BANK INDONESIA

REPORT FOR THE FINANCIAL YEAR 1994/95

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ISSN 0854-803X

SYMBOL, REPORTING PERIOD, AND SOURCE OF DATA

r	Revised figures
*	Provisional figures
**	Incomplete figures (based on incomplete data)
...	Data not yet available
-	Data not available
x	Break in comparability before and after the symbol
--	Nil or less than the last digit
$	United States dollar

Reporting period is the fiscal year, from April 1, 1994 to March 31, 1995.
Source of data is Bank Indonesia, unless mentioned otherwise.

LIST OF ABBREVIATIONS

ACPC	Association of Coffee Producing Countries
ADB	Asian Development Bank
AELM	APEC Economic Leaders Meeting
AEM	ASEAN Economic Ministers
AFTA	ASEAN Free Trade Area
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South-east Asian Nations
ATC	Agreement on Textile and Clothing
ATPC	Association of Tin Producing Countries
AVOC	ASEAN Vegetable Oils Club
Bapepam	Capital Market Supervisory Agency *(Badan Pengawas Pasar Modal)*
BIMP-EAGA	Brunei Darussalam-Indonesia-Malaysia-Philippines-East ASEAN Growth Area
BKD	Rural Credit Agency *(Badan Kredit Desa)*
BPR	Rural Credit Bank (*Bank Perkreditan Rakyat*)
BPRS	Shari'a Rural Credit Bank (*Bank Perkreditan Rakyat Syari'ah*)
CAR	Capital Adequacy Ratio
CEPT	Common Effective Preferential Tariffs
CGI	Consultative Group for Indonesia
CPI	Consumer Price Index
CPO	Crude Palm Oil
DSR	Debt Service Ratio
DWT	Dead Weight Tonage
EABC	East ASEAN Business Convention
EC	European Community
EPTE	Export Oriented Production Entrepot (*Entrepot Produksi Tujuan Ekspor*)
FILP	Fiscal Investment Loan Program
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development
IDB	Islamic Development Bank

IDT	Presidential Instruction on subsidies for under-developed village (*Inpres Desa Tertinggal*)
IGA	Investment Guarantee Agreement
IGGI	Inter-Governmental Group on Indonesia
IMF	International Monetary Fund
ITPC	Indonesian Trade Promotion Center
JSX	Jakarta Stock Exchange
KKPA	Primary Cooperative Credit for Member scheme (*Kredit Koperasi Primer untuk Anggota*)
KKUD	Credit to Village Unit Cooperative (*Kredit kepada KUD*)
KLBI	Bank Indonesia Liquidity Credit (*Kredit Likuiditas Bank Indonesia*)
KUD	Village Unit Cooperative (*Koperasi Unit Desa*)
KUK	Credit to Small-scale Enterprise (*Kredit Usaha Kecil*)
KUT	Credit to Farmer (*Kredit Usaha Tani*)
LDKP	Rural Credit Fund Institution (*Lembaga Dana Kredit Pedesaan*)
LDR	Loan to Deposit Ratio
LIBOR	London Interbank Offered Rate
LLL	Legal Lending Limit
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MFA	Multi Fiber Arrangement
MMBTU	Mille Mille British Thermal Unit
MW	Megawatt
MWh	Megawatt/hour
NIEs	Newly Industrializing Economies
NOP	Net Open Position
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OECF	Overseas Economic Cooperation Fund
OMO	Open Market Operation
OPEC	Organization of Petroleum Exporting Countries
OTC	Over the Counter
Pefindo	Indonesia Rating Agency
PER	Price Earning Ratio
PHBK	Project for Developing Relations between Banks and Self-help Groups (*Pengembangan Hubungan Bank dengan Kelompok Swadaya Masyarakat*)
PJP	Long-term Development (*Pembangunan Jangka Panjang*)

PKLN	Commercial Offshore Loan (*Pinjaman Komersial Luar Negeri*)
PLN	State Electric Company (*Perusahaan Umum Listrik Negara*)
PLTD	Diesel-powered electric-plant center (*Pusat Listrik Tenaga Disel*)
PLTU	Hydrothermal electric-plant center (*Pusat Listrik Tenaga Uap*)
PMA	Foreign Direct Investment (*Penanaman Modal Asing*)
PMDN	Domestic Investment (*Penanaman Modal Dalam Negeri*)
Repelita	Five-year Development Plan (*Rencana Pembangunan Lima Tahun*)
SBI	Bank Indonesia Certificate (*Sertifikat Bank Indonesia*)
SBPU	Money Market Securities (*Surat Berharga Pasar Uang*)
SDR	Special Drawing Rights
SIBOR	Singapore Interbank Offered Rate
Sijori	Singapore-Johor-Riau
SNA	System of National Accounts
SOC	Schedule of Commitments
SSE	Surabaya Stock Exchange
TRIPS	Trade Related Intelectual Property Rights
TSP	Triple Super Phospat
WTO	World Trade Organization
ZA	Zinc Amonium

MANAGEMENT OF BANK INDONESIA
as of March 31, 1995

From left to right :

Sitting	:	J. Soedradjad Djiwandono (Governor) Sofjan Djajawinata (Government Commissioner)
Standing	:	Heru Soepraptomo (Managing Director), Boediono (Managing Director), Hendrobudiyanto (Managing Director), Mansjurdin Nurdin (Managing Director), Haryono (Managing Director), Mukhlis Rasjid (Managing Director), and Paul Soetopo Tjokronegoro (Managing Director)

FOREWORD

It is indeed a great pleasure for me to confer this Annual Report of 1994/95. Presenting an annual report is one of Bank Indonesia's obligations as stipulated in Article 46 of the Act No. 13 of 1968 on the Central Bank. This report provides comprehensive and accurate information to the public regarding economic, monetary, and banking developments as well as the policies adopted by the Government, especially in the monetary and banking area, during the fiscal year 1994/95. Besides, the report will also draw short term prospects of the economy of Indonesia and economic policies consistent with the perceived scenario next year.

The fiscal year 1994/95 marked an important milestone in our endeavor to accomplish the desired development objectives. It was the first year of the sixth Five-year Development Plan (Repelita VI). The year 1994/95 was also the first year of the implementation of the Second Phase of our 25 Year Long-Term Development Program. There were also two important international events taking place in this year that will induce significant and structural changes to the world economy in the future. The first is the Uruguay Round that, after long negotiation and facing many obstacles, has been completed by the endorsement of Marrakesh Consensus in April 1994. Indonesia in this respect has also ratified the agreement to establish World Trade Organization (WTO) as the successor of General Agreement on Tariffs and Trade (GATT). As scheduled, WTO has also been already in operation since early 1995. The second event related to the success of economic leaders of Asia Pacific Economic Cooperation (APEC) during the informal meeting in Bogor, Indonesia, to achieve an accord over the creation of free trade and investment area in Asia Pacific in the year 2010 at the earliest. This accord undoubtedly will enhance further the implementation process of Uruguay Round's consensus in Asia Pacific region. These two occurrences reflect the future path of international economic development faced by Indonesia, that is globalization of international trade and finance.

Preparation to take advantage of the future as international trade and finance become activities "without frontier" will find its roots from the foundation we have laid down in our economy so far. It is, therefore, important for us to look back for a while and carefully monitor and analyze important developments that have taken place in recent periods. I, therefore, would like to stress some important trends, especially events in economic and financial area which were experienced during 1994/95.

In 1994, the economy as a whole showed many encouraging progresses. Based on the new series of system of National Accounts (1993 base year), the economy grew by 7.3% in real terms. This rapid *economic growth originated from strong domestic demand and accompanied by more sustainable fundamental factors. Among other important things are the acceleration in private investment activities, notably in the manufacturing sector, coupled with an increase in the accumulation of national savings which is the crux of financing the investment. Non-oil/gas exports as the engine of our national development also scored a satisfactory performance last year, after a disappointing growth in 1993/94.*

Inflation rate, which was well above the average target for Repelita VI, prevailed as an urgent and vigilant issue last year. Although inflation pressures remained high, especially due to supply disturbances, not with standing the higher domestic economic activity, the containment of inflation was able to manage the inflation rate into single digit range, both for the calendar year 1994 and fiscal year 1994/95. It is the commitment of the Government, therefore, to put a high priority in containing the inflation rate through various policies from the demand as well as the supply sides.

The balance of payments in 1994/95 also showed a solid performance. Current account deficit was mantained at around 2.0% of Gross Domestic Product (GDP) and capital account experienced a significant surplus exceeding the deficit in the current account transactions. In dollar terms, the current account deficit recorded a slight increase. Nevertheless, it was due to higher investment activity which needed more imports of raw material and capital goods. It is worth to mention that in line with prudential foreign borrowing principles, the Government also has made prepayment of foreign loan that bears high interest rate. This policy, coupled with better economic performance, has contributed to the lowering of the ratio of official foreign borrowing to GDP, from 38.5% to 36.2%.

Banking sector also recorded many significant progresses. This sector as a whole managed to achieve some 11.7% increase in their business volume. A remarkable performance was shown by the private national group which was able to improve its profitability and business efficiency. More notably, this favorable development was also accompanied by a better compliance of the banks to the prudential banking regulations. Capital Adequacy Ratio (CAR) increased significantly from 9.9% at the end of 1993 to 12.5% at the end of 1994. Earning assets quality of the banks improved as banking business expanded along with the expansion of economic activity. These progresses suggest that the process of consolidation in the banking sector has advanced quite well.

Looking at the solid developments of fundamental factors in the economy, including in the banking sector, I believe that our economy will have a sound basis to experience a better performance in the year to come, with economic growth projected to be at the same pace as last year. With sound fundamentals, *the economy of Indonesia is better equipped to compete within a system of free international trade which undoubtedly will become the foundation of future global economy. This conviction is also supported by the commitment in the Government's part to consistently continue the deregulation and debureaucratization policies as well as improvement and simplication in the licensing and procedure matters so as to enhance the competitiveness of goods and services produced by the economy.*

Finally, I have faith in this annual report that it would be indispensable reading materials for those who are eager to study in depth about important trends and developments in the economic, financial, and banking areas as well as problems and policies adopted to address the problems in our economy. I and the Board of Managing Directors also wish to express my high appreciation of contribution and cooperation provided by all parties, especially the relevant ministries, institutions, and banks, which have enabled the successful completion of this report. I hope that the existing close cooperation and understanding can always be maintained and even be enhanced in the future.

Jakarta, May 1995

Prof Dr. J. Soedradjad Djiwandono

1. THE INDONESIAN ECONOMY

International Economic Developments

Despite some unfavorable impacts, global economic conditions worked to Indonesia's advantage during 1994/95. The world economy, which had registered an annual growth rate of only 1 to 2% over the previous four years, in 1994 grew by an encouraging 3.7% (Table 1.1). The Indonesian economy also benefited from growth in Indonesia's major industrialized trading partners. Another important factor was that economic growth in developing countries remained strong. In addition, economic performance in some countries in transition also improved, though as a group still under contraction. These forces had played a significant role in stimulating global economic expansion above its long-term growth. This expansion in the world economy was followed by a rapid increase in the volume of world trade, which recorded its highest growth rate since 1988. Strengthening world demand was reflected in a sharp rise in the prices of primary products and manufactured goods. Indonesian oil prices also followed a similar trend, recovering in June 1994 to close the year at a slightly higher average price than in 1993/94.

A prominent feature of the international monetary situation in 1994/95 was steady yen appreciation, especially against the US dollar. This was accompanied by a round of increases in international interest rates working to the detriment of most developing countries, including Indonesia. Rates began to climb in mid-1994 as result of interest rate hikes by the United States and the United Kingdom designed to curb rising inflationary pressures within their economies. An indicative feature of international monetary development in the reporting year was a slowdown in capital inflows to developing countries, contrasting to the sharp increase in 1993. This was reflected, among others, in the bearish performance of the emerging stock markets of Asia, including Indonesia. The situation was exacerbated by the financial crisis in Mexico at the end of 1994,

Table 1.1
Selected World Economic Indicators

	1992r	1993r	1994*
Economic Growth (%)			
World	2.0	2.5	3.7
Industrial countries	1.5	1.2	3.0
Developing countries	5.9	6.1	6.3
Countries in transition	-15.3	-9.2	-9.4
Inflation Rates (%)			
Industrial countries	3.3	3.0	2.4
Developing countries	35.9	43.0	48.0
World Trade Volume (% growth)	5.1	3.8	9.4
World Trade Prices (% Change)			
Manufactured Goods	3.6	-5.8	2.8
Primary non-oil/gas commodities	-0.2	-3.7	12.3
Oil	-0.5	-11.5	-4.1
Interest Rates in Industrial Countries (%)			
Short-term (3 months-LIBOR)	3.5	3.3	4.9
Long-term	8.0	6.6	6.9
Yen/Dollar Exchange Rate	126.7	111.2	101.4

Source : - IMF, *World Economic Outlook*, March 1995
- Reuter

which led to a round of temporary capital flight from Asia's emerging markets in early 1995. These events demonstrated the close international links built up through economic and financial globalization, which had advanced even further than had been realized.

Among industrial countries in general, economic recovery took place on a much wider scale in 1994. This was initiated by economic recovery in the US, the UK, and Canada, starting at the end of 1993. In mid-1994, Japan began pulling out of the recession that had mired the economy during the previous two years. Overall, the sluggishness previously afflicting industrial economies eased considerably, thus bringing to an end the sluggish growth of recent years.

Developing countries again also performed well. Reflecting this in 1994 was the high average economic growth rate of 6.3%. China's economy, a major force among the developing countries, sustained above 10% economic expansion, despite a slight slowdown compared to the preceding year. This was a reflection of the austerity policy undertaken by the Chinese Government to maintain the country's macroeconomic stability. Economies in Asia, the most dynamic region in the world, continued their expansion. Moreover, economic growth in the newly industrializing economies (NIEs) of South Korea, Taiwan, Hong Kong, and Singapore, improved over 1993.

The global economic recovery has had a positive impact on world trade. There was a significant increase in trade volume, up 9.4% in 1994. Growing world demand also strengthened prices for primary and manufacturing commodities. Primary commodities such as coffee, rubber, palm oil, and nickel showed considerable price increases. This is partly explained by a high incidence of supply disruptions during 1994/95, especially for coffee and nickel. Also noteworthy was a strengthening trend in oil prices after mid-1994 following the decline in the early part of the year.

The international monetary development situation in 1994 was marked by several unfavorable turns, especially for developing countries. Interest rates began to rise gradually in response to accelerating economic recovery in several major industrial countries, a trend that became more strongly apparent after mid-1994. Rates, especially short term, went up mainly in the US and the UK in an attempt to forestall inflationary pressures generated by their economic recovery. Industrial countries in the early stages of economic recovery also increased their short term interest rates as a preventive measure to reduce inflationary pressures.

The US dollar exchange rate continued to weaken in 1994/95, sending the yen to new heights despite the relative weakness of the Japanese economy. Strong economic growth and higher short-term interest rates in the US failed to shore up the dollar's position. Another reason for the yen appreciation was the continued uncertainty over the finalization of trade negotiations between Japan and the US. Also, with the US running up enormous deficits in the budget and current account, international investors have been losing confidence in the US economy. The yen's strength on the international market can also be explained by the inflow generated by profit repatriation by Japanese overseas companies, in part to compensate domestic losses.

Following high growth in 1993, capital inflows to developing countries declined in 1994. This slowdown reflected a situation of reverse flows to industrialized countries, stimulated by the onset of the economic recovery in the US, Europe, and Japan. Another factor responsible for the reduced inflows to developing countries was the attractive short-term interest rates in the US and the UK. In addition, the financial crisis in Mexico at the end of 1994 triggered a massive pullout of short-term funds by foreign investors. This provoked a round of wild foreign currency speculation, especially in developing countries in Asia, including Indonesia, Singapore, Malaysia, and Thailand. Monetary authorities in these countries therefore were forced to intervene in their foreign exchange markets in order to shore up their own currencies. However, thanks to prudent macroeconomic policy and fundamentally sustainable economies, these countries managed to contain the impact of the Mexican financial crisis without significant damage to their economic or financial position (Box: The Mexican Financial Crisis and its Implications for Emerging Market in Asia).

Several important events took place in 1994/95 that will change future world trade arrangements. With the finalization of the Uruguay Round in April 1994, world trade entered a new era with the World Trade Organization (WTO), which become operative in January 1995. As the international organization in charge of the supervision and regulation arrangement of free international trade, WTO replaces the General Agreement on Tariffs and Trade (GATT). The new organization places greater emphasis on multilateral agreements to protect the interests of each member country. In a corresponding move to keep pace with global developments, ASEAN countries met in Chiang Mai, Thailand in September 1994 and resolved to move the formation of the ASEAN Free Trade Area (AFTA) forward from 2008 to 2003. Another important development was the agreement reached by Asia Pacific Economic Cooperation (APEC) leaders in November 1994, in Bogor, Indonesia. At this meeting, the leaders agreed to create an Asia - Pacific free trade and investment area, effective by 2010 for industrial APEC members and by 2020 for APEC member developing countries. These important developments point to growing transparency in international trade, and also tougher competition. In spite of this, Indonesia's efforts to prepare for the future and gear herself for coming challenges, along with opportunities that will emerge, will mean that the new international trading environment will work to the advantage of her economy.

Economic Problems and Policies

Problems

At the beginning of 1994/95, Indonesia's macroeconomic situation was stable. Efforts to maintain macroeconomic balance through consistent and prudent fiscal and monetary policies helped to sustain a healthy business environment. One positive impact of this was the brisk growth activity in various economic sectors from the beginning of 1994. In addition, external balance remained under control, with a low current account deficit when expressed as a percentage of the GDP. Unfortunately, several economic indicators, primarily non-oil/gas exports, foreign direct investment, and inflation, did not perform as expected in early 1994. In the future, allowances for these unfavorable developments will have to be made, and these difficulties must be properly resolved in order not to jeopardize the macroeconomic balance nor disrupt ongoing economic expansion.

Non-oil/gas export growth markly slowed in 1994, and this trend continued into the first three months of 1995. The world economic recovery did not have much visible impact on export growth, partly because of tighter global competition. The emergence of competing countries, such as China, India, and Vietnam, producing similar export commodities at lower prices, put Indonesian exporters at a disadvantage, especially as regards textiles and textile products. In addition, stronger domestic demand prompted many Indonesian manufacturers to sell some of their products intended for export on the domestic market. This situation, exacerbated by high domestic inflation, has discouraged export oriented manufacturers from taking full advantage of opportunities generated by increased demand on the international market.

To some extent, exploiting the growing domestic demand has promoted growth in non-oil/gas sectors. However, this represented a setback as regards the need to generate more foreign exchange to finance development, and also to improve efficiency and productivity. Neither has it helped promote sustainable economic growth nor a healthy balance between internal and external sources of growth. These reasons emphasize the strategic importance and necessity of the export drive. Therefore, it is necessary to create an environment that stimulates a broader, more competitive export base with greater product diversity. In addition, more integrated and specifically targeted measures in both the monetary and real sectors are needed to stimulate export oriented production and investment.

Another unfavorable development in 1994 was the continuing low level of investment, especially from overseas. The October 1993 deregulation package, which streamlined investment licensing, with the support of a more conducive monetary situation produced a slight increase in domestic investment at the start of the reporting year. The deregulation package, however, has not yet had any significant impact on foreign investment. One probable reason for lack of investor interest is the keen competition in attracting investment, especially from other countries in Asia. This unfavorable trend may frustrate efforts to maintain high economic growth, to expand national production capacity, and to create more employment in the future. Added to this, the Government has limited capacity to finance development. This has made domestic and foreign private investment a much more decisive factor than ever before in boosting development. Similarly, domestic and foreign investment are vital to improving technological capacity, encouraging optimum use of resources, and promoting competition and efficiency in the national economy. Measures are therefore now needed to encourage greater private sector participation in development financing. These measures have strategic implications and widespread impact on future growth and the sustainability of Indonesian economic development towards the takeoff era.

Another challenge in 1994 was keeping domestic inflation under control. Inflationary pressures remained persistently high during the early part of the reporting year. This was caused, in part, by disruptions in food supplies that triggered a surge in food prices. Food prices contributed a 3.92% increase, almost half of the 8.57% inflation rate in 1994/95. Another reason was stronger economic activity, especially in construction and housing, sectors that are responsive to changes in business cycles and rising public incomes. This is evident from high price increases for construction-related goods, such as cement, building materials, and labor wages. During the reporting year, the twin factors of food and housing/construction prices were most responsible for high inflation. This represents no small challenge in both macroeconomic and sectoral policy management to keep price increases down. Exacerbating the challenges was the fact that these strong inflationary pressures occurred during times of high economic growth and rapidly rising public incomes coupled with flagging non-oil/gas export performance. This showed the importance of keeping inflation low so as to maintain macroeconomic balance, promote export competitiveness and efficiency in the national economy, and bring about equity in economic development.

In early 1994, the Indonesian rupiah came under considerable pressure. A surge currency speculation with heavy buying of the US dollar led to a large outflow of funds. The rush on the foreign exchange market was apparently driven by the profit-taking urge of foreign speculators on their investments in Indonesia. One of the factors behind the speculation was the slowdown of several economic indicators in the early part of the reporting year, including weak oil prices and sluggish non-oil/gas export growth. In addition, low domestic interest rates, coupled with high inflation, triggered the outflow of funds in early 1994. The foreign exchange market again suffered upheavals in early 1995 due to the fallout of the Mexican financial crisis at the end of 1994. These events were fueled by concems, mixed with speculative motives, that a similar crisis could occur in developing countries in Asia, including Indonesia, thought to be in a similar economic and financial situation to Mexico. Despite the irrationality of drawing a direct comparison between Mexico's economic and financial situation and that of Indonesia and other developing countries in Asia, these worries triggered a massive dollar buying spree to withdraw short term funds out of Indonesia. This necessitated short term intervention on the foreign exchange market that successfully shored up the rupiah exchange rate. Despite this success, there remains the possibility of a revival of similar upheavals. There will continue to be external disruptions brought on by globalization of economic and financial activities as the world moves to a more open economy with larger capital flows. Efforts to strengthen economic resilience, whether through macroeconomic, microeconomic, or sectoral policies, therefore must be continued. In this regard, it is very important to keep up efforts to maintain intemal balance while targeting high economic growth and low inflation, as well as safeguard the external balance to secure the position of the balance of payments. Only with consistent maintenance of the macroeconomic balance and economic resilience, the negative impacts of these external fluctuations can be effectively mitigated.

Meanwhile, the progress achieved by the banking sector in the consolidation process gave banks considerable room to expand their operations in 1994. This was reflected in a rapid growth in bank credit, up by around 24% in the early part of the reporting year. Very high growth was reported in lending for properties and consumer purchases. The rapid credit expansion was attributable both to low lending rates, especially in early 1994, and rising public incomes, one of the positive outcomes of economic growth. The surge in bank credit also constituted a major factor in expansion of the money supply, and of M1 in particular. M1 climbed rapidly in the early part of the reporting year, with growth reaching almost 30% per annum. The sharp growth of the domestic economy and monetary aggregates, coupled with persistently strong inflationary pressures, meant that control over the money supply management became very important to reduce the risk of an overheated economy. In this regard, control over growth of bank lending, a major source of expansion in the money supply, is an essential part of management of the money supply to diminish inflationary pressures and stem excessive expansion of domestic demand. Through a combination of these measures, better control over monetary aggregates is possible, thus improving the effectiveness of the monetary policy in maintaining the internal and external balances.

Overall, the banking sector faced difficulties in 1994, mainly due to the increasing number of problem banks, whose intricate and complex situations defy easy solution. This was complicated by rapid credit expansion and weaknesses in management and internal control. On the one hand, efforts to solve the problems faced by some banks had repercussions on other banks. This was reflected in reduced profitability for one state bank and several private national commercial banks. On the other hand, because credit expansion outpaced funding capacity, banks had difficulties in managing their funds on a sound basis. In addition, a high concentration of credit in the property and consumption sectors, which are sensitive to changes in the economic and monetary situation, triggered concerns over the likelihood of increased problem loans. This will only add to the heavy burdens already shouldered by banks with regard to problem loans. Further exacerbating the situation was the public exposure of several unscrupulous bankers. This made it all more difficult to ensure that banks were managed soundly and professionally. There was, therefore, concern that banks could lose their credibility as institutions of trust and pillars of national monetary and financial policies. Given this situation, the priority of bank supervision must be to work faster to find solutions to the difficulties facing problem banks and speed up the consolidation process.

Economic Policies

As in previous years, the Government maintained an integrated approach to macroeconomic and sectoral policies. In general, the major emphasis of macroeconomic policies in 1994 was aimed at controlling rising domestic demand. To maintain the flow of production and investment activities, and prevent overheating of the economy, prudential principles formed the main policy basis. These principles were applied on the fiscal side so as to maintain sound macroeconomic balance while allocating more funds to step up investment in infrastructure, and alleviate poverty. In addition, greater efforts were made to improve efficiency in the management of budget revenue sources, especially foreign loans. In the monetary sector, the key objective was management of the money supply and control over its sources of monetary expansion, especially bank credit. The aim was to curb inflationary pressures and to safeguard the balance of payments. These steps were also supported by greater flexibility in foreign exchange and exchange rate policy so as to mitigate the repercussions of any external fluctuations on the Indonesian economy. In the banking sector, the policy priorities were the facilitation of the consolidation process and the reduction or elimination of various obstacles holding banks back from sound growth. Meanwhile, sectoral policy was aimed at increasing efficiency and productivity on the supply side by providing incentives to promote production, investment, and non-oil/gas exports.

Fiscal and Monetary Policies

As previously noted, fiscal and monetary policies in 1994 were aimed at maintaining the internal and external balances necessary for macroeconomic stability, a prerequisite for continuous economic growth. To support this, the government implemented coordinated economic and fiscal policies based on prudential principles. On the fiscal side, this was mainly reflected in the large Rp3.8 trillion surplus in Government finances, considerably higher than the Rp2 trillion achieved in the previous fiscal year. With this large surplus, the Government sector created a moderate contractionary effect in 1994/95, equal to about 5% of M2.

This conservative fiscal policy has supported the monetary policy in the management of economic liquidity. In fact, this combination acted to maintain internal balance i.e. containing inflation pressures while ensuring a respectable economic growth. The monetary management, with the support of interest rate policies and more flexible rupiah exchange rate policies, also succeeded in maintaining a fair interest rate differential between domestic and abroad. These were key factors in keeping firm control over the money supply and balance of payments in 1994/95.

Banking Policy

In 1994, banking policies had four objectives: first, to accelerate settlement of problem credits and banks; second, to facilitate the process of consolidation; third, to encourage banks to adopt self-regulation and comply with prudential principles in their operations; and fourth, to introduce stronger bank supervision measures aimed at building a sound, stable banking system.

Bank Indonesia made further efforts to help banks settle existing problem loans, besides adopting measures to prevent banks being saddled with even more problem loans and to rectify the affairs at problem banks. Further measures were adopted to speed up the settlement of problem loans through improvements in the legal framework. This involved cooperation with related agencies, as well as with the State Bank Credit Supervision Team together with special task forces in private banks. As a further preventive measure, Bank Indonesia also applied moral suasion to banks so as to promote efficiency and caution in business expansion, particularly in credit operations. The purpose of this was to encourage banks to control excessive credit expansion that was surpassing normal funding capacity. As a follow up to this policy, banks are now required to submit work plans to Bank Indonesia. These have to include the plans for lending to bank owners, management and large debtors.

Meanwhile, Bank Indonesia took action to rectify the affairs of problem banks as specified in article 37 of Act No. 7 of 1992 on Banking. Depending on each bank's particular circumstances, remedial action may take place simultaneously on several fronts, or on a gradual basis determined by an order of priorities. However, if these measures prove unsuccessful, Bank Indonesia is authorized to instruct banks to merge, or consolidate with another bank, or to facilitate a takeover.

Bank Indonesia also continued its efforts in 1994 to create a climate of bank supervision based on self-regulatory banking principles, so as to encourage banks to grow on a sound basis and become more self-reliant. To this end, banks are required to formulate and apply bank credit policy and internal audit standards. These requirements will be part of various internal guidelines binding on the banks themselves. In addition, they will serve as terms of reference for Bank Indonesia in supervising banks.

To encourage banks to adopt more professional management, and also to prevent unsound practices, Bank Indonesia issued criteria on persons prohibited from becoming bank shareholders or holding key management positions. Furthermore, both to promote effective bank supervision, and to obtain more accurate and informative financial profiles, Bank Indonesia has adopted measures to promote a greater role for registered public accountants in safeguarding the accuracy and integrity of bank financial statements. To improve the standard of information available to the public, Bank Indonesia has revised the format of financial statements in an effort to promote transparency. Bank financial statements must now list, among others, the names of the shareholders and management.

Bank Indonesia has also adopted further measures to improve the effectiveness of the organization and personnel of its bank supervision department. To this end, Bank Indonesia has combined on-site and off-site supervision functions into integrated bank supervisor teams for both commercial and rural banks. This has resulted in more intensive and effective supervision of bank operations, because each supervision team is more focused on a specific number of banks.

As part of its efforts to develop small-scale enterprises and alleviate poverty, Bank Indonesia has continued to refine programs to make bank credit and services more available small-scale entrepreneurs and the poor. Banks that have not yet achieved the required small-scale business credit (Kredit Usaha Kecil/KUK) ratio of 20% are requested to draw up detailed plans and programs for KUK lending. These include the setting of market segment targets, the expansion of special small-scale business development units, and the development of human resources involved in KUK management. In addition, to accelerate development of rural-based small-scale enterprises, Bank Indonesia continued to extend the Project Linking Banks and Community Self-Help Groups to more provinces, using foreign funding and revolving funds provided by the Government.

External Borrowing Policy

As in previous years, external borrowing policies and management in 1994/95 remained firmly based on prudential principles. The main principles are four. First, external credit must be obtained under favorable terms and conditions. Second, this credit should be free of any political interest. Third, repayment terms should be within the limits of the repayment capacity of the economy. Fourth, the credit must not place a heavy future burden on the balance of pay meets. Accordingly, the Government prioritizes soft loans from the Consultative Group for Indonesia (CGI), as well as non-CGI sources. Furthermore, foreign commercial borrowing incurred by the Government, state enterprises, and the banking sector is coordinated by the Commercial Offshore Loan Team (COLT) through the establishment of an annual borrowing ceiling.

To reduce the debt service burden, the Government accelerated the repayment of $784 million worth of high-interest foreign loans in advance of maturity. This measure was intended to strengthen the foreign borrowing structure and also to promote confidence in Indonesia.

Foreign Exchange and Exchange Rate Policies

A free foreign exchange policy remained in effect in 1994/95 to facilitate foreign trade, with particular emphasis on promoting non-oil/gas exports and encouraging investment. Thus any individual or legal entity is allowed to transact, manage, and possess foreign exchange with no individual limits. Bank Indonesia also established a maximum Net Open Position (NOP) for banks after calculating foreign exchange liabilities and claims. This was done particularly to encourage prudent bank management and to reduce risks inherent in exchange rate fluctuations.

In 1994/95, Bank Indonesia updated the improved NOP regulations by easing the NOP limit for transactions in both the balance sheet and off-balance sheet accounts. The maximum NOP was thus raised to 25% of bank capital. This was intended to give banks more leeway in foreign exchange fund management, and to encourage interbank transactions, while nevertheless adhering to prudential principles.

Meanwhile, foreign exchange management policy in 1994 continued to focus on maintaining sufficient foreign reserves to finance both import payments and settle various external liabilities. In addition, to deal with various unfavorable developments threatening the stability of the balance of payments, in the reporting year the Government continued to exercise caution, maintaining an appropriate level of stand-by loans around $2 billion.

