Trade No. 62/Kp/IV/89, April 3, 1989.

9) - Bank Indonesia Circular Letter No. 22/8/BPPP, January 29, 1990.

10) - Minister of Trade Decree No. 242/Kp/IX/89, September 22, 1989.

11) - Minister of Finance Decrees Nos. 340/KMK.05/1989, April 10, 1989, 356/KMK.00/1989, April 13, 1989, 841/KMK.05/1989, August 1, 1989, 867/KMK.00/1989, August 7, 1989, 1039/KMK.00/1989, September 8, 1989, 1071/KMK.00/1989, September 25, 1989, 1270/KMK.05/1989, November 20, 1989, 1403/KMK.00/1989, December 21, 1989, 4/KMK.00/1990, January 3, 1990 and 371/KMK.00/1990, March 21, 1990.

education, the Government will bear the burden of the value added tax payment for imported text books, holy books, and books on religion.¹²⁾

Since April 1, 1990, the import document (*Pemberitahuan Pemasukan Barang Untuk Dipakai* or PPUD) has been replaced by another import document (*Pemberitahuan Impor Untuk Dipakai* or PIUD) in order to improve the flow of documents and goods, to obtain complete, accurate, and timely import data, and to adjust import documents to international standards.¹³⁾ In addition, to conform consistently with the Harmonized Commodity Description and Coding System (HS) and to support the development of domestic manufacturing, adjustments were also made to the classification of certain goods in the 1989 Guide on Rates of Import Duties.¹⁴⁾

5. Policy on services

In the reporting year, to increase foreign exchange earnings and economize on the use of foreign exchange, the Government took measures in the area of tourism and adopted stipulations related to foreign workers.

In an effort to encourage the growth and development of tourism the Government is promoting the tourism sector by declaring the year 1991 as Visit Indonesia Year, programming a tourism campaign on a nation wide basis,¹⁵⁾ establishing an Indonesian

Cooperation Board for Tourism (*Yayasan Badan Kerjasama Pariwisata*), carrying out Special Promotional Tours (*Widya Wisata Pengenalan*) , and disseminating information on tourism. In addition, the Government created two additional tourism points of interest (*daerah tujuan wisata* or DTWs), namely Lampung and West Kalimantan and established Bintan Island as another visa-free entrance for foreign tourists.

In the field of manpower, the Government regulated the number, permits, and requirements for employing foreigners.¹⁶⁾

6. Policy on capital flows

As in previous years, foreign funds were still needed to maintain Indonesia's development efforts, as they could not be fully financed by domestic funds. Foreign funds consisted of official borrowing, borrowing by state enterprises and private borrowers, and foreign direct investment.

In 1989/90, Indonesia continued to maintain its prudent policy on foreign borrowing by giving priority to soft-term, untied borrowing, considering the capacity to repay, and using the funds for projects in accordance with the Development Plan. The Government, therefore, made efforts to acquire special assistance which was on soft terms, convertible to rupiah, and quick-disbursing. Such assistance was intended for balance of payments purposes and for easing constraints on Rupiah funds for financing government projects. In addition, to ease the future debt burden, the Government continued to limit the use of "export credit facilities", which are less concessional and in general, requiring the

12) Presidential Decree No. 2 of 1990, January 4, 1990.

13) - Minister of Finance of Decree No. 7/KMK.05/1990 January 3, 1990.
- Bank Indonesia Circular Letter No. 22/71/ULN, March 14, 1990.

14) - Director General of Customs and Excise Circular Letter No. SE-07/BC/1990, January 29, 1990.

14) Minister of Finance Decrees Nos. 434/KMK.04/1989, May 2, 1989, 827/KMK.05/1989, July 26, 1989, 1249/KMK.01/1989, November 14, 1989, 1291/KMK.05/1989, November 28, 1989 and 89/KMK.05/1990, January 23, 1990.

15) Presidential Instruction No. 3 of 1989, April 4, 1989.

16) Minister of Manpower Decree No. INS.07/MEN/89, July 31, 1989.

borrower to import goods from the creditor country. Moreover, the use of commercial borrowing was also reduced gradually. It is the intention of the Government to always repay the debt on schedule.

Regarding private capital flows, in the field of direct investment, the Government replaced the Priority List (*Daftar Skala Prioritas* or DSP) with the Negative List (*Daftar Negatif Investor* or DNI) to facilitate the choice of business fields and to give wider business opportunities.¹⁷⁾

To create a more attractive investment climate for foreign direct investment (*penanaman modal asing* or PMA), the minimum investment was lowered to \$250,000.¹⁸⁾ Requirements for domestic share ownership in establishing PMA companies with private entrapot were made identical to those for PMA companies located in bonded zones that export 100% of their products.¹⁹⁾ Foreign investors may own all shares of PMA companies if the companies are located in the bonded zone of Batam Island and exporting 100% of their products. However, five years after the beginning of commercial production, at least 5% of the shares must be sold to Indonesian partners.²⁰⁾ To accelerate industrial growth aimed at meeting domestic as well as foreign demand, the Government permitted PMA companies to invest in and manage industrial estates.²¹⁾

In order to increase the inflow of foreign funds and develop the role of banks, state

commercial banks, the Indonesian Development Bank, and regional development banks which have the status of foreign exchange banks were allowed to borrow offshore.²²⁾

B. Balance of Payments Developments

1. General

In the reporting year, Indonesia's balance of payments recorded more favorable developments despite various pressures, such as sluggish world economic growth, a drop in the price of several primary commodities, and the enactment of the additional protectionist measures in several industrial countries. These developments were reflected by a lower current account deficit as well as a reduction in the ratio of the current account deficit to Gross Domestic Product (GDP). The lower current account deficit was primarily the result of an increase in non-oil/gas exports, especially manufactured goods. This was a result of the adjustment and deregulation measures taken by the Government in recent years which improved competitiveness and diversified export commodities as well as expanded export markets. An increase in oil prices and foreign exchange earnings from tourism also contributed to the improved current account.

The capital account remained in surplus, although the surplus decreased as a result of lower net government capital inflows. Net private capital inflows, however, registered an increase. Foreign debt repayments by the Government decreased since the US dollar appreciated against several major currencies, especially the yen.

17) Presidential Decree No. 21 of 1989, May 5, 1989.

18) Chairman of Investment Coordinating Board Decree No. 9/ SK/1989, May 5, 1989.

19) Chairman of Investment Coordinating Board Decree No. 8/ SK/1989, May 5, 1989.

20) Chairman of Investment Coordinating Board Decree No. 16/ SK/1989, October 24, 1989.

21) Presidential Decree No. 53 of 1989, October 27, 1989.

22) - Minister of Finance Decree No. 417/KMK.013/1989 May 1, 1989.
- Bank Indonesia Circular Letter No. 22/4/ULN May 1, 1989.

TABLE 8.1
NON-OIL/GAS EXPORT VALUE BY GROUP OF COMMODITIES
(percent)

Group of commodities	1985/86	1986/87	1987/88	1988/89	1989/90 *
Agriculture	-1.8	10.0	-3.2	23.1	-6.3
Mining	7.0	16.6	19.2	24.2	42.0
Manufacture	8.1	7.8	61.6	29.0	18.7

Source : Central Bureau of Statistics.

With these developments, the official foreign exchange reserves of Bank Indonesia increased by \$248 million, reaching \$6,259 million at the end of March 1990, equivalent to 4.6 months of non-oil/gas imports. Taking into account foreign exchange reserves held by foreign exchange banks amounting to \$3,900 million at the end of March 1990, Indonesia's total foreign exchange reserves reached \$10,159 million, equivalent to 7.4 months of non-oil/gas imports.

2. Current account

The current account deficit during 1989/90 was \$1,599 million a decreased of \$260 million compared with the previous year. This was a result of an increase in the surplus on the trade account of \$943 million to \$6,456 million, while the deficit on the services account rose by \$683 million to \$8,055 million. The ratio of the current account deficit to GDP fell to 1.7% compared with 2.2% in the previous year.

By sector, the non-oil/gas current account recorded a deficit of \$5,510 million compared with \$4,919 million in the previous year, whereas the oil/gas current account registered a surplus of \$3,911 million, an increase of \$851 million.

2.1. Exports

In the reporting year, total exports increased by \$4,006 million or 20.2% compared with the previous year, reaching \$23,830 million. Non-oil/gas exports increased by \$2,309 million, to \$14,493 million, and oil/gas exports by \$1,697 million, to \$9,337 million. The developments showed that despite the 22.2% increase in oil/gas exports and the 18.9% increase in non-oil/gas exports, the share of non-oil/gas exports in total exports (more than 60%) remained larger than the share of oil/gas exports. Exports of manufactured products accounted for the largest share of total exports (Table 8.2).

By country of destination, Japan and the United States were the most important markets for Indonesian exports, with shares of 42.1% and 15.4% respectively, in the total export value. Following were the ASEAN countries (10.9%) and the European Community (EC) (10.6%). Among the ASEAN countries, Singapore had the biggest share (75.8%), followed by Malaysia (9.3%), Thailand (8.8%), and the Philippines (6.1%) (Table VIII).

2.1.a. Non-oil/gas exports

During 1989/90, the value of non-oil/gas exports rose by 18.9% to \$14,493 million.

TABLE 8.2
SHARE OF NON-OIL/GAS EXPORTS BY GROUP OF COMMODITIES
(percent)

Group of commodities	1985/86	1986/87	1987/88	1988/89	1989/90 *
Share to non-oil/gas exports					
– Agriculture	25.7	27.0	18.0	16.9	13.8
– Mining	3.3	3.5	2.9	3.1	3.8
– Manufacture	71.0	69.5	79.1	80.0	82.4
Share to total exports					
– Agriculture	8.7	12.7	9.2	10.4	8.3
– Mining	1.1	1.7	1.5	1.9	2.3
– Manufacture	23.9	32.6	40.6	49.2	49.9

Source : Central Bureau of Statistics.

Increases were recorded for manufacturing products (18.7%) and mining products (42.0%). Agricultural commodities, however, recorded a slight decrease of 6.3%, due to lower prices in world markets (Table 8.1).

The share of manufactured products in non-oil/gas exports, therefore, increased to 82.4% from 80.0% in the previous year. This reflects improvements in the competitiveness as well as diversification in the types and markets of export commodities. The share of agricultural products (13.8%) remained important despite a slight decrease from the previous year (16.9%). The share of mining products grew from 3.1% to 3.8% due to price increases of several mining products, such as tin and copper (Table 8.2).

A number of non-oil/gas commodities registered an increase in export value, including, timber, textiles, and steel, while rubber, shrimp, and coffee decreased (Tables 8.4 and 8.5).

Timber

In 1989/90, exports of timber, comprising mainly timber products such as plywood, sawn timber, and other processed timber, remained the main foreign exchange source with a 23.8% share in non-oil/gas exports. The export value reached \$3,453 million, an increase of 18.9% as a result of an increase in export volume of 27.5%. The export volume of plywood and other processed timber increased by 51.6% and 36.6%, respectively, sawn timber decreased by 17.0%. This was the result of a higher export tax on sawn timber which became effective in November 1989. However, the export value of sawn timber increased by 1.4% as a result of higher export price.

By country of destination, Japan and the US were the largest buyers of Indonesian timber exports with a share of 36.9% and 10.9%, respectively. Other important buyers were Singapore (6.5%), South Korea (6.4%). By region, the share of exports to ASEAN countries was 12.7% and the EC was 8.1%.

TABLE 8.3
INDONESIA'S BALANCE OF PAYMENTS
(millions of \$)

Transaction	1985/86	1986/87	1987/88	1988/89	1989/90 *
A. Current account	-1,832	-4,051	-1,707	-1,859	-1,599
1. Merchandise	6,060	2,246	5,391	5,513	6,456
a. Export f.o.b.	18,612	13,697	18,343	19,824	23,830
i. Non-oil/gas	6,175	6,731	9,502	12,184	14,493
ii. Oil/gas	12,437	6,966	8,841	7,640	9,337
- Oil	(8,816)	(4,798)	(6,159)	(5,007)	(6,288)
- LNG	(3,621)	(2,168)	(2,628)	(2,508)	(2,801)
- LPG ¹⁾	(--)	(--)	(54)	(125)	(248)
b. Import f.o.b.	-12,552	-11,451	-12,952	-14,311	-17,374
i. Non-oil/gas	-10,078	-9,356	-10,597	-12,239	-14,845
ii. Oil/gas	-2,474	-2,095	-2,355	-2,072	-2,529
- Oil	(-2,282)	(-1,908)	(-2,190)	(-1,912)	(-2,342)
- LNG	(-192)	(-187)	(-165)	(-160)	(-187)
2. Services	-7,892	-6,297	-7,098	-7,372	-8,055
a. Non-oil/gas	-4,052	-4,010	-4,372	-4,864	-5,158
b. Oil/gas ²⁾	-3,840	-2,287	-2,726	-2,508	-2,897
- Oil	(-2,530)	(-1,464)	(-1,635)	(-1,560)	(-1,635)
- LNG	(-1,310)	(-823)	(-1,091)	(-948)	(-1,262)
B. Capital account, excluding reserves	2,360	4,575	3,235	2,614	2,405
1. Official transfer & capital, net	1,788	3,343	1,526	2,825	1,830
a. Official inflows	3,432	5,472	4,575	6,588	5,516
i. IGGI	2,751	3,978	4,368	5,468	4,668
- Food aid	(38)	(48)	(30)	(23)	(6)
- Pogram aid	(--)	(--)	(828)	(862)	(1,031)
- Project aid	(2,713)	(3,930)	(3,510)	(4,583)	(3,631)
ii. Non-IGGI (Project aid)	681	1,494	207	1,120	848
b. Official debt repayment	-1,644	-2,129	-3,049	-3,763	-3,686
- Pre-July 1966 debts	(-36)	(-123)	(-84)	(-88)	(-87)
- Post-July 1966 debts	(-1,608)	(-2,006)	(-2,965)	(-3,675)	(-3,599)
2. Miscellaneous capital, net	572	1,232	1,709	-211	575
a. Direct investment	(299)	(252)	(544)	(585)	(722)
b. Government enterprises	(273)	(980)	(1,165)	(-796)	(-147)
C. Total (A through B)	528	524	1,528	755	806
D. Net errors and omissions	-498	-1,262	57	-1,432	-558
E. Reserves ³⁾	-30	738	-1,585	677	-248
1. Reserves position with the Fund	(-15)	(-9)	(-8)	(5)	(--)
2. Short-term foreign liabilities	(--)	(--)	(--)	(--)	(--)
3. Short-term foreign assets	(-15)	(747)	(-1,577)	(672)	(-248)

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

2) 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.

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

TABLE 8.4
VALUE OF EXPORTS ¹⁾
(millions of \$)

Items	1985/86 [†]	1986/87 [†]	1987/88 [†]	1988/89 [†]	1989/90 *
A. Non-oil/gas	6,175	6,731	9,502	12,184	14,493
Timber	1,211	1,593	2,469	2,903	3,453
– Log	(2)	(3)	(3)	(9)	(6)
– Plywood	(850)	(1,160)	(1,851)	(2,095)	(2,429)
– Sawn timbers	(260)	(321)	(423)	(592)	(600)
– Others	(99)	(109)	(132)	(207)	(418)
Rubber	714	749	1,037	1,229	951
Coffee	659	753	498	576	448
Palm oil	170	114	214	313	279
Animal and produce	280	390	488	839	768
– Shrimps	(208)	(297)	(352)	(541)	(514)
– Others	(72)	(93)	(136)	(298)	(254)
Tea	134	106	119	136	176
Foodstuffs	125	174	246	357	345
– Tapioca	(42)	(52)	(93)	(154)	(97)
– Others	(83)	(122)	(153)	(203)	(248)
Pepper	82	152	158	144	94
Tobacco	51	71	47	43	44
Copra cakes	35	34	41	42	51
Hides	37	45	60	69	69
Rattan	80	99	162	37	1
Textiles and textile products	718	713	1,128	1,571	2,171
Handicrafts	30	30	67	184	250
Rattan products	14	26	80	124	230
Electrical appliances	109	46	55	106	173
Urea fertilizer	109	97	117	136	142
Cement	23	47	54	86	128
Iron steel	52	79	221	317	433
Paper	27	47	113	153	221
Glassware	9	15	45	108	94
Footwear	7	13	33	126	299
Mining products	808	719	1,112	1,556	1,551
– Tin	(248)	(156)	(143)	(165)	(213)
– Copper	(133)	(144)	(186)	(238)	(321)
– Aluminum	(223)	(201)	(245)	(301)	(267)
– Nickel	(140)	(112)	(152)	(438)	(373)
– Gold	(– –)	(51)	(315)	(323)	(218)
– Others ²⁾	(64)	(55)	(71)	(91)	(159)
Miscellaneous	691	619	938	1,029	2,122
B. Oil ³⁾	8,816	4,798	6,159	5,007	6,288
C. Gas	3,621	2,168	2,682	2,633	3,049
– LNG	3,621	2,168	2,628	2,508	2,801
– LPG ⁴⁾	– –	– –	54	125	248
Total (A + B + C)	18,612	13,697	18,343	19,824	23,830

1) Based on f.o.b., classification system was changed from CCCN to HS, causing changes in the grouping of commodities and their value.

2) Includes natural sand, which for 1985/86 through 1989/90 were \$9.2 million, \$6.7 million, \$5.4 million, \$4.6 million, and \$4.3 million.

3) Includes crude oil and oil products.

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

TABLE 8.5
VOLUME OF EXPORTS ¹⁾
(thousands of tons)

Items	1985/86 [†]	1986/87 [†]	1987/88 [†]	1988/89 [†]	1989/90 [*]
A. Non-oil/gas	81,605	74,743	62,975	47,855	36,665
Timber	5,010	5,521	6,768	7,764	9,898
– Log	(80)	(168)	(146)	(276)	(136)
– Plywood	(2,792)	(2,959)	(3,849)	(4,381)	(6,640)
– Sawn timber	(1,338)	(1,600)	(1,872)	(2,093)	(1,737)
– Others	(800)	(794)	(901)	(1,014)	(1,385)
Rubber	1,192	1,062	1,187	1,220	1,217
Coffee	339	309	275	323	396
Palm oil	521	569	703	808	942
Animal and produce	189	132	194	243	307
– Shrimps	(99)	(53)	(86)	(91)	(131)
– Others	(90)	(79)	(108)	(152)	(176)
T e a	109	93	98	110	115
Foodstuffs	1,661	1,777	2,954	2,592	2,411
– Tapioca	(498)	(439)	(833)	(1,368)	(1,297)
– Others	(1,163)	(1,338)	(2,121)	(1,224)	(1,114)
Pepper	36	33	36	53	44
Tobacco	37	24	20	20	16
Copra cakes	433	348	384	355	466
Hides	8	10	6	4	4
Rattan	82	116	135	30	--
Textiles and textile products	371	147	210	545	359
Handicrafts	52	26	41	71	71
Rattan products	22	6	19	37	66
Electrical appliances	24	14	14	40	48
Urea fertilizer	1,067	1,212	1,266	1,011	1,475
Cement	978	2,012	2,316	3,343	4,008
Iron steel	326	334	800	1,261	1,372
Paper	82	173	208	229	313
Glassware	39	44	125	235	216
Footwear	20	3	8	20	47
Mining products	68,204	59,654	42,280	24,014	11,678
– Tin	(23)	(24)	(32)	(24)	(26)
– Copper	(301)	(271)	(290)	(318)	(341)
– Aluminum	(229)	(177)	(151)	(124)	(165)
– Nickel	(925)	(1,288)	(1,456)	(1,592)	(1,958)
– Gold	(--)	(--)	(--)	(--)	(--)
– Others ²⁾	(66,726)	(57,894)	(40,351)	(21,956)	(9,188)
Miscellaneous	803	1,124	2,928	3,527	1,196
B. Oil (millions of barrel) ³⁾	338	384	355	336	351
C. Gas					
– LNG (millions of MMBTU) ⁴⁾	776	793	894	945	967
– LPG (thousands of ton) ⁵⁾	--	--	514	1,353	2,414

1) Classification system was changed from CCCN to HS, causing changes in the grouping of commodities.

2) Includes natural sands, which for 1985/86 through 1989/90 were 64,134 thousand tons, 54,781 thousand tons, 38,053 thousand tons, 19,610 thousand tons, and 3,585 thousand tons.

3) Includes crude oil and oil products.

4) MMBTU = Mille Mille British Thermal Unit.

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

Textiles

Textiles remained the second largest non-oil/gas export with a share of 15.0%. The export value rose by 38.1% to \$2,171 million as a result of a 40.8% increase in garments and a 34.3% increase in other textile products such as fabrics, yarns, and *batik*. Exports to quota and nonquota countries increased, by 38.2% and 38.0% respectively. Exports to quota countries included textiles which were not under the quota category.

Indonesia's most important markets for textiles were the US (36.3%), Singapore (9.4%), and Japan (5.0%). The shares of the EC and ASEAN countries were 27.4% and 12.6%, respectively.

Rubber

Rubber remained the third largest non-oil/gas export with a share of 6.6%. The export value of natural rubber dropped by 22.6% to \$951 million on account of 22.4% and 0.3% drops in price and export volume, respectively. Lower demand in world markets was the primary cause of the fall in rubber prices. It is worth noting that Indonesia's natural rubber exports mainly consisted of crumb rubber.

By country of destination, 46.1% of natural rubber was exported to the US, 22.8% to Singapore, and 4.0% to Japan.

Shrimp

Shrimp exports ranked fourth in non-oil/gas exports with a share of 3.5%. Compared with the previous year, the export value decreased by 5.0% to \$514 million. Because of a large increase in the supply of shrimp to the world market, the price

dropped in the last months of the reporting year by 34.0%. The export volume, however, increased by 43.9% compared with the previous year.

The main market for Indonesian shrimp was Japan (72.6%). Other important markets were the US (9.1%), Singapore (5.4%), and Hong Kong (2.6%).

Coffee

The share of coffee in non-oil/gas exports fell from 4.7% to 3.1% and its rank fell from fourth to the fifth. After increasing in the previous year, the export value dropped by 22.2% to \$448 million in 1989/90, since the failure in setting up an international quota system caused a large increase in supply and a substantial drop in the price by 36.5%. The export volume, however, rose by 22.6% to 396 thousand tons. Exports to non-quota countries (non-ICO members) fell from 156 thousand tons to 145 thousand tons, causing their share to drop from 48.3% to 36.6%.

By country of destination, Japan and the Federal Republic of Germany (FRO) were the biggest importers with a share of 18.8% and 13.8%, respectively. Other important countries were the Netherlands (8.9%), Algeria (8.9%), the US (5.8%), and South Korea (3.8%). The share of coffee exports to the EC countries was 32.3%.

Steel

The share of steel was 3.0% in non-oil/gas exports and occupied the sixth rank. The export value reached \$433 million and rose by 36.6% compared with the previous year. The rise was due to an increase in the volume of steel exports and a higher unit value.

Indonesia's biggest markets were Japan and South Korea with shares of 36.2% and 9.2%. The share of steel exports to ASEAN countries was 15.3%.

Nickel

The share of nickel was 2.6% in non-oil/gas exports. In the reporting year, the export value reached \$373 million, a decrease of 14.8% compared with the previous year. This decrease was the result of lower prices caused by higher international supply. The export volume; however, rose by 23.0% to 1,958 thousand tons.

Japan was the main buyer of Indonesia's nickel with a share of 97.5%. Other buyers were Australia (1.5%) and the Netherlands (1.7%).

Copper

In the reporting year, the share of copper reached 2.2% in non-oil/gas exports and ranked eighth. The export value rose by 34.9% from the previous year to \$321 million. The rise in the export value was due to a higher price in international markets as a result of a decline in supply. This condition was related to problems in the production process in the main producing countries such as Peru, Zambia, and Papua New Guinea. Indonesia's export volume rose by 7.2% to 341 thousand tons, corresponding to an increased in the domestic production. Important markets for copper exports were Japan (73.6%), South Korea (10.3%), and the People's Republic of China (5.5%).

Palm oil

The share of palm oil in non-oil/gas exports was 1.9% and its importance shifted from the

sixth to ninth rank. Palm oil exports decreased by 10.9% to \$279 million, due to a 23.5% drop in the price as a consequence of over-production by the main producer, Malaysia. The export volume increased by 16.7% to 942 thousand tons.

The main buyers of Indonesia's palm oil were the Netherlands (57.1%), India (4.7%), and Iraq (2.6%). The share of palm oil exports to the EC was 84.2%.

Aluminum

The position of aluminum exports shifted from the seventh to the tenth rank in Indonesia's non-oil/gas exports with a share of 1.8%. In 1989/90, the export value decreased by 11.3% to \$267 million as a result of a significant drop in price by 33.3%. The export volume, however, rose by 33.3% to 165 thousand tons, since there were no interruptions in the shipments to Japan, while the price drop was caused by higher supply of aluminum in the world market.

As in previous years, the largest buyer of aluminum was Japan (96.5%). Another important buyer was Malaysia (2.1%).

Handicrafts

In the reporting year, the share of handicraft exports in non-oil/gas export was 1.7%. The export value of handicrafts increased substantially by 35.9% to \$250 million. This was attributable to improved quality and more varieties of handicrafts, especially the more refined ones.

Important markets for handicrafts were Singapore (32.2%), Hong Kong (25.8%), and the US (7.4%).

Rattan products

The share of rattan products in total non-oil/gas exports was 1.6%. The main rattan products, consisting of rattan mat, *lampit* and furniture (92.2%), reached a remarkable increase of 85.5% to \$230 million. This was a result of volume as well as price increases of 78.4% and 4.0%, respectively. Exports of rattan furniture in the reporting year jumped by 122.8% to \$127 million, while lampit exports rose by 66.7% to \$85 million. The increase in rattan product exports was closely related to the prohibition of exports of raw and semi-processed rattan.

By country of destination, Japan was the largest buyer (60.5%). Other important buyers were the US (12.6%) and the Netherlands (3.3%). The share of export to the EC was 14.5%.

Paper

The share of paper in non-oil/gas exports was 1.5% and ranked thirteenth. Exports which consist of pulp and printing paper increased by 44.4% to \$221 million. The increase was a result of higher volume and prices of 36.7% and 5.7%, respectively. The increase of export volume corresponded with an increase in domestic production.

Important export markets were Singapore (13.7%), Hong Kong (9.6%), and Malaysia (8.8%).

Tin

In 1989/90, the share of tin export recorded a slight increase to 1.5% of total non-oil/gas exports. The value of tin exports rose by 29.1% to \$213 million as a result of a 19.2% price increase to \$8,000 per ton and an 8.3% volume increase to 26

thousand tons. The increase was made possible by the success of the Association of Tin Producing Countries (ATPC) in coordinating international supply. Indonesia's quota for tin was increased from 29 thousand tons to 31.5 thousand tons in the reporting year.

The main countries of destination were Singapore and the Netherlands with a share of 82.3% and 12.2%, respectively.

Tea

In 1989/90, the share of tea exports decreased slightly to 1.2% in non-oil/gas exports. However, the export value rose by 29.4% to \$176 million as a result of a 23.8% price increase and a 4.6% volume increase. This was closely related to lower exports by the main tea producers, namely India and Sri Lanka. In addition, the demand from several countries such as the Soviet Union, Pakistan, and Egypt rose.

The main markets for Indonesian tea were the Soviet Union (30.8%), Pakistan (10.5%), the US (9.2%), and Egypt (6.8%). The share of the EC was 16.9%.

Other major export commodities

Other major export commodities consisted of footwear, electrical appliances, cement, foodstuffs, fertilizer, glassware, gold, pepper and tobacco; their total export value increased by 7.6% to \$1,537 million. Export value increased significantly for footwear (137.3%), electrical appliances (63.2%), and cement (48.8%). Large increase in export volume were recorded for footwear (135.0%), electrical appliances (20.0%), cement (23.3%), and fertilizer (45.9%).

TABLE 8.6
OIL EXPORT BY COUNTRY OF DESTINATION ¹⁾
(millions of barrels and millions of \$)

Countries	1985/86		1986/87		1987/88		1988/89		1989/90	
	Barrels	\$	Barrels	\$	Barrels	\$	Barrels	\$	Barrels	\$
1. United States of America	107.8	2,820.8	108.2	1,331.2	87.6	1,532.3	87.4	1,331.8	75.9	1,353.3
Share (%)	31.9	32.0	28.2	27.7	24.7	24.9	26.0	26.6	21.7	21.5
– Crude oil	99.2	2,610.2	94.8	1,168.9	79.3	1,400.8	79.9	1,238.5	68.7	1,221.2
– Oil products	8.6	210.6	13.4	162.3	8.3	131.5	7.5	93.3	7.2	132.1
2. Japan	167.1	4,328.6	176.6	2,255.7	209.8	3,592.0	204.8	3,004.0	210.2	3,783.5
Share (%)	49.4	49.1	46.0	47.0	59.1	58.3	61.0	60.0	60.0	60.2
– Crude oil	130.5	3,434.8	141.0	1,802.4	152.3	2,651.6	154.5	2,359.5	165.5	2,974.8
– Oil products	36.6	893.8	35.6	453.3	57.5	940.4	50.3	644.5	44.7	808.7
3. Other countries	63.4	1,667.0	99.0	1,211.8	57.5	1,035.1	43.8	670.9	64.4	1,150.4
Share (%)	18.7	18.9	25.8	25.3	16.2	16.8	13.0	13.4	18.4	18.3
– Crude oil	59.6	1,568.3	94.0	1,146.9	57.0	1,014.0	40.1	538.7	61.2	1,097.3
– Oil products	3.8	98.7	5.0	64.9	0.5	21.1	3.7	132.2	3.2	53.1
4. Total (1+2+3)	338.3	8,816.4	383.8	4,798.7	354.9	6,159.4	336.0	5,006.7	350.5	6,287.2
Share (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
– Crude oil	289.3	7,613.3	329.8	4,118.2	288.6	5,066.4	274.5	4,136.7	295.4	5,293.3
– Oil products	49.0	1,203.1	54.0	680.5	66.3	1,093.0	61.5	870.0	55.1	993.9

1) F.o.b. value.

TABLE 8.7
LNG AND LPG EXPORTS

Year	L N G			L P G ¹⁾		
	Value ²⁾ (millions of \$)	Volume (millions of MMBTU)	Price (\$/MMBTU)	Value ²⁾ (millions of \$)	Volume (millions of MMBTU)	Price (\$/ton)
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
1989/90 *	2,801	967	2.90	248.2	2,414.0	102.82

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

2) F.o.b. value.

Source : - Pertamina,
- Directorate General of Oil and Gas.

Other major export commodities which were recorded a decrease in export value were foodstuff (3.4%), glassware (13.0%), gold (32.5%), and pepper (34.7%). These decreases were mainly caused by lower prices.

The value of other export commodities increased significantly (106.0%) to \$2,122 million. These commodities comprised, among others, metal products, electrical machineries, mechanical equipments, optical and photographic instruments, plastic products, chemical products, cosmetics, rubber products, and ceramics.

2.1.b. Oil/gas exports

During 1989/90 the value of oil/gas exports rose by 22.2% to \$ 9,337 million. This was due to price and volume increases of both gas and oil. Exports of oil, comprising crude oil and petroleum products, rose by 25.6% to \$6,288 million, while exports of gas, comprising liquefied natural gas (LNG) and liquefied petroleum gas (LPG), increased, by 11.7% and 98.4% to \$2,801 million and \$248 million respectively.

The average price of Indonesian crude oil exports grew from \$15.07 to \$17.90 per barrel, while the average price of petroleum products rose from \$14.17 to \$18.13 per barrel. The average price increase was the result of higher international demand and a more stable supply of oil by OPEC. The rise in oil export volume was primarily the result of higher production of crude oil. The export volume of petroleum products shrank as a result of lower production.

By country of destination, Japan and the US remained the largest markets with a share of 60.2% and 21.5%, respectively (Table 8.6).

To control oil prices through production restraint, the June 1989 meeting of OPEC members decided to increase the production quota from 18.5 million barrels to 19.5 million barrels per day, with the reference price of \$18.00 per barrel for ALC type. The decision was effective for the second semester of 1989. In the September 1989 meeting, the production quota was raised again to 20.5 million barrels per day, and the decision was implemented in the same month. The production quota was

TABLE 8.8
VALUE OF IMPORTS ¹⁾
(millions of \$)

Items	1985/86	1986/87	1987/88	1988/89	1989/90 *
A. Imports by non-oil/LNG enterprises	10,078	9,356	10,597	12,239	14,845
A.1. General imports ²⁾	7,322	7,106	8,347	10,294	13,314
A.2. Program imports	2,756	2,250	2,250	1,945	1,531
B. Imports by oil/LNG companies	2,474	2,095	2,355	2,072	2,529
C. Total (A+B)	12,552	11,451	12,952	14,311	17,374

1) F.o.b. value.

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

increased further to 22.00 million barrel per day, at the December 1989 meeting. In accord with the September 1989 agreement the reference price remained the same, at \$18.00 per barrel and the decision was effective for the first semester of 1990.

To follow price movements in international markets more closely, in April 1989, a new formula for calculating oil prices was introduced to replace the Government Selling Price (GSP), namely the Indonesian Crude Price (ICP). Under the new formula, Indonesia's crude price is calculated by linking the prices of five types of crude oil sold in the spot markets, namely Sumatran Light Crude/SLC (Indonesia), Tapis (Malaysia), Gippsland (Australia), Oman crude (Oman), and Dubai crude (United Arab Emirates). With the new formula, Indonesia's oil price is determined in the middle of every month.

The export value of LNG recorded an increase of 11.7% to \$2,801 million as a result of a rise in prices from \$2.65 to \$2.90 per MMBTU as well as in export volume. The LNG price increase was closely linked to the rise in oil prices, since the LNG price is connected to the price of crude oil. Increases in the export volume resulted from

an increase in LNG shipments mainly to Japan. In March 1990, there was an inaugural shipment to Taiwan from a new train in Badak refinery, East Kalimantan. With this additional train, there are 11 trains in Indonesia, (6 in Arun and 5 in Badak), with a total production capacity of 1,104.6 million MMBTU per year.

LPG exports accelerated by 100.5% to \$248 million mainly as a result of a significant increase in export volume of 78.5 %. The export volume totalled 2.414 million tons. The increase was related to the realization of LPG export contracts with Japan from the LPG special refineries in Badak and Arun.

2.2. Imports

During 1989/90, imports grew by 21.4% to \$17,374 million. Non-oil/gas imports increased by 21.3% to \$14,845 million and oil/gas imports by oil/gas increased by 22.0% to \$2,529 million. Imports by other than oil/gas companies, covering general imports, increased, whereas imports financed by foreign aid decreased (Table 8.8). The rise in non-oil/gas imports was related to the increase in domestic economic activities as well as price increases for several imported goods.

TABLE 8.9
IMPORTS BY ECONOMIC CATEGORY ¹⁾
(percentage)

Year	Capital goods	Basic materials and auxiliaries	Consumer goods
1985/86	20.6	75.4	4.0
1986/87	24.3	71.9	3.8
1987/88	26.5	70.2	3.3
1988/89	22.0	74.3	3.7
1989/90 *	24.6	70.6	4.8

¹⁾ Based on Broad Economic Categories (BEC).

The rise in oil/gas imports was mainly recorded for crude oil and fuel by 63.5% to \$914.0 million as a result of price increases.

Classified by economic category, the share of raw/auxiliary materials, which constituted the largest part of total imports, decreased slightly from 74.3% to 70.6% (Table 8.9). Raw/auxiliary materials for industry made up the largest share. The share of capital goods, consisting mostly of passenger cars and transport equipments, increased from 22.0% to 24.6%. The share of consumption goods, mainly foods and beverages, rose from 3.7% to 4.8%.

By country of origin, Japan and the US were the main suppliers with a share of 23.3% and 12.7%, respectively, whereas the shares of the EC and ASEAN countries were 16.2% and 9.8% in total imports. Among ASEAN countries, Singapore recorded the biggest share (64.7%), followed by Malaysia (22.0%), Thailand (9.8%), and the Philippines (3.5%) (see Table IX).

2.3. Services account

During 1989/90, the deficit in the services account widened by 9.3% to

\$8,055 million, covering the service transactions of non-oil/gas as well as oil/gas companies. The deficit in the non-oil/gas services account rose by 6.0% to \$5,158 millions as a result of a 21.2% increase in freight costs to \$1,633 million. Payments on investment income reached \$2,920 million as interest payments on Indonesia's foreign debt remained high. Foreign exchange earnings from tourism increased by 13.9% to \$1,630 million, primarily due to the Government promotional efforts. Payments for service transactions by oil/gas companies rose by 15.5% to \$2,897 million as the result of higher oil production and new LNG train expansion. Earnings from tanker rents jumped from \$31.1 million to \$169.2 million.

3. Capital movements in the non-monetary sector

In 1989/90, net capital inflows of the non-monetary sector decreased by \$209 million to \$2,405 million. This was mainly due to a reduction in net inflows of official capital from \$2,825 million to \$1,830 million, while net inflows of private capital improved substantially from a deficit of \$211 million to a surplus of \$575 million.

TABLE 8.10
SERVICES PAYMENTS (NET)
(millions of \$)

Items	1985/86	1986/87	1987/88	1988/89	1989/90 *
1. Freights on imports	1,356	1,237	1,401	1,555	1,886
a. Non-oil/gas	1,108	1,029	1,166	1,347	1,633
b. Oil	228	190	219	191	234
c. LNG	20	18	16	17	19
2. Other transportation	274	229	237	317	463
a. Non-oil/gas	231	208	220	230	298
b. Oil	43	21	17	87	165
c. LNG	--	--	--	--	--
3. Investment income	3,814	3,153	3,825	4,198	4,611
a. Non-oil/gas	1,708	2,032	2,588	2,956	2,920
b. Oil	1,222	740	890	809	1,035
c. LNG	884	381	347	433	656
4. Others	2,448	1,678	1,635	1,302	1,095
a. Non-oil/gas	1,005	741	398	331	307
b. Oil	1,037	513	509	473	201
c. LNG	406	424	728	498	587
5. Total	7,892	6,297	7,098	7,372	8,055
a. Non-oil/gas	4,052	4,010	4,372	4,864	5,158
b. Oil	2,530	1,464	1,635	1,560	1,635
c. LNG	1,310	823	1,091	948	1,262

3.1. Official capital movements

Official capital inflows decreased by 16.3% to \$5,516 million as a result of a substantial decrease in borrowing from export credit facilities. In addition, amortization payments on government debt decreased from \$3,763 million to \$3,686 million. Total net official capital inflows were \$1,830 million or \$995 million less than the previous year.

\$4,668 million compared with \$5,468 million in 1988/89. The lower figure reflected \$420 million less borrowing from export credit facilities; which amounted to \$585 million. This was in line with the Government's policy to limit the use of export credit facilities.

Disbursements of special assistance also declined from \$2,049 million to \$1,807 million.

3.1.a. Disbursements of borrowings and external assistances

In the reporting year, disbursements of borrowings and external assistance from IGGI and non-IGGI members dropped by \$1,072 million to \$5,516 million. Disbursements and external assistance from IGGI members decreased by 14.6% to

Special assistance was provided, among others by OECF, Japan (\$565 million), Exim Bank of Japan (\$474 million), the World Bank (\$350 million) and ADB (\$269 million). Disbursements in the form of grants totaled \$171 million.

Disbursements of borrowings and external assistances from non-IGGI members

TABLE 8.11
DISBURSEMENT OF GOVERNMENT BORROWING AND FOREIGN ASSISTANCE
(millions of \$)

Items	1985/86	1986/87	1987/88	1988/89	1989/90 *
1. IGGI	2,751	3,978	4,368	5,468	4,668
a. ODA	1,370	1,980	2,837	3,996	3,589
— Food aid ¹⁾	(38)	(48)	(30)	(23)	(6)
— Program aid ²⁾	(—)	(—)	(828)	(862)	(1,031)
— Project aid	(1,332)	(1,932)	(1,979)	(3,111)	(2,552)
b. Non-ODA	1,381	1,998 ³⁾	1,531 ³⁾	1,472 ³⁾	1,079
2. Non-IGGI (project aid)	681	1,494	207	1,120	848
a. ODA	47	75	7	135	30
b. Non-ODA	634	1,419	200	985	818
Total (1 + 2)	3,432	5,472	4,575	6,588	5,516

1) Borrowings under food aid program.

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

3) Includes loans from Exim Bank of Japan.

decreased by 24.3% to \$848 million due to a reduction in ODA borrowing from \$135 million to \$30 million (Table 8.11).

3.1.b. Debt repayments

Amortization on official foreign debt decreased by 2.1% from \$3,763 million to \$3,686 million. The decrease was accounted for by the appreciation of the US dollar against other major currencies, especially the Japanese yen. Including interest payments, total foreign debt service payments decreased from \$6,328 million to \$6,202 million. The debt service ratio (DSR), defined as the ratio of principal and interest payments on official debt to merchandise export receipts, decreased from 31.9% to 26.0% as a result of lower debt service payments and increased export earnings. Taking into account exports of services, the DSR dropped from 28.9% in the previous year to 23.7%.

3.1.c. Outstanding external debt

At the end of March 1990, outstanding external government debt was \$40,354 million, a decrease of \$166 million compared to the end of March 1989. The decrease was accounted for by the appreciation of the US dollar against several major currencies, especially the Japanese yen. The government's external debt is primarily denominated in the US dollar (42.8%) and the Japanese yen (38.0%).

With respect to the sources of credit, the largest share (77.9%) of new government debt originated from the IGGI donors, the remaining originated from non-IGGI donor. Borrowing from IGGI members comprised bilateral arrangements (\$20,480 million), in particular from Japan, the US, and Germany, and multilateral institutions (\$10,951 million), mainly the World Bank and ADB. The largest portion of non-IGGI

TABLE 8.12
OUTSTANDING EXTERNAL DEBTS
end of March 1990
(millions of \$)

Items	Position
I. Government debts	40,354
1. Old debts ¹⁾	1,252
2. New debts	39,102
a. IGGI	31,431
i. ODA	(21,986)
– Food aid ²⁾	2,485
– Program aid	2,647
– Project aid	16,854
ii. Non-ODA ³⁾	(9,445)
b. Non-IGGI	7,671
– ODA	(1,466)
– Non-ODA	(6,205)
II. Debts of state enterprises	712
Total	41,066

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

²⁾ Includes borrowing for price stabilization program.

³⁾ Including special loans from Exim Bank of Japan.

debt (66.5%) is from international commercial banks.

Classified with respect to terms of borrowings, debts under ODA and non-ODA terms amounted to \$24,704 million (61.2%) and \$ 15.650 million respectively. Debt under ODA terms comprising program aid, special assistance, and project aid amounted to \$2,485 million, \$2,647 millions, and \$19,572 million, respectively. Debt under non-ODA terms consisted of special assistance, mainly from the Exim Bank of Japan amounting to \$1.697 million, export credit facilities amounting to 8,089 million, and commercial borrowings amounting to \$5,864 million, respectively. Outstanding foreign borrowings of state

enterprises by the end of March 1990 amounted to \$712 million (Table 8.12).

3.2. Private capital movements

The net inflow of private capital comprising capital flows of PMA companies, state-owned enterprises, and other private companies, increased substantially from a deficit of \$211 million to a surplus of \$575 million. This was mainly the result of increasing capital inflows by PMA companies and other private companies, amounting to \$2,466 million. The increase in capital inflows was closely related to a series of government measures to encourage foreign direct investment in Indonesia. Higher capital inflows by other private

companies were mainly the result of increasing purchases of stocks by foreign investors in the capital market and increasing capital inflows from foreign investors in establishing joint-venture banks. However, capital inflows brought in by state-owned enterprises dropped to \$289 million due to the completion of several LNG and LPG refinery projects.

Private capital outflows consisting of direct investment abroad and debt repayment by private companies as well as state enterprises decreased to \$2,180 million because of lower investment abroad by national private companies compared with the previous year.

4. Monetary movements

During 1989/90, the current account registered a \$1,599 million deficit, while capital transactions registered a \$2,405 million surplus. Total foreign exchange reserves at Bank Indonesia increased by \$248 million compared with the \$677 million deficit in the previous year.

By the end of March 1990, official foreign exchange reserves amounted to \$6,259 million, which was sufficient to finance 4.6 months of non-oil/gas imports. Including the foreign exchange reserves held by foreign exchange banks amounting to \$3,900 million at the end of March 1990, national foreign exchange reserves reached \$10,159 million or equivalent of 7.4 months of non-oil/gas imports.

5. Exchange rate developments

The development of the rupiah exchange rate compared with the average inflation differential between Indonesia and its major trading partners showed that the real

effective exchange rate could be maintained. Indonesia's export commodities, therefore, were competitive enough to boost non-oil/gas exports.

Compared with the rates at the end of March 1989, the rupiah exchange rate at the end of March 1990, depreciated by 3.73% against the US dollar, by 13.66% against the Deutsche mark, by 1.26% against the British pound sterling, by 13.95% against the French franc, by 13.69% against the Netherlands guilder, and by 7.51% against the Singapore dollar, and appreciated by 15.56% against the Japanese yen and by 4.39% against the Australian dollar.

C. Indonesia's Balance of Payments Prospects for 1990/91

In 1990/91, Indonesia's balance of payments is still expected to face external challenges such as slower world economic growth, fluctuations in international oil prices, and domestic constraints such as infrastructure and capacity constraints. However, considering the success of the government's past policies and its ongoing commitment to the deregulation process, the prospects for Indonesia's balance of payments in 1990/91 remain favorable.

Exports in general are expected to grow, especially export of non-oil/gas commodities in particular manufactured commodities, in line with the Government's efforts to continuously encourage non-oil/gas exports through various deregulation measures. Endeavor to develop production in the private sector, especially by non-oil/gas export-oriented PMA/PMDN companies, is expected to boost non-oil/gas exports further. However, considering the above constraints and lower commodity prices, the growth of non-oil/gas exports is expected to slow down.

In spite of the unpredictable fluctuations in oil prices, oil exports are expected to remain the same compared with the previous year. This will be made possible through continued attempts by OPEC to control oil prices. It is estimated that oil production of non-OPEC oil producing countries will not be increasing. Gas exports are expected to rise as a result of attempts to develop markets as well as LNG and LPG production.

In general, it is expected that imports will continue to rise, as domestic economic activities are growing. This import growth is closely related to higher imports in capital goods and raw/auxiliary materials for the production of export commodities. Import increases also reflect the Government's attempts to improve various regulations in trade procedures and taxation related to imports in order to accelerate the production of export commodities. The 1990/91 trade account will be in surplus, roughly equal to that of previous year.

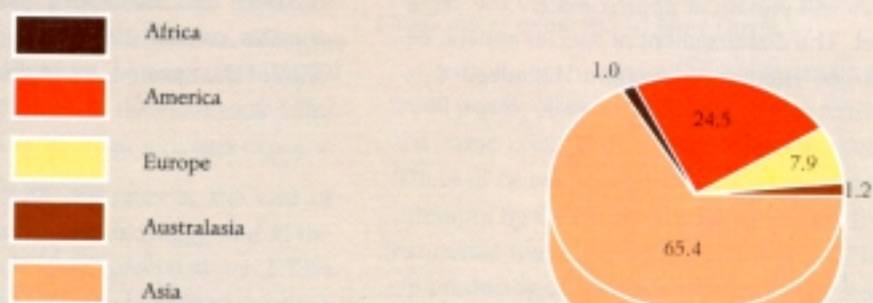
In the services sector, the Government will continue its efforts to increase foreign exchange earnings, among others, through the Visit Indonesia Year 1991 program,

which will increase foreign exchange earnings from tourism. However, the services account is still expected to record a large deficit, due to the higher cost of freight on imports, as imports are increasing and higher interest payments on government debt. Considering the development in exports, imports, and services, the deficit in the 1990/91 current account is expected to narrow compared with this year.

Official capital inflows in 1990/91 are expected to decrease since debt repayments are expected to increase as a result of a rise in the amount of mature debts, whereas capital inflows will remain at approximately the same level. The disbursement of special assistance will not exceed the amount disbursed this year, since it is temporary and the commitments are decreasing. Net private capital inflows are expected to increase in line with government policies to further develop the role of the private sector by creating a more attractive investment climate for investors.

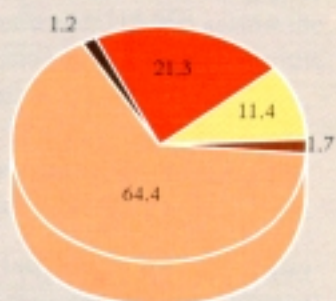
Based on the above projections, Indonesia's overall balance of payments in 1990/91 is expected to register a surplus.

CHART 3
EXPORTS BY COUNTRY OF DESTINATION
(percentage)

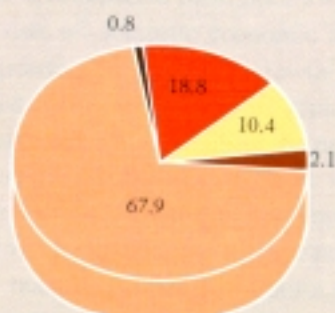


Source : Central Bureau of Statistics

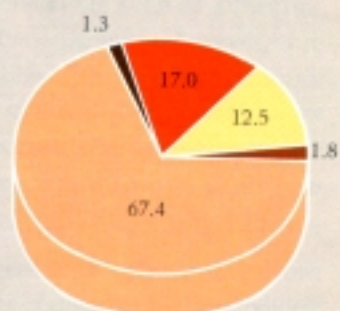
1985/86



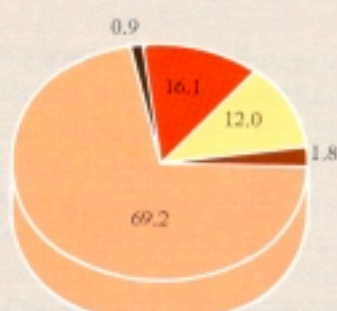
1986/87



1987/88



1988/89



1989/90

CHART 4
IMPORTS BY COUNTRY OF ORIGIN
(percentage)



Source : Central Bureau of Statistics

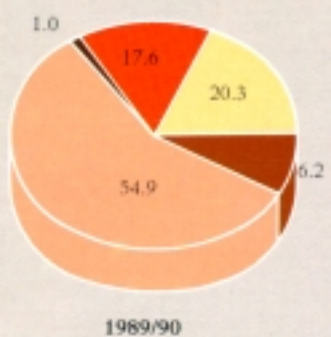
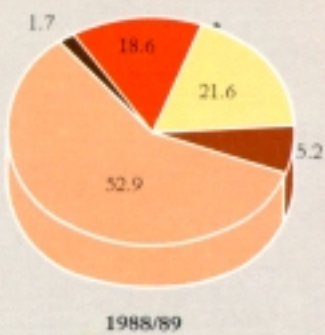
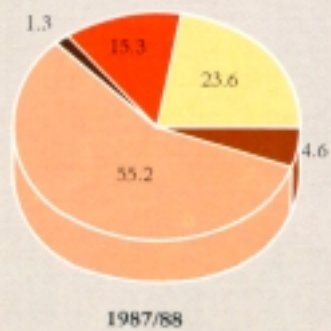
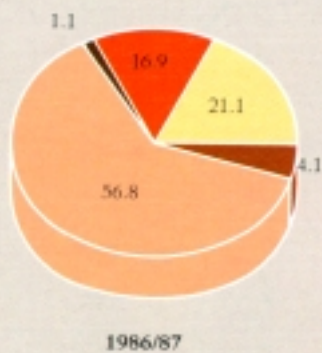
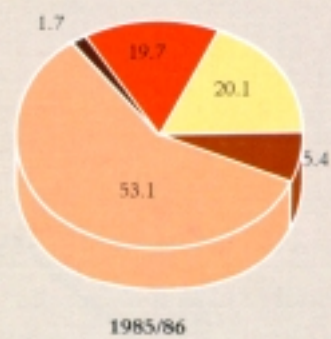


CHART 5
UNIT PRICES OF SELECTED EXPORT COMMODITIES
(\$ ton)