The three key elements of foreign exchange management policy are liquidity, security and profitability. Thus in maintaining and increasing foreign reserves, priority was given to diversification both in the composition and placement of currencies. These measures were adopted to keep foreign exchange management properly coordinated with the needs in monetary management, and in particular, to mitigate the negative impact of fluctuations in the foreign exchange market.

Regarding exchange rates, the policy for 1994/95 was aimed at maintaining a stable rupiah, and keeping exports competitive to create a dynamic and stable macro-economic environment. This was done through flexible adjustments to the rupiah exchange rate by keeping a close watch on three important factors. First are developments on domestic and overseas foreign exchange markets. Second is the difference in inflation between Indonesia and her main trading partners. Third are developments in domestic macro-economic aggregates, including interest rate movements, and trends of capital inflows as well as outflows.

To increase leeway for monetary management, and reduce speculative pressures on the rupiah, in September 1994 Bank Indonesia increased the flexibility of rupiah exchange rate and changed the procedure for publishing the conversion rates. The spread between the rupiah buying and selling rates against the US dollar was enlarged and this spread applies to spot transactions to Bank Indonesia, from Rp20.00 to Rp30.00. At the same time, announcement of conversion rates, previously made in the morning, was moved to the afternoon to reduce market distortion and also promote a sound foreign currency market. In addition, during 1994/95 Bank Indonesia also intervened actively in the foreign currency market to reduce pressures on the rupiah and to maintain monetary stability.

Trade and Investment Policies

In 1994/95, the Government introduced further deregulation measures in the areas of investment, production, and trade in an effort to stimulate the economy through the real sector.

These measures were basically intended to improve the national business environment and economic competitiveness, as well as to promote investment and non-oil/gas exports.

Through Government Regulation No. 20 of 1994, the Government introduced various incentives for foreign investment in certain economic sectors previously closed to foreign investors, such as ports, telecommunications, drinking water and mass media. In addition, the Government also allowed 100% foreign owned investments. These measures were aimed at increasing national production capacity and non-oil/gas exports, while also promoting optimum use of Indonesia's comparative advantages. In vital economic sectors, foreign investment is still, but only through joint ventures.

In the June 1994 Deregulation Policy Package, the Government also simplified the protection system by reducing import duties and abolishing trade restrictions on some imported goods. In addition, the Government also provided tax incentives for suppliers of raw materials to manufacturers operating in the Export Oriented Production Entrepot zones *(Entrepot Produksi Tujuan Ekspor/ EPTE).*

The above policy packages are aimed at making the Indonesian business and investment climate more attractive, thus spurring investment. In addition, improved transparency in foreign trade and industrial policies is expected to trim back the high cost economy, thus promoting greater efficiency in non-oil/gas exports and production. These measures will be important in confronting the ever tighter global competition in the post-GATT era.

Table 1.2
Selected Macroeconomic Indicators

	1992[r]	1993[r]	1994* at base year of 1983[1)]	1994* at base year of 1993
	Change (%)			
Real Gross Domestic Product	**6.5**	**6.5**	**6.8**	**7.3**
By expenditure				
Consumption	3.3	4.9	6.3	5.4
Private	2.9	5.8	6.1	5.8
Government	5.8	0.1	7.3	2.9
Gross domestic capital formation	4.9	5.7	8.5	12.6
Exports of goods and services	14.7	6.6	8.7	7.3
Imports of goods and services	6.6	4.4	10.3	13.5
By sector				
Agriculture	6.7	1.4	1.0	0.3
Mining and quarrying	-1.9	2.2	1.9	5.3
Manufacturing	9.7	9.3	11.3	11.1
Construction	10.8	12.1	12.3	14.7
Other services	7.4	8.0	8.7	7.6
GDP				
Non-oil/gas	**8.4**	**7.8**	**7.6**	**7.8**
Oil/gas	**-2.2**	**0.1**	**2.6**	**3.1**
Gross Domestic Income	**5.8**	**6.1**	-	**7.9**
Terms of Trade Index	**-0.5**	**-1.3**	-	**2.2**

	1992/93	1993/94[r]	1994/95*
	Change (%)		
Monetary			
M2	22.2	21.2	21.5
M1	12.0	25.7	17.4
Prices			
Consumer Price Index	10.0	7.0	8.6
Wholesale Price Index[2)]	5.4	3.7	5.4
Ratios	In percent		
Current account deficit/GDP	2.0	1.9	2.0
Official Debt Service Ratio	18.9	19.5	17.8
Foreign exchange reserves equal to non-oil/gas imports (months)	5.4	5.4	4.7

1) Estimates
2) In calendar year
Source : - Central Bureau of Statistics
- Bank Indonesia

Economic Developments

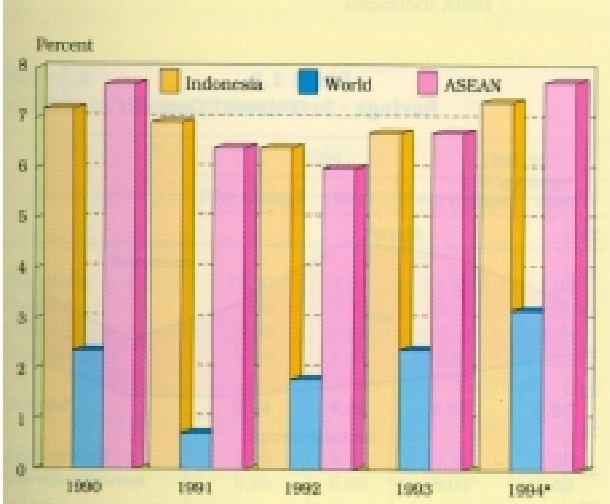
The Indonesian economy registered encouraging growth in 1994/95 that compared favorably with the preceding year (Table 1.2). The main motor of growth was stronger domestic demand, driven especially by higher private investment. Meanwhile, non-oil/gas exports recorded fairly high growth, despite a slowdown in early 1994/95. However, imports of goods and services rose steeply in line with the stronger domestic demand. This factor pushed up the current account deficit, though as a share of the GDP, the deficit remained on the low side at 2.0%. Strong domestic economic activity was accompanied by high inflationary pressures. Unfavorable climatic conditions, both in the drought of 1994 and the flooding in early 1995, were the main factors exacerbating prices, especially on foodstuffs.

The monetary and banking situation remained stable in 1994. Economic activity, supported by a conducive investment environment, led to a steep rise in the demand for bank credit. This factor, taken together with high inflationary pressures, compelled the monetary authority to focus more on the maintenance of both internal and external equilibrium. One step in that direction was a gradual increase in the SBI discount rate since mid-1994. In addition, Bank Indonesia also undertook active intervention in the foreign exchange market to suppress ongoing fluctuations. By integrating and coordinating these measures with fiscal and sectoral policies, economic and monetary stability was effectively maintained in 1994/95. The banking sector also made significant progress in the consolidation process. This was reflected in the growing number of banks complying with prudential regulations, such as minimum capital and the loan to deposit ratio. However, the major difficulty facing banks in 1994/95, as before, was problem loans.

Economic Growth

Based on provisional figures for GDP growth, using the 1993 base year, the economy grew by a robust 7.3% in 1994 (Chart 1.2). With this encouraging performance, Indonesia reinforced her position within the ranks of the ASEAN countries, which taken together possess the most dynamic economy in the world (Chart 1.1). Growth was driven mainly by domestic demand, and especially the surge in private investment in 1994. Private consumption was also seen on the rise though not as fast as in private investment. This was supported by a more favorable investment climate and increased public incomes, in addition to a more conducive monetary situation. External demand had a negative impact on growth, mainly because of by a rapid increase in imports, despite better export growth in 1994. The main sectors promoting economic growth in 1994 were manufacturing and construction. Growth in these two sectors surpassed 10%, reflecting strong domestic demand.

Chart 1.1
Economic Growth



Source : Various publications

By way of explanation, it should be noted that the strong economic growth in 1994, measured by a new GDP series, rather than the former one based on 1983 prices, reflected the growth and expansion of economic activities in various sectors over the last 10 years. There has been a stronger and more apparent shift in the economic structure from previous reliance on agriculture and mining, to a manufacturing and tertiary services-based economy. The rapid advancement of non-oil/gas manufacturing, supported by briskly growing non-oil/gas exports, has fostered a non-oil/gas manufacturing base to the economy. This is reflected in the increasing share of the non-oil/gas manufacturing sector in the economy, up from around 15% in 1983 to about 24% in 1994. Other high-growth sectors are construction, banking and other financial institutions, including insurance and home financing. The rapid development of various service sectors has expanded the service industries base of the Indonesian economy.

In view of these developments, the GDP series derived from 1983 constant prices no longer provides an accurate picture of the Indonesian economy. Economic growth would be in fact be underestimated. With broader coverage and a larger contribution from non-oil/ gas sectors in contributions to the economy, economic growth according to the new GDP series is more realistic, since economic growth over the past few years has been propelled more by the manufacturing and service sectors. Starting with this annual report, the analysis of Indonesian economic growth uses the new 1993 GDP series.

Savings - Investment

After narrowing in previous years, the savings-investment gap widened in 1994 (Chart 1.2). This larger gap is an indication of rapid growth in domestic investment, surpassing the capacity of the national economy to accumulate savings. On the macro-level, this has spurred gradual increases in domestic interest rates, which were in any case under pressure from rising international interest rates.

The savings investment gap in the private

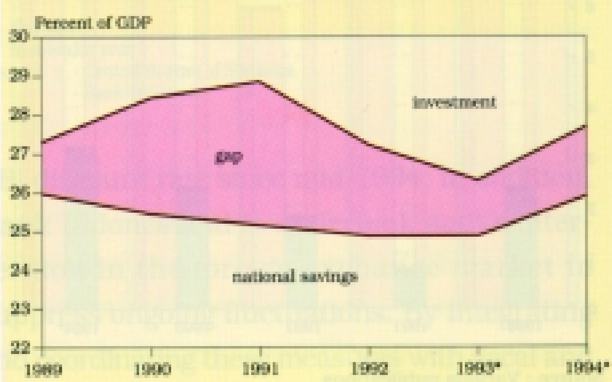
Table 1.3
Savings – Investment Gap[1)]

	1992r	1993r	1994*
	Trillion rupiah		
Government sector			
Savings	15.0	20.7	27.1
Investment[2)]	15.9	17.8	18.3
Deficit (-), surplus (+)	**-0.9**	**2.9**	**8.8**
Private sector			
Savings	49.5	61.2	70.4
Investment[2)]	54.9	68.9	85.9
Deficit (-), surplus (+)	**-5.4**	**-7.7**	**-15.5**
Gross National Savings	64.5	81.9	97.5
Gross Domestic Savings	77.0	94.5	111.8
Investment[2)]	70.8	86.7	104.2
Current account deficit	**-6.3**	**-4.8**	**-6.7**
Gross Domestic Product	259.9	329.8	377.4
Gross National Product	247.4	317.2	363.0
	(% GDP)		
Government sector			
Savings	5.8	6.3	7.2
Investment	6.1	5.4	4.8
Deficit (-), surplus (+)	**-0.3**	**0.9**	**2.4**
Private sector			
Savings	19.0	18.6	18.7
Investment	21.1	20.9	22.8
Deficit (-), surplus (+)	**-2.1**	**-2.3**	**-4.1**
Gross National Savings	24.8	24.8	25.8
Investment	27.2	26.3	27.6
Current account deficit	**-2.4**	**-1.5**	**-1.8**
Note			
Current account deficit (billion $)	-3.1	-2.3	-3.1
Exchange rate Rp/$ (average)	2,030.0	2,087.0	2,164.0

1) 1993 and 1994 figures based on new series of GDP
2) Excluded change of stock

Source : - Central Bureau of Statistics
- Bank Indonesia

Chart 1.2
Savings - Investment Gap



sector grew wider, reflecting sharp growth in private investment. This gap increased as a proportion of the GNP from 2.0% to 2.1% in l994. In contrast, the Government sector posted a considerable savings surplus due to the success of its conservative fiscal policy in maintaining macroeconomic balance. Given the large domestic savings investment gap, there was greater use of foreign savings during the reporting year, as reflected in the higher current account deficit (Table 1.3).

Inflation

In 1994, inflation was contained at 9.24%, lower than the 9.77% of the previous year. However, when the fiscal years are compared, inflation increased from 7.04% in 1993/94 to 8.57% in 1994/95 (Table 1.4). The higher inflation was spurred mainly by disruptions in food supplies, being fueled by strong domestic demand, especially as regards that generated by investment in the construction and housing sectors. In addition, much of the increase in the prices of goods was attributable to price rises on the international market, and the strong inflationary impact of the yen appreciation, which drove up prices for imported goods.

Rises in food prices contributed heavily to inflation, a situation brought on by disruptions in supplies. Higher food prices in fact accounted for almost half of the overall 8.57% inflation in 1994/95 (Table 1.4). In addition, rising international market prices for several agricultural commodities, such as coffee and crude palm oil, also spurred price increases in these commodities on the domestic market.

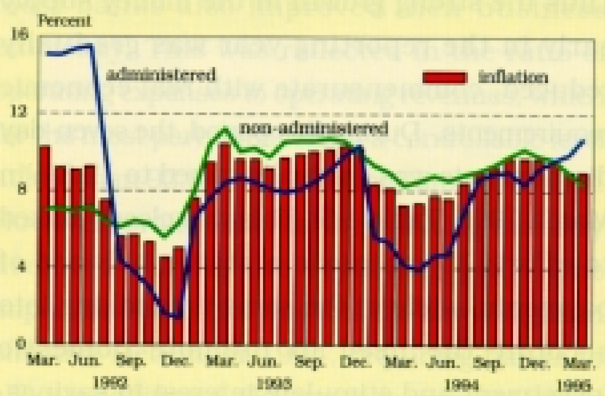
Price increases in both non-administered goods and the non-food/energy index reflected inflationary pressures originating in the increase in domestic demand in 1994. The price index for non-administered goods increased significantly in

Table 1.4
Inflation in 1994 and 1994/95

	1994		1994/95	
	Price changes	Share	Price changes	Share
	Percent			
Foodstuffs	13.93	4.54	11.68	3.92
Housing	9.09	2.73	9.14	2.76
Clothing	6.08	0.63	5.56	0.58
Miscellaneous	4.89	1.34	4.84	1.31
General	**9.24**	**9.24**	**8.57**	**8.57**
Administered	9.05	2.29	10.22	2.68
Non-administered	9.31	6.95	8.04	5.89

Source : Central Bureau of Statistics

Chart 1.3
Inflation Rate



Source : Central Bureau of Statistics

the reporting year, climbing 8.04% and contributing 5.89% to total inflation. Meanwhile, the non-food/energy price index also rose significantly by 7.79%, contributing 4.32% to the overall inflation rate. Strong prices increases were also recorded for goods and services closely related to construction, such as cement, sand, bricks, and labor. Cement prices registered an other year of steep hikes, up 16.0% during 1994/95, an indication of the rapidly rising domestic demand that is outpacing supply.

High rupiah depreciation, in addition to higher international market prices, also drove up prices for many goods and services. Rupiah depreciation was especially high against the yen, reaching around 17.6% during 1994/95. Considering the large share of imports from Japan, which amount to around 30% of the total, the rupiah depreciation against the yen exerted considerable upward pressure on domestic prices.

Monetary and Banking Developments

In general, the 1994/95 monetary situation was marked by efforts to keep interest rates and the growth of monetary aggregates within safe limits to assure internal and external balances. Thus the strong growth in the money supply early in the reporting year was gradually reduced, commensurate with real economic requirements. During this period, the seven-day discount rate was gradually raised to 12.3% in March 1995 (Table 1.5). This was closely linked to efforts to maintain a stable balance of payments, while at the same time taking into account the need to promote domestic investment and stimulate interest in savings. Bank interest rates, on the low side early in the reporting year, gradually rose in line with the higher discount rate and increasing international rates.

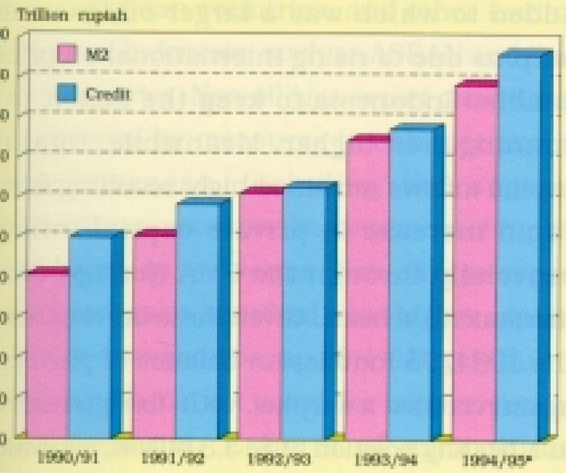
Table 1.5
Monetary and Banking Indicators

	1992/93	1993/94	1994/95*
	Changes (%)		
M2	22.2	21.2	21.5
M1	12.0	25.7	17.4
Quasi Money	26.0	19.8	22.9
Bank Funds	22.9	22.2	19.7
Bank Credit	7.1	24.0	26.5
	Percent		
Interest Rates			
SBI	12.5	6.7	12.3
Three month deposit	15.7	11.5	15.9
Credit			
- Working Capital	21.7	17.3	17.6
- Investment	18.3	15.3	15.4
Loan to Deposit Ratio	105.6	107.7	81.2
Operating expenses to operating income ratio[1)]	94.9	90.3	95.3

1) As of December

The cumulative result of these measures was an easing in the monetary aggregates since mid 1994/95. M1, which was still running high in early 1994, gradually eased to approximately 17% by the end of the reporting year. Meanwhile, M2 growth remained within controllable limits at 21.5%, a fairly similar level to the preceding year, reaching Rp 181.4 trillion (Chart 1.4). Interest rates also gradually rose, matching the slowdown

Chart 1.4
Money Supply and Credit



in the growth of monetary aggregates. The average three-month deposit rate increased from 11.5% at the end of 1993/94 to 15.9% at the end of the reporting year. These interest rate movements were sufficient to keep the difference between the domestic and overseas interest rate differential within normal limits. From 7.6% at the beginning of 1994, the interest rate differential edged upwards to 9.1% at the end of the reporting year. The higher rates for funds led to further increases in lending rates. Rates for working capital and investment credit, which averaged 16.9% and 14.8% in September 1994, rose to 17.6% and 15.4% by the end of March 1995 (Table 1.5).

As touched on earlier, Bank Indonesia also employed persuasion with banks to stem excessive credit expansion, calling on banks to exercise greater caution, especially in lending for properties and other speculative sectors. The purpose of this move was to prevent banks exceeding their normal funding capacity, and thus minimize risks of fresh problem loans. As a follow up to the persuasion, banks are required to prepare more accurate plans for their operations, especially as regards credit plans, which must be reported in detail to Bank Indonesia. This measure is also supported by taxation policy, and the imposition of VAT and luxury sales tax on the property sector, partly aimed at controlling the growth of bank lending to the property sector. Despite strong upward pressures in the property sector, these measures were successful in restraining bank credit expansion during the reporting year, thus preventing a round of excessive credit expansion reminiscent of 1990-1991. By the end of 1994, annual growth in bank credit had been contained to around 26%.

Reasonable progress was achieved in the consolidation process that has been under way for several years in the banking sector. One example of this was that more banks managed to comply with the prudential regulations. The average capital adequacy ratio, only 9.9% early in the reporting year, rose to around 10.4% by the end of 1994/95. Meanwhile, the loan to deposit ratio remained below 110%, despite the high growth in bank credit during 1994/95. Most banks also improved their business efficiency. This was reflected in the ratio of operating expenses to operating revenues, which for the most part remained at a controllable level at less than 93.5%, the efficiency limit of a bank. However, profitability in the banking industry declined during the reporting year. One important reason for this was the new obligation effective

December 1994, requiring banks to allocate additional allowances for earning assets losses. Compliance with this obligation led to a reduction in bank profits. In addition, some banks faced heavy burdens with the settlement of problem loans. This points to the need for intensive, integrated measures to overcome the various constraints facing the national banking system, including the need for solutions for problem loans and problem banks.

Balance of Payments

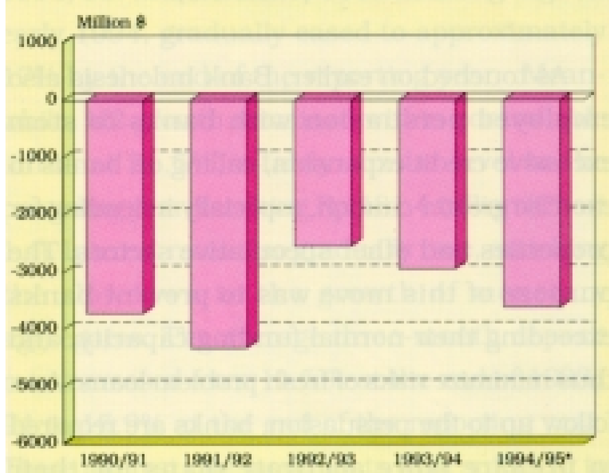
Indonesia's overall balance of payments remained stable in 1994/95. Both the current account deficit and foreign reserves with Bank Indonesia were maintained at safe levels of around 2.0% of GDP and 4.7 months of non-oil/ gas imports. However, the current account deficit swelled from $2.9 billion to $3.5 billion during the reporting period (Table 1.6). The higher deficit was mainly due to a sharp rise in imports, especially of non-oil/gas items, as a result of strengthening domestic demand. A resurgence in non-oil/gas exports, which had performed disappointingly early in the year, added to which was a larger oil/gas trade surplus due to rising international oil prices, enabled Indonesia to keep the deficit from running even higher. Meanwhile, total net capital inflows remained high, resulting from a rapid increase in private capital inflows, especially through the PMA (foreign direct investment) scheme. Given these developments, the 1994/95 Indonesian balance of payments again recorded a surplus, with foreign reserves in a healthy position at $13.3 billion, equivalent to 4.7 months of non-oil/gas imports.

Non-oil/gas exports registered an encouraging growth. After slowing down early in the reporting year, non-oil/gas exports rebounded in the second semester, with overall growth up from 9.5% in

Table 1.6
Balance of Payments

	1992/93	1993/94	1994/95*
		Billion $	
Current account	**-2.6**	**-2.9**	**-3.5**
Export f.o.b.	35.3	36.5	42.0
Import f.o.b.	-27.3	-29.1	-33.9
Services (net)	-10.5	-10.3	-11.6
Capital account	**5.2**	**5.7**	**4.5**
Official transfer and capital (net)	0.9	1.1	0.1
Private capital (net)	4.3	4.6	4.4
Monetary movements	**-1.4**	**-0.7**	**-0.6**

Chart 1.5
Current Account Balance



1993/94 to 16.7% in the reporting year. A key factor in this performance was higher prices for some commodities, reflecting an improved international market situation with strengthening economic performance in the US, some European countries, and other trading partners of Indonesia, such as ASEAN and East Asian countries. Non-oil/gas export growth was also boosted by measures to enhance export competitiveness, including the ongoing deregulation process and management of rupiah depreciation in real terms. Non-oil/gas export performance also benefited from higher exports of mining commodities, up 29.1% largely due to better export market prices for copper, nickel, and aluminum. Exports of agricultural commodities rose by 36.1%, with several key agricultural commodities, such as coffee, shrimps, natural rubber, and palm oil, fetching better prices on the international market. Manufactured goods, contributing 73% of total non-oil/gas exports, enjoyed another year of growth at 11.4%, although this growth was less vigorous than in previous years. Meanwhile, there was a strong surge in non-oil/gas imports compared with the preceding year, with import growth up from 6.6% to 18.3%. This reflected a strong increase in domestic demand, in addition to the impact of yen appreciation. The buoyant economy, especially as regards investment, drove up prices for imported raw materials and capital goods, mainly due to more infrastructure projects progressing to the implementation stage.

Total net capital flows remained fairly high in 1994/95 at $4.1 billion. The large inflows primarily reflected a high rate of private investment through the PMA scheme, and also portfolio investments. Meanwhile, net Government capital inflows were reduced, primarily because of the early repayment of some debt, reflecting the Government's prudent stance in foreign debt management. Official debt service, covering amortization and interest, rose from $13.2 billion to $16.1 billion. Consequently, the total debt service ratio (DSR) increased from 32.1% to 32.9% by the end of 1994/95.

Economic Outlook for 1995/96

The forecast for the Indonesian economy in 1995/96 is one of greater stability. It is anticipated that economic growth in 1995 will be higher than in 1994. Stronger fundamental factors in 1994/95, supported by specific, coordinated directed policy measures for the economy, are important reasons for optimism over Indonesia's economic future. As before, the main driving force in economic growth will continue to be domestic demand, especially consumption and private investment. Perceived challenges lie in efforts to curb inflationary pressures and maintain balance of payments stability. However, with efforts to keep both demand-push and supply-pull inflation low in 1995/96, coupled with deregulation policies, are expected to keep Indonesian exports competitive. Also supporting this outlook are brighter prospects of the world economy, which has been on the mend since mid-1994. Given that, Indonesia is expected to achieve about seven percent economic growth in 1995.

The Indonesian economy is expected to benefit from a more favorable external situation. Economic recovery in Indonesia's major trading partners, such as Japan and some West European countries, primarily Germany, is expected to be stronger than in the previous year. Increased economic activity in these countries is also expected to lead to higher world trade volume in 1995, and at the same time boost prices of commodities and manufactured goods on the world market. Following impressive growth in 1994, world trade volume will remain high after increasing remarkably in 1994. It is expected that the current momentum will be sustained, following the inauguration of the WTO in early 1995.

World primary and manufactured commodity prices are also expected to remain strong. Oil prices will climb due to steady growth in world oil consumption while production has lagged behind. Stronger economic performance in the industrialized countries should work to the advantage of the NIEs and ASEAN countries, which achieved remarkable growth in 1994. In turn, this will also boost Indonesian exports, since the dynamic growth economies of Asia have assumed growing importance as trading partners of Indonesia in recent years.

Stronger domestic fundamentals are forecast for 1995/96, in turn fueling domestic demand, especially in the private sector. Public consumption is expected to remain high in 1995/96, partly due to pay rises for civil servants, and higher regional minimum wages in 1995. An added factor is also higher disposable incomes resulting from the reduction in income tax rates in early 1995. Implementation in 1995/96 of some of the PMA (foreign investment) and PMDN (domestic investment) approvals, which increased sharply during the preceding year, will also stimulate high growth in private investment. In addition, the introduction of new tax-breaks and facilities will also have a positive impact on investment.

In light of the outlook for the Indonesian economy in 1995/96, the primary focus, as before, will be maintenance of macroeconomic stability. As indicated in the 1995/96 budget, the Government will implement the prudent fiscal policies necessary for sound monetary management to safeguard the economy in the face of pressures which could threaten macroeconomic stability. Although the projected macroeconomic impact of 1995/96 Government financial operations is fairly similar to that of the reporting year, prioritized expenditure for productive sectors and infrastructure development is expected to reduce supply side constraints and boost economic activity. In addition, sustained action through promotion of the poverty alleviation programs, including through IDT (the Presidential Program for Aid to Least Developed Rural Communities) and the Project Linking Banks and Community Self-Help Groups (PHBK) for example, is expected to bring about more equitable distribution of development.

The Government will maintain a cautious stance in monetary and banking policies with the aim of maintaining external and internal balances, as well as achieving targeted economic growth. Consolidation in the banking sector will remain a key priority on the monetary and banking policy agenda in view of the dynamic growth of the economy. To keep domestic demand within controllable limits, the growth of monetary aggregates in 1995/96 is expected to remain within safe parameters. To this end, the Government will endeavor to keep M2 growth and credit expansion to a reasonable 20% and 19% Meanwhile, greater efforts will be made to build a strong, sound and efficient banking industry through the application of the concept of self-regulation. It is anticipated that banks will improve their management and adopt sounder credit policy guidelines, while greater effectiveness will be introduced to bank supervision. These steps will help to arrest the downward trend in the quality of productive assets, while also making concrete improvements in bank operating efficiency.

Given strong domestic activity, the Government will have to be alert to inflationary pressures in 1995/96. Through prudential fiscal and monetary policies, the Government expects to control demand to forestall the twin dangers of high inflation and external imbalance. In addition, better climatic expectations for the foodcrop season, coupled with effective distribution of primary goods, are expected to alleviate pressures on foodstuff prices, the main source of inflationary pressure in the reporting year. In view of these predictions, the Government expects to keep inflation low.

As previously noted, the external sector is expected to make a significant contribution to Indonesia s economic growth in 1995/96. Stronger export growth is forecast because of improved competitiveness and increased production capacity, reflecting greater investment in the export- oriented manufacturing sector. Non-oil/gas exports are expected to record another year of robust growth. However, rising domestic consumption will reduce oil/gas export volume, thus eroding export revenues from the oil/gas sector. Imports are expected to remain high in line with rising domestic investment activity. Given this, the outlook for the current account deficit is a slight increase over that recorded in 1994/95, although still within safe limits at 2.3% of GDP.

Meanwhile, with rising international interest rates and better economic prospects for industrialized countries in 1995/96, short-term capital inflows are predicted to decline. Despite the downturn in short-term capital inflows, it is anticipated that net capital inflows will remain high, driven by increased foreign investment. A realistic rupiah exchange rate will be necessary to promote Indonesia’s export competitiveness while stimulating domestic production. In light of these various developments, the overall outlook for the balance of payments remains manageable, with a significant surplus in 1995/96.

THE MEXICAN FINANCIAL CRISIS AND ITS IMPLICATIONS FOR EMERGING MARKETS IN ASIA

Like other Latin American countries, Mexico experienced difficulties repaying its foreign loans in the 1980's due to a combination of sharply rising international interest rates, poor debt management and an overvalued peso. The debt crisis became prolonged, miring the Mexican economy in recession and high inflation. To deal with this crisis, the Mexican government adopted comprehensive measures based on prudent macroeconomic policies. These measures were supported by a tripartite wage controls agreement among government, employers and workers. To curb expected inflation, the government pegged the peso to the US dollar, with depreciation linked to targeted inflation. The attempts to put the Mexican economy back on the rails were also supported with international aid through the Brady Plan, which made it possible for Mexico to obtain foreign aid. Mexico also obtained debt relief through rescheduling of outstanding loans. As a result of these measures, the Mexican economy began to recover in the early 1990's, and recorded positive economic growth.

The improvement in the Mexican economy also led to a surge in investment which, however, was not matched by increased savings. This could be seen by the rising current account deficit. The deficit was funded primarily with short-term foreign funds, either in the form of US dollar-denominated treasury bills (Tesobonos) or stock in Mexican companies sold to foreign investors. At the same time the peso, which had beenpegged to the US dollar, became overvalued as Mexican inflation was running at a higher rate than that of the US. This brought about a sharp rise in the current account deficit, which reached around 8% of the GDP during the period of 1992 to 1994. Political crisis in Mexico made it impossible for the government to take the appropriate steps needed to right the economy. This political crisis and unfavorable external developments triggered apprehension among foreign investors about Mexico's economic prospects, and foreign reserves dropped from around $29 billion in February 1994 to $10 billion in November that year. Finally, to overcome this external imbalance, the Mexican government devalued the peso 15% against the dollar in December 1994. In reality, this devaluation was perceived as too little and too late, and therefore unable to restore external balance. Therefore the market anticipated further devaluations, causing fund managers to withdraw their funds to avoid larger losses. Mexico's foreign reserves therefore plunged, further weakening the peso.

Impact on Emerging Markets on Asia

The Mexican crisis undermined the confidence of international fund manager in developing economies that they perceived as having similarities with Mexico, like emerging markets in Asia. In early 1995, international fund managers engaged in a massive pullout of their investments from emerging markets in Asia, destabilizing the capital markets of those countries.

Capital markets slowed down, with the composite indices in almost all of Asia's emerging markets declining. In Thailand, the composite index slipped 2.6% in January, and Hong Kong lost even more ground at 8.2%. In Jakarta, the composite price index fell from 470 to 446, a drop of 5.0%.