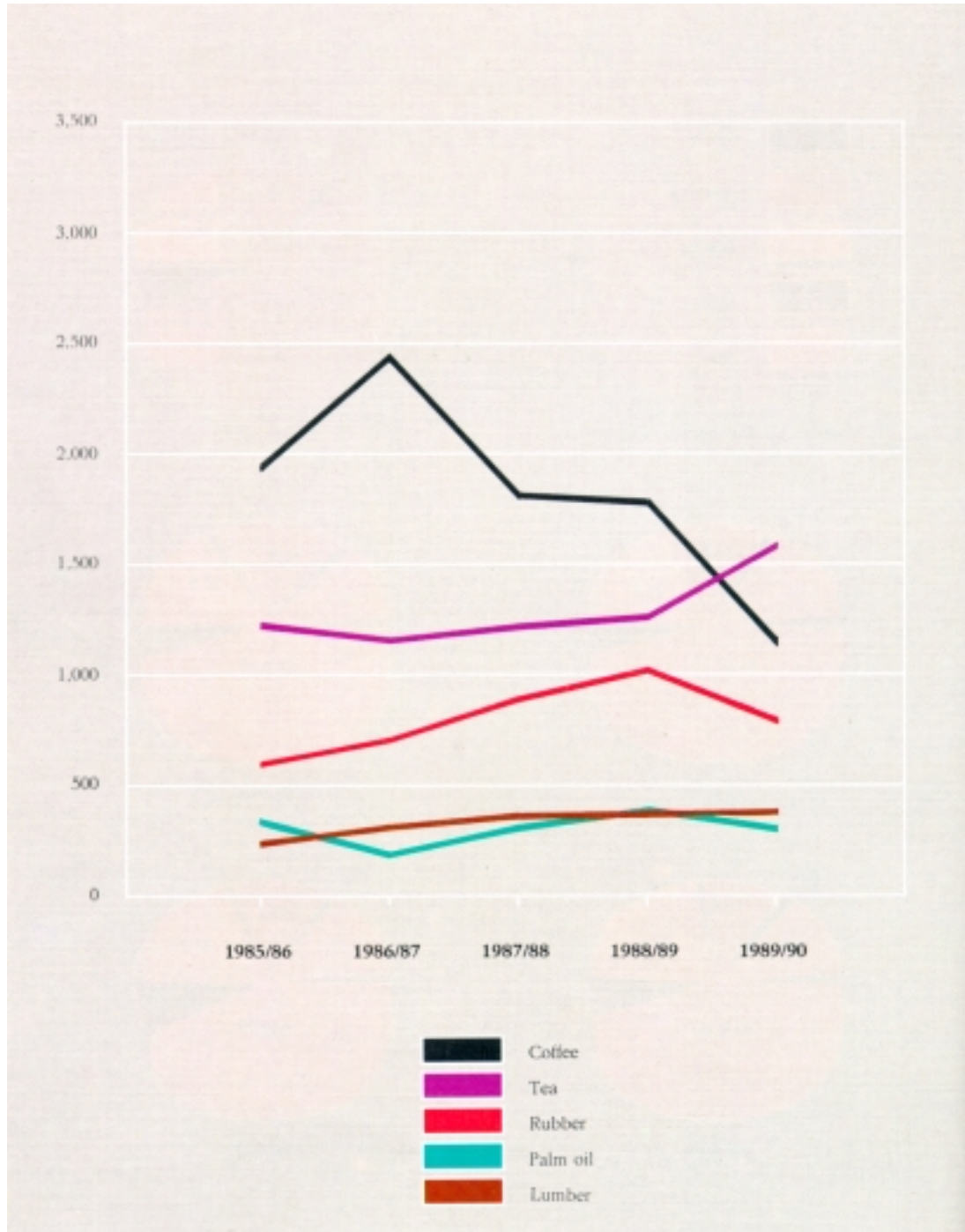
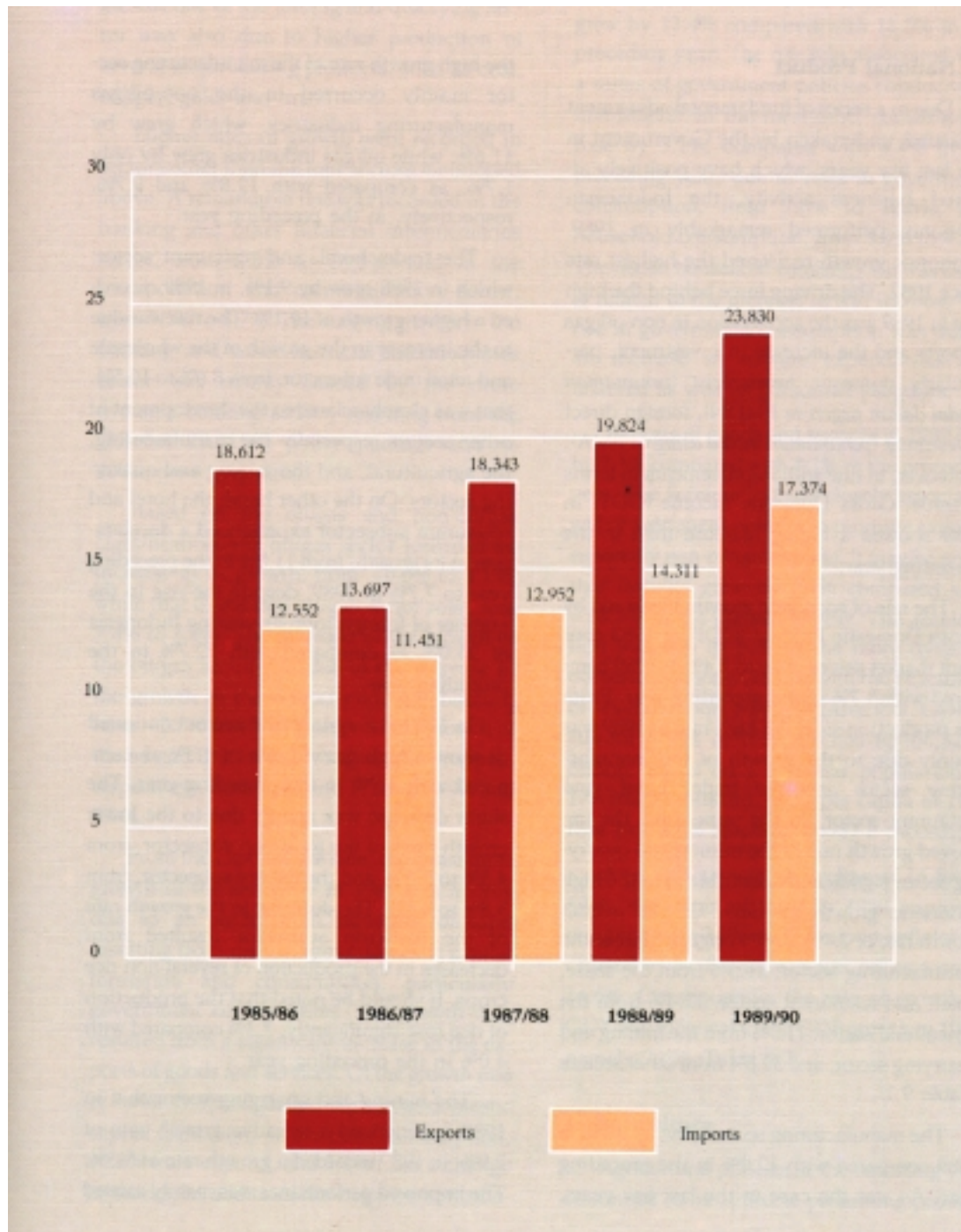


CHART 6
FOREIGN TRADE
(millions of \$)



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

A. National Product

Due to a series of fundamental adjustment measures undertaken by the Government in the last few years, which have positively affected business activity, the Indonesian economy performed remarkably in 1989. Economic growth registered the highest rate since 1982. The driving force behind the high rate in 1989 was the acceleration in non-oil/gas exports and the increase in investment, particularly domestic investment (*penanaman modal dalam negeri* or PMDN), foreign direct investment (*penanaman modal asing* or PMA). Moreover, in line with improvements in terms of trade, Gross Domestic Income (GDY) in 1989 showed a higher increase than in the preceding year.

The rate of economic growth, measured by Gross Domestic Product (GDP) at 1983 constant market prices, rose to 7.4% in 1989 compared with 5.7% in the preceding year. From the production side, the high rate in 1989 was mainly due to the growth of the manufacturing sector and the trade, hotel, and restaurant sector. At the same time, the improved growth rate of the mining and quarrying sector significantly contributed to the high economic growth in 1989. Of the overall growth rate of 7.4%, 22.4% originated from the manufacturing sector, 21.3% from the trade, hotel, and restaurant sector, 12.4% from the agricultural sector, 11.3% from the mining and quarrying sector, and 32.6% from other sectors (Table 9.1).

The manufacturing sector grew by 9.1% in 1989 compared with 12.0% in the preceding year. As was the case in the last few years, the high growth rate of the

manufacturing sector mainly occurred in the non-oil/gas manufacturing industries, which grew by 11.6%, while oil/gas industries grew by only 1.7%, as compared with 12.8% and 9.7%, respectively, in the preceding year.

The trade, hotel, and restaurant sector, which in 1988 grew by 9.1%, in 1989 recorded a higher growth of 10.1%. The rise was due to the increase in the growth of the wholesale and retail trade subsector, from 8.6% to 10.5%, that was closely related to the development of other sectors, especially the manufacturing, the agricultural, and the mining and quarrying sectors. On the other hand, the hotel and restaurant subsector experienced a deceleration in its growth, from 11.5% in the preceding year to 7.7% in 1989, despite the rise in the number of foreign tourists visiting Indonesia of 25.0% as compared with 22.7% in the preceding year.

In 1989, the agricultural sector continued to show a high growth rate of 4.3% as compared with 4.7% in the preceding year. The slight decrease was mainly due to the lower growth rates of the foodcrop subsector, from 4.5% to 3.6%, and the fishery subsector, from 5.8% to 4.5%. The decrease in the growth rate of the foodcrop subsector resulted from decreases in the production of several non-rice crops. It should be noted that the production of rice rose significantly, 7.3% compared with 4.0% in the preceding year.

The mining and quarrying sector that in 1988 experienced a negative growth rate of 2.9%, in 1989 recorded a growth rate of 5.3%. The improved performance was

mainly caused by the increase in the production of oil of 4.6%, as compared with a decrease of 4.1% in the preceding year. In addition, the rise in the growth rate of the mining and quarrying sector was also due to higher production of several major mining products, such as coal, copper, gold, and tin.

Higher rates of growth were recorded in sectors other than the four sectors mentioned above. A remarkable rise was recorded in the banking and other financial intermediaries sector, from 2.5% to 14.3%, and in the transportation and communication sector, from 5.5% to 8.7%. The surging growth in the banking and other financial intermediaries sector was mainly caused by the more dynamic banking activity resulting from the October 27, 1988 policy package and its subsequent measures.

Based on the oil/gas and non-oil/gas classification, the oil/gas sector recorded an increase in its growth, from -0.6% to 4.1%, while that of the non-oil/gas sector rose from 7.4% to 8.2%. The increase in the growth of the oil/gas sector was due to the increase in the growth of the oil/gas mining subsector, from -3.5% to 4.8%. However, the growth of the oil and LNG refinery subsectors dropped, respectively, from 4.6% and 11.2% to 0.9% and 2.0%.

From the expenditure side, the remarkable growth of the economy in 1989 was mainly due to an increase in domestic demand resulting from rises in gross domestic capital formation and consumption, particularly government consumption. The growth also resulted from a significant increase in the exports of goods and services. Of the growth rate of 7.4%, 45.6% originated from gross domestic

capital formation, 44.6% from consumption, 24.8% from exports, and 2.1% from a change in stocks. In addition, the negative contribution of imports in economic growth in 1989 reached 17.1% (Table 9.4).

Gross domestic capital formation in 1989 grew by 13.4% compared with 11.5% in the preceding year. The rise was associated with a series of government policies conducive to investment. In the meantime, consumption rose by 5.1%, compared with 4.4% in the preceding year, due to rises in government consumption, from 7.6% to 10.5%, and household consumption, from 3.9% to 4.2%. The rise in household consumption was closely related to the increase in real income. The rise in government consumption was due to an increase in routine expenditures, for material as well as personnel purposes.

Exports of goods and services in 1989 rose by 7.1% compared with 1.1% in the preceding year. The acceleration was closely associated with government policies to promote exports, especially non-oil/gas exports. It may be noted that imports grew by 7.7% compared with - 18.7% in the preceding year. The acceleration was due in part to the more dynamic domestic economy, in line with the enactment of several import policies (Table 9.6). GDP at current prices in 1989 reached Rp166,329.5 billion. Based on a mid-year population of 177,362.5 thousand, GDP per capita in 1989 rose by 14.8% reaching Rp937.8 thousand.

After experiencing a decline of 16.3% in 1988, the terms of trade in 1989 improved marginally by 0.1%, as the import deflator increased by 14.4% while export prices rose by 14.6%. Consequently, the rate of growth of GDY was identical to the GDP growth in 1989, namely 7.4% (Table 9.7).

TABLE 9.1
SECTORAL WEIGHTED GROWTH AND ITS SHARE IN GDP GROWTH
AT 1983 CONSTANT MARKET PRICES ¹⁾

Sectors	1985			1986			1987			1988			1989		
	Weighted growth	Share in GDP growth		Weighted growth	Share in GDP growth		Weighted growth	Share in GDP growth		Weighted growth	Share in GDP growth		Weighted growth	Share in GDP growth	
Agriculture	0.96	38.9		0.59	10.0		0.47	9.6		0.93	16.4		0.92	12.4	
- Food crops	0.37	14.9		0.35	6.0		0.14	2.9		0.52	9.2		0.47	6.4	
- Smallholders' plantation crops	0.27	10.9		0.01	0.1		0.12	2.5		0.15	2.6		0.16	2.2	
- Estates crops	0.07	3.0		0.06	1.0		--	0.1		0.01	0.2		0.03	0.4	
- Livestock and products	0.18	7.2		0.03	0.5		0.05	1.1		0.11	1.9		0.11	1.5	
- Forestry	-0.05	-2.2		0.04	0.8		0.09	1.8		0.05	0.9		0.07	0.9	
- Fishery	0.11	4.3		0.09	1.5		0.06	1.2		0.09	1.5		0.07	0.9	
Mining and quarrying	-1.98	-80.3		0.97	16.6		0.06	1.3		-0.50	-8.9		0.83	11.3	
- Oil and natural gas	-2.01	-81.6		0.85	14.5		-0.02	-0.4		-0.56	-9.9		0.70	9.5	
- Others	0.03	1.7		0.12	2.1		-0.08	1.7		0.06	1.0		0.13	1.8	
Manufacturing	1.64	66.4		1.47	25.0		1.73	35.1		2.16	38.2		1.65	22.4	
- Non-oil/gas	1.30	52.8		1.27	21.7		1.37	27.9		1.73	30.6		1.58	21.3	
- Oil/gas	0.34	--		0.19	3.3		0.36	7.2		0.43	7.6		0.08	1.1	
- Oil refinery	0.18	7.3		0.19	3.2		0.01	0.2		0.05	0.8		0.01	0.1	
- LNG	0.16	6.4		0.01	0.1		0.34	7.0		0.38	6.8		0.07	1.0	
Electricity, gas, and water supply	0.05	1.9		0.08	1.4		0.07	1.5		0.06	1.0		0.07	0.9	
Construction	0.14	5.6		0.12	2.0		0.22	4.4		0.45	8.0		0.62	8.4	
Trade, hotel, and restaurant	0.71	28.8		1.18	20.0		1.06	21.6		1.28	22.6		1.57	21.3	
- Wholesale and retail trade	0.46	18.7		0.97	16.5		0.85	17.3		1.02	18.0		1.37	18.6	
- Hotel and restaurant	0.25	10.2		0.20	3.5		0.21	4.3		0.26	4.6		0.20	2.7	
Transportation and communication	0.05	2.2		0.21	3.6		0.30	6.1		0.30	5.4		0.46	6.2	
- Transportation	0.03	1.2		0.17	2.9		0.24	4.9		0.26	4.6		0.38	5.2	
- Communication	0.02	0.9		0.04	0.7		0.06	1.2		0.05	0.8		0.07	1.0	
Banking and other financial intermediaries	0.23	9.4		0.54	9.3		0.20	4.0		0.11	1.9		0.54	7.3	
Ownership of dwelling	0.06	2.5		0.10	1.7		0.12	2.5		0.11	2.0		0.12	1.6	
Public administration and defence	0.55	22.2		0.48	8.1		0.56	11.4		0.60	10.6		0.47	6.3	
Other services	0.08	3.1		0.14	2.4		0.14	2.8		0.16	2.8		0.15	2.0	
GROSS DOMESTIC PRODUCT	2.5	100.0		5.9	100.0		4.9	100.0		5.7	100.0		7.4	100.0	
- Non-oil/gas	4.5	181.6		4.8	82.2		4.6	93.2		5.8	102.3		6.6	89.4	
- Oil/gas	-2.0	-81.6		1.1	17.8		0.3	6.8		-0.1	-2.3		0.8	10.6	

¹⁾ Calculated from Central Bureau of Statistics' data.

TABLE 9.2
GROSS DOMESTIC PRODUCT BY SECTOR
(billions of rupiah)

Sectors	At 1983 constant market prices					At current market prices				
	1985*	1986*	1987*	1988	1989 *	1985*	1986*	1987*	1988	1989 *
Agriculture	19,300.0	19,799.1	20,223.5	21,163.3	22,085.7	22,512.8	24,870.9	29,116.0	34,193.4	38,998.4
- Food crops	11,985.6	12,286.6	12,415.4	12,974.0	13,445.9	13,860.2	15,084.9	17,540.1	21,123.8	24,187.1
- Smallholders plantation crops	2,575.7	2,580.5	2,693.1	2,835.0	2,999.1	2,978.5	3,534.3	4,140.4	4,388.7	4,783.6
- Estates crops	510.8	561.8	564.5	577.7	607.3	714.5	690.4	978.4	1,160.3	1,256.7
- Livestock and products	2,036.5	2,063.7	2,110.8	2,211.7	2,324.2	2,427.0	2,639.6	3,014.6	3,544.8	4,075.5
- Forestry	850.7	888.7	967.9	1,013.0	1,083.0	938.0	1,000.6	1,246.8	1,448.3	1,732.7
- Fishery	1,340.7	1,417.8	1,471.8	1,556.9	1,626.2	1,594.6	1,921.1	2,195.7	2,527.5	2,962.8
Mining and quarrying	15,480.4	16,308.6	16,365.5	15,892.8	16,727.0	13,570.8	11,502.8	17,266.8	17,161.8	21,729.6
- Oil and natural gas	14,512.6	15,237.0	15,219.3	14,691.6	15,393.3	12,583.8	10,501.8	15,979.4	15,524.7	19,452.8
- Others	967.8	1,071.6	1,146.2	1,201.2	1,333.7	987.0	1,001.0	1,287.4	1,637.1	2,276.8
Manufacturing	13,430.5	14,678.1	16,235.3	18,182.3	19,835.9	15,503.4	17,184.7	21,150.4	26,252.4	30,573.3
- Non-oil/gas	9,745.4	10,828.1	12,064.4	13,606.6	15,180.6	11,216.0	13,300.8	17,233.4	21,278.3	25,144.0
- Oil/gas	3,685.1	3,850.0	4,170.9	4,575.7	4,655.3	4,287.4	3,883.9	3,917.0	4,974.1	5,429.3
- Oil refinery	766.6	927.2	937.7	981.2	990.1	1,863.7	1,915.4	1,819.7	2,025.9	2,148.1
- LNG	2,918.5	2,922.8	3,233.2	3,594.5	3,665.2	2,423.7	1,968.5	2,097.3	2,948.2	3,281.2
Electricity, gas, and water supply	360.9	429.8	494.6	548.9	615.6	395.9	647.1	746.9	869.0	1,008.3
Construction	4,508.0	4,609.0	4,802.9	5,259.1	5,878.0	5,301.8	5,313.8	6,087.4	7,169.2	8,884.2
Trade, hotel, and restaurant	12,398.6	13,398.5	14,356.2	15,656.9	17,230.4	15,416.9	17,121.8	20,048.3	24,379.2	28,314.1
- Wholesale and retail trade	10,412.0	11,238.1	12,004.9	13,035.4	14,406.7	12,962.2	14,235.3	17,561.2	20,388.5	23,957.0
- Hotel and restaurant	1,986.6	2,160.4	2,351.3	2,621.5	2,823.7	2,454.7	2,886.5	3,487.1	3,990.7	4,357.1
Transportation and communication	4,487.0	4,668.4	4,938.5	5,211.5	5,667.2	6,100.3	6,406.9	7,442.6	8,139.7	9,085.0
- Transportation	4,031.8	4,178.1	4,393.7	4,626.0	5,007.0	5,538.5	5,769.7	6,638.8	7,227.2	8,059.6
- Communication	455.2	490.3	544.8	585.5	660.2	561.8	637.2	803.8	912.5	1,025.4
Banking and other financial intermediaries	3,020.3	3,483.1	3,659.3	3,752.2	4,288.4	3,496.2	4,036.7	4,795.1	5,322.4	6,550.8
Ownership of dwelling	2,461.0	2,545.1	2,653.9	2,762.2	2,880.2	2,775.0	2,976.0	3,349.1	3,736.0	4,154.9
Public administration and defence	6,455.1	6,862.1	7,366.1	7,932.1	8,396.9	7,925.1	8,307.3	8,911.8	9,446.2	11,174.2
Other services	3,180.1	3,298.7	3,422.1	3,569.7	3,715.8	3,998.6	4,314.6	4,902.5	5,351.0	5,856.7
GROSS DOMESTIC PRODUCT	85,081.9	90,080.5	94,517.8	99,936.0	107,321.1	96,996.8	102,682.6	124,816.9	142,020.3	166,329.5
- Non-oil/gas	66,884.2	70,993.5	75,127.6	80,668.7	87,272.5	80,125.6	88,296.9	104,920.5	121,521.5	141,447.4
- Oil/gas	18,197.7	19,087.0	19,390.2	19,267.3	20,048.6	16,871.2	14,385.7	19,896.4	20,498.8	24,882.1

Source : Central Bureau of Statistics.

TABLE 9.3
PERCENTAGE CHANGE OF GROSS DOMESTIC PRODUCT BY SECTOR

Sectors	At 1983 constant market prices					At current market prices				
	1985*	1986*	1987*	1988	1989 *	1985*	1986*	1987*	1988	1989 *
Agriculture	4.3	2.6	2.1	4.7	4.3	10.3	10.5	17.1	17.4	14.1
– Food crops	2.6	2.5	1.0	4.5	3.6	9.2	8.8	16.3	20.4	14.5
– Smallholders' plantation crops	9.6	0.2	4.4	5.3	5.8	8.8	18.7	17.1	6.0	9.0
– Estates crops	14.7	10.0	0.5	2.3	5.1	20.5	-3.4	41.7	18.6	8.3
– Livestock and products	7.7	1.3	2.3	4.8	5.1	16.5	8.8	14.2	17.6	15.0
– Forestry	-4.9	4.5	8.9	4.7	6.9	-0.1	6.7	24.6	16.2	19.6
– Fishery	7.0	5.8	3.8	5.8	4.5	16.1	20.5	14.3	15.1	17.2
Mining and quarrying	-9.6	5.3	0.3	-2.9	5.3	-19.9	-15.2	50.1	-0.6	26.6
– Oil and natural gas	-10.3	5.0	-0.1	-3.5	4.8	-20.9	-16.5	52.2	-2.8	25.3
– Others	3.7	10.7	7.0	4.8	11.0	-3.3	1.4	28.6	27.2	39.1
Manufacturing	11.2	9.3	10.6	12.0	9.1	18.2	10.8	23.1	24.1	16.5
– Non-oil/gas	12.5	11.1	11.4	12.8	11.6	19.4	18.6	29.6	23.5	18.2
– Oil/gas	15.3	4.5	8.3	9.7	1.7	15.3	-9.4	0.9	27.0	9.2
– Oil refinery	22.5	20.9	1.1	4.6	0.9	84.0	2.8	-5.0	11.3	6.0
– LNG	4.6	0.1	10.6	11.2	2.0	-10.5	-18.8	6.5	40.6	11.3
Electricity, gas, and water supply	11.4	19.1	15.1	11.0	12.2	11.8	63.5	15.4	16.3	16.0
Construction	2.6	2.2	4.2	9.5	11.8	11.5	0.2	14.6	17.8	23.9
Trade, hotel, and restaurant	5.0	8.1	7.1	9.1	10.1	14.8	11.1	22.9	15.8	16.1
– Wholesale and retail trade	3.8	7.9	6.8	8.6	10.5	14.0	9.8	23.4	16.1	17.5
– Hotel and restaurant	11.4	8.7	8.8	11.5	7.7	19.0	17.6	20.8	14.4	9.2
Transportation and communication	1.0	4.0	5.8	5.5	8.7	20.8	5.0	16.2	9.4	11.6
– Transportation	0.6	3.6	5.2	5.3	8.2	20.1	4.2	15.1	8.9	11.5
– Communication	4.6	7.7	11.1	7.5	12.8	27.8	13.4	26.1	13.5	12.4
Banking and other financial intermediaries	6.8	15.3	5.1	2.5	14.3	14.3	15.5	18.8	11.0	23.1
Ownership of dwelling	2.1	3.4	4.3	4.1	4.3	7.9	7.2	12.5	11.6	11.2
Public administration and defence	7.6	6.3	7.3	7.7	5.9	22.5	4.8	7.3	6.0	18.3
Other services	2.0	3.7	3.7	4.3	4.1	7.6	7.9	13.6	9.1	9.5
GROSS DOMESTIC PRODUCT	2.5	5.9	4.9	5.7	7.4	7.9	5.9	21.6	13.8	17.1
– Non-oil/gas	5.4	6.1	5.8	7.4	8.2	14.1	10.2	18.8	15.8	16.4
– Oil/gas	-7.2	4.9	1.6	-0.6	4.1	-14.1	-14.7	38.3	3.0	21.4

Source : Central Bureau of Statistics.

TABLE 9.4
EXPENDITURE'S WEIGHTED GROWTH AND ITS SHARE IN GDP GROWTH
AT 1983 CONSTANT MARKET PRICES ¹⁾

Types of expenditures	1985			1986			1987			1988			1989		
	Weighted growth	Share in GDP growth		Weighted growth	Share in GDP growth		Weighted growth	Share in GDP growth		Weighted growth	Share in GDP growth		Weighted growth	Share in GDP growth	
Consumption	1.38	57.86		1.57	26.65		1.84	37.29		2.88	50.26		3.29	44.57	
- Private	0.61	25.54		1.27	21.65		1.85	37.64		2.14	37.37		2.25	30.48	
- Government	0.77	32.22		0.29	5.00		-0.02	-0.35		0.74	12.89		1.04	14.10	
Gross domestic capital formation	1.59	66.61		2.12	36.13		1.30	26.48		2.76	48.06		3.37	45.59	
Change in stock	2.56	107.13		-0.36	-6.17		-1.43	-28.93		-4.21	-73.36		0.16	2.10	
Exports of goods and services	-1.99	-83.27		3.49	59.33		3.65	74.02		0.29	5.00		1.84	24.85	
Less :															
Imports of goods and services	1.15	48.33		0.94	15.93		0.44	8.87		-4.01	-70.04		1.26	17.11	
Gross Domestic Product	2.4	100.0		5.9	100.0		4.9	100.0		5.7	100.0		7.4	100.0	

¹⁾ Calculated from Central Bureau of Statistics' data.

TABLE 9.5
EXPENDITURE ON GROSS DOMESTIC PRODUCT
(billions of rupiah)

Types of expenditures	At 1983 constant market prices					At current market prices				
	1985 ^f	1986 ^f	1987 ^f	1988	1989 *	1985 ^f	1986 ^f	1987 ^f	1988	1989 *
Consumption	58,439.2	59,771.3	61,426.1	64,149.3	67,441.0	68,094.5	74,684.0	83,752.4	93,801.1	104,449.9
– Private	49,448.0	50,530.0	52,200.4	54,225.0	56,475.7	57,201.4	63,355.3	71,988.9	81,045.3	88,752.3
– Government	8,991.2	9,241.3	9,225.7	9,924.3	10,965.3	10,893.1	11,328.7	11,763.5	12,755.8	15,697.6
Gross domestic capital formation	19,615.8	21,421.7	22,596.8	25,200.9	28,568.1	22,366.9	24,781.9	30,980.2	36,802.6	45,649.6
Change in stock ¹⁾	6,641.3	6,332.8	5,049.1	1,074.5	1,229.6	4,836.7	4,243.0	8,165.	7,922.4	12,122.5
Exports of goods and services	19,494.7	22,460.3	25,744.8	26,015.5	27,850.5	21,533.9	20,009.9	29,874.3	34,665.6	42,502.6
Less :										
Imports of goods and services	19,109.1	19,905.6	20,299.0	16,504.2	17,768.1	19,835.2	21,036.2	27,955.8	31,171.4	38,395.1
Gross Domestic Product	85,081.9	90,080.5	94,517.8	99,936.0	107,321.1	96,996.8	102,682.6	124,816.9	142,020.3	166,329.5
Net factor income from abroad	-3,846.1	-3,802.2	-4,247.7	-3,481.7	-3,597.9	-3,940.9	-4,192.5	-6,022.0	-6,921.7	-8,158.7
Gross National Product	81,235.8	86,278.3	90,270.1	96,454.3	103,723.2	93,055.9	98,490.1	118,794.9	135,098.6	158,170.8
Less :										
Net indirect taxes	3,154.7	5,727.4	5,399.0	6,356.1	8,042.1	3,596.5	6,528.7	7,129.8	9,032.7	12,464.2
Less :										
Depreciation	4,254.1	4,504.0	4,725.9	4,996.8	5,366.0	4,849.8	5,134.1	6,240.8	7,101.0	8,316.5
National Income	73,827.0	76,046.9	80,145.2	85,101.4	90,315.1	84,609.6	86,827.3	105,424.3	118,964.9	137,390.1

¹⁾ Residual.
Source : Central Bureau of Statistics.

TABLE 9.6
PERCENTAGE CHANGE OF EXPENDITURE ON GROSS DOMESTIC PRODUCT

Types of expenditures	At 1983 constant market prices					At current market prices				
	1985 ^r	1986 ^r	1987 ^r	1988	1989 *	1985 ^r	1986 ^r	1987 ^r	1988	1989 *
Consumption	2.0	2.3	2.8	4.4	5.1	7.8	9.7	12.1	12.0	11.4
– Private	1.0	2.2	3.3	3.9	4.2	5.8	10.8	13.6	12.6	9.5
– Government	7.6	2.8	-0.2	7.6	10.5	19.4	4.0	3.8	8.4	23.1
Gross domestic capital formation	7.2	9.2	5.5	11.5	13.4	11.1	10.8	25.0	18.8	24.0
Change in stock	49.2	-4.6	-20.3	-78.7	14.4	42.0	-12.3	92.5	-3.0	53.0
Exports of goods and services	-7.8	15.2	14.6	1.1	7.1	-6.4	-7.1	49.3	16.0	22.6
Less :										
Imports of goods and services	5.3	4.2	2.0	-18.7	7.7	-0.1	6.1	32.9	11.5	23.2
Gross Domestic Product	2.5	5.9	4.9	5.7	7.4	7.9	5.9	21.6	13.8	17.1
Net factor income from abroad	-0.6	-1.1	11.7	-18.4	3.3	-5.8	6.4	43.6	14.9	17.9
Gross National Product	2.6	6.2	4.6	6.9	7.5	8.6	5.8	20.6	13.7	17.1
Less :										
Net indirect taxes	25.4	81.6	-5.7	17.7	26.5	32.1	81.5	9.2	26.7	38.0
Less :										
Depreciation	2.5	5.9	4.9	5.7	7.4	7.9	5.9	21.6	13.8	17.1
National Income	1.8	3.0	5.4	6.2	6.1	7.8	2.6	21.4	12.8	15.5

Source : Central Bureau of Statistics.

TABLE 9.7
TERMS OF TRADE ON GDP
AT 1983 CONSTANT MARKET PRICES
(billions of rupiah)

Items	1985 ^r	1986 ^r	1987 ^r	1988	1989 [*]
a. Export of goods and services at current market prices	21,533.9	20,009.9	29,874.3	34,665.6	42,502.6
b. Exports of goods & services at 1983 constant market prices	19,494.7	22,460.3	25,744.8	26,015.5	27,850.5
c. Export deflator (1983 = 100) [(a:b) × 100]	110.5	89.1	116.0	133.2	152.6
d. Imports of goods & services at current market prices	19,835.2	21,036.2	27,955.8	31,171.4	38,395.1
e. Imports of goods & services at 1983 constant market prices	19,109.1	19,905.6	20,299.0	16,504.2	17,768.1
f. Import deflator (1983 = 100) [(d:e) × 100]	103.8	105.7	137.7	188.9	216.1
g. Terms of trade index [(c:f) × 100]	106.5	84.3	84.2	70.5	70.6
h. Changes of terms of trade index (%)	7.0	-20.8	-0.1	-16.3	0.1
i. Import capacity (a:f)	20,745.6	18,930.8	21,695.2	18,351.3	19,668.0
j. Terms of trade effect (i-b)	1,250.9	-3,529.5	-4,049.6	-7,664.2	-8,182.5
k. Changes of terms of trade effect (%)	-36.5	-382.2	-14.7	-89.3	-6.8
l. GDP at 1983 constant market prices	85,081.9	90,080.5	94,517.8	99,936.0	107,321.1
m. Change of GDP at 1983 constant market prices (%)	2.5	5.9	4.9	5.7	7.4
n. GDY (j+l)	86,332.8	86,551.0	90,468.2	92,271.8	99,138.6
o. Change of GDY (%)	1.6	0.3	4.5	2.0	7.4

Source : Central Bureau of Statistics.

CHART 7
DEVELOPMENTS OF GROSS DEMESTIC PRODUCT
AT CURRENT AND 1983 CONSTANT MARKET PRICES
(percentage)

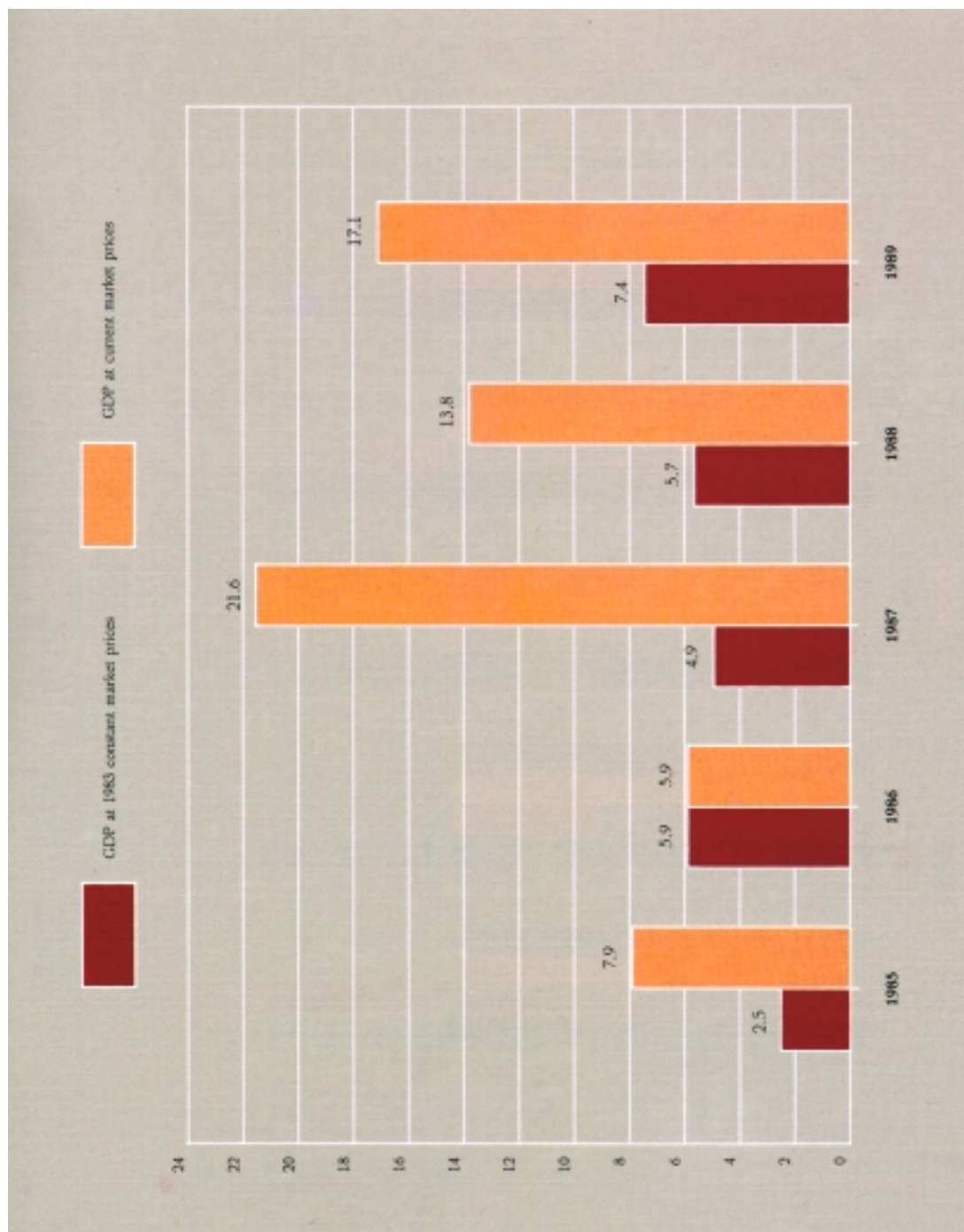


CHART 8
GROWTH OF SEVERAL IMPORTANT SECTORS
IN GROSS DOMESTIC PRODUCT
(percentage)

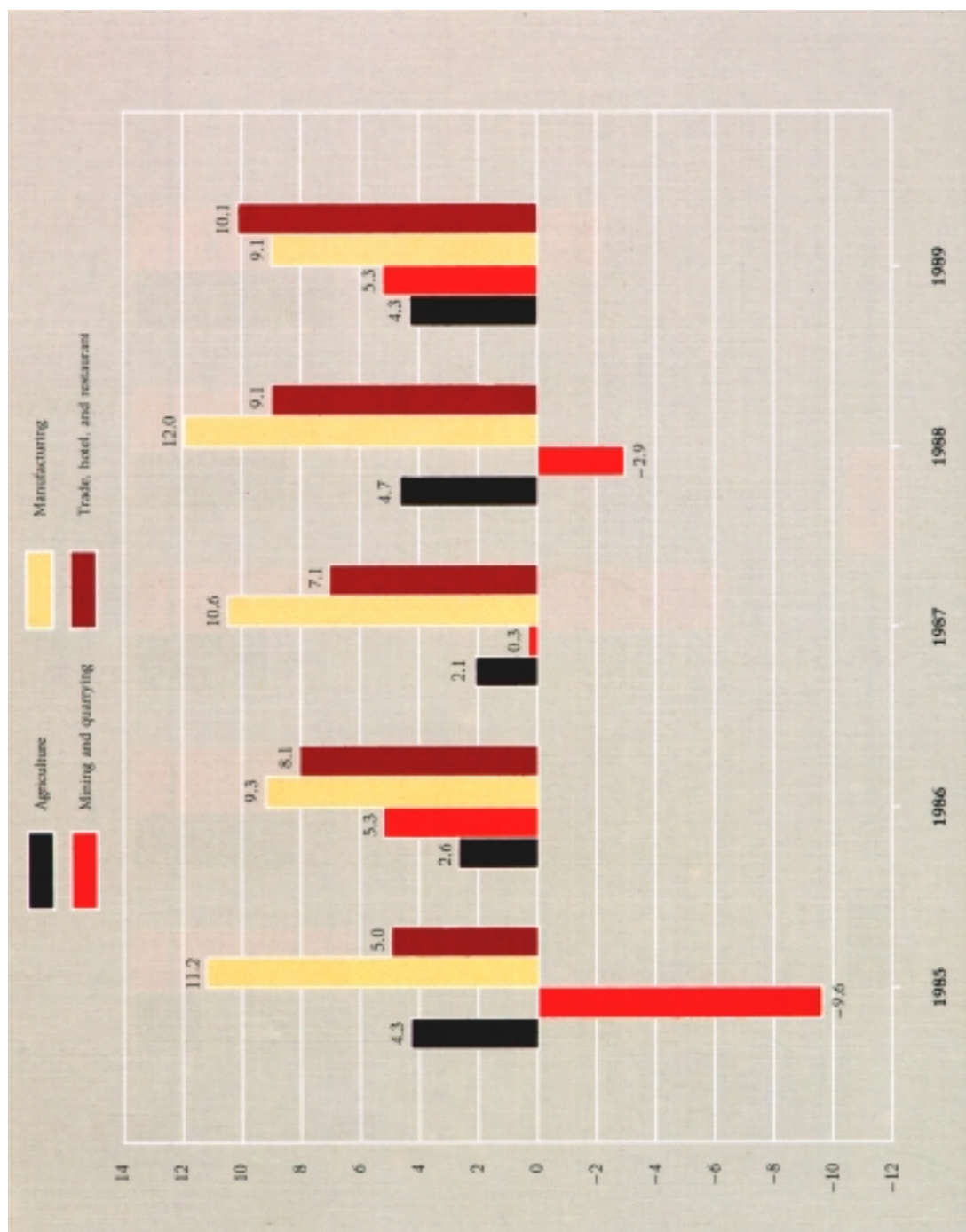


CHART 9
DISTRIBUTION OF GROSS DOMESTIC PRODUCT
BY SECTOR AT CURRENT PRICES
(percentage)

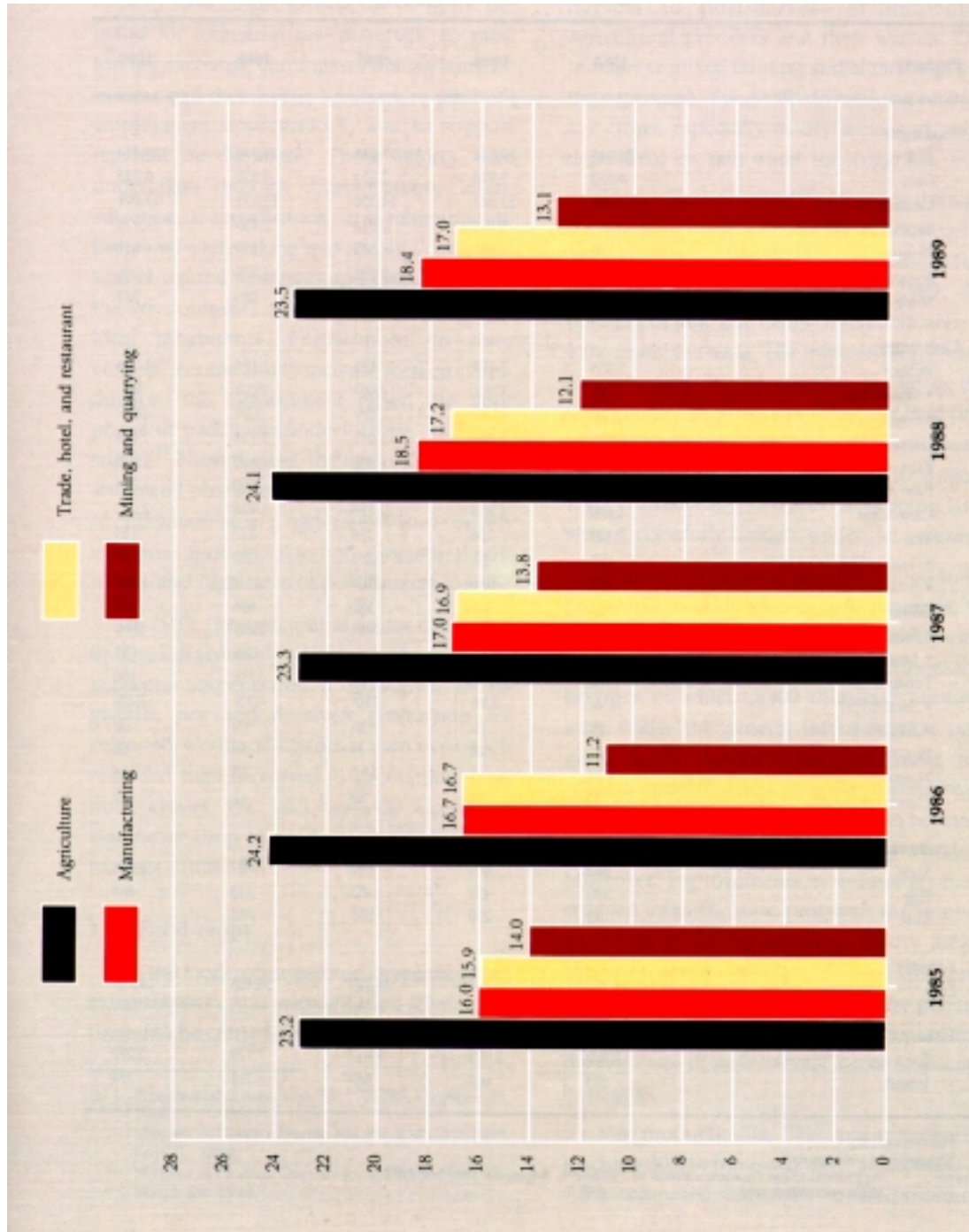


TABLE 9.8
AGRICULTURAL PRODUCTION
(thousands of tons)

Products	1985	1986	1987	1988	1989 *
1. Foodstuffs					
– Rice	26,542	27,014	27,253	28,340	30,414
– Corn	4,330	5,920	5,155	6,652	6,213
– Cassava	14,037	13,312	14,356	15,471	17,091
– Sweet potatoes	2,161	2,091	2,013	2,159	2,126
– Peanuts	528	642	533	589	615
– Soybeans	870	1,227	1,161	1,270	1,301
– Mung beans	200	213	204	285	267
2. Cash crops					
– Rubber	1,055	1,109	1,130	1,176	1,256
• Smallholder	(720)	(763)	(795)	(839)	(901)
• Estate	(335)	(346)	(335)	(337)	(355)
– Copra	1,920	2,114	2,075	2,139	2,085
– Palm oil	1,243	1,350	1,506	1,800	1,879
– Palm kernels	258	266	319	360	376
– Cane sugar	1,899	1,894	2,176	1,918	2,047
– Tea	127	136	126	137	153
• Smallholder	(30)	(31)	(25)	(26)	(44)
• Estate	(97)	(105)	(101)	(111)	(109)
– Coffee	311	339	380	386	423
• Smallholder	(288)	(316)	(359)	(362)	(394)
• Estate	(23)	(23)	(21)	(24)	(29)
– Tobacco	161	164	113	116	106
• Smallholder	(156)	(159)	(110)	(113)	(103)
• Estate	(5)	(5)	(3)	(3)	(3)
– Pepper	41	40	49	56	60
– Nutmeg	14	15	15.5	15	14
– Cloves	42	55	58	61	72
3. Livestocks					
– Meat	808	860	895	937	1,008
– Egg	370	432	452	443	464
– Milk ¹⁾	192	220	235	265	326
4. Forestry					
Logs ²⁾	24,277	27,403	28,255	28,485	19,789
5. Fishery					
– Sea	1,822	1,923	2,017	2,170	2,272
– Inland	573	607	653	711	754

1) Millions of liters.

2) Thousands of cubic meters.

Sources : – Supplement to the President's Report to Parliament, August 16, 1989 and 1990.
– Ministry of Agriculture.

1. Agriculture

Agricultural policies in the reporting year continued to be aimed at promoting production of agricultural goods as well as their quality and diversity in order to maintain self-sufficiency in rice and achieve self-sufficiency in other food crops, to meet the domestic demand for industrial raw materials, to raise foreign exchange earnings as well as farmers' income and their living standard, to promote employment opportunities, and to support regional development. Those efforts were undertaken through diversification, intensification, extensification, and rehabilitation programs while taking into account conservation of natural resources and preservation of the environment, as well as the customs of local inhabitants. Furthermore, to raise farmers' income and to increase food crop production, the Government raised the floor prices of paddy, secondary crops, and cane sugar.¹⁾ Nevertheless, the agricultural sector still faced obstacles, such as small holdings of cultivation area, a high rate of land conversion from agricultural to non-agricultural purposes, and high rates of post-harvest losses.

In 1989, the agricultural sector continued to develop favorably. Although the foodcrop subsector experienced a slowdown in its growth, rice and livestock production accelerated. Commodities other than rice which recorded high increases in production were milk, cloves, tea, and cassava, whereas a significant drop in production was recorded for logs (Table 9.8).

1) - Presidential Instruction No. 7/1989, October 25, 1989.
- Minister of Finance Decree No. 837/KMK.013/1989 July 31, 1989.
- Minister of Finance Decree No. 391/KMK.013/1990. March 29, 1990.

1.1. Food crops

In the foodcrop subsector, diversification, extensification, and intensification efforts continued to be carried out in the reporting year.

Diversification efforts were executed through increasing the variety of commodities being produced as well as the processing, from preharvest to post-harvest of individual agricultural products and their wastes. The practice of mixed farming and alternate planting continued, along with diversifying secondary crops, especially in dry areas and areas dependent on rain-water for irrigation.

Extensification efforts were made through the opening of new rice fields in connection with the transmigration program and increasing the intensity of planting. In 1989, the opening of new rice fields covered an area of 5 thousand hectares. The intensity of planting was increased through efforts to encourage the utilization of sleeping land (sleeping land program) by providing post-harvest equipment and operational supervision. Up to August 1989, 30 thousand hectares of sleeping land were successfully brought under the program.

Intensification programs continued to be promoted, both in quality and coverage. In 1989, the harvested area under intensification programs increased by 5.2% to 8,713 thousand hectares of which 2,300 thousand hectares were under the general intensification program, 4,171 thousand hectares under the special intensification program (*Intensifikasi khusus* or Insus), and 2,242 thousand hectares under the super insus program (*Supra Insus*). Moreover,

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

Year	Output ¹⁾ (thousands of tons)	Harvested area (thousands of hectares)	Average yield ¹⁾ (tons/hectare)
1985	26,542	9,902	2.68
1986	27,014	9,988	2.70
1987	27,253	9,923	2.75
1988	28,340	10,138	2.80
1989 *	30,414	10,531	2.89

¹⁾ Equivalent of rice.

Source : Supplement to the President's Report to Parliament, August 16, 1989 and 1990.

improvements in technology have enabled intensification programs for secondary crops to be implemented in dry areas. However, several problems in food crop promotion remained, among others, the persistent threats from plant pests and diseases and the high rate of post-harvest losses, especially paddy.

Rice production in 1989 rose remarkably reaching 30,414 thousand tons, an increase of 7.3% compared with 4.0% in the preceding year. The high production of rice was attributable to increases in harvested areas and average rice production per hectare, respectively by 3.9% and 3.2% (Table 9.9). The increase in harvested areas, among others, resulted from the increase in harvest intensity, especially in Jawa, and the expansion of rice fields outside Jawa. Meanwhile, the increase in rice productivity was related to the success in implementing the Supra Insus program, reaching 26% more than the targeted areas. Owing to the high rice production, the domestic demand for rice in the reporting year, which was estimated at 28,891 thousand tons, could be fulfilled.

Furthermore, to raise farmers' income and

to increase rice production, on January 1, 1990 the Government raised the floor price of dry paddy (*gabah kering giling*) from Rp250.00 to Rp270.00 per kg. ²⁾

Secondary crops for which increases in production were recorded in 1989 were cassava, peanuts, and soybeans. An increase of 10.5 % in the production of cassava was mainly caused by the increase in harvested areas closely related to the transmigration program. Production of peanuts and soybeans, which rose by 4.4% and 2.4%, respectively, was mainly attributable to the rise in productivity (Table 9.10). Secondary crops experiencing decreases in production were corn, sweet potatoes, and mung beans, by 6.6%, 1.5%, and 6.3%, respectively. The fall was due to the decrease in harvested areas resulting from competition with paddy. To raise farmers' income and to increase secondary crop production, on January 1, 1990 the Government raised the floor prices of corn and soybeans, respectively from Rp140.00 and Rp370.00 to Rp155.00 and Rp400.00 per kg. ³⁾

2) Presidential Instruction No. 7/1989, October 25, 1989.

3) Presidential Instruction No. 7/1989, October 25, 1989.

TABLE 9.10
OUTPUT, HARVESTED AREA, AND AVERAGE YIELD
OF SECONDARY CROPS

Particulars	1985	1986	1987	1988	1989 *
Output (thousands of tons)					
— Corn ¹⁾	4,330	5,920	5,155	6,652	6,213
— Cassava	14,037	13,312	14,356	15,471	17,091
— Sweet potatoes	2,161	2,091	2,013	2,159	2,126
— Peanuts	528	642	533	589	615
— Soybeans	870	1,227	1,161	1,270	1,301
— Mung beans	200	213	204	285	267
Harvested area (thousands of hectares)					
— Corn	2,440	3,143	2,626	3,406	2,910
— Cassava	1,292	1,170	1,222	1,303	1,402
— Sweet potatoes	256	253	229	248	229
— Peanuts	510	601	551	608	612
— Soybeans	896	1,254	1,101	1,177	1,187
— Mung beans	286	293	277	362	341
Average yield (quintals/hectare)					
— Corn ¹⁾	17.7	18.8	19.6	19.5	21.4
— Cassava	108.8	113.8	117.5	118.7	121.9
— Sweet potatoes	84.4	83.0	87.9	87.1	92.8
— Peanuts	10.4	10.7	9.7	9.7	10.1
— Soybeans	9.7	9.8	10.6	10.8	11.0
— Mung beans	7.0	7.3	7.4	7.9	7.8

1) Equivalent of corn kernels.

Sources : — Supplement to the President's Report to Parliament, August 16, 1989 and 1990.
— Ministry of Agriculture.

1.2. Cash crops

In the reporting year, the government policy for promoting cash crops continued to be aimed at increasing exports, as well as meeting domestic demand, especially for manufacturing purposes. Efforts such as increasing plant productivity and processing efficiency, as well as conducting guidance, were undertaken by focusing on the development of smallholders' estates. The implementation was done through smallholder nucleus estate (*Perusahaan Inti Rakyat Perkebunan* or PIRBun), development service unit (*Unit Pelayanan Pengembangan* or UPP), self-supporting,

and large estate schemes. Problems encountered in promoting cash crops were, among others, small ownership of cultivation area, insufficient post-harvest treatment, and market uncertainty.

In 1989, plantation areas rose by 3.7% to 11,255 thousand hectares, of which 9,639 thousand hectares were smallholders' estates, 702 thousand hectares were private estates, and 914 thousand hectares were government estates. Cash crops recording significant increases in production in 1989 were cloves, tea, coffee, pepper, rubber, and canesugar, while those experiencing decreases were tobacco, nutmeg, and copra (Table 9.8).

Rubber production in 1989 increased by 6.8% to 1,256 thousand tons. The increase was in line with a rise of 4.5% in productive areas of rubber plantation reaching 1,934 thousand hectares. Rubber plantation areas that were not yet in production registered 757 thousand hectares and those that were no longer in production 420 thousand hectares. Rubber, which was largely (72%) produced by smallholders' estates, was mainly planted in North Sumatera, South Sumatera, and Jambi. Exports of rubber in 1989 were mainly directed to the United States of America and Singapore.

Copra, which was mostly produced by smallholders' estates, in 1989 experienced a decrease in its production, of 2.5% to 2,085 thousand tons. The decrease was attributable to the implementation of rejuvenation activity. The areas of coconut plantation rose by 2.3% to 3,317 thousand hectares, of which 874 thousand hectares were not yet in production and 225 thousand hectares were no longer in production. Most of copra production was domestically consumed and mainly planted in North Sulawesi, Riau, and East Jawa.

In 1989, the production of *palm oil* increased by 4.4% reaching 1,879 thousand tons, mostly produced by large estates. The increase was attributable to an increase in the productive areas of palm oil, of 10.2% to 981 thousand hectares, of which 311 thousand hectares were smallholders' estates, 407 thousand hectares were state estates, and 263 thousand hectares were private estates. Of the oil palm areas, mainly in North Sumatera, Riau, and Aceh, 494 thousand hectares were not yet in production and 10 thousand hectares were no longer in production. Exports of palm oil in 1989 recorded an increase.

The production of *cane sugar* in 1989 rose by 6.7% to 2,047 thousand tons, mostly produced in East Jawa, Central Jawa, Lampung, and West Jawa. Efforts to increase sugar production, as well as to raise farmers' income, continued to be conducted through the smallholders' sugar cane intensification program (*Tebu Rakyat Intensifikasi* or TRI), the rehabilitation of sugar mills, and the expansion of sugarcane estates on dry land. In 1989, sugarcane areas were enlarged by 1.7% to 356 thousand hectares, of which 190 thousand hectares were under the TRI program. There were 67 sugarmills at the end of 1989 with a milling capacity of 181 thousand tons of sugarcane per day. It should be noted that the planting of sugarcane in dry land is actually a way to enhance land productivity, while maintaining self-sufficiency in rice by giving priority to paddy to be planted in well irrigated land.

To raise farmers' income and increase the production of cane sugar, the Government raised the floor price of cane sugar from Rp51,425.00 to Rp60,000.00 per quintal on July 31, 1989 and to Rp65,000.00 per quintal on March 29, 1990.⁴⁾ In addition, to meet the growing domestic demand for sugar, in 1989 Indonesia imported sugar from other countries.

In 1989, *tea* production surged by 11.7% reaching 153 thousand tons. The increase was closely related to the remarkable increase in the production of smallholders' estates (69.2%) and the increase in productive areas. Tea plantation areas rose by 8.7% reaching 137 thousand hectares,

4) Minister of Finance Decrees No. 837/KMK.013/1989, July 31, 1989 and No. 391/KMK.013/1990, March 29, 1990.

of which 57 thousand hectares were cultivated by smallholders' estates, 55 thousand hectares by government estates, and 25 thousand hectares by private estates. From the area of 137 thousand hectares, 24 thousand hectares were not yet in production and 17 thousand hectares were no longer in production. Tea was mainly cultivated in West Jawa, North Sumatera, Central Jawa, and East Jawa. It may be added, most of tea production was exported, especially to the Union of Soviet Socialist Republic and Pakistan. Exports of tea increased significantly in 1989.

The production of *coffee*, mostly (93%) produced by smallholders' estates, rose by 9.6% in 1989 to 423 thousand tons. The rise was closely associated with the successful achievement of rejuvenation activities in previous years and continuing guidance to farmers. The main coffee variety produced was robusta, planted mainly in Lampung, South Sumatera, and Bengkulu. In 1989, the area of coffee plantations, which was mostly (95%) smallholders' estates, went up by 1.5% reaching 1,023 thousand hectares. Of this area, 213 thousand hectares were not yet in production and 98 thousand hectares were no longer in production. Indonesia's exports of coffee in 1989 registered an increase.