In foreign exchange markets, the Mexican crisis brought pressures on currencies of emerging markets in Asia, which fell particularly against the dollar. The Hong Kong dollar depreciated from 7.74 to the dollar in early January 1995 to 7.77. During the same period, the Malaysian ringgit moved downward from 2.55 to 2.56 and the Indonesian rupiah depreciated from 2,186.30 to 2,223.00 against the US dollar.

Country	Amount of Intervention	Results
Hong Kong	$700 million	Hong Kong dollar rate against the US dollar recovered from 7.77 to 7.75.
Indonesia	$580 million	Rupiah rate against the US dollar appreciated from 2,223.00 to 2,213.00
Malaysia	$850 million	Ringgit move up from 2.56 to 2.55 against the US dollar
Philippines	$100 million	The peso rate appreciated against the US dollar from 24.83 to 24.68.
Thailand	$1,000 million	The baht strengthened from 26.0 to 25.14 against the US dollar and the overnight money market interest rate dropped from 35% to 17%.

To restore calm to the gyrating foreign exchange markets, several countries took action to shore up confidence in their currencies. Central bank interventions in Asia's emerging markets are described in the following table.

The Thailand Central Bank moved to support the baht through currency intervention, issuing assurances that the baht would not be devalued and providing foreign banks with a special 9% p.a. premium swap facility for one week. Like Thailand, Indonesia and the Philippines also increased their money market instrument discount rates. Indonesia raised its money market securities discount rate by 0.5%, and the Philippines increased its overnight interest rate by 1%. Hong Kong and Malaysia intervened only in foreign exchange markets and left interest rates unchanged. Unlike other emerging market countries, Singapore, with a relatively stable economy, did not intervene in the market, because the downturn in its currency remained with in acceptable norms.

Fundamental Differences between the Mexican Economy and the Economies of Emerging Markets in Asia

Many international economic observers ask why concerns arose over the likelihood of a similar crisis in emerging markets in Asia. In reality, however, their economies are fundamentally sounder than that of Mexico. Several macroeconomic indicators show that the economies of emerging markets in Asia are in better shape.

Average economic growth in emerging markets in Asia during the last four years (1991-1994) has never been less than 5.6% per annum. Of the seven countries known as emerging markets in Asia, only the Philippines recorded low economic growth, around 1.4% per annum. In the same period, Mexico highest growth rate was only 3.6%, achieved in 1991.

Average inflation in Asia's emerging market countries in the same period was 6.29%. The Philippines saw the highest inflation rate of 11.03%. Although such inflation figures were higher than those of developed countries, through realistic policies and exchange rate management, Asia's currencies did not become overvalued. Inflation in Mexico ran higher at 13.8% and this was not balanced by a realistic exchange rate policy, thus causing the peso to become overvalued.

The balance of payments, and especially the current account, were generally in better shape in Asia's emerging markets. Thailand experienced the highest current account deficit as a percentage of the GDP of any emerging markets in Asia, with the deficit averaging 6.3%. Singapore and Taiwan, on the other hand, recorded current account surpluses.

Short-term Foreign Borrowings and Foreign Echange Reserves in 1994

	Short-term Foreign Borrowings (Billion $)	Foreign Exchange Reserves (Billion $)	Short-term Foreign Borrowings Foreign Exchange Reserves.(%)
Asian *Emerging Market*			
Hong Kong	-	47.0	-
Indonesia	8.1	13.3	60.9
Malaysia	6.1	31.1	19.6
Philippines	8.5	6.9	123.2
Singapore	-	57.5	-
Taiwan	13.1	89.3	14.7
Thailand	34.4	30.0	114.7
Mexico	30.0	14.0	214.3

Source : various publications

In the same period, the ratios of savings and inveslment to the GDP in emerging markets in Asia reached 34% and 32%. In Mexico, savings and investment to the GDP in Mexico were much lower at only 16% and 24.3%.

Capital inflows to emerging markets in Asia have generally been long term, comprising foreign investments and medium to long term foreign borrowings. In Mexico, capital inflows were short-term, comprising portfolio investments and short term offshore borrowings. It is worth noting that foreign investors in Asia's emerging market countries are from a variety of countries, such as Europe, the US and Japan. This diversifies the risks of capital inflow fluctuations. In Mexico, most of the foreign investment comes only from North America.

In 1994, the ratio of Mexico's short term foreign loans to foreign reserves was higher than that of Asia's emerging markets. The average ratio in Asia was far below the 200% recorded in Mexico. From these comparisons, it is evident that the economies of emerging markets in Asia are fundamentally more sound than that of Mexico. Thus, concerns that a "Mexican Crisis" will flare up in emerging markets in Asia are unfounded.

2. MONETARY DEVELOPMENTS

Early in the reporting year, monetary policy faced a strong challenge in the form of growing economic activity accompanied by rapid increase in monetary aggregates and high inflation. Exacerbating this challenge were pressures on the rupiah brought about by unfavorable changes in several macroeconomic indicators, such as sluggish non-oil/gas export growth and flagging oil prices. Low domestic interest rates at the time also prompted capital outflow. If left unchecked, the situation would have led to disruption of macroeconomic stability. Therefore, in 1995/96, economic and monetary policies were focused more on overcoming a series problems that threatened the internal and external balances.

With the support of policies in other sectors, the direction adopted in monetary policy during the reporting year was control of rising domestic demand through better management of the money supply and the sources of its growth, in particular bank lending. In doing so, Bank Indonesia also applied moral suasion to banks in an effort to control excessive credit expansion. Greater flexibility was introduced to monetary management while reducing pressures on the rupiah by widening the spread between rupiah buying and selling rates. Bank Indonesia also streamlined the mechanisms for open market operations (OMO) and introduced new regulations on the net open position (NOP) to encourage the development of interbank foreign exchange market and provide banks with greater leeway in their foreign exchange operations.

Careful control was applied to the money supply through gradual increases in the discount rates for Bank Indonesia Certificates (SBIs), totaling five percentage points during the year. In a new move, SBI transactions were permitted on repo terms. Bank Indonesia adjusted the SBI rates with the aim of maintaining a reasonable differential between domestic rates and offshore rates such as the Singapore Interbank Offered Rate (SIBOR) and Fed Funds rate. Attention to this differential was important in ensuring that domestic rates stayed at levels that would maintain a proper balance between internal and external factors. Rapid hikes in domestic rates are effective in stemming domestic demand, but can discourage investment and trigger excessive inflows of short term speculative capital. On the contrary, low rates can generate excessive domestic demand, while also triggering capital outflow.

However, Bank Indonesia did not rely only on interest rate adjustments to control credit expansion. There was concern that high interest rates applied to rein in credit would be detrimental to the quality of credit portfolios, and result in even more problem loans. Another factor was that a considerable portion of lending was being channeled to sectors highly sensitive to changes in business cycles, such as construction and housing. Bank Indonesia therefore appealed to banks to refrain from excessive credit expansion, particularly in high risk sectors. This measure was also supported by fiscal policy: taxes on land and home transactions were raised from 3% to 5%, and a 10% luxury sales tax was imposed on purchases of luxury homes, condominiums and similar properties.

In September 1994, Bank Indonesia increased the spread between US dollar buying and selling rates from Rp20.00 to Rp30.00. This measure was aimed at improving the effectiveness of control over the money supply, and to reduce negative impacts from upheavals on foreign money markets. Also, to allow banks more flexibility in their foreign currency and treasury operations, Bank Indonesia introduced a more relaxed limit on the NOP. A growing foreign exchange market is expected to help market players reduce their use of Bank Indonesia foreign exchange facilities, and thus allow the monetary authority greater leeway in monetary management.

By adopting these policies, Bank Indonesia succeeded in keeping monetary conditions on an even keel, as reflected in the gradual increase in the money supply. Following Government measures to stem rapid credit expansion, growth in lending to the home properties and real estate sector began to subside toward the end of the year. Better coordination between monetary and fiscal policy enabled the Government to keep the high rate of inflation within safe limits, despite upward pressures from disruptions in the supply of goods and services. Furthermore, Bank Indonesia intervened on the foreign exchange market to arrest a wave of speculation while also raising interest rates to maintain monetary stability, thus easing pressures on the rupiah.

Money Supply

With monetary policy controlling domestic demand, monetary aggregates began to ease around mid-1995. Growth in broad money, or M2, recorded at an annualized 22.2% in April, began to slow down in June. By the end of the year, M2 growth had eased to a controllable 21.5% (Table 2.1) One reason for reduced growth in M2 was a slowdown in M1 growth from 25.7% in 1993/94 to 17.4% in 1994/95. Growth in quasi-money remained strong due to a resurgence in deposit rates. M1 growth, however, declined particularly due to lower demand deposits. Growth in currency remained strong, though expansion was not as

Table 2.1
Annual Growth Rates of Money Supply

End of Period	Currency	Demand deposits	M1	Quasi money	M2
	Percent				
1990/91	16.0	1.2	6.4	36.3	26.0
1991/92	22.1	12.0	15.9	27.7	24.2
1992/93	11.8	12.1	12.0	26.0	22.2
1993/94	27.0	24.8	25.7	19.8	21.2
1994/95*	20.8	15.0	17.4	22.9	21.5
June	27.8	26.6	27.1	20.6	22.2
September	33.9	13.3	21.0	18.4	19.1
December	29.1	19.4	23.2	18.5	19.7
March*	20.8	15.0	17.4	22.9	21.5

vigorous as in 1993/94. High growth in currency resulted not only from rising public incomes, but also the more widespread availability of banking facilities, such as automatic teller machines. Stronger wholesale activities and heavy business in properties, where many transactions take place in cash, were also factors that increased currency in circulation. Factors contributing higher public incomes included the increased minimum wage and a new, higher limit on tax-exempt income.

Various factors exerted different effects on the money supply in 1993/94. The external sector and net other items exerted a strong contractionary effect on M2. This, however, was offset by the expansionary effect of claims on the business sector (Chart 2.1).

The government sector exerted a considerable net contractionary effect in rupiah and foreign currencies, reducing the money supply by Rp2.6 trillion. This strong contractionary effect resulted from the high proportion of tax and non-tax revenues in the non-oil/gas sector, a result of intensified tax collection, broadening of the tax base, and rising incomes. The contraction in the government sector was one factor that supported monetary policy in controlling liquidity in the economy during the reporting year (Table 2.2).

Overall, the external sector also had a strong contractionary effect on the money supply, amounting to Rp 3.7 trillion. The contractionary effect resulted from large payments on government debt, partly because accelerated repayment of some debt, and also capital outflows driven by foreign currency speculation by fund managers and some members of the public. Another factor was net other

Chart 2.1
Factors Affecting Money Supply

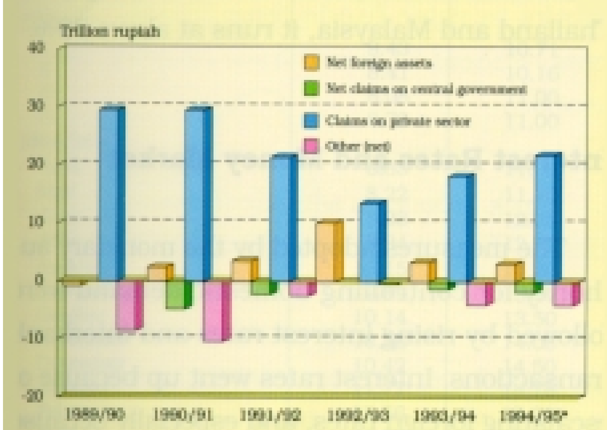


Table 2.2
Money Supply and Its Determinants

	1993/94	1994/95*	1994/95*
	Changes		End of Period
	Trillion rupiah		
M1 (narrow money)	**7.8**	**6.7**	**45.1**
Currency	3.3	3.3	18.9
Demand deposits	4.5	3.4	26.2
Quasi money	**18.3**	**25.4**	**136.3**
Time and savings deposits in rupiah	15.0	19.7	102.3
Time deposits in foreign currency	3.3	5.7	34.0
M2 (broad money)	**26.1**	**32.1**	**181.4**
Determinants			
Foreign assets (net)	-2.2	-3.7	27.4
Bank Indonesia	1.7	-2.0	36.9
Commercial banks	-3.9	-1.7	-9.5
Claims on central government (net)	-1.6	-2.6	-19.3
Claims on government institutions and enterprises	0.7	1.1	10.6
Claims on private enterprises and individuals	34.7	41.4	210.8
Others	-5.5	-4.1	-48.1

items, which exerted a Rp4.1 trillion contractionary effect on M2. This was linked to improved business performance and stronger capital structure in the banking system.

Claims on the business sector, comprising claims to state agencies and enterprises, and claims to private companies and individuals, generated an expansionary effect of as much as Rp42.5 trillion. This high growth was linked to strong credit expansion in industry, trade and services. However, though claims on the business sector were the primary source of expansion, these claims have begun to decline (Chart 2.2).

Expansion of the banking network has contributed to the monetizing of the economy, as reflected in a strong improvement in financial deepening measured by the ratio of M2 to the GDP. Financial deepening, recorded at 43.6% of the GDP in 1992/93, rose significantly during the following years to reach 48.1% in 1994/95.

Chart 2.2
Annual Growth Rate of Money Supply and Claims on Private Sector

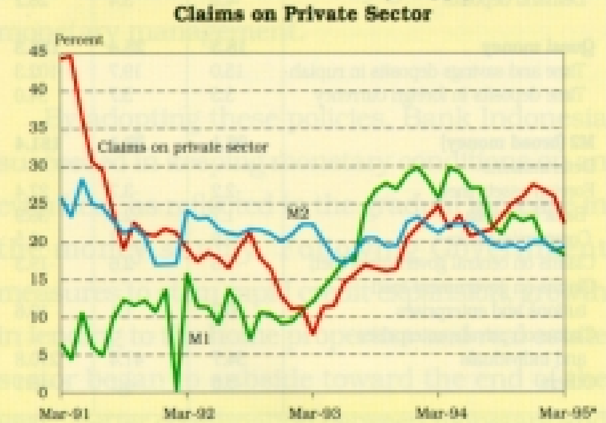


Table 2.3
Monetization. Multiplier. and Multiplier Components[1)]

Memorandum Items	1992/93	1993/94	1994/95*
	Percent		
Ratios			
M1/GDP	10.8	11.7	12.0
M2/GDP	43.6	45.3	48.1
Quasi money/GDP	32.8	33.6	36.1
	Ratio		
Multiplier			
M1	1.9	2.0	1.9
M2	7.8	7.9	7.8
Multiplier Components			
C/D	0.7	0.7	0.7
T/D	5.1	4.9	5.2

1) End of the period. except GDP in the calendar year

Stronger financial deepening and the growth of the banking system are expected to foster productive economic activities. However, financial deepening in Indonesia lags behind that of several ASEAN countries. In Singapore, Thailand and Malaysia, it runs at above 70%.

Interest Rates and Money Market

The measures adopted by the monetary authority for controlling domestic demand were followed by rising interest rates and interbank transactions. Interest rates went up because of escalating foreign rates, and especially because of higher rates for Fedfunds. However, the rate increases remained within reasonable limits, as demonstrated by keen interest in investment. Interbank transaction volume rose in line with growing liquidity needs, in part generated by heavy foreign exchange buying by some banks to cover withdrawals by foreign investors, which had depleted liquidity in rupiah.

Interest Rates

Discount rates for SBIs and money market securities gradually rose alter the third quarter of 1994/95 as the monetary authority strove to control the growth of the money supply. The SBI discount rate, which had reached a low of 6.9% at the beginning of the reporting year, climbed to as high as 12.3% in March 1995. Similarly, the discount rate for money market securities rose gradually from 11.0% in March 1994 to 15.3% in March 1995 (Table 2.4).

Three-month deposit rates increased from 13.4% in September 1994 to 15.9% in March 1995 (Table 2.5). This raised the interest rate differential between domestic and foreign rates, thus maintaining attractiveness for foreign investors. This differential increased from 4.4% in September 1994 to 6.4% in March 1995 (Chart 2.3). Real interest rates were also high, thereby retaining their attraction for depositors (Chart 2.4).

Lending rates also edged upwards in response to higher deposit rates, though this growth was less pronounced than during the previous year. Interest rates increased for both working capital and investment credit. The average rate for working capital credit rose from 16.9% in September 1994 to 17.6% in March 1995. During the same period, the average rate charged on investment credit went up from 14.8% to 15.4%. With lending rates climbing at a slower pace than deposit rates, the

Table 2.4
Average Discount Rates on SBI and SBPU

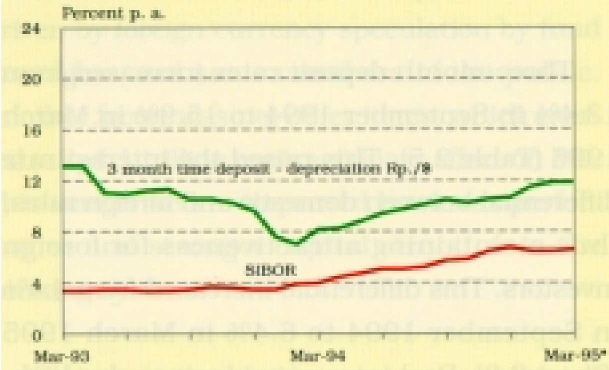
Period	SBI	SBPU
	Percent	
1993/94		
I	9.43	10.71
II	8.41	10.16
III	8.08	11.00
IV	6.72	11.00
1994/95		
April	6.85	11.00
May	8.22	11.70
June	8.93	12.25
July	8.94	12.72
August	10.15	13.20
September	9.89	13.50
October	10.14	13.50
November	10.56	14.08
December	10.42	14.50
January	11.77	14.76
February	12.56	15.22
March*	12.27	15.25

Table 2.5
Interest Rates

End of period	1993/94	1994/95			
	IV	I	II	III	IV*
	Percent p.a.				
Time deposit[1]					
Rupiah :					
1 month	10.37	11.89	13.27	14.43	16.16
3 months	11.53	12.07	13.35	14.27	15.92
6 months	11.94	11.89	12.57	13.33	14.57
12 months	13.40	12.72	12.50	12.99	13.87
24 months	15.24	14.46	15.82	14.80	14.45
Foreign currency :					
1 month	4.93	5.05	5.65	6.13	6.76
3 months	5.25	5.45	6.09	6.42	6.99
6 months	5.52	5.67	5.98	6.49	7.13
12 months	6.16	6.00	5.81	5.95	6.58
Credit					
Working capital	17.27	16.80	16.86	17.00	17.60
Investment	15.28	14.82	14.79	14.97	15.40
LIBOR 3 months	3.94	4.88	5.50	6.50	6.25
SIBOR 3 months	3.94	4.88	5.56	6.56	6.31

1) Weighted average

Chart 2.3
Domestic and International Interest Rates



Source : - Bank Indonesia
- Reuter

Chart 2.4
Real Interest Rates

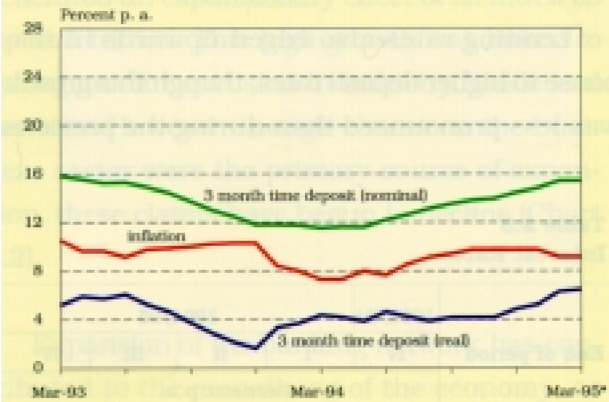
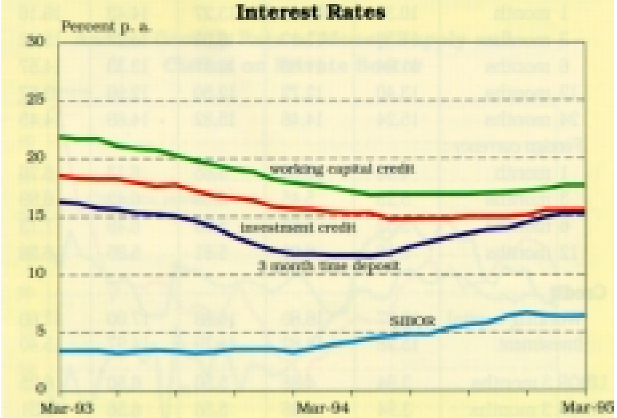


Chart 2.5
Interest Rates



Source : - Bank Indonesia
- Reuter

spread between working capital credit rates and threemonth deposit rates declined. This indicates that banks were acting with caution in charging higher lending rates, in view of the more competitive banking environment.

Rupiah Money Market

During the reporting year, Bank Indonesia introduced a new provision allowing the sale of SBIs under repo (repurchase agreements), with the aim of encouraging the growth of the rupiah money market and supporting monetary policy. Another objective was to help banks with their liquidity, particularly in cases of shortages of funds in clearing. The SBI repo facility enables banks to raise funds temporarily under a commitment to repurchase on prearranged terms.

Bank Indonesia's prudent monetary policy designed to rein in rising domestic demand has spurred money market activity. Tighter bank liquidity in 1994/95 (Table 2.6, Chart 2.6) generated greater transaction demand, pushing up interbank rates (Table 2.7, Chart 2.7). Bank liquidity came under even further pressure in the first quarter from foreign currency speculation, generating considerably higher interbank demand. As explained, reduced bank liquidity accompanied by rising interbank transactions has driven up interbank rates. The weighted average for interbank rates went up from 7.6% in 1993/94 to 11.0% at the end of September 1994 and by March 1995 to as high as 13.1%.

Table 2.6
Rupiah Liquidity of Banks[1)]

	1992/93	1993/94	1994/95
	Trillion rupiah		
Total reserves	**17.3**	**17.5**	**8.5**
Primary reserves	3.0	3.0	3.7
Secondary reserves (SBI)	14.3	14.5	4.8
Current liabilities	**92.7**	**121.3**	**134.7**
Deposits[2)]	90.1	118.6	130.6
Outstanding SBPUs with BI	2.6	2.7	4.1
Percentage of liquidity (%)			
Total reserves/total current liabilities	18.6	14.5	6.3
Reserve/deposits	3.3	2.6	2.9

1) End of the period
2) Monthly average

Table 2.7
Interbank Money Market Transactions and Interest Rates in Jakarta

	1993/94	1994/95*	1994/95			
			I	II	III	IV*
	Trillion rupiah					
Transaction value						
One day[1)]	86.8	111.3	24.0	24.4	29.9	33.0
Total	98.7	118.7	27.5	27.6	30.3	33.3
	Percent p.a.					
Interest rates						
One day[1)]	7.0	13.0	9.3	11.1	11.9	13.0
Total	7.6	13.1	9.4	11.0	12.0	13.1

1) Weighted average interest rate in the last month of the period

SBI sales on the primary market fell from Rpl37.7 trillion in 1993/94 to Rp72 trillion in the reporting year (Table 2.8). With Rp81.1 trillion in SBI placements of Rp81.1 trillion reaching maturity without extension of term, by the end of 1994/95 the SBI position had dropped from Rpl4.6 trillion to Rp5.4 trillion. Many of the redeemed SBIs had been held by foreigners. Nevertheless, secondary market transactions increased slightly from Rp9.96 trillion to Rpll.4 trillion. On the secondary market, the weighted average of the SBI rates was 12.8% (Table 2.9).

Sales by banks of money market securities increased fourfold to Rp95.4 trillion. These sales were in part driven by rising demand for funds to

Chart 2.6
Comercial Bank Liquidity

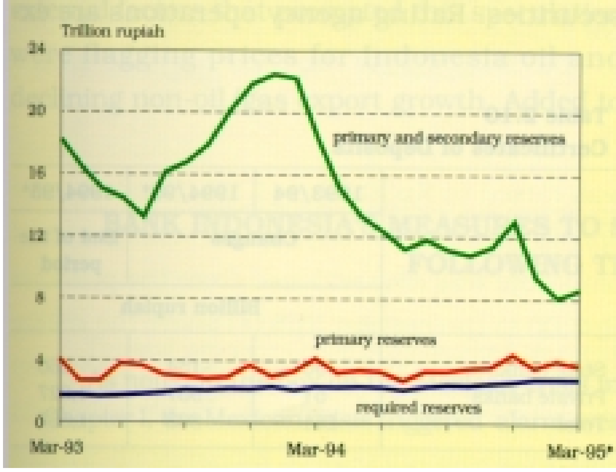


Chart 2.7
Transaction Value and Interbank Money Market Interest Rates

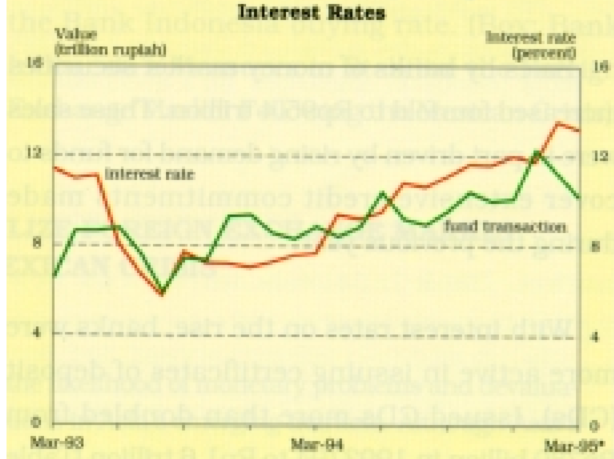


Table 2.8
Issuance, Repayment, and Outstanding of SBI and SBPU

	1993/94	1994/95*	1994/95 I	1994/95 II	1994/95 III	1994/95 IV*
	Trillion rupiah					
SBI						
By Auction						
Issuance	137.7	72.0	16.4	17.0	18.6	20.0
Repayment	139.4	81.1	21.3	18.1	17.8	23.9
Outstanding[1)]	14.6	5.4	9.7	8.6	9.2	5.4
Interest rate (%)	8.6	13.3	9.3	10.4	11.6	13.3
Special						
Issuance	11.5	11.3	5.5	-	5.8	-
Repayment	13.0	10.7	5.2	-	5.5	-
Outstanding[1)]	5.2	5.8	5.5	5.5	5.8	5.8
SBPU						
By auction						
Issuance	24.4	95.4	16.7	22.6	19.6	36.5
Repayment	24.3	94.0	16.1	22.5	19.2	36.2
Outstanding[1)]	2.7	4.1	3.7	3.5	3.8	4.1
Interest rate (%)	11.8	15.3	13.2	13.6	15.4	15.3
Special						
Issuance	--	--	-	-	-	-
Repayment	7.0	2.0	2.0	-	-	-
Outstanding[1)]	2.0		-	-	-	-

1) End of the period

cover extensive credit commitments made during the previous year.

With interest rates on the rise, banks were more active in issuing certificates of deposit (CDs). Issued CDs more than doubled from Rp780 billion in 1993/94 to Rpl.6 trillion (Table 2.10), in line with growing domestic money market activity.

To promote the growth of a sound money market, PT Pefindo announced ratings for securities issued by two companies: PT Bank Papan Sejahtera and PT Duta Anggada. PT Pefindo is a rating agency established in 1993 with the purpose of providing investors with more objective information on the quality of securities. Rating

Table 2.9
SBI Transactions in the Secondary Market

Period	Transaction value	Weighted average interest rate
	Billion rupiah	Percent p.a
1993/94	9.96	9.90
I	2.12	12.19
II	2.42	8.54
III	2.62	9.74
IV	2.79	9.50
1994/95*	11.36	12.77
I	3.36	11.48
II	3.65	12.79
III	3.08	13.84
IV*	1.26	13.56

agency operations are expected to foster greater activity on the money market.

Foreign Exchange Market

In 1994/95, the foreign exchange market was marked by strong fluctuations resulting from external capital flows, and particularly movements of short term capital. Under these conditions, Bank Indonesia experienced some difficulties in monetary management because of heavy buying

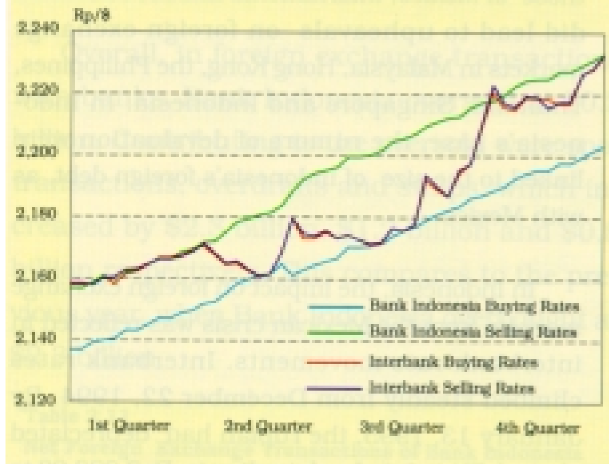
Table 2.10
Certificates of Deposits

	1993/94	1994/95*	1994/95*
	Changes		End of the period
	Billion rupiah		
State banks	90	-154	260
Private banks	51	957	1,327
Total	141	803	1,587

of foreign exchange from Bank Indonesia to cover shortages at banks, thus putting pressure on the rupiah (Chart 2.8).

On the interbank foreign exchange market, the rupiah to United States dollar exchange rate depreciated 3.38%. The first and fourth quarters of 1994/95 were marked by strong fluctuation in the interbank rupiah exchange rate. In the first quarter, the foreign exchange market came under heavy pressure from foreign fund managers attempting to net short term gains on funds invested in Indonesia. Among unfavorable external factors that prompted this speculation were flagging prices for Indonesia oil and declining non-oil/gas export growth. Added to these were low domestic interest rates, which prompted many to invest in foreign currencies. In the fourth quarter of 1994/95, however, the shakeup on the foreign exchange market resulted from the fallout of the Mexican crisis. Additionally, the second quarter was marked

Chart 2.8
Interbank Exchange Rate Movement in 1994/95



by an across-the-board increase in the interbank exchange rate to Rp5.00 below the Bank Indonesia selling rate, though the rate remained relatively stable. During that period, the interbank exchange rate gradually shifted towards the Bank Indonesia buying rate. (Box: Bank Indonesia's Measures to Stabilize the Foreign Exchange Market Following the Mexican Crisis).

BANK INDONESIA'S MEASURES TO STABILIZE FOREIGN EXCHANGE MARKET FOLLOWING THE MEXICAN CRISIS

As noted in the box on the Mexican crisis in Chapter I, the Mexican crisis triggered alarm over the likelihood of monetary problems and devaluations in Asia's emerging markets. Although Asia's fundamentals are in much better condition than those of Mexico, international market sentiment did lead to upheavals on foreign exchange markets in Malaysia, Hong Kong, the Philippines, Thailand, Singapore and Indonesia. In Indonesia's case, the rumors of devaluation were linked to the size of Indonesia's foreign debt, as with Mexico.

In Indonesia, the impact on foreign exchange markets from the Mexican crisis was reflected in interbank rate movements. Interbank rates climbed steadly from December 22, 1994. By January 13, 1995, the rupiah had depreciated about 1.7% in interbank trading to Rp2,223.00 to the US dollar, about Rp5.00 above the Bank Indonesia selling rate. This increase in the dollar rate was caused primarily by stronger US dollar buying by foreign investors withdrawing funds from Indonesia. Interbank foreign exchange transactions during the first two weeks of January 1995 also swelled to $1,200 million a day, compared to the previous steady daily volume of around $500 million. The spread between the interbank rupiah to dollar buying and selling rates also widened from the normal range of around Rp0.50 to Rp3.00.