Tobacco production in 1989 decreased significantly by 8.6% to 106 thousand tons which was due, among others, to the shifting from planting tobacco toward other crops, such as vegetables. Tobacco was mostly (98%) cultivated by smallholders' estates with main producing areas in East Jawa, Central Jawa, West Nusa Tenggara, and North Sumatera. In 1989, the area for tobacco planting was 237 thousand hectares. Exports of tobacco went down as compared with the preceding year. It may

be added that in order to meet domestic demand for cigarettes, Indonesia in 1989 still imported certain types of tobacco from abroad.

Major spices, including pepper, nutmeg, and cloves were mostly produced by smallholders' estates. In 1989, the production of pepper went up by 7.1% reaching 60 thousand tons. This was closely related to the increase in the production area of pepper of 4.6% to 115 thousand hectares. The production of nutmeg experienced a decrease of 6.7%. The unfavorable development of nutmeg production was closely associated with the drop of its price in 1981 up to 1985, discouraging farmers from taking good care of their farms. The production of cloves rose sharply by 18.0% to 72 thousand tons, chiefly due to improved market conditions; the price of cloves in 1989 surged to a level above the floor price of Rp6,500.00 per kg. Most pepper and nutmeg production was destined for exports, while cloves were intended to meet the domestic demand for consumption. In 1989, exports of pepper experienced a decrease, while those of nutmeg recorded an increase. Indonesia is the major producing country for nutmeg (75%).

1.3. Livestock

In the reporting year, government policy in the livestock subsector continued to be directed towards increasing livestock population and its products in order to meet domestic and foreign demand, while reducing imports. Intensification programs for smallholders' farms continued to be carried out, along with extensification through promoting private investment and diversification through merging livestock farming with other agricultural activities.

TABLE 9.11
LIVESTOCK BY THE YEAR END
(thousands of heads)

Items	1985	1986	1987	1988	1989 *
Slaughtering cows	9,318	9,516	9,510	9,776	10,040
Milch cows	208	222	233	263	277
Buffaloes	3,245	3,496	3,296	3,194	3,242
Goats	9,629	10,738	10,392	10,606	10,943
Sheeps	4,884	5,284	5,364	5,825	5,866
Horses	668	715	658	675	684
Pigs	5,560	6,216	6,339	6,484	7,052
Ducks	23,870	27,002	26,025	25,080	25,386
Chicken :					
– Layer	31,875	38,689	39,968	38,413	41,163
– Broiler	143,657	173,795	218,183	227,044	285,409
– Domestic	155,627	162,991	168,405	182,879	187,433

Source : Supplement to the President's Report to Parliament, August 16, 1989 and 1990.

Efforts to promote cattle breeding continued to be undertaken through PIR program. Improved chicken breeding, which aimed at meeting domestic and foreign demand, was conducted, inter alia, through improving the quality of domestic chicken for broilers through cross breeding. Cooperative and PIR schemes were used to promote milch cow farming. Furthermore, the promotion of other livestock was merged with other agricultural activity. In implementation, the Government continued to overcome obstacles encountered in promoting livestock, namely lack of awareness and knowledge of the farmers about livestock health, expensive fodder and medicines, and inadequate post-harvest treatment.

In 1989, the production of meat, eggs, and milk increased, respectively by 7.6%, 4.7%, and 23.0%, reaching 1,008 thousand tons, 464 thousand tons, and 326 million liters (Table 9.8). The remarkable increase in the production of milk was associated with government policies on the importation

of milch cows and supervision on smallholders' farms that was linked to the efforts to promote milk processing industries. Moreover, fresh milk markets expanded as the Government lowered the ratio of fresh milk absorbed domestically to the maximum amount of basic materials of milk imported by a dairy enterprise. This ratio was fixed at 10.7.⁵⁾

The population of livestock rose (Table 9.11) with significant increases recorded for broilers, pigs, and layers, respectively of 25.7%, 8.8%, and 7.2%. The substantial increase in the population of broilers was closely related to the growing demand from abroad, particularly from the Far East and Japan which had encouraged private investors to conduct businesses in chicken farming. The increase in the population of pigs was related, to the increased demand from Singapore. Furthermore, the increase in the population of layers was actually the

5) Minister of Trade Decree No. 250/Kp/X/89, October 2, 1989.

result of the Government's attempts to provide nutritious food for the people and assessing the possibility of exporting chicks. In 1989, exports of day old chicks (DOC) were directed to Singapore, the Philippines, and Malaysia.

1.4. Forestry

Policies in the forestry subsector in the reporting year continued to be directed towards increasing production to meet industrial demand by optimizing the utilization of productive forest, improving forest management, and encouraging efficient use of forest products. These attempts were carried out by taking into consideration the need to preserve tropical natural forest. To foster the conservation of natural forests, the Government restricted logging activities in natural forests and enhancing the efficiency in the processing of forest products. On July 1, 1989, the Reforestation Guarantee Fund was replaced with Reforestation Fund and the amount charged was raised from \$4.00 to \$7.00 per m³ of logs being cut.⁶⁾ The Reforestation Fund is collected from Forest Exploitation Rights (*Hak Pengusahaan Hutan* or HPH) holders and prioritized to be used for reforesting the areas beyond the HPH exploration areas, establishing Industrial Forest estates (*Hutan Tanaman Industri* or HTI), and rehabilitating critical areas. The establishment of HTI continued to be promoted, especially with trees for fiber and timber purposes, such as pine, sengon, and rubber trees. It is worth noting that the development of wood industry, was directed to Irian Jaya where the utilization of logging potential was still low. To overcome problems faced in exploiting the forest, such as the

failure to fulfill obligations fixed for HPH or other forest exploitation rights holders, the Government adjusted the sanction for such violations to suit recent developments in forest exploitation activities.⁷⁾

In 1989, 120 thousand hectares of HTI were established and the number of HPH holders rose from 545 to 574 while exploration areas increased from 57 million hectares to 59 million hectares. Moreover, to maximize the utilization of the potential of the forests in relation to the development of the national economy, the Government determined the requirements under which the exploitation rights (MPH) can be extended, inter alia, the necessity of having a wood processing industry or holding the shares of such industry.⁸⁾

Log production in 1989 decreased by 30.5% to 19,789 thousand m³. The decrease reflected the success of the Government in restricting the production of logs as an effort to preserve natural forests.

Other forest products potentially generating foreign exchange were rattan, *tengkawang*, charcoal, resin, and copal. To optimize the utilization of forests and to maintain the sustainable production of rattan through a well-planned cultivation management, the Government determined requirements for obtaining HPH for rattan, as well as the holders' obligations and prohibitions.⁹⁾

1.5. Fishery

In the reporting year, government policy in the fishery subsector continued to be

6) Presidential Decree No. 31/1989, June 27, 1989.

7) Minister of Forestry Decree No. 493/Kpts-II/1989 September 19, 1989.

8) Minister of Forestry Decree No. 245/Kpts-II/1989, May 24, 1989.

9) Ministry of Forestry Decree No. 148/Kpts-II/1989, April 4, 1989.

aimed at increasing production to meet the demand for food, improve nutrition, and promote exports. Inland-fishery production increased through improving technology and management and rehabilitating brackish fishponds. Sea-fishery production rose aided by improving guidance and constructing/rehabilitating fishing ports. In 1989, the Government declared 13 seaports to be fishing ports as well as exporting ports for economic exclusive zones. Furthermore, cooperatives and private businesses were encouraged to play a role in integrating production activities, in processing, and in marketing of fish and fish products. Problems faced in the fishery subsector were, among others, the underutilization of fishery resources, the cost of fish food, and inadequate post-harvest treatment.

In 1989, fishery production rose by 5.0% reaching 3,026 thousand tons, of which 75.1% was sea-fishery products (Table 9.8). The rise was mainly attributable to the increase in the production of inland fisheries (6.0%), as there was an increase in the production of brackishwater, pond, and rice field fishery.

Shrimp and tuna/skipjack again constituted the major export commodities of the fishery subsector in 1989 with a share of 55.3% in volume and 76.8% in value. Exports of shrimp kept increasing as the implementation of the smallholders' nucleus shrimp pond cultivation scheme (*Tambak Inti Rakyat*) and shrimp pond intensification scheme (*Intensifikasi Tambak*) continued to be improved in addition to the fact that Indonesia's coastal areas are suitable for cultivating shrimp. Exports of frozen or fresh tuna/skipjack also continued to increase and were mostly sold to Japan.

2. Mining and Energy

2.1. Mining

Government policies on mining in the reporting year continued to be directed towards increasing mining production, as well as improving the processing of mining products to optimize the utilization of mineral resources for national development. To these ends, in the reporting year the Government introduced a policy on oil and natural gas which postponed the payment of value-added tax so as to encourage exploration for oil/gas resources. Meanwhile, in non-oil/gas mining, the Government continued to promote the use of coal as an alternative to fuel oil.

Mining production rose in the reporting year. Oil production recorded a significant increase after experiencing decreases in the last few years. The increase was related to the improvement of oil prices in the world market. Moreover, production of natural gas rose significantly as a result of the increase in the utilization of natural gas for producing LNG and LPG to fulfill the growing demand, particularly from Japan. Other products in the mining subsector, namely tin, coal, copper, nickel ore, ferro-nickel, nickel matte, bauxite, gold, and silver all recorded increases in their production.

Oil and natural gas

Government policies in the reporting year continued to be directed towards promoting exploitation and exploration activities in order to seek new wells for the purpose of maintaining and increasing the production of oil and natural gas which continue to play an important role in the development of the

TABLE 9.12
SELECTED MINING OUTPUT

I t e m s	Units	1985/86	1986/87	1987/88	1988/89	1989/90 *
1. Oil	million barrels	490.9	516.1	508.0	496.9	515.3
— Crude oil	million barrels	(438.9)	(461.4)	(450.2)	(435.2)	(450.9)
— Condensate	million barrels	(52.0)	(54.7)	(57.8)	(61.7)	(64.4)
2. Natural gas	million MSCF ¹⁾	1,582.0	1,657.7	1,737.0	1,887.0	2,011.6
3. Tin	thousand tons	20.9	24.9	27.3	30.5	31.8
4. Coal	thousand tons	1,487.5	1,732.8	1,987.6	5,175.7	8,756.3
5. Copper	thousand tons	233.1	249.2	268.4	302.7	329.9
6. Nickel						
— Nickel ore	thousand tons	986.9	1,680.6	1,782.1	1,830.3	1,946.2
— Ferro-nickel ²⁾	thousand tons	4.8	4.4	4.0	4.8	5.0
— Nickel matte ²⁾	thousand tons	20.0	31.8	25.1	29.9	30.0
7. Bauxite	thousand tons	712.8	636.4	654.2	514.1	994.2
8. Gold	kilograms	308.0	619.6	3,913.0	5,096.3	6,466.2
9. Silver	kilograms	2,179.0	5,786.0	61,727.0	64,562.4	71,689.0

1) MSCF = Mille Standard Cubic Feet.

2) The data indicate the amount of nickel-content.

Source : Supplement to the President's Report to Parliament, August 16, 1989 and 1990.

Indonesian economy. In this connection, the Government provided incentives for contractors by postponing the payment of value-added taxes on services related to exploration and exploitation of oil, natural gas, and geothermal energy until the commencement of production.¹⁰⁾

In 1989/90, 10 new oil agreements were signed consisting of 8 Production Sharing Agreements and 2 Joint-venture Agreements. With the additional contracts, at the end of 1989/90, the total number of Production Sharing Agreements and Joint-venture Agreements were 102 and 17, respectively. Exploration activities in the reporting year succeeded in discovering 96 wells, of which 14 were drilled by Pertamina,

1 by a Contract of Work contractor, and 81 by Production Sharing contractors. Of 81 wells drilled by Production Sharing contractors, 48 were drilled off-shore.

In 1989/90, oil production increased by 3.7% reaching 515.3 million barrels, consisting of 450.9 million barrels of crude oil and 64.4 million barrels of condensate. Out of the total oil production, 473.3 million barrels were produced by Production Sharing contractors, 25.6 million barrels by Pertamina, and 16.4 million barrels by Contract of Work contractors. The increase in oil production was related in part to the favorable oil prices in the world market.

Natural gas production in the last few years increased. In the reporting year, natural gas production rose significantly by 6.6% reaching 2,011.6 million MSCF, of

10) Minister of Finance Decree No. 572/KMK.01/1989, May 25, 1989.

which 1,697.4 million MSCF were produced by Production Sharing contractors, 253.2 million MSCF by Pertamina, and the remainder (61.0 million MSCF) by Contract of Work contractors. It may be added that the rise was closely related to the increased production of LNG and LPG as well as the increased domestic use of natural gas as inputs for producing fertilizer and steel.

Tin

Tin production in the reporting year increased by 4.3% to 31.8 thousand tons compared with 11.7% in the preceding year. The deceleration was affected by the continuous drop in tin prices in the international market since July 1989, which was attributable to the abundant world stock of tin, reaching 36 thousand tons, and the large supply from Brazil.

It is worth noting that in an effort to improve and stabilize tin prices in the international market and to reduce world stocks to around 20 thousand tons, on March 1, 1990 the ATPC determined that within the next 10 months the total export quota would be 84.2 thousand tons, implying a reduction of 5.1% per year. Of these 84.2 thousand tons, 24.9 thousand tons would be from Indonesia. Indonesia's previous export quota was 31.5 thousand tons for a 12 month period.

Coal

To diversify energy sources, the Government encouraged the domestic use of coal as a non-oil energy source. In this connection, the Government made an effort to increase the production of coal by gradually increasing the production capacity of Bukit Asam and Ombilin coal

mines and by encouraging the exploration of new mines by private national and foreign contractors.

In the reporting year, coal production recorded a remarkable increase of 69.2% reaching 8,756.3 thousand tons. Of this amount, 4,134.5 thousand tons were produced by Bukit Asam and Ombilin coal mines, 3,095.8 thousand tons by Contract of Work contractors in East Kalimantan and South Sumatera, and 1,526.0 thousand tons by community mines. At the same time, domestic demand for coal rose significantly by 58.4% reaching 3,445.8 thousand tons and exports also registered favorable increases. The increase in domestic consumption was mainly caused by the increased use of coal as an energy source in the cement industry and steam-powered electricity generating plants (*Pembangkit Listrik Tenaga Uap* or PLTUs).

Other mining products

Other important mining products comprised copper, nickel, bauxite, gold, and silver. In the reporting year, the production of concentrated copper rose by 9.0% reaching 329.9 thousand tons. The rise was partly associated with the increase in demand and improvements in copper prices in the international market.

Nickel ore production in the reporting year increased by 6.3% to 1,946.2 thousand tons. In the meantime, ferro- nickel and nickel matte produced from processing the nickel ore recorded increases in their production by 4.2% and 0.3%, to 5.0 thousand tons and 30.0 thousand tons, respectively. The higher production of nickel was mainly associated with the increase in overseas demand.

The production of bauxite, in the reporting year sharply increased, by 93.4%, reaching 994.2 thousand tons, as compared with a decrease of 21.4% in the preceding year. The increase in bauxite production was caused not only by the growing demand from Japan -- the dominant buyer of Indonesian bauxite -- but also by efforts to expand the market in the United States of America.

The production of gold and silver in the reporting year went up by 26.9% and 11.0%, to 6,466.2 kg and 71,689.0 kg, respectively. The higher production of gold was related to the increased production of gold mines in Cikotok (West Jawa), Lebong Tandai (Bengkulu), and Tembagapura (Irian Jaya) by 26.6%, 17.8%, and 16.5%, respectively.

2.2 Electric power

In the reporting year, government policies on electric power continued to be directed towards promoting economic activity and enhancing the public welfare. In this connection, the Government continued to build the needed infrastructure to satisfy the demand for electricity.

To meet the increasing demand for electricity in the coming years resulting from the growing industrial sector, the Government continued to promote the construction of electricity generating plants and extended distribution networks. In 1989/90, several electricity generating plants were completed, such as the steam-powered electricity generating plant (*Pembangkit Listrik Tenaga Uap* or PLTU) of Suralaya unit 4 with an installed capacities of 400 MW and of Belawan unit 3 and 4 with installed capacities of 130 MW each, the hydro-powered electricity generating plant (*Pembangkit Listrik Tenaga*

Air or PLTA) of Mrica unit 3 with an installed capacity of 61.5 MW, and diesel-powered electricity generating plant (*Pembangkit Listrik Tenaga Diesel* or PLTD) of Ujung Pandang with an installed capacity of 25 MW. In total, the installed capacity of electricity generating plants in 1989/90 rose by 6.6% to 9.089 MW (Table 9.13). In addition, on April 1, 1989 the State Electric Company (PLN) increased the base tariff for electricity by an average of Rp23.16 reaching Rp115.81 per KWH on average. The increase was necessary to accommodate all operational expenses, part of the expansion costs, and debt repayments.¹¹⁾

The production of electricity in 1989/90 increased significantly, by 15.4% reaching 29,567 million KWH. The increase was attributable to the increase in the production of PLN, of 15.2% reaching 28,731 million KWH. Meanwhile, electricity produced by non-PLN, which is distributed by PLN, rose by 23.5% reaching 836 million KWH (Table 9.14).

It is worth noting that to use fuel oil efficiently in electricity generating plants, in the reporting year the Government started the construction of the so-called steam/gas powered electricity generating plant (*Pembangkit Listrik Terpadu Tenaga Gas dan Uap* or PLTGU) in Gresik (East Jawa) and Belawan (North Sumatera) with installed capacities of 500 MW and 720 MW, respectively. These PLTGUs were expected to be in production by 1992/93. It may be added that by the end of 1989/90, the number of villages benefitting from electricity services continued to increase reaching 20,612 villages or 33.5% of all villages throughout Indonesia.

11) Board of Directors of State Electric Company Decree No. 11/Dir/89, March 27, 1989.

TABLE 9.13
PLN CAPACITY FOR ELECTRIC POWER
(MW)

Year	Generators					Total
	PLTD	PLTU	PLTA	PLTG	PLTP	
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
1989/90 *	1,795	3,947	1,973	1,234	140	9,089

Source : State Electric Company (PLN).

TABLE 9.14
PRODUCTION OF ELECTRIC POWER
(millions of KWH) ¹⁾

Year	Generated by PLN	Generated by non-PLN ²⁾	Total
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
1989/90 *	28,731	836	29,567

¹⁾ KWH = Kilowatt Hour.

²⁾ Only those distributed to the community through PLN.

Source : State Electric Company (PLN).

3. Manufacturing

In the reporting year, the development of the manufacturing sector continued to be based on previous policies by giving priority to the development of competitive industries and those that can make use of and improve their comparative advantage either in natural resources, labor, or technology. Moreover, the development of the manufacturing sector continued to be aimed at promoting regional development.

With a view to promoting the development of competitive industries, the Government made efforts to identify and analyze the types of industries which have the potential to be exported, among others those which use agricultural, forestry, sea, and mining products, by trying to find out the most compatible technology, and those which are labor-intensive, such as textile and electronic industries, as well as those which assemble certain products and require many man-hours in processing.

Furthermore, the Government introduced a regulation on establishing industrial zones. According to the regulation, the establishment of industrial zones may be undertaken not only by state and local government enterprises, but also by cooperatives, private national and PMA enterprises, and joint ventures of those enterprises as long as they comply with the licensing requirements and the technical standards of an industrial zone.¹²⁾

To promote the development of local industries, the Government simplified the licensing procedure for smallscale industries.¹³⁾

Smallscale industry activities are industrial activities with maximum total assets of Rp600 million, excluding houses and land in use, and must be owned by Indonesian citizens. Licensing authority for smallscale industry businesses with total assets of Rp50 million up to Rp600 million was given to the chief of the regional office of the Ministry of Industry and for those with total assets of Rp5 million up to Rp50 million was given to the chief of the district (kabupaten) office of the Ministry of Industry; while for those with maximum total assets of Rp5 million such a license is not required.

Benefitting from various efforts undertaken so far, the output of the manufacturing industry developed favorably. Significant increases were recorded, inter alia, for cement, paper, and textiles. Moreover, a remarkable increase was experienced by the LPG processing industry while the output of oil refining industry and LNG processing industry continued to register increases.

Fuel oils

Government policies on the oil refining industry continued to be directed towards satisfying the rapidly growing domestic consumption of fuel oils and increasing the value added of oil processing, as well as foreign exchange earnings. To increase national refinery production capacity, the Government made an effort to establish new refineries which are more export-oriented and intend to process Indonesian oil. In this connection, a fuel oil refinery in Balongan, West Jawa with an installed capacity of 125 thousand barrels day per day was under construction in the reporting year.

In 1989, the production of fuel oils rose by 8.1% reaching 171.5 million barrels. Much of this rise was accounted for by the

12) - Presidential Dccree No. 53/1989, October 27, 1989.
- Minister of Industry Decree No. 291/M/SK/10/1989, October 28, 1989.

13) Minister of Industry Decree No. 13/M/SK-I/1990, March 14, 1990.

increase in domestic demand for fuel oils of 6.5% reaching 178.9 million barrels. It may be added that the increase in fuel oil consumption occurred mainly in the manufacturing sector (20.5%) and transportation (40.8%).

Liquefied natural gas (LNG)

In line with the growing overseas demand for Indonesia's LNG, the Government continued its effort to further increase the production of LNG from natural gas. To this end, in the reporting year the construction of train E of the LNG processing unit in Bontang, East Kalimantan, with an installed capacity of 2.3 million tons (119.0 million MMBTU) per year, was completed. Consequently, at the end of the reporting year the total production capacity of LNG processing units (consisting of 11 trains) reached 1,104.6 million MMBTU, of which 571.8 million MMBTU originated from the Arun plant and the remainder from the Badak plant, Bontang.

In 1989/90, the production of LNG rose by 3.1 % to 1,000.7 million MMBTU, of which 678.3 million MMBTU were produced by the Arun plant and the remainder by the Badak plant. It may be added that to satisfy the growing demand for LNG from Japan and South Korea, in the reporting year, train F in Bontang was under construction with an installed capacity of 119.0 million MMBTU per year. The construction is expected to be completed by 1994.

Liquefied petroleum gas (LPG)

In the last few years, the LPG processing industry has been developed rapidly, in line with the success of the Government in expanding the LPG market, particularly abroad.

In this connection, the Government continued to increase the utilization of the production capacity of LPG processing units and oil refineries, and constructed new LPG processing units/refineries in cooperation with the private sector.

In line with the aforementioned efforts, production of LPG in 1989/90 jumped by 150% reaching 2,576.9 thousand tons. As a result of increased domestic economic activity and of efforts to diversify energy sources, the domestic use of LPG increased favorably. In 1989/90, domestic consumption of LPG surged by 21.2%, reaching 285 thousand tons. The surge took place mainly in the manufacturing and tourism sectors, as well as in households.

In the reporting year there were 11 LPG processing units/refineries in Indonesia with a production capacity of 3.3 million tons per year. The largest production took place in LPG processing units in Arun which exported all of its production to Japan and South Korea.

Plywood and sawn timber

Policy with regard to timber industry in the reporting year continued to be directed towards promoting down-stream industries, increasing exports of wooden finished goods, and expanding employment opportunities, while taking into account conservation of forests and the optimal utilization of forest products. In this connection, in 1989/90 the Government raised the export tax and/or the additional export tax on sawn timber and certain types of timber products and set the lowest export prices for several types of sawn timber and timber products.¹⁴⁾

14) - Minister of Finance Decree No. 1134/KMK.013/1989, October 10, 1989.
- Minister of Trade Decree No. 252A/Kp/X/89; October 10, 1989.

In 1989/90, the output of plywood and sawn timber rose by 10.8% and 5.2%, respectively, reaching 7,691.5 thousand cubic meters and 10,853.8 thousand cubic meters. The increase in the output of plywood was mainly caused by strong foreign demand, particularly from Japan, while that of sawn timber was closely related to the growing domestic demand, especially for the purpose of construction.

Fertilizer

Government policies on the fertilizer industry continued to be directed towards satisfying the rising domestic demand for fertilizer. To assure the sufficient supply of fertilizer not yet domestically produced, the Government fixed the purchasing price of subsidized potassium-chloride fertilizer and its payment procedure.¹⁵⁾

In the reporting year, production of urea and non-urea fertilizer rose respectively by 8.2% and 5.6% reaching 4,596 thousand tons and 1,850 thousand tons. The increases were partly resulted from the rising domestic demand for fertilizer.

It may be added that to enlarge the national production capacity of fertilizer, the Government made an effort to encourage the expansion of fertilizer plants in cooperation with private parties. In this connection, in the reporting year, 5 fertilizer plants were in the process of being expanded and established, bringing the additional installed capacity to 2.8 million tons per year which was expected to be completed in 1993.

Cement

In line with the increasing domestic demand for cement, in the reporting year government policies continued to be directed towards optimizing the utilization of cement production capacity and encouraging the expansion of existing plants, as well as the establishment of new plants, particularly by private parties. In response to the increased cost of production and distribution, on March 10, 1990 the Government raised the standard local price (*Harga Pedoman Setempat* or HPS) for cement throughout Indonesia.¹⁶⁾

The output of cement in 1989/90 rose significantly, 18.3%, reaching 15,636 thousand tons. The increase was closely related to the growing domestic consumption of cement of 10.0%, reaching 11.4 million tons. Meanwhile, exports of cement in the reporting year recorded a remarkable increase of 20.7% reaching 4.0 million tons.

It is worth noting that at the end of the reporting year there were 10 cement manufacturing plants with an installed capacity of 17.4 million tons. Four plants were in the process of expansion with a total additional capacity of 5.2 million tons which was expected to be completed in 1992/93.

Paper

In line with government policy to promote the development of competitive industries, policies for the paper industry were aimed at promoting and further utilizing the comparative advantage of Indonesia's paper industry, either through establishing

15) Minister of Finance Decree No. 1240/KMK.013/1989, November 14, 1989.

16) Minister of Trade Decree No. 70/Kp/III/90, March 10, 1990.

industrial forest estates to assure an optimum supply of raw materials, or through constructing new manufacturing plants for pulp and certain types of paper with an exports potential. To support the development of pulp and paper industries and simultaneously encourage the establishment of industrial timber estates while preserve the forest and the environment, in the reporting year the Government introduced a policy regarding the allocation of forest areas to be utilized by pulp and paper industries.¹⁷⁾ Meanwhile, in the reporting year 2 paper plants in Cibinong and Tangerang (West Jawa) which respectively produced newsprint and wrapping paper were in the process of expansion, each with additional capacities of 100 thousand tons and 110 thousand tons.

Paper production in 1989/90 rose by 19.4% reaching 1,132.6 thousand tons. The increase was closely related to the relatively high increase in domestic paper consumption which reached 26%, particularly in industrial paper (56.0%), reaching 1,075 thousand tons. Exports of paper in 1989/90 reached 313 thousand tons, mostly writing and printing paper.

Textiles

In the reporting year, the textile industry showed a favorable development due to the success of the textile industry in restructuring machineries, management, and marketing procedures, as well as in diversifying overseas market. The diversification effort was supported, inter alia, by the government policy of enhancing the competitiveness of Indonesia's textiles despite the persistence of protectionist measures.

In the reporting year, 192 textile and textile product manufacturing plants, mostly located in West Jawa and Jakarta, were completed. Of these 192 plants, 4 were fibre plants, 20 engaged in spinning, 48 in weaving, 29 in knitting, 75 in garments, and 16 in embroidery and textile finishing.

In line with this favorable development, in the reporting year the production of textile and weaving yarn increased by 28.3% and 26.7% reaching 4,493.6 million meters and 3,437.5 thousand bales, respectively. These increases were mainly caused by the sharp increase in exports of textiles and textile products.

Motor vehicle tires

Due to the growing overseas demand for motor vehicle tires and the improved domestic motor-vehicle-tire industry, the production of motor vehicle tires recorded increases in 1989/90. The production of automobile and motorcycle tires increased by 15.3% and 12.7%, reaching 7,376.8 thousand and 5,489.8 thousand units, respectively, and their exports also recorded significant increases.