To maintain monetary stability and ease pressures on the rupiah, on January 13, 1995 Bank Indonesia embarked on a $580 million intervention in the domestic foreign exchange market through forward, spot and squaring transactions. In anticipation of a rush to buy foreign banknotes, Bank Indonesia opened its cashiers on Saturdays to serve banks and money changes. Bank Indonesia further supported these measures through a 0.5% hike money market securities rates. These policies succeeded in easing pressures on the foreign exchange market. The interbank rate was brought down to Rp2,213.00, or around Rp5.00 below the Bank Indonesia selling rate. These measures reinforced public and market confrdence in Indonesia and overseas that the Government would not devalue the rupiah.

To improve the effectiveness of monetary control and promote the domestic money market, Bank Indonesia introduced new regulations in September 1994 concerning the spread and the announcement of Bank Indonesia rates. The spread between buying and selling rates, previously Rp20.00 or about 1.0%, was raised to Rp30.00 or 1.5%. Similarly, the spread between the buying and selling rates of banknote was also widened from the previous Rp3.00 to the current Rp5.00 above the selling rate and below the buying rate published by Bank Indonesia. In addition, Bank Indonesia had previously announced exchange rates in the morning. Under the new regulation exchange rates are announced in the afternoon.

Bank Indonesia also introduced new regulations on the net open position (NOP) to allow banks more leeway in their foreign exchange transactions and treasury operations. The maximum permitted overall NOP (on-and off-balance sheet assets included) on a weekly average basis is 25% of bank capital. Additionally, the previous restriction on the NOP per currency of 25% of bank capital has been lifted, and banks are free to use their own discretion in managing their currency exposure within the overall NOP. (See Box: New Foreign Exchange Regulations: September 3, 1994).

Interbank foreign exchange transactions in the reporting year totaled $ 917.8 billion, up from $884.8 billion in 1993/94 (Table 2.11). Spot and forward transactions were up 4.9% each, while swaps declined 2.0%. Growth in transactions was driven particularly by rising liquidity needs and withdrawal of capital by foreign investors. Eleven foreign exchange banks joined the domestic foreign exchange market during the reporting year, bringing the total to 112, while the number of brokerage companies remained unchanged at nine.

Overall, in foreign exchange transactions with banks, Bank Indonesia oversold at $0.2 billion. Contributing to the oversold were spot transactions, overdrafts and swaps, which increased by $2.3 billion, $1.2 billion and $0.8 billion respectively. This compares to the previous year, when Bank Indonesia overbought at $2.3 billion.

Table 2.11
Net Foreign Exchange Transactions of Bank Indonesia with Banks and Interbank Transaction

	1993/94	1994/95*	1994/95			
			I	II	III	IV*
	Million dollar					
BI net transaction with banks						
- Spot	-1,314.10	-2,257.40	-3,046.50	616.60	729.00	-556.50
- Export draft	3.619.90	1,194.00	412.40	241.60	190.20	349.80
- Swap	-45.60	825.20	481.30	232.10	50.20	61.60
Total	2,260.20	-238.20	-2,152.80	1,090.30	969.40	-145.10
	Billion dollar					
Interbank transaction						
- Spot	567.9	595.7	140.5	174.2	122.2	158.8
- Forward	166.3	174.5	50.6	34.3	40.2	49.5
- Swap	150.7	147.7	42.6	43.2	22.4	39.6
Total	884.8	917.8	233.6	251.6	184.7	247.8

NEW FOREIGN EXCHANGE REGULATIONS: SEPTEMBER 3, 1994

The last two years have been marked by rapid capital flows generated by speculative investments from international fund managers who targeted emerging market countries in Latin America and the Asia-Pacific, including Indonesia. The speculation was fueled by attractive interest rate differentials between the developed and emerging markets, in addition to developments on the capital markets themselves and the strong economic growth and stability of Latin American and Asia-Pacific countries. The rapid flows have created difficulties in maintaining monetary and exchange rate stability, and have thus affected the performance of economies in these countries, and also for Indonesia.

In 1994/95, Bank Indonesia adopted various measures designed to control domestic money market liquidity and quell the speculative activities of international fund managers in Indonesia. This policy relied on monetary management, and included changes in domestic interest rates and rupiah exchange depreciation to fend off the rising pressures on macroeconomic stability. However, these measures proved inadequate to halt the speculation and resultant short-term capital flows.

Faced with this situation, Bank Indonesia issued new regulations on foreign exchange and currency rates on September 3, 1994, which became effective two days afterwards on September 5. The new regulations were a continuation of previous measures designed to foster a large, healthy and efficient foreign exchange market that would support national development. A large foreign exchange market would enable banks and the business community to raise the liquidity they need through buying and selling on the market, and thus reduce dependence on Bank Indonesia. In addition, the relaxed limit on the net open position (NOP) would provide banks with more leeway in making necessary adjustments to their open position. From the Government's standpoint, these conditions would increase the effectiveness of the existing monetary instruments, among others to control the impact of capital inflows. A further objective of the regulations was the creation of a healthier foreign exchange market by reducing distortions stemming from the morning announcement of exchange rates.

The new foreign exchange regulations are as follows:

(a) The spread between buying and selling rates applicable in foreign exchange dealings with Bank Indonesia, previously Rp20.00 or about 1%, is now Rp30.00 or around 1.50%.
(b) The Bank Indonesia rates for foreign bank-notes, previously Rp3.00 below and above the published buying and selling rates, are now Rp5.00 below and above these rates.
(c) Announcement of Bank Indonesia exchange rates, previously made in the mornings, has been changed to the afternoon (15.00 hours) on Monday to Friday, and applies to:
    (i) Same-day squaring and swap transactions.
    (ii) Draft rediscount transactions and buying and selling rates for banknotes for the following day.
(d) As before, exchange rates used in calculating figures in bank financial statements are those effective at the date of the statement.
(e) NOP limits are changed as follows:
    (i) The overall NOP, previously 20%, is now 25% of bank capital.
    (ii) The NOP for off-balance sheet (OBS) items, previously 20%, is also now 25% of bank capital.
    (iii) The NOP per currency ruling no longer applies.

Trading times for squaring, swaps and draft rediscounts are unchanged.

3. GOVERNMENT FINANCES

Aggregate Government Finances, Monetary Impacts and the Balance of Payments

In the first year of the Sixth Five-Year Development Plan (Repelita VI), the Government maintained a prudent stance in fiscal policy with the objectives of maintaining monetary stability and promoting equity in development. Both measures were necessary to assure sustained economic growth over the long term. During the reporting year, buoyant economic growth and higher oil prices contributed to an encouraging performance in domestic revenues that increased fiscal savings from 7.9% of the GDP in 1993/94 to 8.3% in 1994/95 (Table 3.1). The higher fiscal savings indicates a more conservative approach to fiscal policy. Meanwhile, Government investment increased by 13.6% (Table 3.l), slightly more than the 12% growth of the previous fiscal year. Priority areas in Government expenditures were the strengthening of regional potential and the development of infrastructure to promote economic growth through improved transport and communications. Other priorities also included mining and energy, human resources development, and poverty alleviation. In the latter, Government expenditures under the Presidential Instruction on Underdeveloped Villages *(Inpres Desa Tertinggal)* were designed with a focus on poverty alleviation in remote areas, and especially in Eastern

Table 3.1
Government Finance Operation

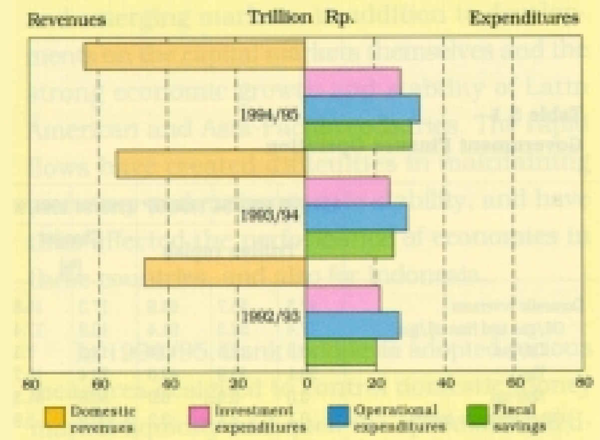
	1992/93	1993/94	1994/95*	1993/94	1994/95*
	Trillion rupiah			Changes (%)	
Domestic revenues	47.5	55.7	64.6	17.3	15.6
Oil/gas and Non-oil/gas	47.4	52.3	61.4	10.3	17.4
Oil/gas	15.3	12.5	13.4	-18.3	7.2
Tax	29.1	35.9	42.0	23.4	16.7
Non-tax	3.0	3.9	6.0	30.0	51.3
Other revenues (net)[1]	0.1	3.4	3.2	3,300.0	-5.9
Operational expenditures[2]	27.0	29.5	33.1	9.3	12.2
Fiscal savings	20.5	26.2	31.5	27.8	19.5
Investment expenditures[3]	21.6	24.2	27.5	12.0	13.6
Savings - Investment Gap	-1.1	2.0	3.8		
Financing[4]	1.1	-2.0	-3.8		
Domestic[5]	-0.1	-1.6	-2.6		
Net foreign borrowings[6]	1.2	-0.4	-1.2		

1) Including uncalculated differences
2) Routine expenditures excluding a.o. foreign debt amortization
3) Development expenditures. excluding operational and maintenance cost
4) Minus means increase
5) Changes in net claims on Government with Bank Indonesia and banks
6) Development revenues in state budget minus foreign debt amortization
Source : Ministry of Finance

Indonesia. Finally, on January 1, 1995 the Government enacted a series of new tax laws designed to strengthen the national taxation base.

As in 1993/94, Government finances exerted a significant contractionary effect on the money supply. This reflected the Government's prudent stance in fiscal management, aimed at supporting cautious monetary policy designed to promote economic recovery while maintaining macroeconomic stability. As part of this policy, the Government also acted to stem overheated credit expansion in the properties sector by applying VAT

Cart 3.1
Government Finance Operation



Source : Ministry of Finance

Table 3.2
Important Ratios in Government Revenues and Expenditures[1]

	1992/93	1993/94r	1994/95*
1. Domestic expenditures to GDP	15.9	11.9	12.0
2. Government investment to GDP	8.3	7.3	7.3
3. Fiscal savings to GDP	7.9	7.9	8.3
4. Government investment to domestic expenditures	44.4	45.1	45.4
5. Non-oil/gas revenues to domestic revenues	67.8	77.6	79.3
6. Non-oil/gas revenues to GDP	14.1	13.1	14.8

1) GDP in calendar year
Source : Ministry of Finance

and a 10% luxury sales tax on sales of luxury homes, condominiums, and similar properties.[1)]

Once again, Government finances exerted a net negative impact on the balance of payments, though slightly less than during the previous year, due to improved oil/gas revenues.

Government rupiah expenditures, which affect domestic demand, rose in real terms by a significant 6.2%, and as a proportion of the GDP to 12.0% (Table 3.2). The increased domestic spending can be explained mainly by rising operational expenditures, in part brought on by pay increases for class I and II civil servants and armed forces personnel, and higher government pensions, effective January 1995. Domestic goods procurement also rose significantly as the Government sought to improve public services while past government investment in development projects now required more funds for maintenance. Priority items for Government investment, that drove up expenditure in this area, were regional development projects, infrastructure development essential for future economic growth, human resources development, and poverty alleviation in remote areas. Though slightly higher than in the preceding year, the ratio of government investment to total expenditures remained about the same at 45.4%, and therefore the ratio of government investment to the GDP for the past two years stayed reasonably constant at about 7.3%.

Domestic revenues increased 15.6%, a heartening performance (Table 3.1). Non-tax revenues recorded remarkable growth at 53.8%, much of which was contributed from the sale of Government's shares in PT Indosat on the New York Stock Exchange (NYSE). The higher revenues reflect various improvements made in Government

1) Government Regulation No. 50/1994 dated December 28, 1994

administration, including the management of funds in non-departmental institutions. Improvements in the management of some state-owned enterprises have also helped to increase their contribution to state revenues. Tax revenues climbed by a healthy 16.7%, though this rate was somewhat less than during the previous year. Lower income tax rates introduced with the new tax laws in January 1995 represented an important factor in the reduced growth in tax revenues.[2)] Income tax accounts for a major proportion of total tax receipts. Oil/gas revenues, however, were up 7.2%, mainly because of higher average prices for Indonesian oil on world markets. This compares favorably to the negative growth (-18.3%) in 1993/94. Nevertheless, non oil-gas revenues grew at an even faster rate, and thus the proportion of non oil-gas revenues to total domestic revenues increased from 77.6% to 79.3% in the reporting year. This shows that non oil/gas revenues, projected to become the backbone of state finances, are assuming an ever stronger role.

However, operational expenditures grew at an even faster rate than domestic revenues, and thus fiscal savings increased by only 19.5%, down from 27.8% growth the previous year. Nevertheless, in absolute terms, fiscal savings exceeded government investment spending, resulting in a Rp3.8 trillion savings-investment gap, almost twice as much as in the preceding year.

As touched on earlier, Government finances exerted a Rp9.3 trillion contractionary effect on the money supply. This compares to the Rp8.9 trillion contractionary effect in 1993/94 (Table 3.3). The contraction came about as a result of government revenues in rupiah, comprising both tax and non-tax revenues, exceeding domestic government expenditures for operational and investment purposes. Thus, prudent fiscal policy strengthened the hand of monetary policy aimed at curbing domestic inflationary pressures.

Government finances in 1994/95 also produced a net foreign exchange outflow of Rp6.6 trillion in the balance of payments, down a little from Rp7.3 trillion the year before (Table 3.4). Factors responsible for the reduced outflow were higher oil-gas revenues (up 13.5%), besides a 22.1% increase in government revenues generated by larger disbursement of foreign borrowings,

Table 3.3
Monetary Impact of Government Finance Operation

	1993/94[r]	**1994/95***
	Trillion rupiah	
A. Revenues in rupiah		
1. Oil/gas	5.1	5.0
2. Non-oil/gas[1)]	39.8	46.2
3.Other revenues (net)[2)]	3.4	3.2
Total Revenues	**48.3**	**54.4**
B. Expenditures in rupiah		
1. Operational	22.6	26.0
2. Development	16.8	19.1
Total Expenditures	**39.4**	**45.1**
C. Monetary impact[3)]	**8.9**	**9.3**

1) Tax and non-tax revenues
2) Including uncalculated differences
3) Plus means contraction
Source : Ministry of Finance

2) Act No. 10 of 1994 dated November 9, 1994

Table 3.4
Government Finance Operation Impact on Balance of Payments

	1993/94r	1994/95*
	Equivalent to trillion rupiah	
A. Foreign exchange revenues		
1. Oil/gas	7.4	8.4
2. Development	10.4	11.0
3. Others	-	1.7
Total revenues	**17.8**	**21.1**
B. Foreign exchange expenditures		
1. Operational	6.9	7.1
2. Development	7.4	8.4
3. Foreign debt amortization	10.8	12.2
Total expenditures	**25.1**	**27.7**
Incoming (+)/Outgoing (-)[1)]	**-7.3**	**-6.6**

1) Negative means outflow of fund in foreign exchange
Source : Ministry of Finance

allocation of foreign aid, and foreign exchange receipts from the sale of Government's shares (Rpl.7 trillion) in PT Indosat on the NYSE. On the expenditure side, increased amortization of foreign debt, mounting interest payments, and financing of development projects all pushed up the Government's foreign currency expenditures. Various factors responsible for this included the growing proportion of government borrowings reaching maturity, the appreciation of the yen against the US dollar, and the early repayment of high interest government debt.

Sources of Government Finance

Government finance operations performed more strongly overall in 1994/95, as shown by the creation of a Rp3.8 trillion fiscal surplus (Table 3.1). Of this surplus, Rp 1.2 trillion was used in net payment on foreign borrowings (the difference between disbursement of government external borrowings and external debt amortization). The remainder strengthened the government account in the banking system.

Budget for 1994/95

The key feature of the 1994/95 budget was the government's drive to strengthen domestic revenues, primarily through intensified tax collection and broadening of the tax base. New laws on taxation were passed during the reporting year, and became effective on January 1, 1995 (see Box: 1994 Amendment of Taxation Laws). The new taxation laws streamline the taxation system and tax procedures with the aim of generating higher government revenues, and embody the key principles of justice, equity, the benefit principle and improved service. An important objective of the new laws is to reduce the country's dependence on the oil and gas revenues for development financing. However, routine expenditures were higher than expected, the result of such developments as the pay rises granted to Class I and II civil servants, members of the armed forces and government/armed forces pensioners. Another factor was increased foreign debt amortization and interest payments, which at 42.6% represented the largest item of routine expenditures. One reason for the higher debt payments was the early repayment of some of the government's high interest borrowings (Table 3.5).

1994 AMENDMENT OF TAXATION LAWS

On November 9, 1994, the Government introduced four new tax laws amending the existing tax legislation. The main purpose of these laws was to strengthen the tax base within the government revenue structure, and to adapt the taxation for the increasing pace of economic change resulting from globalization. Over the years, national development has brought about rapid changes. Coupled with the ongoing trend of globalization in many fields of business, these developments have necessitated changes in tax legislation because the existing tax laws had become inadequate, not fully covering all types of business operations. In addition, it was also necessary to bring Indonesia's tax regulations into line with those of other countries, particularly in ASEAN. The four new tax laws, effective from January 1, 1995, cover the following areas: general provisions and procedures regarding taxation; income tax; value added tax on goods and services and luxury sales tax; and land and building tax.

The new laws are aimed at:

(a) improving national self-reliance in government revenues and development financing;
(b) promoting equity in development and investment throughout Indonesia, with particular emphasis on remote and least developed areas;
(c) supporting export growth, particularly for non oil-gas commodities, manufactured goods, and services, with the purpose of strengthening foreign exchange earnings;
(d) promoting the development of small-scale businesses and supporting poverty alleviation;
(e) supporting human resources development and advancement in science and technology;
(f) helping the conservation of the ecosystem, Indonesia's natural resources, and the environment;
(g) providing more equitable tax treatment and improved protection of taxpayer rights;
(h) creating a cleaner, more efficient taxation apparatus, providing better service to taxpayers, and simplifying procedures and facilities for compliance with tax obligations; and
(i) improving the enforcement of taxation laws and regulations.

These tax laws lay down a stronger, more flexible legal foundation for the taxation system, and are therefore expected to be able to keep pace with future developments in the global economy.

A summary of the key points covered by ear of the new taxation laws is as follows:

Act No. 9 of 1994 in Amendment of Act No. 6 of 1983 concerning General Taxation Provisions and Procedures

The key provisions in this law are:

1. If a taxpayer or business owner is deemed taxable but fails to register his/her business or neglects to report its operations, the Director General of Taxation has the authority to issue the NPWP (taxpayer ID number) as well as the NPPKP (ID number for confirmation of taxable business status). This is aimed at facilitating the self-assessment system.
2. The Government must compensate the taxpayer for any delay in refund of overpaid taxes. This compensation will be based on interest of 2% per month, calculated from when the tax was paid until the refund date. This is designed to create a balance between the rights and obligations of taxpayers, and encourage prompt service from the Directorate General of Taxation.
3. As regards fiscal corrections, the Director General of Taxation has the authority to issue retroactive tax assessments. These may be backdated for a maximum period of ten years, if evidence is discovered or an examination reveals that a taxpayer has failed to comply with either material or formal tax obligations. To bring the tax system more in line with the principle of self-assessment and the required filing of documents, the statute of limitations on tax assessments has also been extended from five to ten years.
4. To assure legal certainty as regards the legally valid term for collection of taxes and to uphold the statute of limitations, the ten-year statute of limitations also applies to any interest, penalties, additional taxes, and costs of tax collection.
5. In order to protect the taxpayer's legal rights, a tax justice committee will be established. The organization, authority, and working procedures of this committee will be set out in a separate law. The taxpayer will have the right to appeal against a decision issued by the Director General of Taxation in respect of an objection filed against assessed taxes. Such appeal may be filed with this committee only, and the decision of the committee will be permanent and final. If a taxpayer's objection or appeal is awarded in part or in full, then the overpayment will be refunded together with interest of 2% per month for a maximum period of 24 months. Until this committee is established, the taxpayer may lodge appeals with the tax advisory council.
6. Stricter penal provisions are now in effect to encourage greater taxpayer compliance.

A stricter definition also applies to the amount of taxes owed that comprises the basis for calculating penalties. Misuse of the NPPKP as well as deliberate acts of omission in business accounting and records are now liable to criminal prosecution under taxation law. The maximum sentence for a tax crime is now six years, and all penal sanctions are cumulative.

Act No. 10 of 1994 in Amendment of Act No. 7 of 1983 No. 7 concerning Income Tax, as amended by Act No. 7 of 1991

The key provisions in this law are:

1. The law sets out more detailed and precise definitions of taxable income, designed to provide a stronger legal basis and greater fairness in tax assessment. Taxable income has been extended to include:
   (a) income earned by non-resident taxpayer from sources of income in Indonesia, such as prollt earned from the sale of property and insurance premiums;
   (b) income from interest on deposits and other savings;
   (c) income from the sale of shares and other securities on the stock exchange;
   (d) income from the transfer of rights to land and/or buildings; and
   (e) other specified incomes.

   All funds received by small-scale businesses and cooperatives comprising aid, donations, and grants are classified by the Minister of Finance as tax-exempt income. This measure is designed to support the Government program of promote small-scale businesses and cooperatives.
2. All expenses for corporate research and development, as well as expenses for training, apprenticeships, and scholarships can be deducted as costs. The purpose of this provision is to support the Government program for advancement in science and technology as well as for human resources development.
3. Expenses for waste treatment can be deducted as costs. The law also makes provision for funds set aside for reclamation of mining sites. This measure is designed to support the Government program for conservation of the ecosystem, natural resources, and the environment.
4. Income Tax Rates:
   a. The levels of taxable income and the corresponding tax rates have been adjusted so as to maintain a progressive tariff structure for individual and corporate taxpayers, while allowing businesses to develop and compete within a globalized environment.

The new rates are as follows:

Taxable Income	Tax Rate
Up to Rp 25 million	10 per cent
More than Rp 25 million until Rp 50 million	15 per cent
More than Rp 50 million	30 per cent

This compares with the previous rates:

Taxable Income	Tax Rate
Up to Rp 10 million	15 per cent
Above Rp 10 up to Rp 50 million	25 per cent
Above Rp 50 million	35 per cent

A Government regulations also stipulates that the maximum tax rate may be reduced to not less than 25 per cent.

b. Final withholding tax is levied as follows:
   - l5% on gross interest on savings at cooperatives;
   - 20% on the gross value of lottery prizes.

c. 15% income tax is levied on the gross value of the following income received by resident taxpayers: (a) dividends, (b) interest, including premiums, discounts, and fees for loan guarantees, (c) royalties, (d) gifts and awards.

d. 15% income tax is levied on the estimated net income from rents and other income in connection with the use of property and fees charged for technical services, management services, construction services consulting services, and services other than those already subject to 15% income tax as defined in Article 21.

e. 20% income tax is charged on gross income received by non-residents, not comprising permanent legal entities in Indonesia, in the form of (a) dividends, (b) interest, including premiums, discounts, and fees for loan guarantees, (c) royalties, rents, and other income connected with the use of property (d) fees for services, professions, and activities, and (e) pensions and other periodic payments.

f. 20% income tax is charged on the estimated net income derived from the sale of property in Indonesia by non-resident taxpayers, not comprising permanent legal entities in Indonesia, and on estimated net income from insurance premiums paid to overseas insurance companies.

g. Profits of cooperatives distributed to cooperative members and interest on savings within the limits determined by the Minister of Finance are exempt to income tax as defined by Article 23.

5. Tax Facilities:

a. To calculate the depreciation of nonbuilding property, the taxpayer is free to use either the straight line method or the declining balance method. Depreciation of building property however, can be calculated only by the straight line method.

b. Reinvested after tax profits of permanent business entities in Indonesia are exempt from income tax.

c. Tax facilities are available for investment in certain business sectors and/or certain regions that supports the Government policy of promoting economic growth and equitable distribution in all fields of national development. These facilities include:

- accelerated depreciation;
- compensation for losses suffered after five years loss but not more than ten years;
- tax rebates on dividends earned by non resident taxpayers from equity in Indonesia.

Tax facilities are also available to accommodate treaties with other countries on trade investment, and other sectors.

Act No. 11 of 1994 in Amendment of Act No. 8 of 1983 concerning Value Added Tax on Goods and Services and Luxury Sales Tax

The key provisions of this law are:

1. The amendments concerning value added tax on goods and services and luxury sales encompass:

   a. Value added tax now covers intangible goods and services, such as trade marks, patents, and copyrights;

   b. Luxury sales tax is now levied on luxury homes, condominiums and similar properties. However, the luxury sales tax rate on bottled or packed beverages not containing alcohol, sweetener or aroma, is reduced from 20 per cent to 10 per cent. In addition, some goods previously treated as luxury items, such as hand phones and car phones, are no longer subject to VAT for the reason that they are heavily used in activities that can generate higher VAT revenues in other ways, or because they are most probably used in productive activities. Also, the maximum luxury sales tax rate has been raised from 35 per cent to 50 per cent, with a minimum rate of 10 per cent. Imposition of luxury sales tax is based on the ability to pay of the consumer using the products, as well as on the usefulness of these goods to the public.

2. To provide balanced treatment in value added tax of taxable imported tangible goods, value added tax is now levied on the use within a customs area of taxable intangible goods and taxable services from outside a customs area.
3. To promote activities of high national economic priority, limited tax facilities may be stipulated in Government regulations for:
   - export activities considered as national priority, carried out in bonded zones and export processing zones *(Entrepot Produksi untuk Tujuan Ekspor/EPTE)* or any other area in a customs area established specially for this purpose;
   - accommodation of the provisions of treaties with other countries on trade and investment.
4. Value added tax is also levied on construction

carried out not in the course of company business by a private individual or legal entity when the construction will be used by that individual or entity, or by another party, as deemed by the Minister of Finance.

Act No. 12 of 1994 in Amendment of Act No. 12 of 1985 concerning Land and Building Tax

The key provisions of this law are:

1. To provide fair and equitable treatment for a taxpayer who either owns, controls, and/or uses land within a specified value, the former tax-exempt limit on buildings (BTKP) is replaced by a tax-exempt sales value of land and buildings (NJOTKP). The 1994 law on land and building tax of 1994 states that the tax-exempt selling price is Rp 8 million for each taxpayer. The taxpayer is therefore exempted from tax on a limited area of land if the land, or land and building he uses, is valued at not more than Rp8 million.
2. The new law provides for tax rebates and for filing of objections to tax assessments. The maximum rebate is set at 75 per cent of assessed tax. Where objection is filed against assessed value, rebates may be granted to as much as 100%.

Table 3.5
Government Revenues and Expenditures

	1992/93	1993/94	1994/95	
	Actuals		Budget	Actuals
	Billion rupiah			
Revenues	**58,168**	**62,652**	**69,749**	**72,353**
Domestic	47,452	52,280	59,737	61,370
Development	10,716	10,372	10,012	10,983
Expenditures	**58,166**	**64,460**	**69,749**	**72,342**
Routine	34,031	38,799	42,351	43,179
Development	24,135	25,661	27,398	29,163
Government savings	**13,421**	**13,481**	**17,386**	**18,191**
Development funds	**24,137**	**23,853**	**27,398**	**29,174**

Source : Ministry of Finance

Government Revenues

During the reporting year, the Government enacted several tax reforms to strengthen non oil-gas revenues, and particularly tax receipts. Several new laws were introduced, amending previous legislation on income tax, value added tax, land and building tax, import duties, excise and taxation of various services.

Income tax rates for individuals and legal entities were lowered from 15%-35% to 10%-30%.[3)] In the short run, the reduced tax rates will

3) Act No. 10 of 1994 dated November 9, 1994

dampen the growth of tax revenues. However, in the longer term, this measure is expected to encourage more private investment, due to higher corporate earnings after tax, which in turn will boost VAT revenues. Furthermore, the lower individual income tax rates will increase disposable incomes, and thus encourage greater saving and consumption, which will also generate greater revenues from VAT and withholding tax on interest income. In a further measure to broaden the tax base, interest earned on deposits held by residents of Indonesia in tax havens, such as the Cayman Islands, is now taxable.

Considerable potential still exists to raise VAT revenues. To this end, the Government has enacted a new VAT law.[4] Intangible goods, such as trade marks, patents and copyrights, are now taxable. Imposition of luxury sales tax has been extended to cover luxury homes and condominiums. However, some goods previously treated as luxury items, such as hand phones and car phones, are no longer subject to VAT since they are heavily used in activities that can generate higher VAT revenues in other ways, or because they are most probably used in productive activities.

Luxury sales tax on some items, such as bottled and packaged beverages not containing sweeteners or aromas, has been reduced from 20% to 10%. In a new provision, 4% VAT is now levied on construction of permanent residential or commercial properties exceeding 400 m2 in building area, whether the work is performed by the taxpayer himself or another party on his behalf. This allows for equal treatment of those buying houses through real estate companies, and those who build their own. To help low income groups, the Government pays for the VAT imposed on very low cost housing.

The Government also embarked on a drive to boost revenues from land and building tax. This was undertaken through broadening of the tax base, intensified collection and further implementation of previous policies. During the reporting year, a new law was passed raising tax-exempt property value from Rp7 million to Rp8 million,[5] a measure designed to ease the tax burdens of non-fixed income and low income groups. The new law also stipulates that in cases of multiple ownership, the tax exemption applies to only one of the properties: other properties belonging to the same owner are taxable according to the applicable rates.

Import duties also came under review, due to the importance of promoting economic competitiveness in the wake of the GATT-Uruguay Round negotiations and to secure Indonesia's position in a changing global environment.[6] Import duties were lowered for 739 tariff items in industry, agriculture and health, and raised for 38 tariff items with alcoholic content. As a consequence of this measure, revenues from import duties declined

4) Act No. 11 of 1994 dated November 9, 1994

5) Act No. 12 of 1994 dated November 9, 1994

6) June 27, 1994 Deregulation Package

some what due to reduced tariffs for some imported goods.

Actual budget revenues at the end of fiscal 1994/95 totaled Rp72.4 trillion. Domestic revenues comprised 84.8% of this total, and development revenues the remaining 15.2% (Table 3.6). The main factor contributing to increased domestic revenues was the growth in tax receipts, which benefited from improved economic growth, intensification of tax collection, and broadening of the tax base. Another important factor was increased oil/gas revenues, with world oil prices taking an upward turn since June 1994. During the reporting year, oil prices averaged $16.79 per barrel, slightly above the assumed $16.00 reference price used in the budget.

Table 3.6
Government Revenues

	1992/93	1993/94	1994/95	
	Actuals		Budget	Actuals
	Billion rupiah			
Domestic revenues	**47,452**	**52,280**	**59,737**	**61,370**
Oil/gas	15,330	12,508	12,851	13,399
Oil	12,095	9,472	9,504	9,880
Gas	3,235	3,036	3,347	3,519
Non-oil/gas	32,122	39,772	46,886	47,971
Tax	29,129	35,877	42,593	41,974
Non-tax	2,993	3,895	4,293	5,997
Development revenues	**10,716**	**10,372**	**10,012**	**10,983**
Program aid	512	441	-	-
Pure	-	-	-	-
Local cost financing	512	441	-	-
Project aid	10,204	9,931	10,012	10,983
Total	**58,168**	**62,652**	**69,749**	**72,353**

Source : Ministry of Finance

The growing non-oil/gas proportion of domestic revenues strengthens longer term prospects for development, as non-oil/gas revenues are more stable and have greater potential for expansion. Taxes accounted for 68.4% of total non-oil/gas receipts, in keeping with government measures to improve tax regulations.

Income tax revenues posted the highest growth at 20.1%, followed by revenues from luxury sales tax (14.7%) and land and building tax (6.4%). By the end of the fiscal year, export tax revenues had surged well above the projected level, due to the imposition of export tax on crude palm oil from September 1, 1994. Against this background, the ratio of taxes to the non-oil/gas GDP increased to 12.1%. This is still low when compared to the 20.0% or more achieved by other ASEAN countries, and shows that considerable opportunity still exists to generate more government revenues through intensified tax collection.

Non-tax revenues totaled Rp6.0 trillion, 53.8% higher than during the preceding year. This sharp growth resulted from increased revenues posted by ministries and non-departemental government institutions, and in particular from the sale of Government's shares in PT Indosat on the NYSE. The government also benefited from improved efficiency and productivity at state owned enterprises, which managed to raise their profitability. Revenues from domestic sales of oil-based fuels receipts rose sharply during the year, though well below target.

Government Expenditures

Overall government expenditures rose by 12.2% in 1994/95 to Rp72.3 trillion (Table 3.7). Routine expenditures were up 11.3%, mainly due to a 41.2% surge in material expenditures in an attempt to improve public services. Additionally, more of the development projects completed in the past were in need of maintenance, and this also contributed to greater material expenditures. Personnel expenditures increased by a significant 16.5% due to pay rises effective since January 1995 for Class I and II civil servants, armed forces personnel, and government/armed forces pensioners. However, the largest component in routine expenditures was amortization and interest on external debt, accounting for 42.7% of the total. This item increased 6.6% due to a growing proportion of government debt reaching maturity, as well as early repayment of some of the higher interest debt.

Development expenditures rose by 13.7% to Rp29.2 trillion. Around 37.7% of this comprised foreign aid allocated for projects on the criteria of their productiveness, strategic value and broad based positive impact on public welfare. The other 62.3% of development expenditures was used for rupiah-financed development projects, with the largest share of this allocated to ministries and non-departmental government institutions. This also included defense projects. These allocations were made in view of the growing responsibilities

Table 3.7
Government Expenditures

	1992/93	1993/94	1994/95		1995/96
	Actuals		Budget	Actuals	Budget
	Billion rupiah				
Routine expenditures	**34,031**	**38,799**	**42,351**	**43,179**	**47,240**
Personnel	9,466	11,214	13,011	13,069	15,347
Material	2,870	3,042	3,751	4,296	4,745
Subsidies to local governments	5,283	6,796	7,095	7,188	8,409
Amortization and interest payments	15,217	17,288	17,969	18,422	18,215
Others	1,195	459	525	204	524
Development expenditures	**24,135**	**25,661**	**27,398**	**29,163**	**30,784**
Ministries/institutions including national defence and security	7,858	8,560	9,946	9,478	10,910
Regional development	5,040	5,976	6,821	7,135	7,321
Other financing	1,033	1,194	619	1,567	794
Development budget reserves	-	-	-	-	-
Project aid	10,204	9,931	10,012	10,983	11,759
Total	**58,166**	**64,460**	**69,749**	**72,342**	**78,024**

Source : Ministry of Finance

Table 3.8
Development Expenditures by Sector

	1992/93	1993/94	1994/95		1995/96
	Actuals		Budget	Actuals	Budget
	Billion rupiah				
Government	401	489	668	657	804
National defence and security	1,204	1,147	1,155	1,155	1,317
Education and culture	3,733	3,586	3,591	3,570	4,070
Health, social welfare, women's role, population, and family planning	957	1,146	1,322	1,333	1,352
Housing and settlement	1,054	661	888	929	1,102
Religion and manpower	966	919	1,225	1,138	1,379
Economy	12,101	12,971	13,245	14,633	14,900
Regional, business, and environment	3,719	4,742	5,304	5,748	5,860
Development budget reserves	-	-	-	-	-
Total	**24,135**	**25,661**	**27,398**	**29,163**	**30,784**

Source : Ministry of Finance

undertaken by each ministry and non-departmental government institution in sectoral projects. Much of the rupiah financing was also channeled into regional development at the provincial and district level, as well as for the *Inpres* (Presidential Aid Programs). The objective of this was to promote greater equity in development among the different regions in the country, and to strengthen the financial resources of regional governments (Table 3.8).

Budget Savings

In the national budget, government savings are termed as the difference between domestic revenues and routine expenditures (including amortization of external debt). In the reporting year, government savings reached Rpl8.2 trillion, enabling it to provide 62.4% of development financing. As part of this, the ratio of government savings to the GDP registered a modest improvement from 4.1% to 4.8%.

Budget for 1995/96

Having passed into the second year of Repelita VI (the Sixth Five-Year Development Plan), the Government remains determined to pursue prudent macroeconomic management while maintaining strong economic growth and promoting equity in development. Further measures will be adopted to boost domestic revenues, with particular focus on taxation as a source less vulnerable to external changes. To this end, there will be further intensification of tax collection and broadening of the tax base. An important aspect will be improved efficiency in the use of limited Government funds by pruning unnecessary expenditures. Greater priority will be given to the development of economic infrastructure essential to the growth of industry, agriculture, services, tourism and other sectors. Another key feature is that the 1995/96 budget opens widely opportunities to the private sector to cooperate with the government in the development of telecommunications infrastructure, power plants and highways. Other expenditure priorities are human resources development and accelerated poverty alleviation or equitable distribution of development, particularly in Eastern Indonesia. In the latter, the Government will strive to involve local people, and especially those in rural areas. Measures to improve regional economic potential also figure prominently in the budget, with greater authority for districts and municipalities in the use of Presidential Instruction funds in combination with funds from the private sector and funds raised in community self-help ventures.

The Government will continue working to promote self-reliance in development financing. Measures in this direction include further improvements in the tax coverage ratio. Stricter law enforcement will be applied to tax violations, while the government will also continue its efforts to improve services to taxpayers, provide more training for taxation officials, upgrade taxation infrastructure, and build closer cooperation with related agencies. The new tax laws are also expected to intensify tax collection, and in the long term increase the ratio of tax to the GDP, enabling Indonesia to catch up with other ASEAN countries.

In principle, the Government will continue its existing policies in the management of development funds provided through foreign loans. External aid in this form will only be used as a complementary source of financing. In addition, new loans will only be taken out on soft terms. Priority in the use of the funds will go to productive projects in a range of sectors, a prime consideration being the capability to strengthen the national economy and promote equity in development. The priority in allocation of routine expenditures is to facilitate government operations, service official debt, extend the coverage and improve the quality of public services, maintain state assets in proper condition, and supervise development. In fiscal management, the Government aims to keep growth in operational expenditures well below that of domestic revenues, and thus increase fiscal savings. The key objectives of development expenditures, on the other hand, are the completion of development projects, continuation of projects already under way, and the provision of rupiah financing to complement project aid.

The 1995/96 budget is set at Rp78.0 trillion, an increase of 7.8% over the budget outcome of the preceding year (Table 3.9). Budgeted domestic revenues are Rp66.3 trillion, with a 20%-80% division between oil/gas and non-oil/ gas receipts.

Table 3.9
1995/96 Budget

	Billion rupiah
Domestic revenues	**66,265**
Oil	9,812
Gas	3,463
Tax	46,449
Non-tax	6,491
Development revenues	**11,759**
Program aid	
Pure	-
Local cost financing	-
Project aid	11,759
Total revenues	**78,024**
Total expenditures	**78,024**
Routine	47,240
Development	30,784
Government savings	**19,025**
Development funds	**30,784**

Source : Ministry of Finance

Tax revenues are thus contributing an even larger proportion of total state revenues.

The budget envisages Rp11.8 trillion in development revenues, 7.1% higher than in 1994/95. Tax revenues are targeted to increase 10.8%, non-tax revenues 8.2%, and domestic oil sales receipts by 16.9%. The assumed benchmark price for oil used in Budget calculations for 1995/96 is US$ 16.50 per barrel. With oil production at 1.52 million barrels per day and domestic fuel consumption rising by 3% per annum, the budget anticipates that oil-gas revenues will be 0.7% lower than in the 1994/95 budget outcome.

The budget projects a 9.4% increase in routine expenditure over the previous budget outcome. Part of this is due to a 17.4% higher budget allocation for personnel expenditures, covering such items as an average 10% pay rise for civil servants, armed forces personnel and government/armed forces pensioners; periodical salary raises; recruitment of civil servants and armed forces personnel; and medical staff. The budget also allocates 38.6% of routine expenditures for servicing external debt. Allowance has been made for a greater amount of government debt reaching maturity, and the higher debt payments resulting from the appreciation of major world currencies.

Development expenditures are envisaged to rise only 5.6% over the 1994/95 budget outcome. This compares to 13.6% growth during the previous year. The declining growth in official development expenditure reflects the current drive to promote private sector participation in development. The focus of government development spending, among others, is to increase vital infrastructure, such as power, roads and communications, all of which will help create a conducive climate for private investment.

The target for Government savings is Rpl9.0 trillion, slightly higher than Rpl8.2 trillion in 1994/95. About 61.8% of all development expenditures will be provided from domestic sources, with the remainder from foreign aid.

Overall, the 1995/96 budget demonstrates the Government's continued resolve to maintain conservative fiscal policy, as reflected by the Rp7.1 trillion contractionary effect of government finances on the money supply. This contractionary effect is lower than in the previous year partly because new tax laws will dampen growth in tax revenues for the immediate term. Routine expenditures in 1995/96 are expected to produce a lower increase in real aggregate demand at 2.9%, compared to 6.2% in the budget outcome for 1994/95. Projected Government foreign exchange transactions point to an overall net outflow in the balance of payments of about Rp6.9 trillion, mainly due to the higher burden of debt amortization and interest payments. Meanwhile, the drive to boost domestic revenues is expected to result in further strengthening of fiscal savings, with growth slightly surpassing that of investment expenditure.

4. THE BALANCE OF PAYMENTS

In 1994/95, the overall balance of payments showed steady improvement. The current account deficit was held to 2.0% of the GDP, and official reserves were maintained at levels sufficient to finance 4.7 months of non-oil/gas imports. However, there was a moderate increase in the current account deficit in absolute terms brought about by sharply rising non-oil/ gas imports and a higher deficit in the non-oil/ gas services account. Non-oil/gas imports rose due to strengthening domestic demand, driven particularly by investment. Another contributing factor was the appreciation of the yen against the US dollar, a natural consequence of Indonesia's strong dependence on imports of capital goods and raw materials from Japan. Nevertheless, Indonesia managed to avoid even higher growth in the current account deficit, due to a recovery in non-oil/gas exports following sluggish performance early in the year. Higher international prices for some commodities helped to improve the non-oil/gas export, while oil prices also strengthened, thus improving the oil trade balance. The capital balance posted a strong surplus, driven by stronger private capital inflows generated by foreign direct investment (PMA). The outcome of all these developments was that Bank Indonesia's foreign reserves rose to $13.3 billion by the end of the reporting year.

Several important events took place with direct

Table 4.1
Balance of Payments

	1992/93	1993/94[r]	1994/95*
		Billion $	
A. Current Account	**-2.6**	**-2.9**	**-3.5**
1. Goods	8.0	7.4	8.1
a. Exports f.o.b.	35.3	36.5	42.0
i. Non-oil/gas	24.8	27.2	31.7
ii. Oil/gas	10.5	9.3	10.3
- Oil	6.4	5.5	6.2
- LNG	3.8	3.5	3.7
- LPG	0.3	0.3	0.4
b. Imports f.o.b.	-27.3	-29.1	-33.9
i. Non-oil/gas	-23.8	-25.3	-30.4
ii. Oil/gas[1]	-3.5	-3.8	-3.5
- Oil	-3.3	-3.6	-3.2
- LNG	-0.2	-0.3	-0.3
2. Services-10.6	-10.3	-11.6	
a. Non-oil/gas	-7.2	-7.3	-8.5
b. Oil/gas[2]	-3.4	-3.0	-3.1
i. Oil	-1.7	-1.6	-1.6
ii. LNG	-1.7	-1.4	-1.5
B. Capital Account	**5.2**	**5.7**	**4.5**
1. Net Official Capital Inflows	0.9	1.1	0.1
a. Official inflow	5.7	6.2	5.6
b. Debt repayment	-4.8	-5.1	-5.5
2. Net Private Capital Inflows	4.3	4.6	4.4
a. Foreign direct investment	1.7	2.0	2.6
b. Others	2.6	2.6	1.8
C. Total (A + B)	**2.6**	**2.8**	**1.0**
D. Net Errors & Omissions (C and E)	**-1.2**	**-1.9**	**-0.4**
E. Monetary movements [3]	**-1.4**	**-0.7**	**-0.6**
Notes :			
F. Official reserves equivalent to	**12.0**	**12.7**	**13.3**
non-oil/gas imports (months)	**5.4**	**5.4**	**4.7**
G. Current account deficit/ GDP (%)	**-1.9**	**-1.9**	**-2.0**

1) Oil/gas imports are imports by oil/gas companies, either of oil or goods.
2) Oil/gas services are net payments of foreign contractor's share and other services by oil/gas companies.
3) Plus means deficit and minus means surplus.

or indirect implications for Indonesia's balance of payments. In mid-April 1994, Indonesia signed the Final Act of the Uruguay Round in Marrakesh, Morocco. This agreement lays down the framework for a freer, more transparent world trading environment. The Marrakesh meeting also agreed to establish the World Trade Organization (WTO) to replace the General Agreement on Tariffs and Trade (GATT). The WTO began operation in January 1995, and has broader powers than GATT in monitoring compliance by member countries. In a similar vein, the ASEAN countries decided to shorten the period for the phasing in of the Common Effective Preferential Tariffs (CEPT), an arrangement under the agreement for the ASEAN Free Trade Area (AFTA), from 15 years to 10 years. This accelerated schedule of tariff reductions became effective on January 1, 1995. The countries also agreed to accelerate the inclusion within the inclusion list of commodities now listed in the exclusion list. In November 1994, the informal meeting of APEC leaders produced the Bogor Declaration, targeting the creation of an area of free trade and investment in the Asia Pacific by 2010 for developed countries and 2020 for developing countries.

During the reporting year, the Government of Indonesia issued several new policies in trade and investment, partly in keeping with its commitments to the above agreements, and also to promote efficiency in industry and create a more attractive environment for PMA. Import duties were reduced for a wide range of industrial and agricultural products, and import surcharges reduced or abolished for some products. In addition, the Government abolished import licensing and other non-tariff barriers for some commodities, and simplified the regulations applying to Bonded Zones and Export Processing Zones *(Entrepot Produksi Tujuan Ekspor - EPTE)*.[1)] (Box: The June 27, 1994 Deregulation Package.) In a further measure in compliance with the CEPT, the Government reduced import duties on commodities in the inclusion list.[2)] Another reason for the tariff reductions was to help Indonesia gear herself for the future era of free trade.

1. June 27, 1994 Trade and Investment Deregulation Package
2. Decree of the Minister of Finance No. 645/KMK.01/1994 dated December 29, 1994

THE JUNE 27, 1994 DEREGULATION PACKAGE

On June 27, 1994, the Government of Indonesia announced a further deregulation in trade and investment lo complement the series of deregulations introduced in the past and as a follow up to the agreement reached in the Uruguay Round and the ratification of the new GATT agreement. This deregulation is designed to increase investment and improve efficiency and productivity in order to promote economic growth and non oil-gas exports. It is also expected to generate greater business activity and employment.

The main areas covered by the deregulation are as follows:

1. Import duties, import surcharges and government-set prices,
2. Restricted import trading schemes,
3. Bonded zones and export oriented production zones (EPTE).
4. Credit for taxes on inputs, and,
5. Facilities for investment expansion.

I. Import Duties, Import Surcharges and Normal Prices

The deregulation contains the following key principles:

1. Import duties on commodities are to be phased down in minimum stages of 5%. These reductions are to begin with import surcharges, if applicable.
2. Imports of raw materials, auxiliary materials and capital goods are subject to very low or even 0% import cubes. Thismeasure is intended to foster the growth and development of industry, with particular focus on small and medium size enterprises.
3. No commitments in respect of tariff increases are to be given for the establishment of a new industrial enterprise. Instead, import tariffs must comply with the rates set forth in *Indonesian Import Duty Tariffs book.*
4. Tariff reductions for agricultural products are based on certain criteria.
5. Protection granted to industries in the form of restricted import trading schemes is to be phased out and replaced with tariff protection.
6. Disruptions to market prices caused by dumping is to be countered with anti-dumping measures.

Based on these principles, the overall changes to import surcharge rates, including the elimination of normal prices, are as follows:

1. Import duties

(1) Tariff reductions apply to 739 items, ranging from manufactured and agricultural products to Bulog (National Logistics Agency) commodities and health care products.

(2) Increased tariffs apply to 38 items with alcoholic content. Duties for 33 items are raised to 170%, for four items to 80%, and for one item to 70%.

2. Import surcharges

Out of 220 items subject to import surcharge, tariffs are eliminated for 108 items and reduced for 13. For the 99 remaining items, the same tariffs continue to apply.

3. Government-set prices

Government-set prices applied to the imports of four industrial products are eliminated. The products are polypropylene, kraft and cement sack paper, formiat acid and caustic soda.

II. Restricted Import Trading Schemes

Following the conclusion of the Uruguay Round negotiations, restricted import trading schemes previously imposed to protect domestic industries are to be phased out and replaced with tariff protection. This measure is also important to improve the efficiency of domestic industry.

Before the deregulation, restricted import trading schemes applied to 292 commodity items. Restrictions for 27 items have been partially lifted, allowing imports by general importers. Five new items, comprising alcoholic beverages, now come under restricted import trading schemes in an effort to prevent abuse of alcohol and the resultant negative impact on society and particularly among youth. The new regulations therefore mean that 270 items remain under restricted import trading schemes, and the position of these items will be subject to periodical review to keep pace with developments in the economy. The import restrictions applied to soymeal have also been relaxed, while retaining protection for domestic soybean crushing mills. Importers of soymeal, formerly required to buy domestic soymeal in 4:6 proportion to imports, are now required to buy the domestic product in only 3:7 proportion.

III. Bonded Zones and Export Oriented Production Entrepot

Previous to the deregulation package, industrial enterprises operating in bonded zones/ EPTE were not permitted to assign assembly operations nor lend production machinery or equipment to subcontracted industrial enterprises outside the zones.

The deregulation package changes this position to permit such subcontracted assembly operations and lending of machinery and equipment outside bonded zones/EPTE. This is intended to promote efficiency and foster the growth and expansion of industries outside these zones, as well as generate more exports. Machinery and equipment may be lent under these arrangements for up to two years. The same procedures apply to clearance and reentry of such machinery and equipment as for removal of equipment from bonded zones and export processing zones for repairs.

IV. Credit for Taxes on Inputs

Previous to the deregulation, delivery of taxable goods by industrial companies outside bonded zones/EPTE to those within such zones for further processing was exempt from VAT. Therefore, it was not possible to tax the output of companies outside bonded zones/EPTE which produce and sell components to companies in these zones, and compensate for taxes on inputs paid for the materials used in the production of those components.

Under the deregulation, an indirectly exporting company may credit its taxes on inputs. This measure is designed to encourage the development of industries outside bonded zones/EPTE, as well as to promote exports.

Additionally, facilities for deferment of VAT on capital goods and crediting of taxes on inputs remain in force to assist companies in promoting their competitiveness through mergers, consolidation or going public, or for or other strategic purposes. These facilities no longer apply if ownership of capital goods is transferred to another party or the goods are used for a different purpose that originally stated when obtaining the deferment of VAT.

V. Facilities for Investment Expansion

Under the previous regulations, import facilities were provided only for the expansion of investment producing different goods from different raw materials. Import facilities were not available for expansions intended for the production of the same goods with the same raw materials.

This deregulation amends the regulations on import facilities, enabling a company to be granted import facilities for raw materials used in capacity expansion using the same raw materials to produce the same products. The requirement for these facilities is that the expansion must be at least 30% of installed capacity as stated in the operating license. Such facilities may be granted for up to two years, with no limitations on such imports.

To alleviate pressures on the services balance, the government introduced some new measures to promote service industries. These measures include reductions and exemptions of import duties and surcharges on spare parts and other goods used in ship and aircraft maintenance.[3] To promote tourism, the Government extended the visa-free entry facility to more countries, bringing the total to 46 by the end of the year. Other efforts included tourism promotions, improvements in services, and the development of new tourist destinations. Another important focus was the provision of skills and training to Indonesian workers recruited for work overseas in a measure designed to improve their welfare while also increasing foreign exchange earnings from worker remittances. As part of its efforts to improve the dignity and status of Indonesian workers abroad, the Government plans to phase out the employment of Indonesian housemaids in other countries.

To promote PMA, the Government issued a new regulation permitting 100% foreign ownership in all areas of business open to investment, effective throughout Indonesia. Moreover, foreigners are also permitted to establish joint ventures in vital sectors with Indonesian partners.[4] New tax incentives were introduced for investment in specific sectors and regions, including accelerated depreciation, compensation for losses sustained past five years, and reductions in corporate income tax.[5] Income tax reductions were also granted for production sharing contractors of natural gas project operating on the Natuna islands and the surrounding.[6] These policies are expected to improve efficiency in the production of goods for export markets, and in the use of resources and technology, and are vital to sustained, balanced economic growth.

Current Account

During the reporting year, the current account deficit climbed from \$2.9 billion to \$3.5 billion (Chart 4.1). The higher deficit resulted from a declining non-oil/gas trade surplus, eroded by rapid growth in non-oil/gas imports that outpaced even the significant improvement in non-oil/gas exports. On the other hand, the oil trade balance posted a considerable surplus, contributing to the improvement in the overall trade surplus from \$7.4 billion to \$8.1 billion. Rising non-oil/gas imports also put additional pressure on the service balance, due to higher costs of insurance and freight (CIF) paid for these imports. Another important factor responsible for the increase in the services deficit was rising interest payments on foreign debt. Overall, the services deficit mounted from \$10.3 billion to \$11.6 billion.

3. Decree of the Minister of Finance No. 192/KMK.01/1994 dated May 24, 1994 and No. 478/KMK.01/1994 dated September 28, 1994
4. Government Regulation No. 20 of 1994 dated May 19, 1994
5. Government Regulation No. 34 of 1994 dated November 16, 1994
6. Presidential Decree No. 75 of 1994 dated November 16, 1994

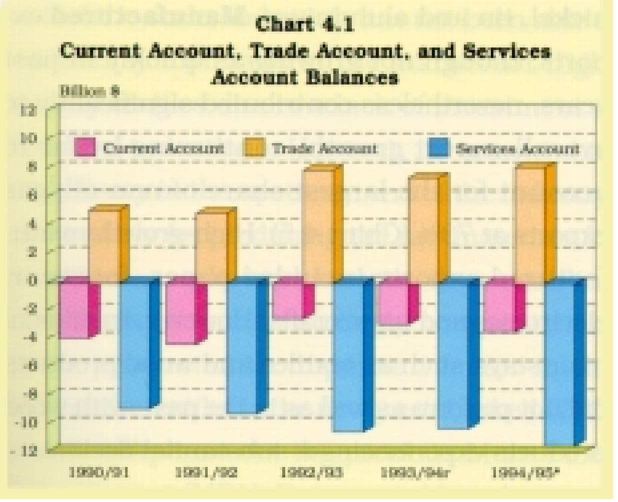


Chart 4.1
Current Account, Trade Account, and Services Account Balances

Non-oil/gas Trade Balance

During the reporting year, non-oil/gas trade surplus declined from $1.9 billion to $1.3 billion, mainly as a result of strong growth in non-oil/gas imports (Chart 4.2). Nevertheless, a resurgence in non-oil/gas exports helped to avert an even larger decline in the surplus. As explained earlier, non-oil/gas export growth took a downturn early in the reporting year, but growth began recovering in the second quarter of 1994/95. One factor in this resurgence was the introduction of new, rapid-growth export commodities. Most of the non-oil/gas imports comprised raw materials and capital goods, which will yield future improvement in production capacity, and in turn exports. This is expected to boost non-oil/gas exports, and thus improve the non-oil/gas trade surplus.

Non-oil/gas Exports

Non-oil/gas exports grew 16.7% to $31.7 billion (Chart 4.3), a substantially improved performance compared to the 9.5% growth in 1993/94. As described earlier, the improvement was driven by strengthening international market conditions that encouraged better prices for some commodities. Economic recovery in industrialized countries such as Canada, the USA, Germany, the UK, and some of Indonesia's trading partners in South East Asia and East Asia helped to improve the export performance. Indonesia was also able to strengthen export competitiveness due to the availability of domestic production capacity, the

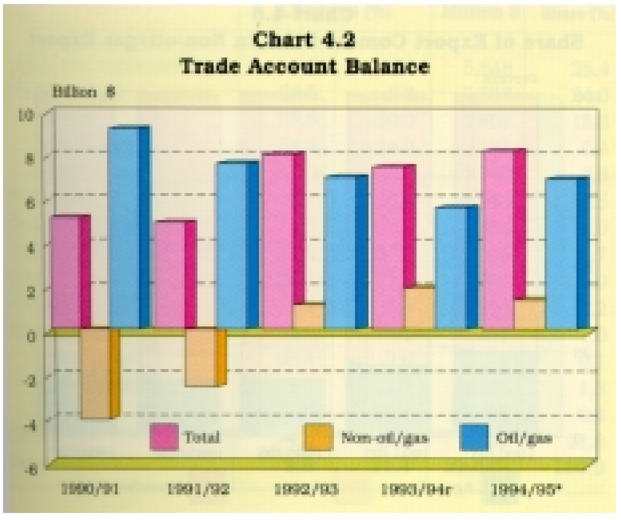


Chart 4.2
Trade Account Balance

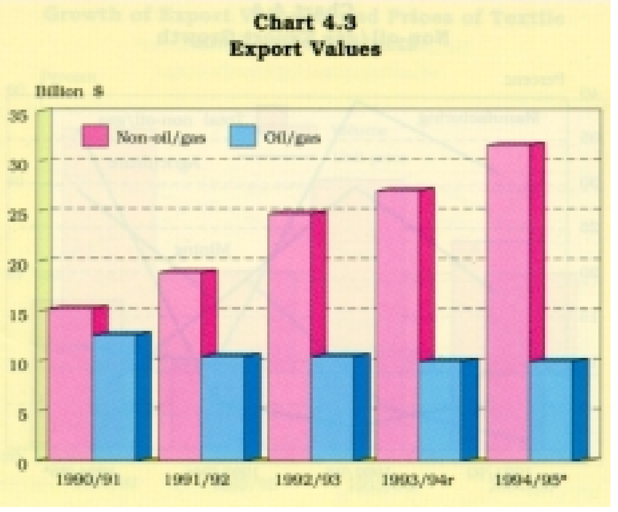


Chart 4.3
Export Values

introduction of deregulation measures promoting exports, and the maintenance of a realistic rupiah exchange rate. In cooperation with the private sector, the Government also carried out various export promotions through trade missions and exhibitions, the establishment of Indonesian Trade Promotion Centers (ITPCs) in several countries, and cooperation with trading partners and international trade associations.

The fastest growing non-oil/gas exports were agricultural commodities, up 36.1%, followed by mining commodities and manufactured products at 29.1% and 11.4% respectively (Chart 4.4). **Agricultural** exports were strengthened by sharply increased prices for coffee, shrimp, natural rubber and palm oil. Similarly, **mining** exports benefited from higher prices for copper, nickel, tin and aluminium. **Manufactured** exports, though not growing as quickly in past years, nevertheless contributed significantly to overall export growth, continuing by far to account for the largest share of non-oil/gas exports at 73% (Chart 4.5). High-growth manufactured exports included paper, footwear, electronics and handicrafts. However, traditional mainstays such as textiles and wood products did not perform as well as in the past, with wood products experiencing a substantial decline.

Textiles and **textile products** remained a leading source of foreign exchange, accounting for 25.4% of total manufactured exports. Following a 6.0% decline in 1993/94, textile exports recovered to register a 3.5% increase in the reporting year (Table 4.2). In recent years, severe competition from such countries as India, Bangladesh, Srilanka and Vietnam has encroached on Indonesia's traditional market strength in middle and low-end textiles. On the higher end of the scale, Indonesia has not been able to make major inroads in the market for highquality textiles due to a lack of investment in finishing operations. However, investment has been heavy in the upstream end of

Chart 4.4
Non-oil/gas Export Growth

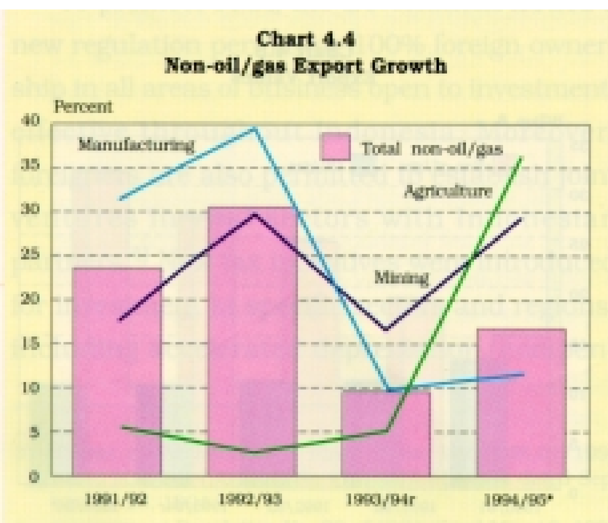
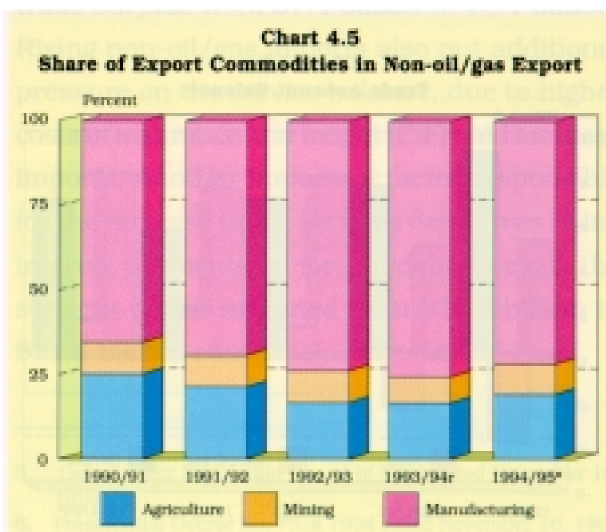


Chart 4.5
Share of Export Commodities in Non-oil/gas Export



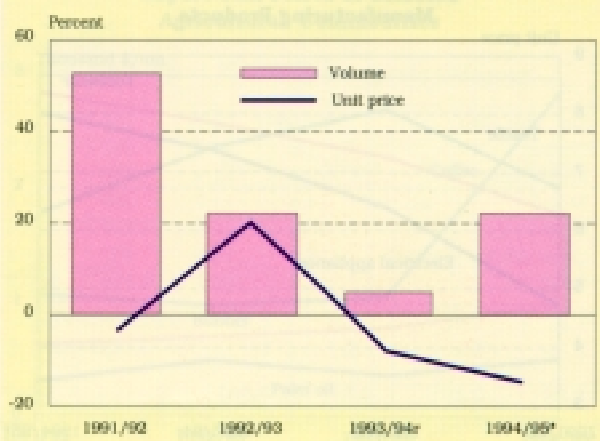
the industry, particularly for producing the raw materials for polyester, acrylic and acetate, thus enabling Indonesia to remain strongly competitive in these products. An important factor in the outlook for textiles is the newly established WTO, which will phase out the previous Multi Fiber Arrangement (MFA). Future world trade in textiles will come under the regulation of the Agreement on Textiles and Clothing (ATC) produced in the Final Act of the Uruguay Round. This stipulates that all bilateral arrangements will lapse and be replaced by multilateral trade arrangements. MFA regulations such as the basic quotas and categories effective until December 31, 1994 was adopted for base year figures of January 1, 1995. These quotas will then be phased out over a 10 year period ending 2005. This agreement will give both opportunities and challenges for exporters in increasing exports in the future.