To satisfy the growing demand for motor vehicle tires, especially from abroad, in the reporting year several manufacturing plants for motorcycle tires were expanded bringing about a sharp increase in the total installed capacity of motorcycle tires from 5.9 million to 10.2 million units per year. Meanwhile, the total installed capacity of automobile tire industry reached 8.5 million units per year.

Basic metals

Policy to promote the basic metal industry in the reporting year continued to be directed towards promoting the development

17) Minister of Forestry Instruction No. 279/Kpts-II/1989, June 5, 1989.

TABLE 9.15
SELECTED MANUFACTURING PRODUCTION

Products	Units	1985/86	1986/87	1987/88	1988/89	1989/90 [*]
1. Fuel oils ¹⁾	million barrels	131.4	142.0	153.3	158.6	171.5
2. LNG	million MMBTU	788.5	811.8	905.4	970.2	1,000.7
3. Plywood and sawn timber						
– Plywood	thousand m3	4,715.0	5,175.0	6,160.0	6,940.0	7,691.5
– Sawn timber	thousand m3	9,437.0	9,900.0	10,183.0	10,319.5	10,853.8
4. Fertilizer						
– Urea fertilizer	thousand tons	3,690.0	3,957.0	4,154.0	4,245.9	4,596.0
– Non-urea fertilizer ²⁾	thousand tons	1,533.0	1,744.0	1,781.3	1,752.1	1,850.0
5. C e m e n t	thousand tons	10,026.7	11,322.2	12,331.1	13,218.0	15,636.0
6. P a p e r	thousand tons	515.9 ^f	629.3	792.5	948.2	1,132.6
7. Textile and weaving yarn						
– Textile	million meters	2,498.7	2,761.5	2,925.6	3,503.0	4,493.6
– Weaving yarn	thousand bales	1,877.2	2,147.8	2,275.7	2,712.3	3,437.5
8. Motor vehicle tires						
– Automobile tires	thousand units	4,085.9	4,935.0	5,086.1	6,396.3	7,376.8
– Motorcycle tires	thousand units	2,312.9	3,093.0	3,370.1	4,869.5	5,489.8
9. Basic metal						
– Sponge iron	thousand tons	1,086.0	1,283.0	1,337.0	984.8	1,441.7
– Steel ingot	thousand tons	1,023.0	1,144.0	1,337.0	1,360.6	1,736.2
– Concrete steel bar	thousand tons	671.0	716.0	895.0	829.9	1,086.3
– Wire rod	thousand tons	321.0	407.0	446.0	452.1	542.7
– Steel wire	thousand tons	99.0	115.0	120.0	113.8	113.9
– Steel pipe	thousand tons	258.5	259.5	244.0	244.3	284.7
– Galvanized iron sheet	thousand tons	274.0	195.0	186.0	159.4	156.4
– Aluminum plate	thousand tons	26.5	24.7	29.0	35.9	27.3
10. Transportation means						
– Automobiles	thousand units	139.7	162.5	160.3	166.7	177.0
– Motorcycles	thousand units	226.8	310.9	249.6	260.0	281.0
– Aeroplanes	units	8.0	5.0	8.0	5.0	7.0
– Helicopters	units	7.0	12.0	7.0	13.0	5.0
– Steel vessels	thousand BRT	18.2	7.7	18.0	17.4	21.8
11. Others						
– Clove cigarettes	billion pieces	84.1	96.3	112.3	124.2	129.3
– White cigarettes	billion pieces	24.0	21.2	21.5	17.6	17.4
– Refined coconut oil	thousand tons	396.0	256.5	445.6	477.8	486.1
– Olein	thousand tons	490.0	587.8	663.7	728.4	846.5
– Laundry soap	thousand tons	161.4	162.3	164.2	165.5	177.9
– Detergent	thousand tons	144.6	160.5	162.1	175.0	189.7
– Toothpaste	million tubes	351.0	474.8	484.2	515.0	589.0
– Matches	million boxes	2,214.0	2,364.0	2,425.4	2,670.0	2,837.3
– Electric/telecommunication cords	thousand tons	58.1	58.7	58.8	59.0	64.6
– Light bulbs/TL bulbs	million units	86.0	87.7	91.6	95.3	137.8
– Radio and radio cassette recorders	thousand units	1,883.4	1,649.8	1,080.1	1,700.0	2,338.6
– Car radio cassette recorders	thousand units	353.0	306.4	238.8	444.8	536.9
– Television set ³⁾	thousand units	750.0	700.5	640.0	521.9	796.6
– Refrigerators	thousand units	148.8	147.7	159.0	104.0	138.3
– Sewing machines	thousand units	170.5	127.5	136.7	51.8	34.0
– Storage batteries	thousand units	5,687.9	5,844.8	6,150.6	6,146.9	6,411.9
– Dry batteries	million units	952.2	1,000.0	1,000.6	1,016.7	1,076.7
– Pesticide sprayers	thousand units	229.3	242.6	248.6	249.0	283.9
– Hand tractors	units	973.0	1,891.0	3,000.0	2,490.0	5,645.0
– Diesel engines	thousand units	41.6	23.9	31.5	32.4	46.5
– Hullers	units	2,771.0	1,212.0	1,976.0	830.0	1,272.0

1) End of calendar year.

2) Consists of ZA and TSP.

3) Including black and white television sets.

Sources : – Supplement to the President's Report to Parliament, August 16, 1989 and 1990.

– Ministry of Industry

– Ministry of Mining and Energy.

of basic metal industries, from up-stream to downstream, to fulfill the domestic demand for basic metals and to support the development of other industries. In order to foster the growth of down-stream industries using basic metals as an input, in the reporting year the Government reduced the import duty on stainless steel wire rod that has not yet been produced domestically.¹⁸⁾

In the reporting year, basic metal production developed rapidly, mainly resulting from the increase in the domestic use of basic metal, especially in the construction and oil mining sectors. Basic metals experiencing remarkable increases were sponge iron (46.4%), concrete steel bar (30.9%) and steel ingot (27.6%) (Table 9.15).

To meet the domestic demand for inputs in the iron steel industry, in the reporting year a sponge iron manufacturing plant in Cilegon (West Jawa) was expanded by an additional capacity of 800 thousand tons and that in Gresik (East Jawa) was established with an installed capacity of 1 million tons per year.

Transportation vehicles

In the reporting year, the motor vehicle industry developed favorably. The production of four-wheeled and two-wheeled motor vehicles rose by 6.2% and 8.1%, respectively, reaching 177 thousand units and 281 thousand units. These increases resulted from the increased domestic demand, especially for commercial cars and motorcycles.

In 1989/90, the production of aircrafts increased by 2 to 7 units and that of helicopters decreased by 8 to 5 units. It may be added that in 1989/90, PT Industri Pesawat Terbang Nusantara (IPTN), in cooperation with two foreign aircraft manufacturers, agreed to provide several aircraft components for the consortium of European aircraft manufacturers. The cooperation as an offset deal in the purchase of aircrafts by PT Garuda Indonesia will last for 20 years. The production of other transportation vehicles, such as steel vessels, recorded an increase of 25.3% to 21.8 thousand BRT.

Other manufacturing products

In the reporting year, production of other manufacturing products developed favorably, partly as a result of rising overseas demand. Remarkable increases in production were recorded for hand tractors, hullers, and television sets of 126.7%, 53.3%, and 52.6%, respectively reaching 5,645 units, 1,272 units, and 796.6 thousand units. Other products experiencing significant increases were light bulbs/TL bulbs, diesel engines, radios and radio cassette recorders, and refrigerators (Table 9.15).

4. Transportation, tourism, postal services, and telecommunication

4.1. Transportation

The policy for the transportation sector in the reporting year continued to be aimed at satisfying the demand for services in order to expedite the flow of passengers, cargo, and information. To enhance the quality and smoothness of services, the Government made some adjustments on the tariff of domestic transportation. In the field

18) Minister of Finance Dccree No. 4/KMK.00/1990. January 3, 1990.

of land transportation, government efforts were mainly directed towards establishing road-network systems conducive to achieving a more equitable distribution of development, as well as efficient and far-reaching domestic mobility. In sea transportation, the role and capability of national shipping were enhanced to promote trade. In air transportation, the Government extended flight networks and the frequency of air services.

In the reporting year, both the number of vehicles and the production of transportation services increased. The highest increase in the number of vehicles was recorded in road transportation while the largest increase in production was experienced by ocean-going transportation.

4.1.a. Land transportation

Policies regarding land transportation were aimed at promoting efficient land transportation and an integrated road-network system, taking into account the location of production centers. To facilitate the provision of land transportation, in the reporting year the Government adjusted tariffs.¹⁹⁾

In 1989/90, 3,613.9 km of new roads were completed, of which 242.7 km were toll roads and 16,611.5 m were new bridges. In addition, 325,911 km of roads and 174,862 m of bridges were maintained and upgraded. The number of buses, cargo vehicles, passenger cars, and motorcycles increased by 68.5%, 54.3%, 53.8%, and 59.9%, respectively (Table 9.16).

In the reporting year, passengers and cargo transported by trains rose by 2.7% and 13.0%, respectively. Passengers, cargo, and vehicles transported by river, lake, and ferry transportation also recorded increases respectively by 1.2% to 42,058 thousand passengers, 1.7% to 10,920 thousand tons cargo, and by 3.3% to 3,169 thousand vehicles.

4.1.b. Sea transportation

Efforts to enhance the role and capability of national shipping to facilitate trade were carried out through improving the infrastructure and increasing the number of sea transportation means. To this end, in the reporting year harbor facilities were added and upgraded and shipping routes as well as entrances to harbors were dredged. Furthermore, to improve sea transportation services, the Government adjusted some tariffs in 1989.²⁰⁾

In the reporting year, the number of vessels in the local shipping fleet increased from 1,018 to 1,097, while the number of traditional shipping vessels decreased from 3,740 to 3,721. Meanwhile, the number of oceangoing vessels, inter-island vessels, and "pioneer sailing services" vessels remained unchanged. The output of sea transportation, except that of traditional shipping, recorded increases. Significant increases were experienced by "pioneer sailing services" (29.6%), ocean-going shipping (23.0%), and local shipping (15.9%), reaching respectively 35 thousand tons, 21,983 thousand tons, and 3,784 thousand tons.

19) Minister of Communication Decrees No. KM 16, March 14, 1989; No. KM 32, July 3, 1989; and No. KM 39, August 9, 1989.

20) Minister of Communication Decrees Nos. KM 24, June 5, 1989; KM 35, July 24, 1989; and KM 61, October 16, 1989.

TABLE 9.16
LAND TRANSPORTATION VEHICLES
AND OUTPUT OF SEVERAL LAND TRANSPORTATION SERVICES
(thousands)

Particulars	Units	1985/86	1986/87	1987/88	1988/89	1989/90 *
Land transportation vehicles ¹⁾						
— Buses	units	228.2	291.1	334.7	639.6	1,077.7
— Cargo vehicles	units	884.4	880.7	1,012.8	2,406.7	3,713.2
— Passenger cars	units	997.3	1,034.6	1,190.0	3,049.6	4,691.4
— Motorcycles	units	4,760.7	5,366.3	6,178.3	13,999.6	22,386.8
Output of railway transportation						
— Passengers	persons	47,500	49,630	50,062	53,833	55,300
— Passengers — km	persons X km	7,050,152	7,327,186	7,744,000	7,997,300	8,594,111
— Cargo	tons	6,890	7,680	9,083	10,775	12,178
— Cargo — ton — km	tons X km	1,341,000	1,458,000	1,901,000	2,448,670	3,043,738
Output of river, lake, and ferry transportation services						
— Passengers	persons	24,926	37,804	41,583	41,560	42,058
— Cargo	tons	4,855	6,112	6,355	10,741	10,920
— Vehicles	units	1,863 ^r	2,901 ^r	3,046 ^r	3,067	3,169

1) Cumulative figures.

Source : Supplement to the President's Report to Parliament, August 16, 1989 and 1990.

TABLE 9.17
NUMBER OF VESSELS AND THEIR SAILING SERVICES

Types of shipping	Units	1985/86	1986/87	1987/88	1988/89	1989/90 *
1. Ocean going transportation						
— Number of vessels	units	48	35	35	35	35
— Capacity	thousand DWT	447	447	447	447	447
— Cargo	thousand tons	12,905	15,687	16,471	17,878	21,983
2. Interisland shipping						
— Number of vessels	units	275	259	244	274	259
— Capacity	thousand DWT	414	391	379	503	466
— Cargo	thousand tons	8,083	8,514	8,306	9,295	9,932
3. Local shipping						
— Number of vessels	units	1,036	992	1,036	1,018	1,097
— Capacity	thousand BRT	131	144	154	152	158
— Cargo	thousand tons	2,679	2,746	2,918	3,266	3,784
4. Traditional shipping						
— Number of vessels	units	3,641	3,641	3,641	3,740	3,721
— Capacity	thousand BRT	198	194	194	199	199
— Cargo	thousand tons	2,550	2,736	3,004	2,951	2,901
5. Pioneer sailing services						
— Number of vessels	units	23	21	14	16	16
— Capacity	thousand DWT	12	12	9	8	8
— Cargo	thousand tons	38	40	40	27	35

Sources : — Supplement to the President's Report to Parliament, August 16, 1989 and 1990.
— Ministry of Communication.

TABLE 9.18
AIR TRANSPORTATION FLEET AND OUTPUT OF THEIR SERVICES

Fleet/output	Units	1985/86	1986/87	1987/88	1988/89	1989/90 *
Fleet	units	175	177	177	175	182
Turbo-jet		86	75	75	73	...
Turbo-prop		89	102	102	102	...
Output						
– Passenger	thousand persons	6,781	6,831	7,649	8,823	9,485
Domestic flights		5,515	5,547	6,160	6,934	7,405
Overseas flights		1,266	1,284	1,489	1,889	2,080
– Cargo	thousand tons	89	96	119	138	154
Domestic flights		54	60	71	77	78
Overseas flights		35	36	48	65	76

Sources : – Supplement to the President's Report to Parliament, August 16, 1989 and 1990.
– Ministry of Communication.

4.1.c. Air transportation

Developments in the field of air transportation in 1989/90 were aimed at expediting the flow of passengers, cargo, and information. To improve and smoothen air transportation services, in 1989 the Government adjusted the tariffs on domestic flights.²¹⁾ Moreover, to promote tourism, the Government in cooperation with Japan and the Netherlands decided to increase the frequency of and extend air services, between Indonesia and those countries. In this regard, an air service connecting Denpasar and Nagoya was initiated with the frequency of three times a week; the frequency of flights connecting Jakarta and Amsterdam was increased from 4 times to 8 times a week.

In the reporting year, scheduled airlines operated 182 aircrafts as compared with 175 in the preceding year. The output of domestic flight, both passenger and cargo, recorded increases of 6.8% and 1.3% reaching 7,405

thousand persons and 78 thousand tons, respectively. Meanwhile, passengers and cargo transported by overseas flight rose by 10.1% and 16.9% reaching 2,080 thousand persons and 76 thousand tons, respectively.

4.2. Tourism, postal services, and telecommunication

Policies in the field of tourism, postal services, and telecommunication in 1989 continued to be aimed at enhancing the quality of services, expediting communication services, increasing foreign exchange earnings, and promoting employment opportunities and business activity. To these ends, in the field of tourism the Government introduced stipulations aimed at attracting foreign tourists by increasing the number of tourist ports of entry, promoting Indonesia's tourist points of interest, and enhancing tourist services. As a result, the number of foreign tourist visiting Indonesia increased. In the field of postal services and telecommunication, the Government adopted policies to promote postal services and to deregulate the telecommunication sector.

21) Minister of Communication Decree No. KM. 62, October 16, 1989.

TABLE 9.19
NUMBER OF FOREIGN TOURISTS
VISITING INDONESIA
(persons)

Year	Number of tourists
1985	749,351
1986	825,097
1987	1,050,014
1988	1,301,049
1989 *	1,625,965

Source : Supplement to the President's Report to Parliament, August 16, 1989 and 1990.

4.2.a. Tourism

The promotion of tourism for the purpose of increasing foreign exchange earnings continued to be carried out by encouraging foreign tourists to visit Indonesia. In this connection, on April 1, 1989 the Government determined Bintan island to be another visa-free seaport, increasing their total number to 12, while the number of visa-free airports remained unchanged at 12. Moreover, in the reporting year the number of designated tourist points of interest rose by 2 to 19 with the inclusion of Lampung and West Kalimantan. To encourage the arrival of and improve the services for foreign tourists, the Government increased its promotion activities by declaring the year 1991 as Visit Indonesia Year,²²⁾ establishing the Indonesian Cooperation Board for Tourism, offering special promotional tours, organizing a tourism awareness campaign,²³⁾ and by disseminating information on tourism.

To improve services, hotels and restaurant were rated. The number of star-

rated hotels rose to 402 with 31,093 rooms while unstar-rated hotel increased to 4,364 with 74,616 rooms. The occupation rate of star-rated hotel increased from 62.0% to 63.3%. Furthermore, the number of rated restaurants was 111, consisting of 2 Golden-tray rated, 52 Silver-tray rated, and 57 Bronze-tray rated. It may be added that in 1989 there were 838 gift shops in 22 provinces meeting the requirements of the Directorate General of Tourism.

In 1989, the number of foreign tourists visiting Indonesia increased by 25.0% reaching 1,625,965 persons (Table 9.19). The countries of origin of most of the tourists were Singapore, Japan, Australia, Malaysia, the United States, and the United Kingdom. Meanwhile, the number of travel agencies rose from 751 to 892.

4.2.b. Postal and postal account services

In 1989, the promotion of postal and postal account services continued to be directed towards enhancing the capability, efficiency, and reliability of postal and postal account services while enlarging coverage to villages, transmigration areas, and other remote areas. In 1989, the State

22) Presidential Instruction No. 3/1989, April 4, 1989.
23) Minister of Tourism, Post, and Telecommunication Decree No. KM 52/MM 601/MMPT-89, April 17, 1989.

TABLE 9.20
NUMBER OF POST OFFICES

Types of post office	1985	1986	1987	1988	1989 *
Main post office	264	287	311	322	325
Subsidiary post office	390	458	514	570	656
Auxiliary post office	1,635	1,780	1,921	2,072	2,317

Source : Directorate General of Post and Telecommunication.

TABLE 9.21
POSTAL SERVICES

Types of services	1985	1986	1987	1988	1989 *
Postal letters (millions)	449.3	446.4	396.6	493.7	368.7
Postal parcels (thousands)	1,200.0	1,230.0	1,135.4	1,239.0	1,012.0
Postal drafts (billions of rupiah)	289.7	333.5	388.7	432.8	488.4
Postal accounts and checks (billions of rupiah)	3,754.5	3,761.1	4,550.3	4,446.0	5,703.0
Savings (billions of rupiah)	115.8	137.2	143.0	136.2	275.4

Source : Supplement to the President's Report to Parliament, August 16, 1989 and 1990.

TABLE 9.22
NUMBER AND CAPACITY OF TELEPHONE EXCHANGES

Year	Automatic		Manual		Total	
	Number of Telephone exchanges	Capacity (line units)	Number of Telephone exchanges	Capacity (line units)	Number of Telephone exchanges	Capacity (line units)
1985	182	674,488	510	104,890	692	779,378
1986	195	728,000	509	110,555	704	838,555
1987	211	694,160	503	114,265	714	808,425
1988	223	873,913	496	121,230	719	995,143
1989 *	266	1,003,685	480	114,490	746	1,118,175

Source : Supplement to the President's Report to Parliament, August 16, 1989 and 1990.

Postal and Postal Account Services Company (*Perum Pos dan Giro*) agreed to cooperate with the State Telecommunication Company (*Perum Telekomunikasi*) and PT (Persero) Indosat to provide birofax services covering 17 cities.²⁴⁾ In addition, new types of postal services were introduced, namely electronic postal drafts (*Weseltron*) covering 22 cities, express mail to certain cities (*pos patas*) covering 13 cities, and special delivery drafts (*wesel pos kilat khusus*) provided by 100 post offices throughout Indonesia.

To enlarge the coverage of postal and postal account services, the construction of 3 post offices, 86 subsidiary post offices, and 245 auxiliary post offices were completed in 1989, bringing the total number to 325, 656, and 2,317 offices, respectively (Table 9.20). In 1989, the number of sub-districts and transmigration areas reached by postal services increased by 14 and 40, reaching respectively 3,601 sub-districts and 844 transmigration areas. Hence, all sub-districts and transmigration areas throughout Indonesia have been reached by postal services.

Furthermore, the coverage of international special delivery mail or Express Mail Service (EMS) provided by 20 transmitting post offices increased to 33 countries. Postal traveler's checks introduced in December 1988 have been accepted in 100 cities.

In 1989, postal and postal account services recording increases were savings (102.2%), postal accounts and checks

(27.7%) and drafts (12.8%); those experiencing decreases were letters (25.3%) and parcels (18.3%) (Table 9.21).

4.2.c. Telecommunications

Government policy on telecommunications continued to be aimed at expanding the network and enhancing the efficiency, diversity, and capacity of telecommunication services. In this connection, to provide a strong legal basis for national telecommunications and keep up with the development of technology, on April 1, 1989 the Government replaced Act No. 5/1964 by act No. 3/1989. According to the new act, telecommunication services may be carried out by certain state institutions, individuals, or legal entities. Basic telecommunication services have to be provided in cooperation with Perumtel or PT (Persero) Indosat (this is not required for nonbasic services), while a production sharing scheme should be followed in establishing the infrastructure. Moreover, the Government introduced a regulation on the national motor-vehicle telephone network (*Sambungan Telepon Kendaraan Bermotor or STKB*).²⁵⁾ To improve the services to the community and to fulfill the growing demand for telecommunication services, cooperatives, state enterprises, and private national enterprises are allowed to conduct limited telecommunication services by setting up telecommunication stalls (*warung telekomunikasi* or wartel) in cooperation with Perumtel.²⁶⁾

In 1989, telecommunication networks and connections were expanded by

24) Agreement on Cooperation between Perum Telekomunikasi, PT (Persero) Indosat, and Perum Pos dan Giro No. 29/Ks 010/UTA-00/1989, No. 091/GMS/OP.060/1989, and No.29/A/Dirutpos/1989, September 29, 1989.

25) Minister of Tourism, Post, and Telecommunication Decree No. KM.94/PB-103/MPPT-89, July 18, 1989.

26) Minister of Tourism, Post, and Telecommunication Decree No. KM.101/PT-102/MPPT-89, August 1, 1989.

increasing the number of central telephone exchanges by 27 to 746, of which 266 were automatic central telephone exchanges and 480 were manual exchanges, thereby raising the total capacity by 12.4% to 1,118,175 line units (Table 9.22). Of this capacity, 77.2% or 863,814 line units were in operation in March 1990; the number of public telephones rose by 2.2% to 6,748 line units, the long-distance telephone network (*Sambungan Telepon Jarak Jauh* or STJJ) rose by 7.1% to 785 line units, and STKB rose by 18.6% to 15,452 line units. As a result, the telephone density improved to 207 persons per line unit. Furthermore, central telex remained unchanged, namely 36 ctx while the capacity increased by 2.3% to 17,700 line units, of which 14,880 line units were in operation. The coverage of the long-distance direct dialing network (*Sambungan Langsung Jarak Jauh* or SLJJ) expanded by 18 cities reaching 147 cities. It may be added that the number of earth stations, as supporting facilities for telecommunication through satellite, reached 130 at the end of 1989.

The number of countries covered by the international direct dialing network (*Sambungan Langsung International* or SLI) increased from 138 to 147 countries, those covered by birofax services rose from 36 to 40 countries, and those covered by the package data communication network (*Sambungan Komunikasi Data Paket* or SKDP) increased from 26 to 35 countries at the end of 1989.

B. Investment

Following a series of policy measures taken in the previous years, the Government continued its efforts to boost investment by widening the choice of business fields open for new investment, giving wider opportu-

nities to the private sector in developing industrial zones, and providing various facilities, especially to PMA (foreign direct investment) companies.

In order to widen the choice of business fields for prospective investors, the Government replaced the Priority List with the Negative List. The list includes 75 business fields closed to PMA firms and 55 fields closed to PMDN (domestic investment) firms and non-PMA/PMDN firms. In addition, there were 35 fields reserved for small-scale entrepreneurs.²⁷⁾ With the Negative List, prospective investors need to pay attention only to the closed fields. Previously, with the Priority List they had to pay attention not only to the closed fields, but also to the opened ones listed in the Priority List. If the field was not in the list, they had to ask for a special license from Capital Investment Coordinating Board (*Badan Koordinasi Penanaman Modal* or BKPM).

To give wider opportunities to the private sector in developing industrial zones, the management of industrial zones, which was formerly only carried out by state and local government enterprises, was opened for PMA and PMDN companies, cooperatives, and joint ventures among those companies.²⁸⁾

To promote the growth of PMA companies, the Government started to lower the required minimum investment and national share ownership for PMA companies that meet certain conditions. The minimum investment, which was formerly fixed at \$1 million, was lowered to \$250 thousand for PMA companies which are, among other things, labor intensive, support export

27) Presidential Decree No. 21/1989, May 5, 1989.

28) Presidential Decree No. 53/1989, October 27, 1989.

TABLE 9.23
APPROVED FOREIGN DIRECT INVESTMENT PROJECTS BY SECTOR
(millions of \$)

Sectors	1985	1986	1987	1988	1989 *	Total ¹⁾ 1967 through 1989 *	
						Value	Project
Agriculture, forestry, and fishery	20.5	129.8	133.3	79.7	173.1	1,180.3	131
– Agriculture	9.0	125.9	116.7	7.7	121.7	550.6	62
– Forestry	0.2	--	4.6	26.3	4.4	396.4	31
– Fishery	11.3	3.9	12.0	45.7	47.0	233.3	38
Mining	--	--	--	--	--	2,925.7	120
Manufacturing	687.3	536.9	852.1	3,827.9	4,246.1	21,332.3	847
– Food	5.9	34.3	54.0	231.0	222.9	1,121.5	64
– Textile	6.8	9.0	117.9	213.2	581.1	2,076.8	175
– Wood	--	31.9	44.8	104.3	105.9	529.3	71
– Paper	25.1	46.8	108.6	1,505.6	211.4	2,373.3	23
– Chemical and pharmaceutical	337.8	293.8	208.8	1,544.3	2,512.4	6,866.6	210
– Non-metal mineral	2.5	--	251.3	29.8	183.9	1,301.7	35
– Basic metal	65.0	39.4	6.9	61.3	105.7	3,964.2	27
– Metal product	244.2	81.7	56.9	128.8	292.3	3,032.1	224
– Others	--	--	2.9	9.6	30.5	66.8	18
Construction	122.3	64.7	42.2	2.4	15.9	433.2	105
Hotel	--	--	196.0	404.6	97.8	1,187.3	46
Transportation	--	70.0	213.0	2.5	4.5	351.8	13
Real estate and office	--	--	--	74.5	66.6	676.1	30
Other services	28.9	25.0	20.3	42.8	114.8	356.0	70
Total	859.0	826.4	1,456.9	4,434.4	4,718.8	28,442.7	1,362

1) From June 1967 to December 1989, after taking into account the cancelation and shifting of projects from foreign to domestic investments.
Source : Capital Investment Coordinating Board.