Table 4.2
Non-oil/gas Export Values of Selected Manufactured Goods

	1993/94r	1994/95*	1994/95*	
	Changes (%)		Million $	Share (%)
Textile and textile products	-6.0	3.5	5,848	25.4
Wood products	38.5	-9.2	5,537	24.0
Plywood	35.5	-20.0	3,607	15.6
Sawn timber	54.4	24.9	184	0.8
Others	47.0	20.7	1,746	7.6
Footwears	18.7	18.9	1,963	8.5
Electrical appliances	14.5	43.7	1,854	8.0
Handicrafts	11.8	57.5	1,085	4.7
Paper	26.1	71.1	890	3.9
Iron steel	12.2	9.9	496	2.2
Rattan products	14.0	3.5	357	1.6
Rattan lampit	-38.4	3.6	14	0.1
Rattan furniture	18.2	1.7	306	1.3
Others	15.6	20.4	38	0.2
Others	-4.5	25.6	5,020	21.8
Total	**9.8**	**11.4**	**23,049**	**100.0**

Wood-based exports fell 9.2% during the reporting year (Table 4.2), due to declining world demand and deteriorating prices. Nevertheless, Indonesia remains the world's largest exporter of plywood. The decline can be partly explained by a shift in Japanese imports away from hardwood and towards softwood and other substitutes, and also growing pressure from the issues of the environment and forestry conservation, added to which are ecolabelling requirements in some importing countries. Meanwhile, Malaysia as a competitor, has made inroads on Indonesia's plywood markets in Japan and South Korea. Another difficulty faced by Indonesia is the growing shortage and rising costs of raw material. Most of Indonesia's plywood exports go to the traditional markets of Japan, Taiwan, South Korea, The USA and China. In the future, world economic recovery and the reconstruction of the earthquake-struck city of Kobe in Japan are likely to strengthen plywood demand, and this indicates that plywood

Chart 4.6
Growth of Export Volumes and Prices of Textile and Textile Products



will remain one of Indonesia's mainstay export commodities. Timber is a renewable resource, and with proper forestry management timber products have the potential to be a lasting source of foreign exchange revenue.

Footwear exports increased to $2.0 billion in the reporting year, up 18.9% compared to the previous year (Table 4.2). Footwear has been one of the growth export commodities for several years, and now ranks third in non-oil/gas export earnings. Much of this is related to relocation of industry from South Korea, Hong Kong, Singapore and Taiwan, encouraged by the declining competitiveness in those countries and the comparative advantage offered by Indonesia. Imported content in footwear remains high, and therefore the industry is strongly dependent on imported raw materials. An added consideration is that the machinery used in footwear production such as cutting machines, presses and sewing machines are also imported, making the industry heavily reliant on other countries. The United States was the primary market for footwear exports during the reporting year, accounting for 45% of the total, followed by the European Community and Japan.

Coffee exports grew by a remarkable 173.9% during the reporting year (Table 4.3), helped by a surge in international coffee prices that began in February 1994 and reached a peak at the end of July 1994. Coffee prices were driven up by supply shortages resulting from crop failures in Central America and Brazil, brought on by frost diseases. Also, the 30 members of the Association of Coffee Producing Countries (ACPC) embarked on stock retention to control supply and boost prices. This agreement has been phased in since October 1, 1993. World coffee consumption is rising, with particularly high growth in China and the Pacific Rim countries.

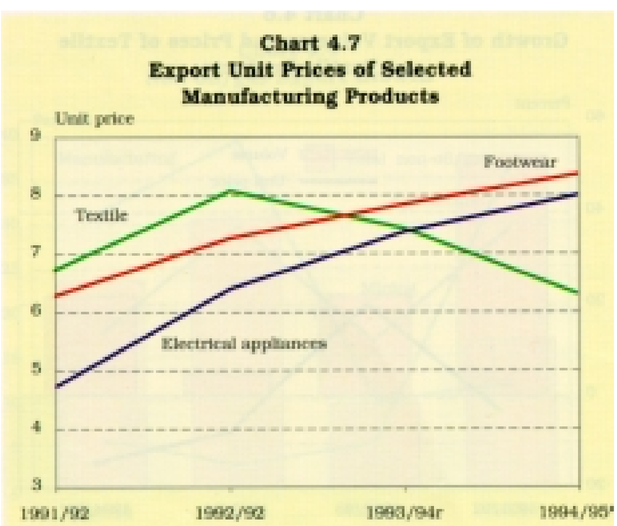


Chart 4.7
Export Unit Prices of Selected Manufacturing Products

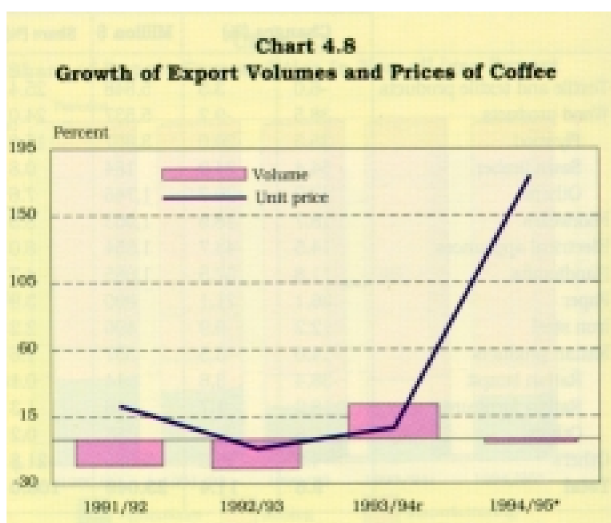


Chart 4.8
Growth of Export Volumes and Prices of Coffee

Exports of **natural rubber** increased by a robust 46.6% (Table 4.3). Market prices improved due to strengthening demand in industrialized countries, including Japan. Contributing to this were supply bottlenecks in Thailand and Malaysia caused by shortages of manpower for tapping, the long rainy season in some production-base areas, and the immaturity of new rubber plantings in those countries. Synthetic rubber, the competing product, is made from crude oil, and therefore faces constraints due to high production costs. Indonesia, Malaysia and Thailand now account for 80% of total world rubber production, with Indonesia as the largest producer and second largest exporter. The three countries are now exploring avenues for cooperation to keep rubber prices favorable, and to turn the rubber trade around from a buyer s market to a seller s market.

Crude palm oil exports have increased substantially in recent years. During the reporting year, these exports rose 88.9% to $1.0 billion due to higher prices (Table 4.3). International prices

Table 4.3
Non-oil/gas Export Values of Selected Agricultural Commodities

	1993/94r	1994/95*	1994/95*	
	Changes (%)		Million $	Share (%)
Rubber	-9.2	46.6	1,428	24.0
Coffee	28.7	173.9	946	15.9
Palm oil	10.1	88.9	1,047	17.6
Shrimp and animal products	14.6	17.1	1,729	29.1
Shrimp	16.6	18.4	1,046	17.6
Animal products	11.7	15.2	683	11.5
T e a	-1.5	-25.7	107	1.8
Others	-0.8	-21.4	685	11.5
Total	**5.0**	**36.1**	**5,942**	**100.0**

of crude palm oil strengthened as a result of increased demand in China and India (Chart 4.10). However, exports of crude palm oil faced both internal and external constraints. Domestic difficulties include rising local consumption, which has led the Government to impose an export tax to ensure adequate supplies of palm oil for domestic production of cooking oil.[7] Also, the USA and some

7. Decree of the Minister of Finance No. 439/KMK. 017/1994 dated August 31, 1994

Chart 4.9
Export of Coffee by Country of Destination in 1994/95

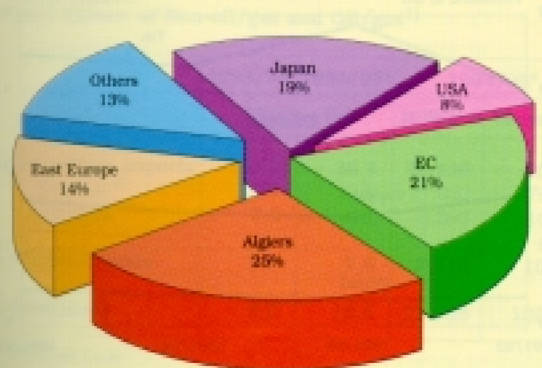
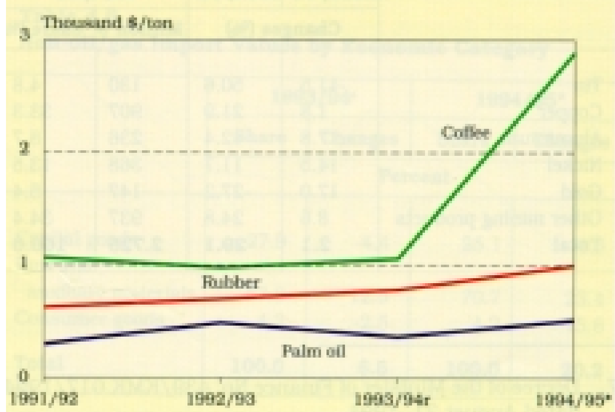


Chart 4.10
Export Unit Prices of Selected Agricultural Commodities



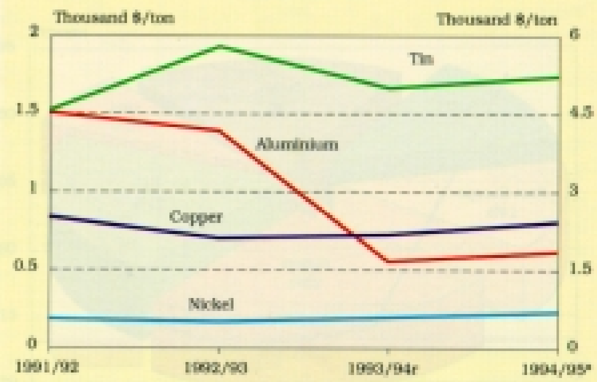
European countries are restricting the use palm oil due to perceived hazards to human health, and buyers in these countries are extremely selective. To overcome this difficulty, several ASEAN-based organizations active in vegetable oils banded together to form the ASEAN Vegetable Oils Club (AVOC). AVOC is an international trade organization designed to protect the interests of its members and to promote vegetable oil on the world market. Palm oil is quite competitive against the currently favored products on the world market: soya oil, rapeseed oil and sunflower oil. Palm oil has potential to become a mainstay export commodity for Indonesia. With rising investment and expansion of oil palm estates, Indonesia also has potential to become the world's largest producer of crude palm oil (CPO). Palm oil is also an important raw material for cooking oil, margarine, soaps and pharmaceutical products.

Mining exports have also increased substantially. Indonesia's principal mining exports, as in the past, are **nickel** and **copper,** which account for 45% of the total (Table 4.4). Nickel

Table 4.4
Non-oil/gas Export Values of Selected Mining Commodities

	1993/94r	1994/95*	1994/95*	
	Changes (%)		Million $	Share (%)
Tin	-41.5	50.6	130	4.8
Copper	1.8	21.9	907	33.3
Aluminium	-17.8	42.4	236	8.7
Nickel	14.5	11.7	368	13.5
Gold	17.0	-27.2	147	5.4
Other mining products	8.6	24.8	937	34.4
Total	**2.1**	**29.1**	**2.725**	**100.0**

Chart 4.11
Export Unit Prices of Selected Mining Commodities



Note: Right hand scale for unit price of tin

exports increased mainly due to rising international prices driven by escalating demand for use in stainless steel, which accounts for 60% of world nickel consumption. Prices also went up due to rising demand in Japan for reconstruction the city of Kobe. Another factor in the stronger prices was declining world'stocks of nickel, caused by reduced supply from Russia. Copper prices increased due to rising consumption, particularly in the East Asian countries of South Korea, Taiwan and China, as well as in Western Europe. Copper production declined as a result of stricter worker safety regulations, which led to higher investment costs in copper producing countries.

Non-oil/gas Imports

Non-oil/gas imports increased 20.2% in 1994/95, a substantially higher growth than the 6.6% in 1993/94 (Table 4.5). The steep rise in imports was generated mainly by sharply climbing general imports by PMA, public enterprises, and other private enterprises. General imports increased 22.9% compared to 6.4% in 1993/94, whereas imports under foreign aid went up only 2.2%, down from 7.6% the year before. Growth in general imports was fueled not only by rising domestic demand, but also by deregulation policies launched in recent years, including Government Regulation No. 20 of 1994 and the June 27 Deregulation Package of the same year.

Raw material imports rose by 23.4% compared to 12.5% in the previous year. Imports of consumer goods were up 15.6%, following a negative -2.5% growth rate in 1993/ 94. Imports of capital goods climbed 6.5% in 1994/95, compared to a 4.4% decline in the previous year. Non-oil/gas imports continue to be dominated by raw materials (70.7%), followed by capital goods (25,1%) and consumer goods (4.2%) (Table 4.6). High import growth items were vehicles and components, grains and cotton, which increased 91.5%, 79.3% and 51.3% respectively.

Table 4.5
Import Values of Non-oil/gas and Oil/gas[1)]

	1993/94r	1994/95*	1994/95*	
	Changes (%)		Million $	Share (%)
A. Non-oil/gas imports	**6.6**	**20.2**	**30,425**	**89.6**
- General [2)]	6.4	22.9	27,033	79.6
- Program	7.6	2.2	3,392	10.0
B. Oil/gas imports	**7.0**	**-7.9**	**3,513**	**10.4**
C. Total (A+B)	**6.6**	**16.5**	**33,938**	**100.0**

1) Based on f.o.b
2) Including imports by PMA, state enterprises, and other private companies

Table 4.6
Non-oil/gas Import Values by Economic Category

	1993/94r		1994/95*	
	Share	Changes	Share	Changes
	Percent			
Capital goods	27.9	-4.4	25.1	6.5
Raw and auxiliary materials	67.8	12.5	70.7	23.4
Consumer goods	4.3	-2.5	4.2	15.6
Total	**100.0**	**6.6**	**100.0**	**20,2**

Japan and the European Community were the largest non-oil/gas exporters to Indonesia, accounting for 27.8% and 18.6% of non-oil/gas imports. Next were the United States, non-Japan East Asia and ASEAN, with shares of 12.5%, 12.0% and 6.5% respectively. Singapore was the largest supplier of non-oil/gas exports to Indonesia with 3.5% of the total, followed by Malaysia, Thailand and the Philippines with 1.4%, 1.4% and 0.2%. The sharp appreciation in the Japanese yen during the reporting year also increased Indonesia's import costs, due to high dependence on Japan for raw materials and capital goods.

The oil/gas Trade Balance

In 1994/95, the oil/gas trade surplus increased by $1.3 billion to $6.8 billion, a result of strengthening oil prices and declining oil imports. Oil prices on the international market climbed due to strengthening demand in developed countries during the summer for stock replacement. Demand in Japan, one of the largest importers of oil and

Chart 4.12
Oil Prices in 1994/95

1) Sumatran Light Crude (SLC)/Minas.
Source : - Directorate General of Oil and Gas
- Ministry of Mining and Energy

natural gas, also rose to compensate for reduced hydroelectric power generation capacity brought on by the prolonged summer. Oil prices also benefited from improved compliance with OPEC production ceilings, while production declined in some non-OPEC countries due to damage at a North Sea oil refinery, strikes in Nigeria and a civil war in Yemen.

Gas exports increased 7.0% to $4. 1 billion, a result of higher gas prices on the international market. In developed countries, gas consumption is on the rise as it causes much less pollution, and these countries are applying much stricter environmental regulations. Indonesia, the world's largest producer of natural gas, will be in an even stronger position now that Pertamina and a private contractor have signed a basic agreement on the natural gas development project in the Natuna islands. The $42 billion project will be the largest of its kind in the world.

Table 4.7
Oil/gas Exports by Country of Destination

	1993/94[r]		1994/95 *	
	Volume[1)]	**Share (%)**	**Volume[1)]**	**Share (%)**
A. Oil				
1. USA	43.4	12.3	42.4	11.1
- Crude oil	32.1		34.1	
- Oil products	11.3		8.2	
2. Japan	168.9	47.9	178.5	46.6
- Crude oil	141.5		144.1	
- Oil products	27.4		34.4	
3. Others	140.1	39.8	161.7	42.3
- Crude oil	120.6		129.8	
- Oil products	19.5		32.0	
Total :	**352.4**	**100.0**	**382.6**	**100.0**
- Crude oil	294.2		308.0	
- Oil products	58.1		74.6	
B. Gas				
1. LNG				
1. Japan	1,025.7	80.3	1,072.7	78.6
2. South Korea	198.5	15.6	205.6	15.0
3. Taiwan	52.3	4.1	86.1	6.3
Total:	1,276.5	100.0	1,364.4	100.0
2. LPG				
1. Japan	2,397.5	94.2	2,397.8	92.0
2. Singapore	98.7	3.9	34.3	1.3
3. Others	50.1	2.0	174.9	6.7
Total:	**2,546.3**	**100.0**	**2,607.0**	**100.0**
	Value [2)]	**Share (%)**	**Value [2)]**	**Share (%)**
A. Oil				
1. USA	609.4	11.1	641.6	10.3
- Crude oil	483.7		543.4	
- Oil products	125.7		98.3	
2. Japan	2,695.8	48.9	2,857.5	45.8
- Crude oil	2,298.4		2,369.4	
- Oil products	397.3		488.2	
3. Others	2,207.2	40.0	2,737.9	43.9
- Crude oil	1,926.8		2,124.2	
- Oil products	280.3		613.8	
Total :	**5,512.3**	**100.0**	**6,237.1**	**100.0**
- Crude oil	4,708.9		5,036.9	
- Oil products	803.4		1,200.2	
B. Gas				
1. LNG				
1. Japan	2,762.9	78.8	2,835.7	76.6
2. South Korea	591.8	16.9	626.7	16.9
3. Taiwan	152.3	4.3	238.5	6.5
Total :	3,507.0	100.0	3,701.0	100.0
2. LPG				
1. Japan	281.3	89.3	347.2	89.7
2. Singapore	12.8	4.0	17.5	4.5
3. Others	21.0	6.7	22.3	5.8
Total :	**315.0**	**100.0**	**387.0**	**100.0**

1) Volume of oil in barrel, LNG in MMBTU, and LPG in ton
2) F.o.b. value in million $

Oil/gas imports by oil companies, including Pertamina, declined 7.9% mainly because of reduced fuel imports. With the EXOR-I oil refinery coming on stream in November 1994, Indonesia now has greater refining capacity to supply domestic fuel demand.

Services

The services deficit in 1994/95 climbed $1.3 billion to $11.6 billion (Chart 4.13). The non-oil/gas services deficit rose $1.3 billion to $8.6 billion, while the oil/gas services deficit remained fairly constant at about $3.0 billion. Higher interest payments on official external debt, freight charges for imports, and profit repatriation by foreign investment companies contributed to the mounting non-oil/gas services deficit. Offsetting these were higher foreign exchange earnings from **tourism** and **worker remittances,** which have increased substantially each year. Foreign exchange earnings from the tourism sector increased 26.6% to $4.8 billion, while foreign tourist arrivals improved from 3.6 million to 4.1 million in the reporting year (Chart 4.14). Tourism plays a vital role in foreign exchange earnings, and this sector is expected to stay firmly on the path of robust growth. Foreign investor interest is keen, an important factor that supports growth prospects. Government support for the tourism industry has also taken the form of cooperation in joint developments such as the Sijori (Singapore-Johore-Riau) Growth Triangle, and the Northern Growth Triangle comprising Indonesia, Thailand and Malaysia. The Government has targeted 2005 as the year that tourism becomes Indonesia's largest foreign exchange earner, and will therefore pay close attention to the needs of this sector. Worker remittances increased 28.0% compared to the previous year, reaching $0.5 billion. Most remittances came from Indonesia workers employed in the Middle East. The Government has now launched a program to promote the skills and training of Indonesian

Chart 4.13
Services Account Balance

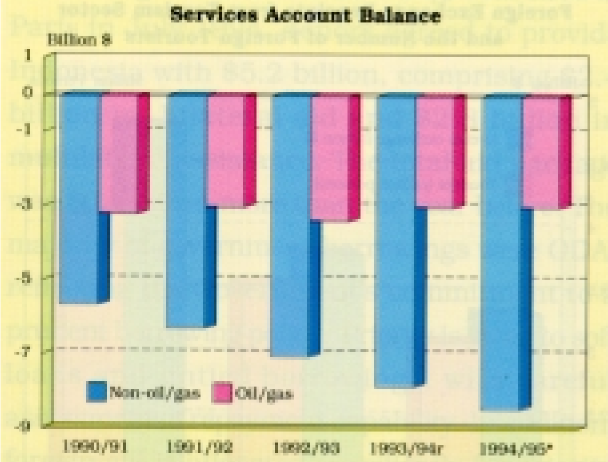
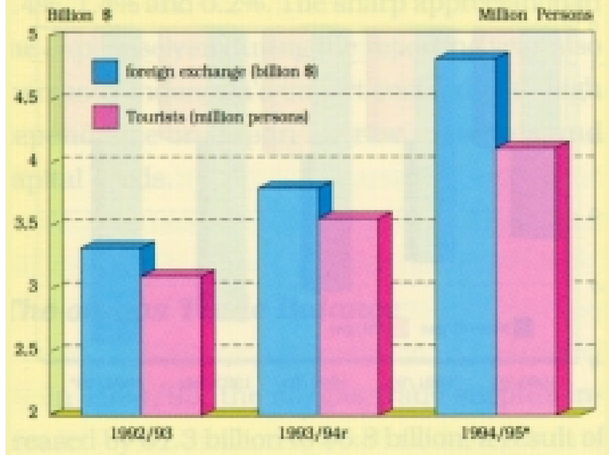


Chart 4.14
Foreign Exchange Receipts from Tourism Sector and the Number of Foreign Tourists



workers recruited for work overseas, with the target of enabling them to fill positions as doctors, nurses, sailors and consultants.

Capital Account

The capital account posted a strong $4.5 billion surplus in 1994/95, though slightly reduced from the previous year. The surplus was generated by private capital flows, comprising mainly foreign direct investments and Indonesian stock and bonds sold on the international market. On the other hand, net private capital inflows from bank's commercial loans declined. Net government inflows also decreased with the accelerated repayment of some government borrowings. As these debts had been contracted at more burdensome interest rates, early repayment represented a significant contribution to the Government objective of reducing the future debt burden.

Government and private debt service payments increased from $13.2 billion to $15.9 billion, raising the Debt Service Ratio (DSR) from 31.9% to 32.9%. However, strong export growth is expected to help reduce the DSR in the future.

Official Capital Flows

Total official capital inflows declined from $6.2 billion to $5.7 billion (Table 4.8), mainly due to reduced disbursement of bilateral loans and special assistance. Government borrowings were provided mainly from donor countries and multilateral institutions in the Consultative Group on Indonesia (CGI). These loans comprised bilateral and multilateral Official Development Assistance (ODA), agreed in the annual CGI meeting, as well as non-ODA export credit facilities and special assistance to support rupiah financing for small projects. Amortization of government debt increased by $0.4 billion to $5.5 billion, a considerable part of which was the $0.8 billion accelerated repayment of debt in the third quarter of 1994/95. This particular debt comprised ODA charged interest at 11.0%, and represented the first debt repaid in advance of maturity since the First Five Year Development Plan (Repelita I). The funds for this move were taken from the proceeds of the sale of Government equity in PT Indosat on the New York Stock Exchange. It should be explained that after allowance is made for the

Table 4.8
Disbursement of Official Foreign Borrowings

	1993/94ʳ		1994/95*	
	Million $	Share (%)	Million $	Share (%)
CGI	**5,778.0**	**93.3**	**5,510.0**	**97.5**
ODA	4,022.0	64.9	3,799.0	67.2
Program aid[1]	-	-	-	-
Project aid	4,022.0	64.9	3,799.0	67.2
Non-ODA[2]	1,756.0	28.3	1,711.0	30.3
Non-CGI (project aid)	**417.0**	**6.7**	**152.0**	**2.5**
ODA	6.0	0.1	111.0	1.8
Non-ODA[3]	411.0	6.6	41.0	0.7
Total	**6,195.0**	**100.0**	**5,651.0**	**100.0**

1) Special borrowings under concessional terms to assist government programs
2) Most are export credit facilities. including special borrowing from Exim Bank of Japan
3) Most are commercial borrowings

accelerated repayment of debt and the appreciation of the yen, amortization of Government debt actually declined during the reporting year. The net result of these developments was that the official capital surplus declined $1.0 billion to $0.1 billion.

The Government's principal creditor is the CGI, which accounted for 93.9% of total Government debt during the reporting year. Most of this debt is contracted with Japan and be multilateral institutions of the World Bank and the Asian Development Bank. Non-CGI loans accounted for only 6.1% of total government external debt in 1994/95 (Table 4.9).

Table 4.9
Outstanding Official Foreign Borrowings

	1993/94r	1994/95*	1993/94r	1994/95*
	Outstandings		Changes	
	Billion $			
Government debts	**55.0**	**62.6**	**4.1**	**7.6**
Old debts[1)]	0.8	0.7	-0.1	-0.1
New debts	54.2	61.9	4.2	7.7
CGI	50.5	58.8	5.2	8.3
ODA[2)]	37.1	42.5	3.3	5.4
Non-ODA[3)]	13.4	16.3	1.9	2.9
Non-CGI	3.7	3.1	-1.0	-0.6
ODA	1.3	1.3	0.0	0.0
Non-ODA	2.4	1.8	-1.0	-0.6
State enterprises [4)]	**5.0**	**4.8**	**0.5**	**-0.2**
Total	**60.0**	**67.4**	**4.6**	**7.4**

1) Old debts are those obtained prior to July 1966
2) Consisting of borrowings for price stabilization program, special borrowings with soft terms to assist government programs, and project aid
3) Including special borrowing from Exim Bank of Japan
4) Including Pertamina's non-recourse borrowings

During the third CGI meeting, convened in Paris in July 1994, donors agreed to provide Indonesia with $5.2 billion, comprising $2.4 billion in bilateral aid and $2.8 billion in multilateral assistance. The total aid package was $0.1 billion more than the year before. The majority of government borrowings were ODA, reflecting the Government's commitment to a prudent borrowing policy. Priority is given to soft loans and untied borrowings, with careful assessment of repayment capability. In addition, foreign aid is allocated specifically for priority areas of development.

ODA disbursement totaled $3.9 billion in the reporting year. This compared to $1.8 billion in non-ODA disbursement, comprising mainly export credit facilities used to pay for imported capital goods for government projects. There were no disbursements of commercial loans during the reporting year, but in any event such loans used only as supplementary finance for projects financed by export credit facilities. However, because export credit and commercial borrowings carry less favorable terms, the Government will continue limiting the use of these loans. In keeping with this policy, there was no increase in outstanding commercial borrowings during the reporting year. Disbursement of special assistance came down from $0.6 billion to $0.3 billion. These borrowings, made available from the Overseas Economic Cooperation Fund (OECF) and the Japan Exim Bank, were used for the rupiah financing component of some smaller projects.

Table 4.10
Outstanding Official Foreign Borrowings by Creditor

	Outstanding March 31, 1995	
	Billion $	**Share (%)**
Bilateral	**38.4**	**61.3**
USA	3.0	4.8
Japan	26.1	41.6
France	2.4	3.8
Germany	3.6	5.8
United Kingdom	1.0	1.6
Netherlands	1.5	2.4
Austria	0.8	1.3
Multilateral	**19.0**	**30.4**
I B R D	11.6	18.6
I D A	0.8	1.3
A D B	6.7	10.6
Others	**5.1**	**8.2**
Total	**62.6**	**100.0**

Net official capital inflows came to $0.1 billion. However, outstanding government debt climbed $7.4 billion (Table 4.9). This means that the increase in outstanding debt principal denominated in US dollars, resulted from such causes as the appreciation of the Japanese yen and the German mark.

Though official debt service increased during the reporting year, the rate of growth was less than that for exports of goods and services. The outcome of these changes was a modest reduction in the government DSR from 19.2% to 17.8%. After taking into account disbursements, amortization and the impact of the rising yen, outstanding government debt totaled $62.6 billion at the end of March 1995, equivalent to 36.2% of the GDP. This represents a slight decline compared to 38.5% of the GDP in March 1994.

Private Capital Flows

In 1994/95, Indonesia benefited from a strong surplus in private capital inflows, totaling $4.4 billion. However, this surplus was not as high as in the previous year, due to reduced inflows through portfolio investments and borrowings by foreign exchange banks, and also large outflows of short term capital. Nevertheless, there was substantial growth in PMA and sales of Indonesian stocks and bonds on the international capital market. The year was also marked by higher debt service payments borne by private and state owned enterprises, and consequently the DSR for private and state owned enterprises rose from 12.7% to 15.1%.

Substantial growth in PMA, up from $3.0 billion to $4.0 billion, was helped by improvements in fundamentals such as macroeconomic stability and deregulation in the real sector, as well as the lifting of some investment restrictions. However, higher inflows from foreign direct investments also generated larger borrowings by those companies. Debt payments by foreign investment companies thus rose from $1.0 billion to $1.4 billion. The result was that net inflows produced by PMA increased from $2.0 billion to $2.6 billion.

The sale of Indonesian stocks and bonds on the international capital market is a new phenomenon, with significant growth taking place in this area in 1994/95. In a pioneering move, the government divested $0.8 billion equity in PT Indosat in a highly successful offering on the New York Stock Exchange. Some private companies also followed suit during the year. Overall, Indonesian companies raised $3.0

billion from offerings of stocks and bonds on the international market in 1994/95. This success is a strong indication of the confidence of foreign investors in the prospects for the Indonesian economy.

Net capital inflows for state and private banks decreased in 1994/95. Both state and private banks spent more on servicing existing external debt while reducing the disbursement of offshore borrowings. Despite the reduced inflows, an important development took place with the greater diversification of sources of offshore capital, for example, the issuance of bonds on the international capital market.

Portfolio capital invested in the Jakarta Stock Exchange (JSX) again produced a net inflow, though not to the same extent as in 1993/94. Portfolio investment took a sharp downturn during the first quarter, but in the second quarter began showing a recovery. However, by the end of the year, net inflows from portfolio investment were down $ 1.2 billion to $0.8 billion. The JSX, like other emerging markets in Asia, suffered a massive net outflow in December 1994, due to the psychological impact of the Mexican crisis. Nevertheless, by January 1995 capital had begun flowing back into Indonesia, enabling net positive inflows to resume.

Net outflows of short term capital during the first quarter and the last quarter of the reporting year were in effect reverse flows resulting from high short term inflows in past years. The first quarter outflow was spurred by rumors of impending devaluation, while in the fourth quarter outflows were driven by misplaced fears among fund managers, who had placed Indonesia on the par with Mexico. Nevertheless, the outflow in short term capital was more than compensated by high inflows from PMA and the overseas sale of Indonesian stocks and bonds, thus producing substantial net private capital inflows overall.

International Reserves and Exchange Rates

At the end of 1994/95, Bank Indonesia's official reserves stood at $13.3 billion, up $0.6 billion from the previous year and sufficient to finance for 4.7 months of non-oil/gas imports. To position Indonesia in a stronger position in the face of heavy appreciation in some major currencies and the declining US dollar, Bank Indonesia has consistently adjusted the composition of international reserves to reflect the needs of external debt payments and imports. At the end of March 1995, about 35% of Bank Indonesia's international reserves were in yen.

As in previous years, the Government also arranged standby loans to cope with sudden developments and maintain balance of payments stability. During the reporting year, these standby loans were about $2 billion.

Nominal rupiah deprecation against the US dollar came to 3.38% in 1994/95, almost the same as the 3.40% recorded in 1993/94. However, the rupiah lost considerable ground against the yen and Deutsche mark, declining 17.59% and 20.42% against these important currencies. Against the basket of currencies of Indonesia's major trading partners, the rupiah depreciated by a real 7.05%, in line with Government measures to maintain the competitiveness of Indonesia's non-oil/gas exports.

THE IMPACT OF THE YEN APPRECIATION ON THE INDONESIAN ECONOMY

The Indonesian economy is closely linked with the Japanese economy. This can be seen in the government and private sector relations between the two countries in trade, capital flows and investment. Japan is Indonesia's largest trading partner. During the last five years, Japan has been the market for an average of 19% of Indonesia's total non-oil/gas exports, while also accounting for 25% of Indonesia's imports. Similarly, Japan has been Indonesia's biggest market for oil and gas exports. Since the Foreign Investment Act was passed in 1967, Japan has been the largest investor and donor in Indonesia. During the last 5 years, Japan's pledges to Indonesia within the framework of IGGI/CGI (including those from Japan's Eximbank) averaged $1.7 billion per annum, far exceeding those of any other bilateral or multilateral lending institution.

Due to the strength of these linkages, the Indonesian economy was in a position of considerable vulnerability when the yen underwent massive appreciation in the fourth quarter of 1994/95. Key areas affected by the rising yen are economic growth, prices, and the balance of payments. The yen appreciation has also exacerbated the foreign debt burden and put pressure on government finances. A forecast of the impact of yen on economic growth, prices, and the balance of payments for 1995/96 has been prepared using the Bank Indonesia Model (MODBI).

1. Economic Growth

The appreciation of the yen is expected to boost Indonesian exports to Japan. This growth will be driven mainly by lower yen-denominate prices for Indonesian exports. On the other hand, given the considerable volume and less elastic nature of Indonesia's imports of Japanese products, the yen appreciation will only have slight contractionary impact on Indonesia imports. This reflects Indonesia's trig dependence on Japanese products, primarily for raw materials and capital goods.

With regard to **domestic demand,** the appreciation of the yen has slowed investment and consumption. This is because increasing limited funds available to cover rising interest payments and debt amortization. In addition, the rising yen will boost inflation and this in turn will drive up interest rates, thus also discouraging private investment.

In light of these factors, the appreciation the yen is expected to have a negative impact on Indonesia s economic growth, particular in the medium and long term.

2. Prices

Domestic industry is still highly

dependent on raw materials from Japan, and therefore the yen appreciation will boost production costs in Indonesia. Escalating costs will weaken the competitiveness of Indonesian products an push up domestic prices. Cost-push pressures will drive up prices, while any slowdown in economic activity will tend to work in the reverse direction. However, the higher prices from the cost-push will more than offset any price reduction impact from economic slowdown, with a net impact of fueling inflation.

3. Balance of Payments

The stronger yen vis-a-vis the dollar has resulted in Indonesia's dollar-denominated export prices becoming more affordable to Japanese consumers. The more affordable prices for Japanese consumers will generate increased Japanese demand for Indonesian exports. Indonesia's demand for Japanese products, however, may decline due to higher prices brought on by the yen appreciation. Nevertheless, because domestic industries are highly dependent on raw materials imported from Japan, any decline in imports is expected to be minimal. An added factor is the disproportionate use of the yen in trading with Japan. Over the last three years, Indonesia has paid more in yen for imports than she has received in yen export revenues. This situation means that the appreciation of the yen against the dollar, *ceteris paribus,* will worsen Indonesia's trade deficit.

One of the largest items in services account is interest on government debt. Since part of the interest payment is in yen, the yen appreciation will increase the services deficit. As a result of the worsening trade and services accounts, the current account deficit is expected to continue to rise.

As regards official capital flows, the yen comprises a major proportion of foreign borrowings and debt amortization. Meanwhile, most private capital inflows are in US dollars, and therefore the yen appreciation will have little effect on private capital flows.

4. Outstanding External Debt

Japan is a major lender to Indonesia. The borrowing requirements from Japan under the CGI are the most lenient compared to those c other countries or international institutions, such as the Asian Development Bank and the World Bank. However, Japanese loans are usually disbursed and repayable in yen.

At the end of December 1994, the yen-denominated portion of government debt had increased to 43.5% of the total. Therefore, the appreciation of the yen against the dollar will cause the dollar denominated external debt position to rise. The higher burden of yen contracted debt will increase borrowing ratios, such as debt/GDP, debt/export, and the debt service ratio, which willing turn affect Indonesia's country risk and rating.

5. Government Finances

The yen appreciation against the dollar will increase the burden of foreign debt amortization in dollar terms. The reason for this is that government expenditure in yen for debt amortization and interest payments during any one year exceeds government revenue denominated in yen. As a whole, the yen appreciation could place pressure on government financial operations.

6. Impact on Foreign Direct Investment

The appreciation of the yen against the dollar, and the corresponding yen appreciation against the rupiah, will reduce the cost of Japanese investment in Indonesia. In addition, the yen appreciation is forcing Japanese industries to undergo a structural transformation in order to maintain their competitiveness, and this is expected to encourage relocation of production bases to other countries in the region including Indonesia. Therefore, Indonesia will have greater opportunity to attract Japanese investment. However, global competition is on the rise. Other countries, such as Vietnam, Cambodia, Laos, Myanmar, and China, are exploiting trade and investment incentives to take maximum advantage of the opportunity to attract Japanese investment. In light of this, the government will need to create a business environment more conducive to domestic investment through further deregulation in the real sector.

5. BANKS, CAPITAL MARKET, AND OTHER FINANCIAL INSTITUTIONS

Banks

Issues

The banking sector reported considerable progress in 1994/95, as reflected in the sharp increase in business activities. This growth was supported by rising economic activity, and the progress achieved in bank consolidation as a result of the May 1993 Policy Package. Bank performance improved with the strong upswing in banking operations, and especially in lending. However, this improvement also carries the possibility of detrimental impacts, necessitating risk management measures. This applies especially to the increased lending to high risk business sectors. In addition, banks still face internal difficulties, and the ongoing burden of problem loans from past years.

The rapid credit expansion during the reporting year helped support domestic economic activity, and improved the quality of bank credit portfolios. However, this growth not only generated inflationary pressures, but also exposed banks to higher risk, since aggressive lending tends to result in less selectivity in the credit appraisal process. This situation was worsened by uneven distribution of credit, with lending concentrated more in business sectors extremely sensitive to oversupply. The fastest credit expansion took place in the services sector, with construction and real estate in the lead. Exacerbating the risk were higher interest rates resulting funds lagging behind credit expansion, added to which were higher offshore interest rates, and especially US dollar rates. These problems have necessitated closer attention to prudential banking, since the risks involved do not only affect the individual banks concerned, but may trigger systemic risks within the banking community, and in the end, for national economic stability.

The positive progress achieved by the banking system was offset to some extent by problem banks and problem loans. On the most part, problem banks faced structural difficulties and burgeoning problem loans. The factor most responsible for the condition of these banks is the heavy burden of problem loans without prospect of solution within a reasonable time, with consequent loss in profitability, solvency and liquidity.

The fundamental causes of problem loans lie in internal and external factors. Internal factors include weaknesses in overly aggressive credit policies, deviation from credit procedures, weaknesses in credit administration and supervision, and an ineffective problem loan information system. Added to these are external factors such as business failures, a result of economic slowdown and business mismanagement, high interest rates, or dishonest debtors. Several problems surfaced in 1994/95 that were related to internal factors, such as problem loans, suspected collusion, fictitious exports and markup practices, particularly in one major case involving a state bank (PT Bapindo). This has forced the government to step up efforts to remedy these internal weaknesses.

Policies

The aim of banking policies, as before, is the achievement of a sound banking system. As such, the banking system must be capable of protecting the public interest, maintaining reasonable growth, and promoting Indonesia's economic development. Bank Indonesia has adopted a strategic plan for 1994/95-1998/99 with the general objective of overhauling the bank supervision system in order to create a sounder banking system. Given the progress and constraints faced by the banking community, the key focus of banking policy in 1994/95 was to step up remedial measures for problem loans and problem banks, and strengthening the system for bank supervision. This policy also focuses on the introduction of self-regulation principle designed to encourage greater compliance on the part of bank management with internal rules and procedures. In a related move, Bank Indonesia has adopted measures to tie the objectives of bank supervision more closely to those of monetary policy. As part of this, Bank Indonesia has also embarked on more specifically defined moral suasion to guide banks in their actions.

As a follow up to measures adopted in past years, Bank Indonesia introduced more specific and integrated measures to help overcome existing problem loans, prevent fresh loan losses, and improve supervision of problem banks. Part of these efforts focused on improving the effectiveness of the legal system and cooperation with related agencies. The State Bank Supervision Team was assigned greater powers, as were also the Special Task Forces (STK) at commercial banks. Furthermore, Bank Indonesia explored possibilities with related agencies for setting up a new agency in charge of problems loans *(Lembaga Pengambilalihan Kredit Bermasalah —LPKB)* at state banks.

Measures designed to prevent fresh problem loans took the form of changes and improvements in the regulations on credit planning, management and supervision. Bank Indonesia also tightened supervision of problem banks according to the measures prescribed in Article 37 of Act No. 7 of 1992 concerning Banking. Depending on the condition of the bank in question, Bank Indonesia requires problem banks to undergo immediate overhaul or gradual remedial action according to a scale of priorities. The supervision also aims to encourage bank owners and management to keep up remedial action until the problems facing their banks are fully solved. However, if such measures prove inadequate, Bank Indonesia may advise a bank to undergo a merger, consolidation or takeover by new investors.

Bank Indonesia is also empowered to act as advisor and facilitator in remedial action with problem banks. The government has been researching the possibility of creating a new institution along the lines of a receivership agency to accelerate bank recovery. Also under study is a pooling fund to help problem banks through their difficulties. In another measure to strengthen bank supervision, and especially to rectify problem banks, the government has drafted a government regulation on bank liquidation.

As widely reported, some problem banks deteriorated to the point the owners and management were no longer able to overcome the problems. In light of this, the Ministry of Finance and Bank Indonesia, acting under the powers of Article 37 of Act No. 7 of 1992, along with commercial banks, adopted joint remedial measures to preserve the soundness of the banking system. This was especially important to forestall any systemic risk that might jeopardize public and international confidence in the banking system in Indonesia. One commercial bank experiencing structural problems relating to management and capital was rescued through an acquisition by a group of banks.

Subsequent action to improve management and efficiency have since borne fruit. In another case of a problem bank, management assistance provided by a state bank has shown promising results. In the Bapindo case, there has been a wholesale change in management, while the suspects in the case were brought to court. To minimize losses to the bank, the government has set up a forum to protect the assets of the Bapindo debtor in the case, Golden Key Group. The forum comprises members from the Ministry of Finance, the Attorney-General, the Ministry of Industry, Bank Indonesia, and banks with interests in the case.

Meanwhile, further efforts were undertaken as set forth in Article 37 of Act No. 7 of 1992 to solve the problems faced by some rural banks. Specific preventative measures were taken to minimize creditor losses if the problem rural banks are unable to solve their difficulties. In these cases, the assets of the rural bank and of the parties responsible for the problems have been placed in the hands of the authorities, while legal proceedings were brought against rural bank officials suspected of violating banking laws and regulations.

To promote better compliance with prudential principles and encourage the application of self-regulation, Bank Indonesia has introduced new regulations on the submission of work plans and reports on their implementation. These regulations require banks to operate according to a well- planned agenda that takes account of economic and monetary trends. [1] Work plans

1) - Decree of the Board of Managing Directors of Bank Indonesia No. 27/117/KEP/DIR dated January 25, 1995
- Circular Letter of Bank Indonesia No. 27/3/UPPB dated January 25, 1995

must be realistic. More detailed reporting is required on lending to clients affiliated to the bank and concentrated lending to major groups. The purpose of these requirements is to help banks make accurate assessment of credit risk and their funding capacity. Bank Indonesia has also introduced new regulations on exchange of interbank information through Bank Indonesia and between the banks themselves. These regulations are designed to facilitate banking operations while also providing greater safeguards.[2)]

Bank Indonesia has issued new regulations on credit policy guidelines for commercial banks,[3)] designed to improve compliance with prudential lending principles. The regulations lay down minimum standards for credit policies to guide banks in formulating credit policies. These guidelines define requirements as regards a statement of prudential principles, organization and management, credit documentation and administration, and credit supervision. The credit policy guidelines formulated by each bank will become binding requirements subject to regular monitoring by Bank Indonesia. Furthermore, the internal audit function has been strengthened by a new regulation requiring banks to comply with the Standards for Bank Internal Audit Function (SPFAIB).[4)] These standards lay down the minimum requirements for the internal audit function and for aspects related to the implementation of this function. By adopting the standards, commercial banks in Indonesia will have a common basis for protecting the interests of all parties involved in the banking system.

In a further measure to preserve public confidence in the banking system, the central bank has issued criteria designed to ensure that only trustworthy individuals are able to become owners of banks or active in bank management. Bank Indonesia has issued criteria of reprehensible acts precluding persons from becoming shareholders or holding management positions in banks.[5)] Not only will the regulation prevent undesirable persons from gaining control of banks, but it will also discourage bankers from engaging in behavior that falls within the criteria.

Bank Indonesia has also issued new regulations on the annual and published bank financial statements. These regulations are designed to ensure that financial statements present a more informative and realistic picture of the financial condition of the bank, as well as comply with accounting standards.[6)] All banks, except rural

2) - Decree of the Board of Managing Directors of Bank Indonesia No. 27/120/KEP/DIR dated January 25, 1995
- Circular Letter of Bank Indonesia No. 27/6/UPPB dated January 25, 1995

3) - Decree of the Board of Managing Directors of Bank Indonesia No. 27/162/KEP/DIR dated March 31, 1995
- Circular Letter of Bank Indonesia No. 27/7/UPPB dated March 31, 1995

4) -Decree of the Board of Managing Directors of Bank Indonesia No. 27/163/KEP/DIR dated March 31, 1995 Circular Letter of Bank Indonesia No. 27/8/UPPH dated March 31, 1995

5) -Decree of the Board of Managing Directors of Bank Indonesia No. 27/118/KEP/DIR dated January 25, 1995 Circular Letter of Bank Indonesia No. 27/4/UPPH dated January 25, 1995

6) - Decree of the Board of Managing Directors of Bank Indonesia No. 27/119/KEP/DIR dated January 25, 1995
- Circular letter of Bank Indonesia No. 27/5/UPPH dated January 25

banks with assets of Rp 10 billion or less, must have their financial statements audited by public accountants approved by Bank Indonesia. Banks must also request that the registered public accountant include an internal audit review in his audit report. Furthermore, to ensure that the public receives factual information, the published annual financial statement must be based on the audited financial statement. The format of the published financial statement has been changed to provide for greater disclosure, and includes such details as the names of the shareholders and management. Also, to improve the effectiveness of bank supervision, Bank Indonesia has published the *Bank Auditing Manual* as a guideline for public accountants in auditing and issuing opinions regarding bank financial statements.

At the end of the reporting year, Bank Indonesia issued new regulations on information technology, designed to improve the efficiency of information systems and electronic banking services.[7)] Banks may use information technology to process financial data and perform banking services. The information technology may be provided by the bank itself, or contracted to another party, but in so doing, there must be proper super vision and security, and the system must protect bank secrecy. Therefore, banks must maintain strict control over the system, starting from planning and implementation and including ongoing supervision, to minimize risks to the interests of the bank and its customers. To ensure continuity of bank operations and data recovery in case of a system breakdown, banks must also have a proper, tried and tested disaster and recovery plan.

To provide banks with greater leeway in foreign exchange dealings, Bank Indonesia relaxed the provisions on the Net Open Position (NOP) in a regulation issued September 3, 1994. Under the new regulation, the NOP for on-balance sheet and off-balance sheet assets, previously restricted to not more than 20% of bank capital calculated daily, has been raised to 25%. Additionally, the previous 25% limit on individual currency exposure has been removed, and the currency composition of the NOP is now left to the discretion of the bank.

For some time, Bank Indonesia has been involved in the Project for Developing Relations between Banks and Community Self-Help Groups (PHBK Project). This is an initiative designed to encourage a greater role for banks, and especially rural banks, in helping small-scale businesses in rural areas. One of the important objectives of the PHBK project is to improve the availability of banking services to informal groups in rural areas by linking these groups to banks, and thus reduce the costs of extending credit to rural based small-scale business.

To increase lending under the PHBK project, the Government has provided funding from the

7) - Decree of the Board of Managing Directors of Bank Indonesia No. 27/164/KEP/DIR dated March 31, 1995
- Circular Letter of Bank Indonesia No. 27/9/UPPB dated March 31, 1995

Asian Development Bank to be channeled to rural-based informal business in the form of microcredits. This is a program that will not only assist those businesses, but also strengthen the capacity of rural banks and rural credit fund institutions *(Lembaga Dana Kredit Pedesaan/ LDKP).* The microcredit project will take place in five provinces: West Jawa, Central Jawa, East Jawa, West Nusa Tenggara and South Kalimantan. The project includes a training component for rural bank personnel, reflecting Bank Indonesia's concern for the training needs of bank personnel in rural areas.

Bank Indonesia has been engaged in an ongoing training program for management, advisors and staff of rural banks nationwide. From the inception of the program in l990 to the end of the reporting year, 5,528 persons had received rural bank management training under the program. The Government is now evaluating rural credit fund institutions for upgrading into rural banks according to criteria jointly agreed by the Ministry of Finance, the Ministry of Home Affairs and Bank Indonesia.

On February 23, 1995, an agreement was signed by the Minister of Religion, the Minister of Cooperatives and Small-Scale Business Development, the Minister of Finance and the Governor of Bank Indonesia on the promotion of Islamic Rural Banks within Islamic boarding schools. Bank Indonesia will provide information and training on Islamic non-interest banking and operational procedures to staff and students of Islamic boarding schools, and particularly those intending to open Islamic Rural Banks.

Following the ratification of the agreement establishing the World Trade Organization (WTO) and the Bogor Declaration by Asia-Pacific Economic Cooperation (APEC), Indonesian banks will be faced with the tasks of adjusting to a more open market environment. Because the Indonesian market will be open to foreign banks, Indonesian banks will face strong competition at home. However, the same openness affords Indonesian banks greater opportunity to take advantage of foreign markets.

To inform banks of the outcome of the Uruguay Round and help them adjust to the future environment, Bank Indonesia has convened various seminars and provided banks with several publications on the subject. Bank Indonesia has asked Indonesian banks to work on their human resources development, use efficient technology, provide better, more competitive customer service, and carry out research and development.

In light of this challenge, Bank Indonesia went further to encourage banks to provide adequate staff training. One measure in this direction is designed to make more effective use of the required 5% allocation of personnel expenses to training. If banks themselves are unable to use these funds in their own training programs, they are now required to transfer the funds to educational institutions such as the Indonesian Bankers Institute (IBI). Also, to help prepare for the future open labor market, Bank Indonesia encouraged IBI to improve the quality of its educational programs and explore the possibilities for introducing professional qualifications for banking staff and officers.

Meanwhile, to strengthen bank supervision, Bank Indonesia has also made organizational changes and strengthened the legal basis for bank examinations. In August 1994, Bank Indonesia combined the tasks of direct supervision (on-site supervision) and indirect supervision (off-site supervision) into bank supervision teams. The new arrangement facilitates more effective supervision, as supervisors can now devote their attention to a specific number of banks. In a related step, Bank Indonesia strengthened its role in the regulation of the banking system, with the aim of developing policies and regulations more conducive for a sound banking system. Greater account is taken of prudential principles and the macro aspects of bank supervision when formulating policies and regulations. In an added move to strengthen the legal basis for bank supervision, Bank Indonesia has also issued a regulation on bank examination requirements and procedures, among others stipulating that bank examination may also include examination of debtors and of bank subsidiaries operating in the financial sector.[8)]

8) - Decree of the Board of Managing Directors of Bank Indonesia No. 27/52/KEP/DIR dated August 3, 1994
- Circular Letter of Bank Indonesia No. 27/ l /BPPP dated August 3, 1994

The Banking Network and Organization

The reporting year was marked by reduced growth in the number of commercial banks (Table 5.1). On the contrary, there was a strong increase in the number of bank offices. The increase in the number of commercial banks comes from the applications of new banks based on the former minimum paid up capital of Rp 10 billion. Government Regulation No.70 of 1992 concerning commercial banks raised minimum paid up capital to Rp50 billion for a national commercial bank and Rp l00 billion for a joint bank. The pace of new applications for rural banks slowed somewhat during the year, though it was still high.

In 1994/1995, the banking network grew by five new commercial banks and 385 new offices, comprising branch offices, sub-branch offices, and cash units. By the end of March 1995, Indonesia had 240 commercial banks with 6,242 offices (Table 5.2). The larger number of offices indicates

Table 5.1
New Banks

	1992	1993	1994	1995*
Private national commercial banks		15	13	5 -
Joint venture banks	-	9	1	
Rural credit banks converted into commercial banks	1	-	-	-
Rural credit banks	254	197	174	12
Total	**270**	**219**	**180**	**12**

*) Up to March 1995

Table 5.2
Number of Banks and Bank Offices in Indonesia

	1992	1993	1994	1995 [1]
A. Commercial Banks				
1. State commercial banks				
Number of banks	7	7	7	7
Number of offices [2]	1,434	1,455	1,488	1,577
2. Local government-owned banks				
Number of banks	27	27	27	27
Number of offices	613	639	645	647
3. Private national foreign exchange banks				
Number of banks	40	50	60	63
Number of offices	2,258	2,699	2,892	2,989
4. Private national non-foreign exchange banks				
Number of banks	104	111	106	103
Number of offices	1,127	902	884	877
5. Joint banks				
Number of banks	20	29	30	30
Number of offices	31	45	50	51
6. Foreign banks				
Number of banks	10	10	10	10
Number of offices	94	98	100	101
7. Non-bank financial institutions (NBFIs) [3]				
Number of institutions	13	-	-	-
Number of offices	23	-	-	-
Sub-total				
Number of banks and NBFIs	221	234	240	240
Number of offices	5,580	5,838	6,059	6,242
B. Rural Credit Banks				
1. New (non-rural)	848	1,045	1,219	1,231
2. Petty trader/village (non-rural)	174	174	164	164
3. Former rural fund and credit institutions	273	273	273	273
4. Rural credit agencies	217	217	217	217
Sub-total (1+2+3+4)	1,512	1,709	1,873	1,885
5. Rural financial institutions				
a. Rural fund and credit institutions	1,978	1,978	1,978	1,978
b. Rural credit agencies [4]	5,345	5,345	5,345	5,345
Total (1+2+3+4+5)	8,835	9,032	9,196	9,208

1) March 31, 1995
2) Excluding BRI rural unit
3) NBFIs converted to commercial banks in 1993
4) Including 315 rural credit agencies based on Decree of the Central Jawa Governor No. Dsa.G.226/1969/8/2/4, September 4, 1969

an improvement in the condition of the banking network, as before a bank can establish a new office, it must comply with minimum soundness requirements over a certain period. In March 1995, 70% of all bank offices in Indonesia were located in Jawa (including Jakarta) (Table 5.3). Other provinces outside Jawa with a substantial presence of bank offices are North Sumatra, Bali (3.7%) and South Sulawesi (2.4%).

Table 5.3
Number of Banks by Province as of March 1995

Province	Commercial banks			Rural Credit Banks
	State and loc. govt.-owned banks	Private Nat. com. banks	Foreign and joint banks	
- D.I. Aceh	69	20	-	5
- North Sumatera	101	200	5	38
- West Sumatera	77	32	-	87
- Riau	68	47	2	6
- Jambi	30	7	-	1
- South Sumatera	79	51	-	13
- Bengkulu	17	5	-	3
- Lampung	39	70	-	20
- West Jawa	274	515	8	332
- Central Jawa	195	375	2	397
- D.I. Yogyakarta	52	61	-	51
- East Jawa	182	559	17	346
- Bali	69	159	-	182
- West Nusa Tenggara	32	22	-	16
- East Nusa Tenggara	28	4	-	3
- East Timor	9	1	-	0
- West Kalimantan	53	23	-	8
- Central Kalimantan	34	2	-	1
- South Kalimantan	45	14	-	4
- East Kalimantan	55	33	-	7
- North Sulawesi	46	27	-	22
- Central Sulawesi	24	3	-	1
- Southeast Sulawesi	15	2	-	0
- South Sulawesi	103	69	1	18
- Maluku	31	10	-	1
- Irian Jaya	68	3	-	2
- DKI Jakarta	429	1,552	117	321
- Total	**2,224**	**3,866**	**152**	**1,885**

Meanwhile, 14 private banks upgraded their status to foreign exchange banks during the reporting year (Table 5.4). There is considerable incentive for banks to upgrade to foreign exchange status, as it opens the door to a wider scope of banking operations. As with the growth in bank offices, the number of banks upgrading their status is an indication that the banking network is in strong shape. To upgrade, banks are required to have a sound rating for at least 20 months for the last 24 months, and to rate fairly sound for the remaining months.

Several mergers and acquisitions of private commercial banks took place during the reporting year. These mergers and acquisitions were conducted within the framework of Article 37 of Act No.7 of 1992 to help improve bank quality and rescue problem banks.

While applications for new commercial banks declined, interest in opening new rural banks remained strong, despite fewer applications (Table 5.1). In 1994/95, a total of 186 new rural banks were opened, mainly in Jawa, North Sumatra and North Sulawesi. The increased number of rural banks will expand the coverage of banking services, and support development and modernization in rural areas. There is now a total of 9,028 rural banks. Of these, 1,885 are non-rural credit institutions, 5,345 are rural credit institutions, and 1,978 are rural credit fund institutions.

Table 5.4
Number of Private Non-Foreign Exchange Banks Converted to Private Foreign Exchange Banks

	1992	1993	1994	1995*
Banks established before October 1988 Deregulation Package	5	2	1	2
Banks established after October 1988 Deregulation Package	8	5	10	3
Total	**13**	**7**	**11**	**5**

*) Up to March 1995

Business Performance

Overall, banks enjoyed robust growth in their business performance in 1994/95. Business volume was up, profitability was strong, and despite a general decline in efficiency, several categories of banks demonstrated improvement. One reason for overall decline was the substantial losses sustained by PT Bapindo. Growing, demand for a wider range of banking services also led to higher fee-based income.

Table 5.5
Commercial Bank's Profitability

	1992	1993	1994
	Percent		
State banks	0.41	1.17	-0.30
Local government owned banks	2.25	1.83	1.60
Private national foreign exchange banks	1.27	1.20	1.47
Private national non-foreign exchange banks	0.95	0.77	0.80
Foreign and joint banks	3.08	2.98	1.53
Total	**0.95**	**1.34**	**0.62**

Overall business volume climbed a substantial 11.7% (Table 5.7). This growth was supported by increased funds and lending as a result of rising economic activity. Private banks recorded the fastest growth in business volume, mainly due to a larger number of banks and bank offices. Contributing to this trend were the newly opened private banks, due to their high growth potential. State banks, however, posted more moderate growth due to the ongoing consolidation process.

Profitability declined overall, except for private foreign exchange and non-foreign exchange banks. For foreign banks, local government owned banks and joint banks, profitability remained strong despite some decline (Table 5.5). This can be partly explained by the allocation of considerable allowances for earning assets losses, up 59.9% during the reporting year, in compliance with new Bank Indonesia regulations designed to improve risk management.

In 1994/95, some banks achieved better efficiency ratings. Efficiency is measured by comparing operational expenses and operational revenues. A bank is rated efficient if the efficiency percentage is 93.5 or less. Despite improved performance at some banks, the overall percentage of efficiency increased (Table 5.6). Lowest in efficiency were the state banks.

Rising economic activity during the reporting year encouraged growth in business volume and

Table 5.6
Commercial Bank's Efficiency Ratio

	1992	1993	1994
	Percent		
State banks	99.73	91.56	104.86
Local government-owned banks	86.59	88.09	89.50
Private national foreign exchange banks	92.86	90.71	88.99
Private national non-foreign exchange banks	96.38	96.11	94.24
Foreign and joint banks	81.82	77.02	79.14
Total	**94.90**	**90.29**	**95.32**

Table 5.7
Balance Sheet of Commercial Banks

	1993/94	1994/95	1994/95*
	Changes		Potition
	Billion rupiah		
Assets			
Cash on hand	-323	819	2,910
Demand deposit with Bank Indonesia	-77	305	1,930
Foreign assets	-1,990	-1,772	11,575
Claims on government:	3,335	-1,567	10,122
- Central government	133	-180	663
- Government institutions and enterprises	3,202	-1,387	9,459
Claims on private enterprises and individuals	34,596	39,475	206,527
Others	-407	-10,618	21,972
Assets = Liabilities	35,288	26,642	255,036
Liabilities			
Demand deposits	4,434	2,048	26,685
Time and savings deposits	14,951	16,066	99,121
Foreign exchange deposits	3,348	4,543	32,730
Foreign liabilities	1,860	1,003	21,216
Government account	198	1,390	8,587
Borrowings from Bank Indonesia	4,611	131	12,584
Guarantee deposits	259	-423	688
Capital, reserve, and P/L	5,676	3,040	21,805
Others	5,813	-1,156	31,620

diversification of banking operations, as indicated by higher fee-based income, though interest income still played a dominant role. Growth in fee-based income came mostly from foreign exchange operations, while credit fees and commissions also contributed a significant portion.

Sources of Funds

Banks achieved substantial growth in both domestic and offshore funds, with the support of key factors such as rising public incomes, higher interest rates and improved business performance. Offshore sources of funds, reflected in the banks' foreign liabilities, increased from Rp20.2 trillion at the end of March 1994 to Rp21.2 trillion by the end of March 1995 (Table 5.7). At the same time, there was also strong growth in domestic sources of funds, consisting largely of deposits and capital (paid in capital and retained earnings). Additional capital raised by banks to comply with the CAR strengthened bank funds by about Rp3.0 trillion.

Deposits, comprising mainly demand deposits, time deposits, and savings, grew by a robust 19.7%, though this was slightly less than the 22.2% growth achieved during the previous year (Table 5.8). A key factor in the growth of deposits was higher interest rates, particularly since May 1994, in addition to rising public incomes. The largest proportion of deposits was held by individuals (56.2%), followed by private companies and state-owned enterprises. With rising incomes and improved corporate earnings, growth remained strong in individual and private company deposits, despite a decline compared to the previous year. Deposits held by state-owned enterprises increased by 6.5% compared to a negative 2.5% growth during the previous year. This was linked to efficiency improvements in state-owned enterprises, which boosted profitability levels.

Time deposits in rupiah and foreign currencies represented the largest proportion of bank funds (55.7% of total deposits). During the reporting year, time deposits grew by 28.9%, a considerably higher rate than 15.8% in 1993/94. Growth in rupiah time deposits, up from only 14.0% during the previous year, was particularly brisk at 34.5%. Simulating this growth were higher interest rates and a bearish capital market. However, foreign currency deposits grew more slowly at 19.3%, compared to 18.5% in 1993/94, due to the more attractive rates offered by rupiah deposits.

Table 5.8
Bank Funds in Rupiah and Foreign Exchange by Ownership

	1993/94	1994/95	1994/95 *	
	Changes (%)		Trillion rupiah	Share (%)
Residents	**22.7**	**19.1**	**167.1**	**97.1**
Government	18.6	21.4	8.5	5.1
Insurance companies	52.4	34.4	4.3	2.6
State enterprises	-2.5	6.5	8.2	4.9
Private companies	27.7	16.9	28.4	17.0
Social institutions	21.0	21.1	8.6	5.1
Individuals	21.7	20.2	93.9	56.2
Others 1)	41.0	39.4	15.2	9.1
Non-residents	**10.8**	**-5.7**	**5.0**	**2.9**
Total	**22.2**	**19.7**	**172.1**	**100.0**

1) Including government agencies/institutions and cooperatives

Savings grew more slowly at 8.8%, compared to a strong 32.7% expansion in 1993/94. One explanation is that savings offered less attractive rates than time deposits. Thus, the proportion of savings to total bank funds declined slightly from 26.1% to 23.8%.