TABLE 9.24
APPROVED FOREIGN DIRECT INVESTMENT PROJECTS
BY PROVINCE
(millions of \$)

Provinces	1985	1986	1987	1988	1989 *	Total ¹⁾ 1967 through 1989 *	
						Value	Project
1. Jakarta	257.5	258.2	440.4	335.4	521.2	4,894.2	420
2. West Jawa	450.2	422.2	605.8	1,069.4	1,476.3	8,415.5	430
3. Central Jawa	--	57.2	32.3	25.1	1,702.7	2,197.5	36
4. Yogyakarta	--	--	--	--	--	--	--
5. East Jawa	69.6	9.5	208.3	236.9	330.5	1,792.1	111
Jawa & Madura	777.3	747.1	1,286.8	1,666.8	4,030.7	17,299.3	997
6. Aceh	9.3	7.5	--	--	50.0	733.2	11
7. North Sumatera	5.1	50.0	109.1	55.0	17.7	2,824.8	43
8. West Sumatera	1.4	--	1.5	5.7	5.2	65.7	10
9. Riau	58.1	0.8	--	614.3	318.5	1,401.0	37
10. Jambi	--	--	--	--	--	23.8	3
11. South Sumatera	--	1.1	2.1	919.9	56.7	1,228.3	18
12. Bengkulu	--	--	--	--	41.1	41.1	7
13. Lampung	3.6	2.3	2.0	--	77.9	157.4	10
Sumatera	77.5	61.7	114.7	1,594.9	567.1	6,475.3	139
14. West Kalimantan	--	--	--	24.3	--	105.2	23
15. Central Kalimantan	--	--	9.1	18.3	5.7	229.9	32
16. South Kalimantan	0.2	2.4	8.1	2.0	13.2	85.9	14
17. East Kalimantan	--	12.2	1.0	39.0	--	878.0	33
Kalimantan	0.2	14.6	18.2	83.6	18.9	1,299.0	102
18. North Sulawesi	--	--	25.0	--	2.4	205.1	12
19. Central Sulawesi	--	--	--	24.3	4.0	29.3	7
20. South Sulawesi	--	1.2	1.0	--	4.9	1,223.3	17
21. Southeast Sulawesi	--	--	--	19.5	--	35.4	6
Sulawesi	--	1.2	26.0	43.8	11.3	1,493.1	42
22. Bali	--	--	1.4	371.1	79.7	678.8	42
23. West Nusa Tenggara	--	--	--	3.0	1.6	4.6	4
24. East Nusa Tenggara	--	1.6	10.0	0.8	9.5	25.8	9
25. East Timor	--	--	--	--	--	--	--
26. Maluku	2.2	--	--	--	--	112.4	8
27. Irian Jaya	1.8	--	--	670.5	--	1,054.4	19
Total	859.0	826.2	1,457.1	4,434.5	4,718.8	28,442.7	1,362

¹⁾ From June 1967 to December 1989, after taking into account the cancelation and shifting of projects from foreign to domestic investments.
Source : Capital Investment Coordinating Board.

TABLE 9.25
APPROVED FOREIGN DIRECT INVESTMENT PROJECTS
BY COUNTRY OF ORIGIN
(millions of \$)

Countries	1985	1986	1987	1988	1989 *	Total ¹⁾ 1967 through 1989 *	
						Value	Project
1. Europe	194.7	124.4	607.0	1,434.4	604.1	5,751.8	280
– Netherlands	11.6	23.3	122.8	270.9	282.8	1,423.1	73
– Belgium	1.0	--	7.1	--	43.1	132.6	15
– United Kingdom	77.1	46.1	12.7	120.9	43.4	670.3	83
– Fed. Rep. of Germany	65.5	16.5	330.6	955.9	6.6	1,839.7	44
– France	39.5	6.2	42.0	42.2	18.8	214.7	23
– Switzerland	--	12.5	--	1.2	11.0	197.5	17
– Others	--	19.8	91.8	43.3	198.4	1,273.9	25
2. America	141.4	191.8	106.2	759.7	366.6	2,372.2	134
– United States	141.4	153.8	72.6	671.9	348.0	2,027.4	108
– Canada	--	11.0	6.9	--	3.0	15.6	6
– Panama	--	27.0	26.7	87.8	15.6	329.2	20
3. Asia	432.0	478.8	707.4	1,868.1	2,073.6	13,321.7	756
– Hong Kong	53.4	9.6	134.9	231.4	406.8	2,742.6	141
– Japan	127.1	328.9	531.8	247.0	768.7	7,231.8	315
– Malaysia	--	2.5	1.0	20.1	22.7	77.9	14
– Philippines	2.8	2.3	2.8	--	--	12.9	5
– Singapore	--	101.5	6.0	240.2	166.1	788.1	71
– Thailand	--	4.0	--	10.2	17.0	30.1	5
– Taiwan	--	18.0	7.9	910.2	158.2	1,269.7	75
– Others	248.7	12.0	23.0	209.0	534.1	1,168.6	130
4. Australia	36.1	13.9	2.5	53.2	42.5	628.1	105
– Australia	36.1	13.9	2.5	47.7	41.7	615.5	101
– New Zealand	--	--	--	5.5	0.8	12.6	4
5. Group of countries	54.8	17.3	34.0	319.1	1,632.0	6,368.9	87
Total	859.0	826.2	1,457.1	4,434.5	4,718.8	28,442.7	1,362

1) From June 1967 to December 1989, after taking into account the cancelation and shifting of projects from foreign to domestic investments.
Source : Capital Investment Coordinating Board.

TABLE 9.26
APPROVED DOMESTIC INVESTMENT PROJECTS
BY SECTOR
(billions of rupiah)

Sectors	1985	1986	1987	1988	1989*	Total ¹⁾ 1968 through 1989 *	
						Value	Project
Agriculture, forestry, and fishery	935.6	1,900.1	3,525.5	3,184.4	3,667.6	15,913.2	1,139
– Agriculture	725.2	1,599.9	2,325.2	2,254.8	3,020.1	11,317.1	528
– Forestry	36.5	20.7	640.1	486.6	222.7	2,541.6	320
– Fishery	173.9	279.5	560.2	443.0	424.8	2,054.5	291
Mining	37.6	89.1	289.7	110.5	94.4	1,900.0	104
Manufacturing	1,632.2	1,842.3	5,518.1	9,746.9	12,933.7	54,393.3	3,800
– Food	91.3	215.5	456.5	1,728.3	548.5	5,994.7	656
– Textile	97.0	262.5	1,288.7	2,308.9	3,562.9	9,735.6	775
– Wood	62.0	126.8	696.1	1,486.5	773.1	5,116.5	587
– Paper	15.8	41.1	365.6	237.2	1,136.8	3,967.2	194
– Chemical and pharmaceutical	957.7	813.5	2,084.1	3,057.4	4,051.1	14,615.6	746
– Non-metal mineral	177.8	17.2	132.2	370.7	267.1	5,745.9	208
– Basic metal	25.1	221.1	74.3	180.9	2,038.7	5,345.3	111
– Metal product	201.8	141.7	410.4	279.0	507.5	3,759.9	478
– Others	3.7	2.9	10.2	98.0	48.0	112.6	45
Construction	270.1	74.4	49.6	31.4	146.1	785.1	67
Hotel	311.5	17.0	138.8	537.0	1,265.3	3,356.9	226
Transportation	127.4	102.4	367.8	230.7	288.7	1,655.6	183
Real estate and office	267.0	168.5	173.9	846.1	936.2	3,422.9	160
Other services	168.3	222.9	201.6	228.9	261.9	1,696.0	122
Total	3,749.7	4,416.7	10,265.0	14,915.9	19,593.9	83,123.0	5,801

¹⁾ From July 1968 to December 1989, after taking into account the cancelation and shifting of projects from foreign to domestic investments.
Source : Capital Investment Coordinating Board.

TABEL 9.27
APPROVED DOMESTIC INVESTMENT PROJECTS
BY PROVINCE
(billions of rupiah)

Provinces	1985	1986	1987	1988	1989 *	Total ¹⁾ 1968 through 1989 *	
						Value	Project
1. Jakarta	630.5	441.8	776.7	1,031.4	1,419.6	8,578.2	823
2. West Jawa	999.8	1,113.8	3,853.7	5,640.4	9,275.0	30,868.4	1,656
3. Central Jawa	245.5	205.5	565.5	870.3	891.3	4,806.0	422
4. Yogyakarta	35.8	43.5	28.3	167.1	51.6	394.1	88
5. East Jawa	405.7	321.3	499.1	1,025.7	2,821.5	8,454.0	738
Jawa & Madura	2,317.3	2,125.9	5,723.3	8,734.9	14,459.0	53,100.7	3,727
6. Aceh	30.2	123.5	25.1	291.4	221.2	1,568.0	69
7. North Sumatera	86.9	427.6	348.6	543.8	317.4	3,438.0	269
8. West Sumatera	105.3	55.9	43.4	118.1	138.3	864.6	92
9. Riau	188.4	440.8	642.2	1,198.8	1,307.9	4,503.1	192
10. Jambi	40.3	250.0	308.2	298.0	145.3	1,519.3	52
11. South Sumatera	66.2	92.4	346.7	714.7	337.1	2,768.3	176
12. Bengkulu	53.0	46.8	82.2	34.1	78.2	343.1	29
13. Lampung	42.0	25.8	152.7	466.7	489.4	1,800.3	113
Sumatera	612.3	1,462.8	1,949.1	3,665.6	3,034.8	16,804.7	992
14. West Kalimantan	34.3	87.6	457.4	708.7	269.1	2,112.3	158
15. Central Kalimantan	3.9	22.4	11.3	33.3	89.2	401.3	83
16. South Kalimantan	111.6	59.4	81.2	186.5	215.1	898.3	101
17. East Kalimantan	511.3	318.4	436.8	425.0	256.4	2,964.3	187
Kalimantan	661.1	487.8	986.7	1,353.5	829.8	6,376.2	529
18. North Sulawesi	17.7	145.3	103.4	67.7	165.3	878.3	58
19. Central Sulawesi	7.0	11.8	272.7	55.2	48.8	554.6	57
20. South Sulawesi	47.2	86.7	117.9	120.5	68.6	883.7	131
21. Southeast Sulawesi	3.7	--	16.0	7.0	49.8	560.6	12
Sulawesi	75.6	243.8	510.0	250.4	332.5	2,877.2	258
22. Bali	16.0	22.1	107.1	214.4	460.2	1,135.1	86
23. West Nusa Tenggara	39.2	37.2	11.4	25.3	60.7	177.7	36
24. East Nusa Tenggara	7.3	4.8	21.6	21.7	30.4	118.6	33
25. East Timor	--	1.2	--	1.1	--	2.3	2
26. Maluku	16.5	23.1	67.6	328.6	196.7	909.9	89
27. Irian Jaya	4.2	8.0	888.2	320.4	189.8	1,620.6	49
Total	3,749.5	4,416.7	10,265.0	14,915.9	19,593.9	83,123.0	5,801

¹⁾ From June 1968 to December 1989, after taking into account the cancelation and shifting of projects from foreign to domestic investments.
Source : Capital Investment Coordinating Board.

activity, and do not compete with existing investments.²⁹⁾ PMA companies may be established with minimum national share ownership of 5% without necessarily capitalizing their national shares on condition that they export 100% of their products and are located in bonded zones or having their own entrepôts. On establishing a PMA company intended to export 100% of its products and located in the bonded zone of Batam Island, 100% of its shares may be owned by foreigners, of which a minimum of 5% have to be sold to Indonesian partners within a period of 5 years of commercial production.³⁰⁾ Moreover, PMA companies which sell a minimum of 20% of their shares in capital markets as “saham atas nama” so that 45% of the shares are owned by the Government and/or national private companies will be treated as PMDN companies, or freed from the obligation to raise the national share ownership to a minimum of 51%.³¹⁾

1. Foreign Direct Investment (PMA)

In 1989, approved foreign investment (outside oil, gas, and financial companies) reached \$4,718.8 million, covering 294 projects compared with \$4,434.4 million covering 145 projects in the preceding year. Most of the approved investment was intended for the manufacturing sector; thus, the amount reached \$4,246.1 million compared with \$3,827.9 million in 1988. Most of those Rp4,246.1 million were intended for the chemical/pharmaceutical and textiles industries, amounting to \$2,512.4 million and \$581.1 million,

respectively. Other significant investment took place in the agriculture, forestry, and fishery sector as well as other services, reaching respectively \$173.1 million and \$114.8 million compared with \$79.7 million and \$42.8 million in the previous year. By country of origin, approved investment in 1989 originated mostly from Japan (\$768.7 million), Hongkong (\$406.8 million), and the United States (\$348.0 million).

Since the enactment of the Foreign Direct Investment Law in 1967 up to the end of 1989, approved investment amounted to \$28,442.7 million, covering 1,362 projects. Out of the total amount, 75.0% was intended for the manufacturing sector, 10.3% for the mining sector, 4.2% for the hotel business, 4.1% for the agriculture, forestry, and fishery sector and 6.4% for other sectors (Table 9.23). By region, most of the approved projects are located in West Java, Jakarta, and East Java. By value, the largest amounts are invested in West Java, Jakarta, and North Sumatera. It may be noted that a large number of projects as well as amount of investment are intended for Central Java, Riau, and South Sumatera (Table 9.24). By country of origin, most of the approved investment originated from Japan, \$7,231.8 million (25.4%), Hongkong \$2,742.6 million (9.6%), and the United States \$2,027.4 million (7.1%) (Table 9.25).

2. Domestic Investment (PMDN)

Approved domestic investment in 1989 increased to Rp19,593.9 billion, covering 863 projects compared with Rp14,915.9 billion covering 845 projects in the previous year. Most approvals were intended for the manufacturing sector, reaching Rp12,933.7 billion compared with Rp9,746.9 billion in 1988. The largest part of investment in the manufacturing sector intended for the

29) Chairman of Capital Investment Coordinating Board Decree No. 09/SK/1989, May 5, 1989.

30) Chairman of Capital Investment Coordinating Board Decree No. 16/SK/1989, October 24, 1989.

31) Chairman of Capital Investment Coordinating Board Decree No. 08/SK/1989, May 5, 1989.

chemical/pharmaceutical industry, amounting to Rp4,051.1 billion, and the textile industry, amounting to Rp3,562.9 billion. Other significant investment took place in the agriculture, forestry, and fishery sector and the hotel business, at a value of Rp3,667.6 billion and Rp1,265.3 billion, respectively, compared with Rp3,184.4 billion and Rp537.0 billion in 1988.

Since the enactment of PMDN Law in July 1968, up to the end of 1989, PMDN approvals amounted to Rp83,123.0 billion, covering 5,801 projects. By sector, approved investment value and projects largely went to manufacturing and agriculture, forestry, and fishery sectors (Table 9.26). By region, the largest shares of approved projects and investment value were located in West Jawa, Jakarta, and East Jawa. In addition, a large number of projects as well as value of investment were located in Central Jawa, Riau, and North Sumatera. (Table 9.27).

C. Prices

Inflation as measured by Consumer Price Index (CPI) composite of 17 cities registered a 5.48% increase in the reporting year compared with a 6.55% increase in the previous year (Table 9.28). The lower inflation rate was attributable to the monetary policy stance of the Government and an effort to provide and distribute consumption goods sufficiently. Monetary policy was aimed at meeting the growing demand for liquidity due to fast growing production activity. The rate of inflation was related, among other things, to adjustments of major commodities and electricity prices.

On the basis of groups of goods, prices of foodstuffs experienced a lower increase, namely 5.54% compared with 9.30% in the

preceding year. Prices of other groups, namely housing, clothing, and miscellaneous goods and services increased by 6.19%, 4.97%, and 4.58%, respectively, compared with 5.34%, 3.69%, and 3.65% in the previous year. According to the share of each group in the total CPI, of the 5.48% overall inflation rate, foodstuffs constituted 2.37%, housing 1.73%, miscellaneous goods and services 0.93%, and clothing 0.45%.

The lower increase in food prices was accounted for in part by lower prices of spices, cooking oil and fat, and preserved fish of -4.76%, -4.63%, and -1.63% respectively compared with 20.43%, 12.93%, and 17.16% in the previous year. Meanwhile, high price increases were recorded for non-alcoholic drinks (11.29%) and other ready food (11.09%) compared with 7.56% and 10.60% in the preceding year. Cereals and their products, which account for the biggest share in the foodstuff group, registered a lower price increase (3.74%) compared with 5.24% in the previous year. The slowdown was affected by a significant increase in rice production of 7.3% compared with 4.0% in the previous year. In the housing group, high price rises were recorded for household equipment (9.03%) and rent and dwelling costs (7.51%). Significant price rises in the clothing group were recorded for childrens' wear (7.37%) and mens' wear (6.12%). Moreover, in the miscellaneous group, high price rises were registered for tobacco and alcoholic drinks (9.45%) and education (8.28%).

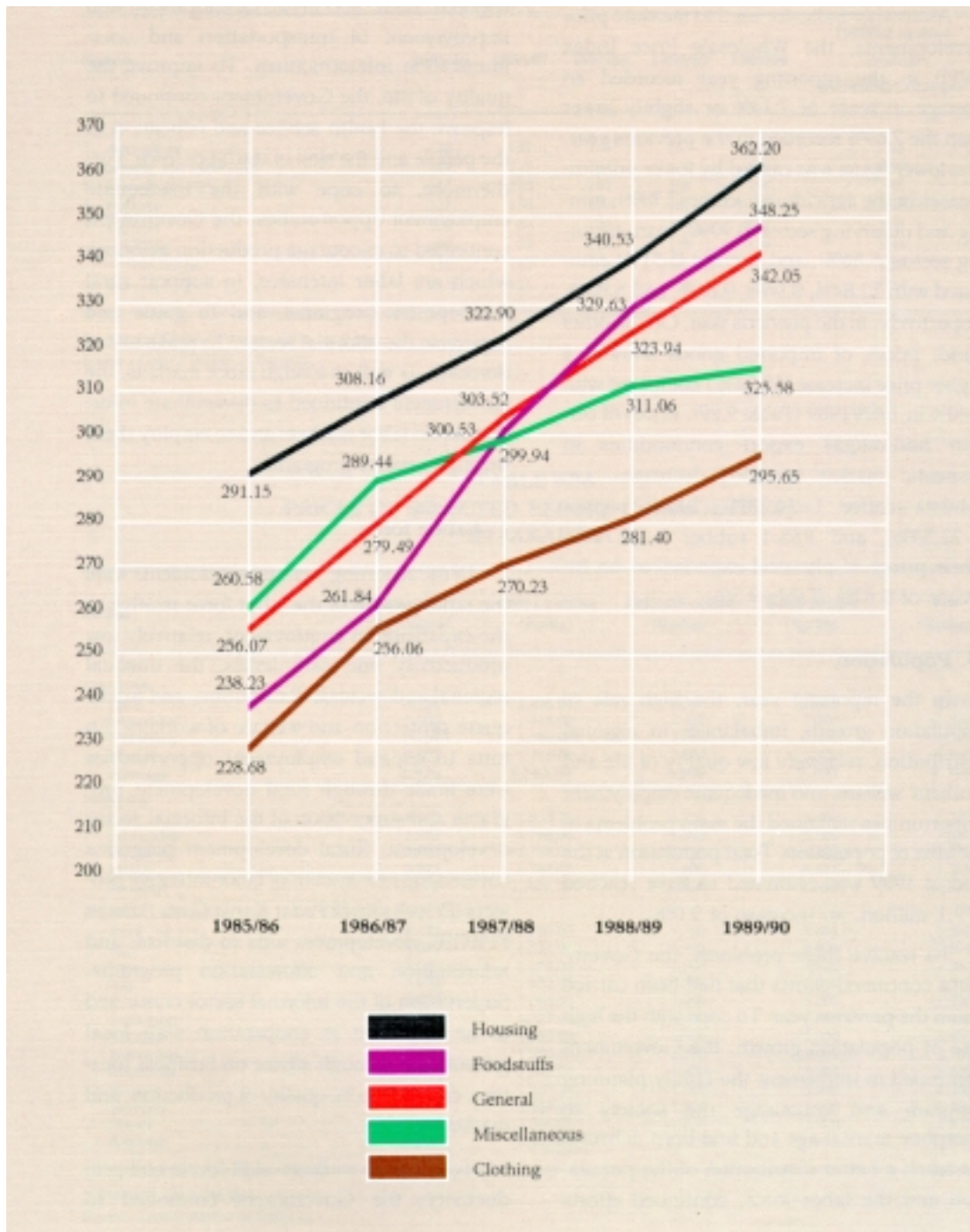
The average monthly price increase in the reporting year was 0.46% compared with 0.55% in the preceding year. The highest increase was registered in April 1989 (1.57%), mainly caused by Idul Fitri (The Feast Day celebrating the end of Moslem's fasting period) and the rise in electricity rate. High price increases were also recorded in

TABLE 9.28
CONSUMER PRICE INDEX
(COMPOSITE OF 17 CITIES)
(April 1977 through March 1978 = 100)

Period	Food-stuffs	Housing	Clothing	Miscellaneous	General Index	Change in the General Index (%)	
						Annual/ quarterly ¹⁾	Monthly
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	
March	300.53	322.90	270.23	299.94	303.52		
1988/1989						+6.55	
June	310.23	326.45	277.33	302.08	309.72	+2.04	
September	316.55	329.69	279.35	306.05	314.28	+1.47	
December	320.07	335.35	280.02	307.38	317.56	+1.04	
March	329.63	340.53	281.40	311.06	323.94	+2.00	
1989/90						+5.48	
April	336.07	344.31	288.20	314.15	329.04		+1.57
May	338.86	347.36	288.60	314.84	331.13		+0.64
June	335.78	348.66	288.89	315.75	330.42		-0.21
July	337.44	349.98	290.00	317.41	331.90		+0.45
August	336.74	350.91	290.21	318.93	332.22		+0.10
September	337.48	351.91	291.10	319.53	332.93		+0.21
October	339.95	355.00	292.18	321.67	335.43		+0.75
November	342.93	356.29	292.57	321.78	337.10		+0.50
December	341.98	356.48	293.45	321.87	336.96		-0.04
January	346.62	358.91	294.19	324.24	340.04		+0.91
February	351.87	361.92	295.10	325.52	343.39		+0.99
March	348.25	362.20	295.65	325.58	342.05		-0.39

¹⁾ Annual/quarterly changes of the CPI are calculated on a cumulative basis as a summation of the monthly percentage changes.
Source : Central Bureau of Statistics.

CHART 10
INDONESIA'S CONSUMER PRICE INDEX
BY GROUP OF GOODS AND SERVICES



January 1990 (0.91%) and February 1990 (0.99%). The high price rise in January 1990 was closely related to an increase in the floor price for paddy while that in February 1990 was mainly caused by the rise in cement prices.

As another indicator used to measure price developments, the Wholesale Price Index (WPI) in the reporting year recorded an average increase of 7.14% or slightly lower than the 7.69% recorded in the previous year. The lower figure was caused by lower price increases in the agricultural sector (7.78%), mining and quarrying sector (8.90%), manufacturing sector (5.66%), and exports (5.51%) compared with 12.84%, 8.96%, 9.66%, and 5.83%, respectively, in the previous year. On the other hand, prices of imported goods showed a higher price increase (10.24%) compared with 4.40% in 1988/1989 (Table 9.29). Prices of certain non-oil/gas export commodities in domestic market recorded decreases, i.e. robusta coffee (-34.33%), black pepper (-22.55%), and RSS-1 rubber (- 20.78%), while prices of plywood experienced an increase of 8.62% (Table 9.30).

D. Population

In the reporting year, the high rate of population growth, imbalances in regional distribution, relatively low quality of life and workers' welfare, and inadequate employment opportunities remained the main problems in the area of population. Total population at the end of 1989 was estimated to have reached 179.1 million, an increase of 2.0%.

To resolve these problems, the Government continued efforts that had been carried out in the previous year. To cope with the high rate of population growth, the Government continued to implement the

family planning program and encourage the society to postpone marital age and first-born delivery. To reach a better distribution of the population and the labor force, continued efforts

were made through the transmigration program, the interregional work program (*Antar Kerja Antar Daerah* or AKAD), more balanced regional, rural, and urban development, and improvement of transportation and communication infrastructures. To improve the quality of life, the Government continued to improve the health service and education of the people and the skill of the labor force. Furthermore, to cope with the inadequate employment opportunities, the Government continued to encourage production activities which are labor intensive, to support rural development programs, and to guide and supervise the informal sector. To make use of domestic as well as foreign labor markets, the Government continued to disseminate information on labor markets and to employ them through several programs.

1. Labor force

In the reporting year, labor problems were the rapid growth of the labor force relative to the expansion in employment, relatively low productivity and skill levels, the unequal regional and sectoral distribution, and inadequate protection and welfare of workers. Efforts to expand employment opportunities were made through rural development programs and supervision of the informal sector development. 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. Supervision of the informal sector

TABLE 9.29
WHOLESALE PRICE INDEX ¹⁾
(1983 = 100)

Sectors	1985/86	1986/87	1987/88	1988/89	1989/90	1989/90 against
						1988/89
						(percentage changes)
1. Agriculture	120	132	148	167	180	7.78
2. Mining and quarrying	119	127	134	146	159	8.90
3. Manufacturing	117	128	145	159	168	5.66
4. Imports	121	138	159	166	183	10.24
5. Exports	109	89	120	127	134	5.51
– Oil/gas	109	73	105	110	116	5.45
– Non-oil/gas	116	142	173	186	195	4.84
6. General index	117	121	143	154	165	7.14

¹⁾ Average figures in the respective fiscal year.

Source : Central Bureau of Statistics.

TABLE 9.30
PRICES OF SELECTED EXPORT COMMODITIES
IN JAKARTA

Period	Plywood ¹⁾ (Rp/piece)	RSS-1 rubber (Rp/kg)	Robusta coffee (Rp/kg)	Black pepper (Rp/kg)	Tea (Rp/kg)
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					
June	5,072	1,928.00	2,750	6,000	1,350
September	5,072	1,788.00	1,900	3,000	1,350
December	5,072	1,798.00	2,150	4,200	1,350
March	5,072	1,784.00	1,800	5,675	1,300
Average	5,072	1,788.75	2,100	4,589	1,371
1989/90					
April	5,072	1,760.00	1,700	4,861	1,300
May	5,072	1,538.00	1,700	4,939	1,300
June	5,072	1,470.00	1,500	4,500	1,300
July	5,072	1,452.00	1,300	3,000	1,300
August	5,072	1,364.50	1,200	3,000	1,300
September	5,072	1,337.00	1,300	3,500	1,400
October	5,945	1,312.00	1,300	3,350	1,400
November	5,945	1,299.50	1,300	3,000	1,400
December	5,945	1,293.00	1,400	3,000	1,400
January	5,945	1,365.50	1,300	3,000	1,400
February	5,945	1,419.00	1,300	3,000	1,400
March	5,945	1,394.00	1,250	2,900	1,400
Average	5,509	1,41700	1,379	3,554	1,358

¹⁾ Pieces of 122 x 244 cm.

Source : Central Bureau of Statistics.

TABLE 9.31
LABOR MARKET
(persons)

Particulars	1985	1986	1987	1988	1989 ¹⁾
Registered as job seekers	845,799	888,554	985,291	961,800	1,143,196
Vacancies	103,936	151,775	167,848	180,301	239,770
Occupied vacancies	72,880	120,954	128,480	127,293	145,290

¹⁾ As of November 1989.
Source : Ministry of Manpower.

TABLE 9.32
NUMBER OF REGISTERED JOB SEEKERS AT THE MANPOWER BOURSE
BY EDUCATIONAL LEVEL
(persons)

Educational attainment	1985	1986	1987	1988	1989 ¹⁾
1. Illiterate and elementary school drop-outs	22,189	31,708	48,470	51,443	64,697
2. Elementary school	77,410	122,143	151,576	179,862	198,614
3. Junior high school	91,476	108,692	168,441	167,956	177,947
4. Senior high school	587,992	569,546	548,304	509,779	617,235
5. University	66,732	56,465	68,500	52,760	84,703
Total	845,799	888,554	985,291	961,800	1,143,196

¹⁾ As of November 1989.
Source : Ministry of Manpower.

TABLE 9.33
AVERAGE MONTHLY WAGE BY ECONOMIC SECTOR
(rupiah)

Sectors	Average minimum wage			Average maximum wage		
	1987	1988	1989 *	1987	1988	1989 *
Plantation	46,362	50,266	67,538	513,054	590,385	758,043
Mining	145,973	146,081	185,187	1,084,253	1,593,079	1,979,561
Manufacturing	98,627	115,701	130,263	1,359,182	1,856,189	1,856,189
Construction	96,356	112,500	119,892	1,144,859	1,188,131	1,188,131
Electricity	80,608	80,608	94,998	551,809	551,809	683,794
Trade/bank and insurance	159,142	209,313	212,896	1,193,838	1,193,838	1,442,426
Transportation	115,509	115,509	117,678	923,062	923,062	1,047,077
Services	71,597	102,146	112,000	576,346	680,100	1,121,810
Others	55,500	55,500	55,500	368,880	368,880	369,880

Source : Ministry of Manpower.

TABLE 9.34
REALIZATION OF TRANSMIGRATION
(families)

Year	Target	Realization		
		Official transmigration	Spontaneous transmigration	Total
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
1989/90	27,000	10,558	15,975	26,533

Source : Ministry of Transmigration.

continued to be improved in cooperation with local government through advice on business location, capitalization, quality of production, and marketing.

To enhance workers' skill levels and productivity, the Government continued to provide work training programs (*Balai Latihan 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), and the 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 functioning of the labor market through the interlocal work program, AKAD, and the international work program.

To promote the welfare of workers, the Government introduced a regulation on minimum wages which was to some extent only being suggested.³²⁾ Protection for workers was intensified by extending the

coverage of and clients under the insurance program for workers (*Asuransi Tenaga Kerja* or ASTEK) and by promoting safe and healthy working conditions (*Keselamatan dan Kesehatan Kerja* or K3), such as clean and healthy working environment and improved workers' nourishment.

The labor force in 1989 was estimated to have reached 76.1 million, an increase of 2.1%. Total employment was estimated to be 73.9 million, an increase of 1.9% over the preceding year.

In 1989, registered job seekers in the manpower bourse totalled 1,143.2 thousand persons, of which 7.4% graduated from universities, 54.0% from senior high schools, 15.6% from junior high schools, 17.4% from elementary schools, and 5.6% were elementary school drop-outs and illiterates. At the same time, the number of available positions offered amounted to 239.8 thousand, of which only 145.3 thousand or 60.6% of the vacancies were filled as compared with 70.6% in the previous year (Tables 9.31 and 9.32). This unfulfilled demand was partly due to low skill levels of the job seekers.

32) Minister of Manpower Decree No. PER-05/MEN/1989, May 25, 1989.

In line with the Government's efforts to improve the welfare of workers, the average minimum wage in 1989 rose by 10.9% (Table 9.33). Taking into account the inflation rate, the average minimum wage measured in real terms rose by 5.0%.

2. Transmigration

The policy on transmigration in the reporting year was aimed, among other things, at promoting the transmigrants' quality of life, bolstering regional development, enhancing the utilization of natural resources and the environment, and strengthening national integrity. To improve the quality of life of the transmigrants, efforts such as enhancing the education and health supervision were undertaken in addition to supervision of production, processing, and marketing of agricultural products, and on institutional aspects of rural economy. To encourage the implementation of the spontaneous transmigration program, the Government continued to improve the transmigration scheme and its implementation and management through the use of more capable manpower.

In the reporting year, 26.533 families migrated, consisting of 10,558 families under the official transmigration program and 15,975 families under the spontaneous transmigration program (Table 9.34). Most migrant were destined to Riau and Bengkulu, in line with the development of plantation business in those areas. The implementation of the official transmigration program is linked to the efforts at promoting foodcrop cultivation, while the spontaneous transmigration program is associated with the development of plantation estates and service sector businesses.

3. Family planning

In the reporting year, the policy on family planning (*Keluarga Berencana* or KB) continued to be directed toward enhancing the well-being of mother and child and encouraging small families through birth control. To this end, the Government continued to extend the scope of the family planning program and improve the supervision of participants, while raising public consciousness of the program. The extension of the programs's scope was carried

TABLE 9.35
NUMBER OF BIRTH CONTROL CLINICS AND TARGET AS WELL AS REALIZATION OF
NEW AND ACTIVE PARTICIPANTS OF FAMILY PLANNING PROGRAM

Year	Number of birth control clinics	New participants			Active participants ¹⁾		
		Target	Realization	%	Target	Realization	%
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	8,880	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
1989/90	9,674	4,377,700	4,284,300	97.9	19,079,700	18,525,300	97.1

1) Active participants in a year = active participants in the preceding year + new participants in the stated year – drop outs in the stated year (among others because of pregnancy)

Source : National Family Planning Coordinating Board.

TABLE 9.36
SELECTED INSTITUTIONAL INDICATORS OF COOPERATIVES

Particulars	Units	1985	1986	1987	1988	1989 [*]
1. Number of cooperatives	units	28,103	30,446	31,299	33,324	35,006
— KUD	units	6,979	7,350	7,480	7,873	7,547
— Self-supporting KUD	units	--	--	--	--	544
— Non-KUD	units	21,124	23,096	23,819	25,451	26,915
2. Membership	thousand persons	20,285	21,578	25,545	25,056	25,601
— KUD	thousand persons	14,916	15,733	16,682	17,494	16,473
— Self-supporting KUD	thousand persons	--	--	--	--	1,430
— Non-KUD	thousand persons	5,370	5,845	8,863	7,562	7,698
3. Number of cooperatives' management, members, and management trainees	thousand persons	23	14	2	70	9
4. Accumulated savings	billion rupiah	178.1	415.0	435.7	518.0	518.0
5. Accumulated capital	billion rupiah	618.8	870.4^r	1,183.8	926.0	1,242.9
6. Total assets	billion rupiah	2,213.7	1,453.0	2,218.0	2,031.6	3,284.1
7. Bank credit to cooperatives¹⁾	billion rupiah	300.5	275.3	339.6	404.9	416.0
-- Investment	billion rupiah	76.0	71.0	73.4	53.5	57.0
— Working capital	billion rupiah	224.5	204.3	266.1	351.4	359.0

1) Outstanding amount as of end of the reporting year (March 31, the following year).

Sources: — Supplement to the President's Report to Parliament, August 16, 1989 and 1990.
— Bank Indonesia.

TABLE 9.37
SELECTED OPERATIONAL ACTIVITIES OF COOPERATIVES/KUDs

Activities	Units	1985	1986	1987	1988	1989 *
1. Procurement of food (rice)						
– Number of KUDs	units	2,082	1,992	1,791	2,022	2,341
– Total amount purchased	million tons	1.5	1.4	1.3	1.1	2.1
2. Procurement and distribution of fertilizer						
– Number of KUDs	units	3,092	2,197	1,478	1,718	2,554
– Total amount received	million tons	0.5	0.5	2.4	3.6	5.4
– Total amount distributed	million tons	0.4	0.4	1.3	3.4	4.4
3. Distribution of pesticides						
– Number of KUDs	units	1,499	751	450	424	755
– Total amount received	million liters	2.2	0.8	0.5	1.6	1.6
– Total amount distributed	million liters	1.0	0.5	0.3	1.5	1.5
4. Marketing of copra						
– Number of KUDs	units	206	194	130	130	137
– Total amount purchased	thousand tons	122.3	57.8	31.6	27.8	26.2
– Total amount sold	thousand tons	119.7	57.0	30.8	26.1	24.9
5. Marketing of cloves						
– Number of KUDs	units	121	125	321	448	359
– Total amount purchased	thousand tons	4.8	2.9	11.4	8.3	3.9
– Total amount sold	thousand tons	4.8	3.0	9.9	5.4	3.8
6. Livestock farm						
– Number of cooperatives	units	494	494	499	499	510
– Membership	thousand persons	53.9	53.9	53.9	53.9	55.0
– Total assets	billion rupiah	92.7	89.6	92.7	102.5	104.8
7. Dairy farm						
– Number of cooperatives/KUDs	units	173	173	173	173	173
– Membership	thousand persons	52.4	52.4	59.5	72.0	98.0
– Number of milch cows	thousand heads	165	173	176	225	240
– Amount of milk received	million liters	296.2	302.7	307.4	534.6	570.0
8. Fishery						
– Number of cooperatives	units	669	669	669	677	726
– Membership	thousand persons	153.3	153.4	153.4	154.1	170.2
– Total assets	billion rupiah	88.6	88.8	88.8	88.8	112.0
9. Handicrafts						
– Number of cooperatives	units	789	1,010	1,288	1,253	1,379
– Membership	thousand persons	70.4	199.9	277.0	290.8	296.6
– Total assets	billion rupiah	240.8	341.0	392.2	411.8	421.0
10. Distribution of electricity						
– Number of KUDs	units	506	591	890	966	1,200
– Number of customers	thousand customers	484.8	635.4	1,199.7	2,042.5	2,525.8
– Number of villages	villages	1,589	1,632	2,807	6,593	8,393
11. Channelization of credits to petty traders (KCK)						
– Number of cooperatives	units	5,485	5,476	5,981	5,981	5,981
– Amount of credits	billion rupiah	204.6	225.1	234.5	244.3	253.4
– Number of customers	million persons	15	16	16	17	17

Sources: – Supplement to the President's Report to Parliament, August 16, 1989 and 1990.
– Bank Indonesia.

out by encouraging young couples and men to actively participate in the program. The improvement of the supervision to participants was aimed at encouraging more continuous participation. To improve public consciousness of the program, the Government encouraged active participation of professional, business, and social organizations in the program. Courses on demography and family planning for the younger generation were promoted through formal and non-formal education.

In the reporting year, the number of KB clinics recorded a 3.0% increase to 9,674 clinics. The number of new and active KB participants recorded decreases of 21.0% and 1.3%, respectively, to 4.3 million and 18.5 million (Table 9.35).

E. Cooperatives

In the reporting year, the promotion of cooperatives was continued by improving previous policies regarding cooperatives' institutional supervision and their operation. More attention was given to village cooperative units (*Koperasi Unit Desa* or KUDs) and other primary cooperatives. Institutional supervision was implemented to develop mechanism to optimally support the operations of cooperatives, especially the quality of their operations, in order to stimulate the emergence of self-supporting KUDs/other primary cooperatives. The promotion of the operation of cooperatives continued to be directed towards strengthening the role and improving the ability of cooperatives to conduct business.

In the reporting year, the Government required state enterprises to supervise the economically-weak groups and cooperatives in an effort to effectively and efficiently enhance their ability and business potential.³³⁾ The supervision was

expected, among others, to provide assistance for cooperatives in enhancing their managerial skills, production techniques, working capital, and marketing. To provide cooperatives with wider operational opportunities, cooperatives were allowed to establish industrial zones.³⁴⁾

Furthermore, in order to fulfill the demand from cooperative members and the general public for housing, the Directorate General of Cooperative Operational Supervision in cooperation with the State Savings Bank (*Bank Tabungan Negara* or BTN) agreed to supervise and encourage cooperatives/KUDs to procure houses using the real property ownership credits of BTN (*Kredit Pemilikan Rumah/Kredit Pemilikan Kapling Siap Bangun BTN* or KPR/KPKSB-BTN).³⁵⁾ According to the agreement, cooperatives satisfying certain requirements were allowed to become developers, coordinators of debtors who are members of the cooperatives, debtors who lease the real estate to their members, and guarantors for members who receive the credits. In line with the efforts to promote the operational aspects of cooperatives, cooperatives were allowed to own shares of private enterprises.³⁶⁾ Policies on institutional aspects in 1989 resulted in an increase number of cooperatives and their members (Table 9.36). It is worth noting that at the end of 1989 the number of self-supporting KUDs reached 544, scattered in all provinces, with 1.4 million members.

Furthermore, as a result of policies on operational developments, total assets of cooperatives in 1989 recorded a sharp increase of 61.6% and the role of KUDs in supporting economic activities in villages also developed favorably (Table 9.37).

33) Minister of Finance Decree No. 1232/KMK.013/1989, November 11, 1989.

34) Presidential Decree No. 53/1989, November 1, 1989.

35) Director General of Cooperative Operational Supervision and Board of Directors of BTN Joint Decrees No. 14/SKB/BUK/I/1990 and No. 01/SKB/DIR/I/1990, January 10, 1990.

36) Coordinating Minister of Economics and Development Supervision Circular Letter No. SE-05/M.EKUI/1990, March 12, 1990.

APPENDICES

BANK INDONESIA
CONDENSED BALANCE SHEET
as per March 31, 1990
(billions of rupiah)

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BANK INDONESIA
PROFIT AND LOSS ACCOUNT 1)
as per March 31, 1990
(billions of rupiah)

EXPENDITURE		REVENUE
Expenses		
– Personnel, material, operational	176	– Interest 2,080
– Currency issues	179	– Commission --
– Miscellaneous	1,022	– Miscellaneous 75
– Depreciation	293	
Profit		
– Profit before tax	485	
	<u>2,155</u>	<u>2,155</u>
		<u><u>2,155</u></u>

1) As submitted to the Government.

APPENDIX B

MANAGEMENT OF BANK INDONESIA as of March, 31 1990

1. GOVERNMENT COMMISSIONER AND BOARD OF DIRECTORS

ACTING GOVERNMENT COMMISSIONER

Oskar Surjaatmadja, MA.SC.

BOARD OF DIRECTORS

Governor : Prof. Dr. Adrianus Mooy
Executive Director : Drs. Binhadi
Executive Director : Sujitno Siswowidagdo, S.E.
Executive Director : T.M. Sjakur Machmud, S.H.
Executive Director : R. Rachmad
Executive Director : Drs. Hendrobudiyanto
Executive Director : Dr. Syahril Sabirin
Executive Director : Dr. Hasudungan Tampubolon

2. DEPARTMENT DIRECTORS

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	
Credit 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 Credit Department	: Siswanto, S.E.
Human Resources Department	: Ekotjipto, S.H.
Internal Control Department	: Dr. Heru Soepraptomo, 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 Market and Clearing Department	: Dahlan M. Sitalaksana, S.E., M.A., M.P.A., M.A.P.E.
Private Bank Supervision Department	: Ibrahim Zarkasi, S.E.
State Bank Supervision Department	: Soehaimi Saleh, S.E.

3. REPRESENTATIVES

London	: Ir. H. 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 DIRECTORS

Regional Director for	
Central Jawa and Yogyakarta	: Koesen, S.E.
Regional Director for	
East Jawa	: Drs. Bistok Hutasoit
Regional Director for	
North Sumatera	: Aibar Durin, S.H.
Regional Director for	
West Jawa	: Soedharnindhito, S.H.

5. BRANCH MANAGERS

Ambon	: Ahmad Fuad
Balikpapan	: Muhamad Rovky, S.E.
Banda Aceh	: Ahmad Sukandar, S.H.
Bandar Lampung	: Judjono Gandasubrata, S.E.
Bandung	: Soedharnindhito, S.H.
Banjarmasin	: Djedi
Bengkulu	: Goegoen Roekawan, S.E.
Cirebon	: Suryanto, S.E.
Dili	: Prihono Bagio, S.E.
Denpasar	: Suryono Joyoprayitno, S.E.
Jambi	: Warjoto
Jayapura	: Moh. Ma'ruf Saleh, S.H.
Jember	: Urip Koendarto, S.H.
Kediri	: Soediono, S.E.
Kendari	: M. Thobroni, S.E.
Kupang	: Drs. Djumiran Indrojatmoko
Lhokseumawe	: Nasihun
Malang	: Syahriar Lathief
Manado	: Soesantoro, S.E.
Mataram	: Abdul Muis Hamid, S.E.
Medan	: Aibar Durin, S.H.
Padang	: Soekisman
Padang Sidempuan	: Maskan Iskandar, S.H.
Palembang	: Mahmud Arsin
Palu	: Sidik Suharto, MSc. Ec.
Pekanbaru	: Soeparman, S.H.
Pematang Siantar	: Anang Atje
Pontianak	: Mohamad Saih, Bc. Hk.
Purwokerto	: Djoko Sutrisno, S.E.
Samarinda	: Adji Mulawarman Hasan, S.E.
Sampit	: Pirngadi Siswowitzo, S.E.
Semarang	: Koesen, S.E.
Sibolga	: Rusly Majid
Solo	: Much. Sjarief, S.H.
Surabaya	: Drs. Bistok Hutasoit
Tasikmalaya	: Muhamad 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.

5. BRANCH MANAGERS

Ambon	: Ahmad Fuad
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Cirebon	: Suryanto, S.E.
Dili	: Prihono Bagio, S.E.
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Palembang	: Mahmud Arsin
Palu	: Sidik Suharto, MSc. Ec.
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Tasikmalaya	: Muhamad 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 changed by handling 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 Credits (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 Plant (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 Ministry of Agriculture.

TABLE II
PLACEMENT OF SHARES AND BONDS IN THE CAPITAL MARKET
(as of March 31, 1990)

	Number of Issuance	Value (millions of rupiah)
1. Shares	688,676,426	5,583,948
a. Jakarta Stock Exchange Bourse	665,117,426	5,506,548
b. Parallel Bourse	23,500,000	77,400
2. Bonds	359,089	1,562,218
a. Jakarta Stock Exchange Bourse ¹⁾	356,449	1,537,218
b. Parallel Bourse	2,640	25,000
3. Total	689,035,515	7,146,166
a. Jakarta Stock Exchange Bourse	665,532,875	7,043,766
b. Parallel Bourse	23,502,640	102,400

1) - Interest rate : 15,5% - 19,25% p.a.
- Maturity : 3 - 12 years.

TABLE III
PLANNED AND ACTUAL GOVERNMENT REVENUE AND EXPENDITURE
DURING REPELITA I, 1969/70 - 1973/74
(billions of rupiah)

Particulars	1969/70		1970/71		1971/72		1972/73		1973/74		Total	
	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals
Domestic revenue	228	244	276	344	324	428	374	590	428	968	1 630	2 574
Routine expenditure	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 expenditure	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 REVENUE AND EXPENDITURE
DURING REPELITA II, 1974/75 - 1978/79
(billions of rupiah)

Particulars	1974/75		1975/76		1976/77		1977/78		1978/79		Total	
	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals	Repelita	Actuals
Domestic revenue	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 expenditure	961	1,016	1,294	1,333	1,428	1,630	1,630	2,149	1,905	2,744	7,218	8,872
Government savings	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 expenditure	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 (+)/deficit (-)	--	8	--	3	--	6	--	3	--	2	--	23

TABLE V
PLANNED AND ACTUAL GOVERNMENT REVENUE AND EXPENDITURE
DURING REPELITA 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 revenue	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 expenditure	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 expenditure	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 ACTUALS GOVERNMENT REVENUE AND EXPENDITURE
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 revenue	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 expenditure	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 expenditure	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.

Items	1985/86	1986/87	1987/88	1988/89	1989/90 *
A. Balance of goods and services	(1,832)	(4,051)	(1,707)	(1,859)	(1,599)
1. Merchandise goods, exports f.o.b.	18,612	13,697	18,343	19,824	23,830
imports f.o.b.	(12,552)	(11,451)	(12,952)	(14,311)	(17,374)
2. Freight on imports	(1,356)	(1,237)	(1,401)	(1,555)	(1,886)
3. Other transportation	(274)	(229)	(226)	(317)	(461)
4. Travel	(28)	157	477	806	871
5. Investment income	(3,814)	(3,153)	(3,825)	(4,198)	(4,612)
5.1. Oil and LNG sector	(2,106)	(1,121)	(1,237)	(1,242)	(1,692)
5.2. Direct investment and others	(1,708)	(2,032)	(2,588)	(2,956)	(2,920)
6. Government, not included elsewhere	(124)	(125)	(130)	(142)	(150)
7. Other services	(2,296)	(1,710)	(1,993)	(1,966)	(1,817)
Balance of goods (1)	6,060	2,246	5,391	5,513	6,456
Balance of services (2 through 7)	(7,892)	(6,297)	(7,098)	(7,372)	(8,055)
B. Grants	110	115	165	166	171
8. Private	--	--	--	--	--
9. Government	110	115	165	166	171
C. Current account (A + B)	(1,722)	(3,936)	(1,542)	(1,693)	(1,428)
D. Capital movements	2,220	5,198	1,485	3,125	1,986
D.1. Other than reserves	2,250	4,460	3,070	2,448	2,234
10. Direct investment and other long-term capital movements	1,868	3,440	1,983	2,425	2,287
10.1. Direct investment	299	252	544	585	722
10.2. Bonds	300	--	--	169	--
a. Government	300	--	--	169	--
b. Private	--	--	--	--	--
10.3. Other long-term capital movement	1,269	3,188	1,439	1,671	1,565
a. Government	1,378	3,228	1,361	2,490	1,659
b. Private	(109)	(40)	78	(819)	(94)
11. Short-term capital movement	382	1,020	1,087	23	(53)
11.1. Government	--	--	--	--	--
11.2. Private	382	1,020	1,087	23	(53)
D.2. Reserves	(30)	738	(1,585)	677	(248)
12. Monetary gold	(111)	(178)	(138)	163	(37)
13. Special Drawing Rights	(42)	17	35	5	(1)
14. Reserves position in the Fund	(15)	(9)	(8)	5	--
15. Foreign exchange	138	908	(1,474)	505	(210)
16. Others	--	--	--	(1)	--
E. Errors and Omissions (between C and D)	(498)	(1,262)	57	(1,432)	(558)

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TABLE VIII
EXPORTS BY COUNTRY OF DESTINATION
(millions of \$)

Country	1985/86	1986/87	1987/88	1988/89	1989/90
Europe	1,456	1,544	1,899	2,439	2,760
Share (%)	7.9	11.4	10.4	12.5	12.0
Belgium and Luxemburg	52	98	128	176	183
Denmark	3	7	14	25	39
Fed. Rep. of Germany	282	328	388	496	518
France	76	95	112	180	226
Italy	151	150	184	219	249
Netherlands	398	445	534	668	691
Norway	3	8	9	8	9
Sweden	11	15	23	25	28
United Kingdom and Rep. of Ireland	199	199	253	353	440
Others	281	199	254	289	377
America	4,498	2,880	3,453	3,331	3,695
Share (%)	24.5	21.3	18.8	17.0	16.1
Canada	53	61	101	103	118
United States of America	4,145	2,745	3,292	3,193	3,520
Others	300	74	60	35	57
Africa	180	161	147	262	215
Share (%)	1.0	1.2	0.8	1.3	0.9
Asia	12,001	8,722	12,446	13,175	15,819
Share (%)	65.4	64.4	67.9	67.4	69.2
Hong Kong	356	340	424	594	543
India	43	64	56	71	49
Iraq	3	3	4	15	160
Japan	8,446	5,885	7,981	8,003	9,631
Malaysia	73	84	118	191	231
Pakistan	50	19	25	44	42
Philippines	188	86	80	90	152
Singapore	1,487	1,096	1,576	1,664	1,878
Thailand	94	59	104	179	217
Others	1,261	1,086	2,078	2,324	2,916
Australasia	212	225	379	360	416
Share (%)	1.2	1.7	2.1	1.8	1.8
Australia	123	154	346	310	360
New Zealand and Oceania	89	71	33	50	56
Total	18,347	13,532	18,324	19,567	22,905

Source : Central Bureau of Statistics.

TABLE IX
IMPORTS BY COUNTRY OF ORIGIN
(millions of \$)

Country	1985/86	1986/87	1987/88	1988/89	1989/90
Europe	1,981	2,439	2,943	3,018	3,455
Share (%)	20.1	21.1	23.6	21.6	20.3
Belgium and Luxemburg	99	106	148	147	175
Czechoslovakia	3	16	9	21	17
Democratic Rep. of Germany	3	4	15	6	16
Fed. Rep. of Germany	576	789	874	822	980
France	289	309	389	436	500
Italy	101	172	249	251	359
Netherlands	181	217	310	262	274
Spain	87	47	77	132	109
Sweden	102	120	114	118	162
Switzerland	73	121	138	169	153
United Kingdom and the Rep. of Ireland	341	380	326	365	351
Others	126	158	294	289	359
America	1,936	1,957	1,909	2,611	2,988
Share (%)	19.7	16.9	15.3	18.6	17.6
Canada	201	212	336	291	392
United States of America	1,549	1,533	1,380	2,069	2,156
Others	186	212	193	251	440
Africa	168	124	164	231	162
Share (%)	1.7	1.1	1.3	1.7	1.0
Asia	5,221	6,576	6,874	7,415	9,310
Share (%)	53.1	56.8	55.2	52.9	54.9
Burma	1	1	1	1	1
People's Republic of China	264	353	408	465	574
Hong Kong	62	101	106	147	199
India	16	29	38	33	89
Japan	2,689	3,267	3,576	3,450	3,954
Malaysia	33	59	175	288	367
Pakistan	31	33	35	64	60
Philippines	27	61	52	49	60
Singapore	663	1,356	657	905	1,080
Thailand	38	74	90	182	163
Others	1,397	1,242	1,736	1,838	2,763
Australasia	528	471	565	735	1,055
Share (%)	5.4	4.1	4.6	5.2	6.2
Australia	454	396	489	633	952
New Zealand and Oceania	74	75	76	102	103
Total	9,834	11,567	12,455	14,010	16,970

Source : Central Bureau of Statistics.

APPENDIX D

GLOSSARY

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.

Basic Telecommunication Services is the telecommunication services in which the information is received in the same form and characteristics as it was sent, such as telephone, telex, and telegram.

Bronze Tray (Talam Gangsa) is the third (lowest) classification of restaurant, symbolized with bronze-colored dish, spoon, and fork.

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.

Domestic Liquidity ($=M_2$) consists of money supply (M_1) plus quasi money, which constitutes the total liabilities of the monetary system to the community.

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.

Golden Tray (Talam Kencana) is the first (highest) classification of restaurant, symbolized with golden-colored dish, spoon, and fork.

Harmonized Commodity Description and Coding System (HS) is a continuation of the system of classification and numbering for goods traded internationally and was established based on Customs Cooperation Council Nomenclature (CCCN) system. This system is put into effect since January 1, 1989 replacing the CCCN system.

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.

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.

Koperasi Unit Desa (KUD) or village unit cooperative is a primary cooperative established by farmers. This cooperative is primarily entrusted with distributing farm inputs, channeling credits to farmers, and marketing farm products.

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 indigeneous 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 indigeneous 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 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.

Longer Term Trade Financing Scheme (LTTFS) was established in 1407H to finance nontraditional exports of participating OIC member countries to other member countries.

Margin of Preference (MOP) is a percentage discount on prevailing tariffs applicable to certain goods intended to promote inter-ASEAN trade.

Money Supply (=M₁) comprises currency and demand deposits, which constitute cash liabilities of the monetary system to the community.

Multilateral Investment Guarantee Agency (MIGA) was established in June 1988 with the objective of promoting investment in MIGA's member countries by other members through the provision of guarantee against noncommercial risks.

Non-basic Telecommunication Services covers other than basic telecommunication services as there are enhancement in the characteristics and capability of telecommunication infrastructures, such as using computers to process and keep data as well as information.

Official Development Assistance (ODA) is a loan used for development provided by foreign government (bilateral) and international institutions (multilateral) for the Indonesian government. In general, this loan is provided in soft terms.

Penanaman Modal Asing (PMA) is a foreign direct capital investment scheme subject to prevailing Indonesian law, with the risk of investment being fully borne by the capital owner.

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).

Private Entrepot is a warehouse established by the private sector to store imported goods. Such goods are exempted from import duties and other kinds of taxes as long as they are still inside the entrepot. The flow of goods is controlled by the owner and official from the Customs and Excise office.

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.

Sertifikat Bank Indonesia (SBI), or Bank Indonesia certificate, is a certificate of deposits issued by Bank Indonesia that may be sold

to bank 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.

Silver Tray (*Talam Seloka*) is the second classification of restaurant, symbolized with silver-colored dish, spoon, and fork.

Sleeping Land is an area of land which is not optimally cultivated.

Steam/Gas-powered Electricity Generating Plant (*pembangkit listrik tenaga gas dan uap or PLTGU*) is a combination of steam-powered and gas-powered electricity generating plants in which waste product of gas-powered electricity generating plant, in the form of gas, is used to heat up steam in the steam-powered electricity generating plant.

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 of 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 NBFI designated to execute the trading of its own or its customers' SBPUs.

Telecommunication Stall (*Warung Telekomunikasi* or wartel) is a place provided for a limited telecommunication services which at least consist of telephone and telegram services.