Demand deposits in rupiah and foreign currencies registered an overall 11.0% growth in 1994/95, down from 26.7% growth in 1993/94. Foreign currency demand deposits declined in absolute terms with -3.8% growth following a 59.1% surge in the previous year (Table 5.9). Important factors in there were rising public confidence in the rupiah, and greater demand of rupiah for transactions.

Uses of Funds

During the reporting year, banks recorded substantial growth in their use of funds, comprising mainly placements in securities, interbank placements, and credit. Investments in securities totaled Rp 9.6 trillion, up 17% compared to that of the previous year. However, securities amounted to only 4% of total placements, a small proportion that among others, can be explained by the fledgling domestic money market. Credit, the largest single allocation of bank funds (76% of the total), increased 26.5% (Table 5.10) during the reporting year. With growth in funds lagging behind that of credit, banks came under pressure from a widening gap between credit and funds.

Table 5.9
Mobilization of Funds by Type

	1993/94	1994/95	1994/95 *	
	Changes (%)		Trillion rupiah	Share (%)
Demand deposits	**26.7**	**11.0**	**35.3**	**20.5**
Rupiah	18.6	16.0	27.6	16.0
Foreign exchange	59.1	-3.8	7.7	4.5
Time deposits	**15.8**	**28.9**	**95.9**	**55.7**
Rupiah	14.0	34.5	65.1	37.8
Foreign exchange	19.3	18.5	30.8	17.9
Savings	**32.7**	**8.8**	**40.9**	**23.1**
Total	**22.2**	**19.7**	**172.1**	**100.0**
Rupiah	20.9	21.7	133.6	77.6
Foreign exchange	26.7	13.2	38.5	22.4

Table 5.10
Bank Credits

	1993/94	1994/95*	1994/95*	
	Changes (%)		Trillion rupiah	Share (%)
By type of credit	**24.0**	**26.5**	**194.7**	**100.0**
Investment	13.3	18.7	49.6	25.5
Working capital	26.6	26.3	126.8	65.1
Consumer	42.7	56.0	18.3	9.4
By economic sector	**24.0**	**26.5**	**194.7**	**100.0**
Agriculture	23.0	14.3	14.2	7.3
Mining	-14.0	46.5	0.9	0.5
Manufacturing	18.6	17.4	60.5	31.1
Trade	16.9	17.6	44.7	22.9
Services	39.4	40.9	50.9	26.1
Others	33.3	54.6	23.5	12.1
By currency	**24.0**	**26.5**	**194.7**	**100.0**
Rupiah	23.8	26.2	157.8	81.0
Foreign currency	24.7	27.8	36.9	19.0

Driven by a sharp increase in borrowing for motor vehicle purchases, consumer credit surged by a remarkable 56.0% to Rp 18.3 trillion during the reporting year, outpacing even the 42.7% growth of 1993/94 (Chart 5.1). Working capital credit climbed 26.3% to Rpl26.8 trillion, though this was a slightly lower rate than the 26.6% growth in the previous year. Export credit, though amounting to only 7% of total lending, also posted significant growth in the reporting year, rising 15.8%.

Chart 5.1
Bank Credit by Type

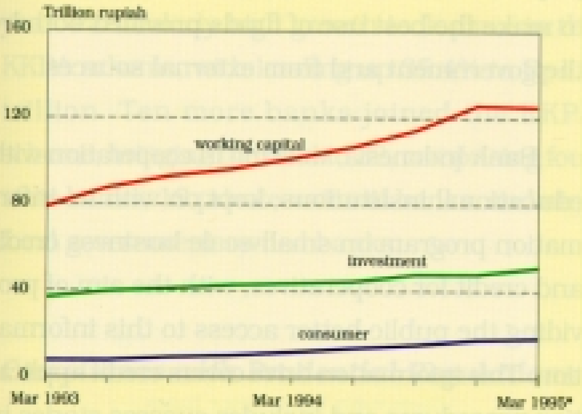
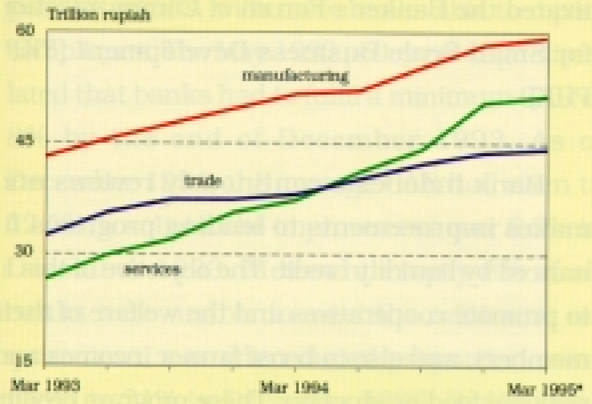


Chart 5.2
Bank Credit by Selected Economic Sector



Manufacturing remained in the lead as the largest sector for bank lending, accounting for 31.1% of the total. During the reporting year, credit to manufacturing increased 17.4% to Rp60.5 trillion, which compares to the 18.6% growth recorded in 1993/94 (Chart 5.2). Particularly high growth took place in credit for food, paper and cement production. Another high growth sector was services, which registered 40.9% credit expansion, slightly higher than that in the previous year (39.4%), due to heavy lending for construction, and especially for housing developments.

Trading also accounted for a significant portion of credit expansion. Credit to this sector increased 17.6% in the reporting year, a little faster than the 16.9% growth in 1993/94. Credit expansion was particularly high to the retail sector, as well as for distribution and wholesale purchasing of domestically produced goods.

Private banks accounted for the fastest credit expansion, having increased lending by 44.2% during the reporting year. State banks, however, increased their lending by only 10.7%. Private banks were able to achieve this rapid growth as many of them had successfully completed their consolidation process. This achievement raised the share of private bank lending from 42.0% of total credit in 1993/94 to 47.9% in the reporting year. During the same period, state bank lending declined in proportion to the total from 47.9% to 41.8% (Table 5.11).

Lending under the KUK scheme for credit to small-scale businesses increased to Rp35.2 trillion by the end of the reporting year. Among commercial banks, this lending accounts for 25.4% of the total, thereby surpassing the minimum 20% requirement. About 70% of total small-scale business lending was extended to customers with credit ceilings below Rp 100 million.

As further encouragement for banks to increase lending to small-scale enterprises, Bank Indonesia has asked banks not fulfilling the minimum 20% requirement to prepare plans and programs for their small-scale business credit operations. These plans must include targets and market segments, the organization of special small-scale business development units, and training of staff involved in small-scale business credit management. To facilitate more widespread lending to small-scale businesses, Bank Indonesia, through the Project for Developing Relations between Banks and Community Self Help Groups (PHBK Project), encourages banks to support rural-based micro businesses. This project now covers several provinces, and aims to make the best use of funds provided both by the government and from external sources.

Table 5.11
Commercial Bank Credits and Funds

	1993/94	1994/95*	1994/95*	
	Changes (%)		Outstanding (Trillion Rp)	Share (%)
Credits				
State banks	6.7	10.7	81.5	41.8
Private national banks	52.2	44.2	93.2	47.9
Local government owned banks	20.0	22.0	4.3	2.2
Foreign and joint banks	25.1	29.7	15.7	8.1
Total	**24.0**	**26.5**	**194.7**	**100.0**
Funds				
State banks	9.4	7.1	63.6	36.9
Private national banks	37.4	29.3	92.6	53.8
Local government-owned banks	31.4	26.1	5.8	3.4
Foreign and joint banks	6.5	23.2	10.1	5.9
Total	**22.3**	**19.7**	**172.1**	**100.0**
Surplus (+)/gap (-) funds-credits			-22.6	

Bank Indonesia, working in cooperation with educational institutions, kept on with its information program on small-scale business credit and credit for cooperatives, with the aim of providing the public better access to this information. This information drive covers credit application procedures and includes success stories in small-scale business development in some areas. In a similar move, Bank Indonesia also reactivated the Banker's Forum of Communication for Small-Scale Business Development (FKP-PUK).

Bank Indonesia continously reviews and makes improvements to lending programs financed by liquidity credit. The objective of this is to promote cooperatives and the welfare of their members, and also to boost farmer incomes and national food production. These program credits include Credit to Farmers (KUT), Credit to Cooperatives (KKUD), and the Primary Cooperatives Credit for Members scheme (KKPA). The key objective of the KKPA scheme is to build partnerships between small-scale entrepreneurs and large companies, while also promoting the development of cooperatives and transmigration. Bank Indonesia is also improving the KUT scheme by streamlining the KUT system and lending mechanisms, with the aim of alleviating difficulties with absorption of credit and overdue repayments. During the reporting year, lending under the KKUD, KUT and KKPA schemes totaled Rpl5.5 trillion, up 7.6% from the previous year. Particularly high growth took place in the KKPA scheme, with lending up 35.4% to Rpl.4 trillion. Ten more banks joined the KKPA scheme, bringing the total to 32, comprising four state banks, 19 private national banks, and nine local government-owned banks.

Compliance with Prudential Regulations

Efforts to improve observance of prudential principles during the reporting year showed positive results, with more banks able to report compliance. The May 1993 policy package stipulated that banks had to fulfill a minimum CAR of 8% by the end of December 1993. As of December 1994, the average CAR had risen to 12.5%, a substantial improvement over 9.9% in December 1993. Meanwhile, only 8% of all banks were unable to meet the minimum requirement, a much reduced proportion compared to 21% in December 1993. Banks complied with the CAR mainly by raising additional paid up capital. This shows that banks are now better able to sustain business expansion and withstand potential losses.

During the reporting year, banks were able to report improving quality in their credit portfolios. Current loans were up while substandard and doubtful loans were on the decline. However, loans classified as losses went up from 3.5% in March 1994 to 4.0%, as of March 1995. This shows that banks have achieved some success in their efforts to improve credit quality, although more still needs to be done. Nevertheless, it should be noted that exclusion of the losses sustained by PT Bapindo would have produced much better figures for loan losses.

As part of their risk management, banks are required to set aside allowance for earnings asset losses. Since the end of December 1994, the required allowance has been 0.5% of current assets plus 3% of substandard assets, 50% of doubtful assets, and 100% of losses, after deduction for the value of collateral held by the bank. The maximum collateral that may be used to offset the allowance is 100% of the value of liquid collateral and 75% of other collateral, as determined by appraisal companies. Allowance for earning asset losses is required for all types of earning assets, including loans, investments in securities, interbank placement, and equity participation. From December 1996, if the allowance is less than required, the shortfall will be deducted against bank capital. There was a considerable increase in allowance for earning asset losses in 1994, which rose 59.9% to Rp8.6 trillion by December 1994.

Efforts aimed at greater compliance with prudential principles in the area of liquidity management also showed positive results, with more banks maintaining the required LDR. In December 1994, LDR compliance was 93%. The LDR is the ratio of bank loans to third party funds, including stockholders' equity, and the maximum LDR regarded as sound is 110%. In December 1994, the average LDR across the banking system was well within the limits of soundness at 81.2%.

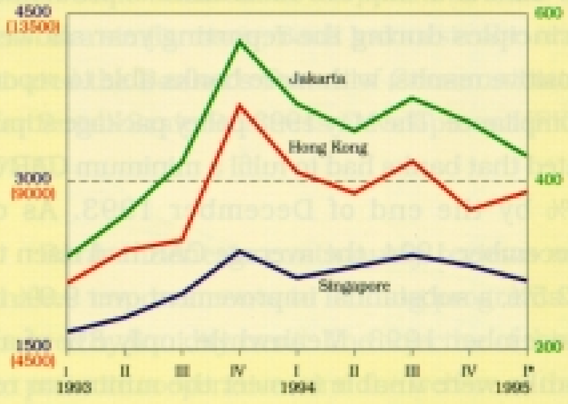
More banks were also able to comply with the Legal Lending Limit (LLL), with compliance up from 75% to 81% during the reporting year. So far, some banks have covered lending in excess of the LLL by risk sharing or credit insurance through a private insurance company. However, insurance coverage of lending in excess of the LLL is not the proper way to deal with this problem, as it only covers the credit risk and does not address the aspect of equitable distribution. Therefore, such practices will only be permitted up to the end of December 1995. In addition, Bank Indonesia regulations are applying a phased reduction in the LLL percentage for group debtors and connected debtors to 20% and 10% respectively by March 1997.

To promote the application of prudential principles in foreign exchange activities, the maximum Net Open Position (NOP) for both on and off-balance sheet activities is 25% of bank capital. At the end of 1994, most banks (83.0%) complied with the NOP.

The Capital Market

After a rally in the early 1994, the capital market followed a bearish trend in 1994/95, as reflected in the declining stock price index on the Jakarta Stock Exchange or JSX (Chart 5.3). An important factor in this downturn was rising international interest rates, also followed by hikes in domestic interest rates. Aggravating the bearish market were bullish capital markets in developed countries, such as the NYSE, undergoing economic recovery. Other factors contributing to the flagging activity on the JSX were the unsatisfactory performance of some public companies, the postponement of regulation permitting an increased percentage of ownership by foreign investors, and non-performing loans burdening the banks listed on the exchange. Like Singapore, Hong Kong and other emerging markets in Asia, the JSX also came under considerable pressure in the wake of the Mexican crisis.

Chart 5.3
Composite Stock Price Index in Jakarta, Singapore, and Hong Kong



Sources : - Capital Market Supervisory Agency (Bapepam)
- The Asian Wall Street Journal

A new regulation on foreign investment in 1994/95 also brought indirect benefits to the domestic capital market.[9] The regulation allows foreign investment (PMA) companies to comply with their obligations of divestment to domestic investors without changing status from foreign investment (PMA) to domestic investment (PMDN). This new regulation is expected to spur activity on the capital market by encouraging foreign investment companies to go public.[10] The Government also provides special facilities for medium and small-scale companies to go public. These companies may bypass the services of underwriters and are exempted from publishing a concise prospectus in newspapers. In another move, the Government also issued a new tax regulation on stock exchange transaction. Starting from January 1, 1995, each selling transaction is subject to a final income tax, lower than taxes charged on other transactions.[11]

During the reporting year, the Government adopted a further measure considered necessary to strengthen the capital market structure. The Capital Market Supervisory Agency (Bapepam) issued a regulation laying down the general regulatory basis for operation of an independent rating agency,[12] coinciding with the establishment of PT Pemeringkat Efek Indonesia (PT Pefindo). This agency offers investors more objective information about the quality of investment instruments, and is therefore expected to boost capital market activity. By the end of 1994/95, PT Pefindo had issued ratings for securities issued by two companies. In another move to facilitate trading activities and provide greater legal certainty, the Over-The-Counter Market *(PT Bursa Paralel Indonesia/BPI)* was placed in charge of share trading outside the JSX and the Surabaya Stock Exchange (SSE). A merger between the SSE and the OTC Market is now under consideration to bring them up to the level of the JSX and other international capital markets. Additionally, to provide a stronger legal foundation for future market growth, the Government has drafted new capital market legislation to replace the existing law.

Forty-three companies went public during the reporting year, and another 25 released shares in right issues with total capitalization of Rp8.5 trillion. Total listed companies climbed to 231, with total issue value of Rp27.1 trillion. Eight companies also floated bonds worth Rp 1.2 trillion during the year. Three of these were new issuers, while the rest were former issuers floating additional bonds. By the end of the year, 46 companies were listed as bond issuers, divided into 39 issuers of ordinary bonds, five of convertible bonds, one issuer of ordinary and convertible bond, and issuer of credit securities. Total bond issue capitalization at the end of 1994/95 stood at Rp7.2 trillion (Table 5.12).

9) Government Regulation No. 20 of 1994, dated May 19,1994
10) Decree of the Chairman of the Capital Market Supervisory Agency No. Kep. 09/PM/1995 dated March 20, 1995
11) Government Regulation No. 41 of 1994, dated December 23, 1994
12) Decree of the Chairman of the Capital Market Supervisory Agency No. Kep. 27/PM/1994 dated September 7, 1994

Table 5.12
Capital Market

	1993/94	1994/95			
		I	II	III	IV*
Stocks					
Number of companies	188	207	216	231	231
Market capitalization [1]					
(trillion rupiah)	67.7	70.0	95.6	103.8	98.8
Transactions					
(trillion rupiah)	23.2	4.8	6.1	6.7	6.6
(million share)	4,448.2	1,016.7	1,401.7	1,564.7	2,143.0
Composite stock price index[2]	492.4	457.3	498.0	469.6	428.6
Bonds[3]					
Number of companies	43	45	46	46	46
Market capitalization					
(trillion rupiah)	6.5	6.6	6.7	7.0	7.2

1) Based on market price of JSX at end of year or quarter
2) At JSX
3) Including OTC
Source : - Jakarta Stock Exchange
- Bapepam

Table 5.13
Ratio of Market Capitalization to Bank Credits

	Total value of market capitalization[1] (billion Rp)	Bank Credits (billion Rp)	Ratio of market capitalization to bank credits (percent)
1992/93	34.1	124.2	27.5
1993/94	74.2	153.9	48.2
1994/95*	106,0	194.7	54,4

1) Stocks and bonds at the Jakarta Stock Exchange
Source : - Bank Indonesia
- Jakarta Stock Exchange

JSX market capitalization totaled Rp98.8 trillion at the end of the year, a substantial increase over Rp67.7 trillion at the end of 1993/94. Similarly, total bond capitalization on the JSX, SSE and the OTC Market increased from Rp6.5 trillion in 1993/94 to Rp7.2 trillion. Thus the ratio of total market capitalization to bank credit rose from 48.2% to 54.4% during the reporting year (Table 5.13). This demonstrates the growing role of the capital market as an alternative source of long term funds.

Most capital market transactions in Indonesia take place on the JSX, and therefore JSX activity typifies the condition of the domestic capital market. After reaching a high of 592 at the end of January 1994, the JSX composite index maintained a general decline during the reporting year, staying below the 500 mark except in May, August, and October. The improvement in the index during those months was related to a number of well-known companies going public that were supported by strong fundamentals. One of these was PT Indosat, which also sold well on the NYSE. Property stocks underwent the steepest price declines, probably due to market oversupply of office buildings and luxury houses. Another factor prompting the decline was the new tax regulation imposing luxury sales tax on luxury houses, condominiums, etc.[13]

JSX share trading recorded substantial growth in 1994/95. Trading went up from 4,448 million shares in 1993/94 to 6,115.9 million in 1994/95, with value up from Rp23,225.9 billion to

13) Government Regulation No. 50 of 1994 dated December 28, 1994

Rp24,210.4 billion during the same period. Meanwhile, SSE trading increased from 345.6 million to 1,046.1 million shares, with value rising from Rpl,414.5 billion to Rp4,059.6 billion. Trading on the OTC Market also increased, rising from 34.2 million worth Rp60.0 billion to 36.2 million shares worth Rpl,212.3 billion (Table 5.14).

Total foreign investor buying dropped from Rpl7.8 trillion in 1993/94 to Rpl6.0 trillion in 1994/95, while foreign investor selling increased from Rpl3.6 trillion to Rpl5.4 trillion. It is important to note that during 1994/95, foreign investor buying outpaced selling in all months except December. Heavy selling at the end of 1994 was driven mainly by the psychological impact of the financial crisis in Mexico, along with rumors of impending rupiah devaluation, which prompted foreign investors to move their funds to capital markets in developed countries and the international money market. JSX trading activity was also affected by the suspension of operations of a foreign securities company normally very active on the JSX, as the British parent company (Barings plc.) had sustained huge losses from derivative transactions. In light of these developments, foreign ownership of JSX listed shares fell from 31.0% in 1993/94 to 28.9%. Nevertheless, foreign investors continued to dominate JSX activity.

Table 5.14
Stock Transactions at the JSX, the SSE, and Over the Counter

	1993/94		1994/95*	
	Volume (million stocks)	Value (billion Rp)	Volume (million stocks)	Value (billion Rp)
JSX	4,448.2	23,225.9	6,115.9	24,210.4
SSE	345.6	1,414.5	1,046.1	4,059.6
Over the Counter	34.2	60.0	36.2	1,212.3

Source : Bapepam

By the end of the year, PT Danareksa issued three new series of stock certificates, bringing the total to 15 series worth Rp222.8 billion. PT Danareksa offers 2 series of company share certificates, 5 of general fund certificates, 3 of income unit certificates, 2 of permanent stock earnings certificates, and 3 series of share unit fund certificates.

Other Financial Institutions

Other financial institutions, including finance companies, insurance companies, pension funds and pawnshops, have undergone significant growth in recent years, and are thus gaining importance in financing economic activities. Finance companies have grown at a particularly rapid pace to satisfy demand for a wider range of financing as economic activity continues to progress. The insurance industry has also enjoyed strong growth, propelled by rising public incomes and insurance-mindedness, as well as a larger scale of financial transactions involving insurance services. However, the limited management and financial resources of the domestic insurance industry have led to heavy dependence on foreign companies. Meanwhile, the government has made further improvements to pension fund regulations, providing greater assurance for users. Finally, after a change in its legal status of incorporation, the state-owned pawnshop enterprise *(Perum Pegadaian)* introduced some product innovations aimed at expanding services, particularly for lower income groups.

Finance Companies

A finance company is a legal entity that operates by providing customers with funding and capital goods. The funds to support these operations are raised indirectly from the public. Finance companies may operate in leasing, venture capital, factoring, credit cards, and consumer financing. A multifinance company operates a combination of these lines of business. Besides providing an alternative source of financing, these companies help promote private sector investment.

In 1994, the number of finance companies in Indonesia increased by 51 to 227. Of these, 49 operate in leasing, 22 in venture capital, three in factoring, six in consumer finance, two in credit cards, and 145 are multifinance companies. An important factor encouraging the growth of finance companies is the strong performance of the economy that generates demand for funds, while banks are more limited in their scope of lending, due to the necessity of prudential banking principles.

With more finance companies active in Indonesia, total assets have also increased. Based on preliminary statistics, finance companies experienced 15% growth in total assets in 1994, with the figure rising to Rpl2,046 billion. Dominating in total assets are leasing companies, with contract value up 24% in 1994 to Rp5,644 billion. Factoring, however, increased by around 37%. The high growth of leasing and factoring is related to the increased pace of investment and general economic activity. During the reporting year, consumer finance and credit card operations posted 24% and 600% growth respectively, driven by changes in patterns of public consumption that strengthened demand for household appliances, cars, furniture, etc, and the growing popularity of credit cards. However, activity in venture capital remained on the low end of the scale with no significant improvement 1994.

Table 5.15
Finance Companies[1]

	1992	1993	1994*
	(billion Rp)		
Number of companies[2]	**150**	**176**	**227**
Business activities			
Leasing (contract value)	3,748.4	4,562.9	5,644.0
Factoring (financing value)	784.6	2,238.8	3,074.9
Consumer financing (contract value)	1,530.2	2,209.7	4,945.0
Venture capital (equity)	31.5	12.1	12.1
Credit card (financing value)	213.0	79.2	561.4
Financial position			
Total assets	10,104.2	11,866.2	12,045.5
Total equity	1,643.6	1,969.3	2,336.6
Net investment	7,794.8	9,226.7	9,389.6
Outstanding borrowings			
Domestic	2,798.6	3,809.6	4,413.2
Foreign	3,301.2	3,468.0	3,150.4

1) End of period
2) Unit
Source : Ministry of Finance

Finance companies raise their funds from equity, borrowings, bond issues, and subordinated loans from foreign partners (particularly for joint ventures). The main sources of borrowings, which increased 4% to Rp7,564 billion in 1994, are domestic and foreign banks. Sixty one percent of borrowings were raised from domestic sources.

Insurance Companies

The insurance industry has undergone remarkable growth during the last few years, as reflected in increased premium revenues, assets and invested funds. Part of this success is owed to Government efforts in promoting the technical and managerial capabilities of insurance companies, enabling them to operate efficiently. However, domestic insurance companies are still marked by a high degree of dependence on their foreign counterparts.

In 1993, the number of insurance companies remained unchanged at 145. Forty-six of these operated in life insurance, 90 in general insurance, four in reinsurance, and five in social insurance. A more open economic environment coupled with limited managerial skills and financial resources has driven several domestic insurance companies to set up joint ventures with foreign partners. By December 1993, there were 23 joint ventures, 16 operating in indemnity insurance, and seven in life insurance. That year, there were also 110 insurance-related companies, divided into 71 insurance brokers, 21 adjusters, and 18 actuarial consultants. Total gross premiums rose from Rp 3.3 trillion in 1992 to Rp4.6 trillion in 1993. The ratio of gross premiums to the GDP thus increased from 1.27% to 1.56%.

Table 5.16
Insurance and Reinsurance[1)]

	1991	1992	1993
	Trillion rupiah		
Total Assets			
Life insurance	1,628.8	1,911.5	5,647.3
Social insurance	3,639.8	4,297.0	2,302.8
Indemnity insurance & reinsurance	2,603.3	2,808.8	3,317.1
Total	**7,871.9**	**9,017.3**	**11,267.2**
Gross Premiums			
Life insurance	562.1	770.1	1,676.4
Social insurance	588.8	756.4	711.1
Indemnity insurance & reinsurance	1,504.7	1,773.4	2,216.3
Total	**2,655.6**	**3,299.9**	**4,603.8**
Claims			
Life insurance	523.0	564.0	1,314.8
Social insurance	285.8	360.1	157.0
Indemnity insurance & reinsurance	721.0	706.6	923.0
Total	**1,529.8**	**1,630.7**	**2,394.8**
Investments			
Life insurance	1,291.2	1,529.2	4,830.2
Social insurance	3,274.1	3,869.8	1,996.9
Indemnity insurance & reinsurance	1,705.0	1,746.2	2,005.5
Total	**6,270.3**	**7,145.2**	**8,832.6**

1) End of periode
Source : Ministry of Finance

Total insurance company assets went up from Rp9.0 trillion to Rp11.3 trillion, with life insurance, indemnity insurance, and reinsurance companies accounting for most of this growth. Life insurance companies held 50.1% of the total assets, while 29.4% was held by companies operating in indemnity insurance, and the rest by social insurance companies. Higher incomes and greater insurance-mindedness coupled with brisk growth in business transactions requiring insurance, such as loans, leasing for vehicles and manufacturing equipment, and real estate transaction, were among important factors promoting the growth of the insurance industry. Similarly, funds invested by insurance companies climbed from Rp7.1 trillion to Rp8.8 trillion. Slightly more than half (50.6%) was invested in time deposits, 24.6% in Bank Indonesia Certificate (SBIs), 11.2% in stocks and bonds, and the rest in land and other property.

Growing insurance-mindedness has led to a considerable improvement in insured value. However, domestic insurance companies faced difficulties with their limited financial resources in meeting such high demand for coverage, and therefore many have taken up reinsurance abroad. Consequently, total premiums paid overseas exceeded payments received from claims, while more was paid overseas in claims than was received in premiums. The combination of these factors increased the deficit in insurance transactions in the balance of payments from Rp354.1 billion in 1992 to Rp398.7 billion in 1993. In light of this large deficit, domestic insurance companies need to strengthen their capabilities, and in so doing effectively reduce their heavy dependence upon foreign insurance.

Pension Funds

As one of the financial institutions that accumulate long-term funds, pension funds have an important role in financing national development. Pension funds also provide their members with retirement benefits, thus increasing employee sense of belonging and job motivation, factors which in turn improve national productivity. In view of this important role, the Government has adopted a series of deregulatory measures to promote pension funds, covering organizational and managerial improvements, and protection for pension fund members.

In 1994/95, the Government introduced a regulation concerning pension fund financial statements.[14)] Starting in 1995, pension fund managers are required to submit financial and portfolio reports, audited by separate public accountants, to the Government. The Government also issued a decree on the funding and solvency of employer-managed pension funds to provide better assurance of benefits for members and to ensure the continuity of fixed benefit pension schemes.[15)] This regulation stipulates the responsibility of the founder in respect of funding pension funds, the funding and solvency aspects of fixed-benefit pension schemes, funding of fixed-contribution pension schemes, and the responsibility of founders as regards payment of contributions to pension funds. To promote sound investment management, the Government also issued a new regulation on pension fund

14) Decree of the Minister of Finance No.76/KMK.017/1995 dated February 3, 1995
15) Decree of the Minister of Finance No.77/KMK.017/1995 dated February 3, 1995

investments. [16] According to the regulation, founders of pension funds are required to lay down policy guidelines for investments, covering investment targets, maximum funds to be invested, maximum funds that may be invested in any single party, and the investment management monitoring and control system. Pension funds are permitted to invest in stocks and promissory notes with less than one-year maturity, but such investments may not exceed 20% of the total portfolio. Investments in land and buildings are allowed up to 15% of the total portfolio. Maximum investment in any single party may not exceed 10% of the total portfolio. Pension funds in more remote areas that are unable to place funds in time deposits and certificates of deposit according to these criteria are allowed to place more than 10% of their funds in one bank, as long as they continue to comply with the principle of risk management through portfolio diversification.

By December 1994, the Government had received 521 applications for reestablishing pension funds according to the new Act No. 11 of 1992. Of these, 508 were employer-managed and 13 were independent pension funds. State enterprise-owned pension funds accounted for 104 of the total, while the other 417 were owned by private corporation. By December 1994, 100 pension funds had been reestablished under the new Act. Ninety of these were employer-managed and l0 were independent pension funds.

16) Decree of the Ministcr of Finance No. 78/KMK.017/1995 dated February 3, 1995

Pawnshops

State pawnshops *(Perum Pegadaian)* provide small loans for low income people in financial difficulties. These pawnshops also help to discourage unfair futures trading, illegal pawnshops, and loan shark practices.

Since the state-owned pawnshop enterprise was legally reincorporated as a public corporation (*Perusahaan Umum* or *Perum*), the corporation has made various product innovations and improvement of its services. Besides the core business of pawning, all state pawnshops now provide related services such as jewelry appraisal and custodian services for goods and securities. Furthermore, several regional branches have opened gold counters dealing in jewelry and gold bars.

To extend service coverage, the corporation opened new offices, bringing the number of pawnshops from 558 in 1993 to 566 by the end of 1994. The corporation also introduced mobile units

Table 5.17
Pawnshops

	1992	1993	1994
	Billion rupiah		
Loan extended	700	777	1,036
Redemption	692	746	977
Outstanding loan	166	197	256
Number of customers (thousand people)	3,294	3,344	4,199
Number of offices (unit)	544	558	566

Source : State Pawnshop

in major cities such as Jakarta, Medan, and Denpasar to serve customers living at some distance from local state pawnshops. To meet growing demand for liquidity, the corporation raised the maximum borrowing ceiling in 1994 from Rpl.5 million to Rp2.5 million, and subsequently to Rp20 million. Interest charges for loans up to Rp5 million remained unchanged at 2.5% per month for loans between Rp5 - Rp40 thousand; and 3.5% per month for loans between Rp40 thousand - Rp5 million. Interest rates on loans above Rp5 million are negotiable, ranging from 3% to 3.25% per month.

State pawnshops registered commendable performance in 1994. Loans increased to Rpl,036 billion, compared with Rp777 billion in 1993. The enterprise also expanded its customer base by 25% to 4,199 thousand people. Most loans are put toward productive uses, especially in the agricultural sector.

6. DEMAND, SUPPLY AND PRICES

General Review

Indonesia's economic performance in 1994 was indeed encouraging. GDP growth measured by 1993 constant prices reached 7.3% (Table 6.1), driven by domestic demand. Both household expenditures and private sector investment increased significantly. Export growth improved, but imports rose at an even faster rate, resulting in negative net external contribution to GDP growth. Economic growth was also driven by supply factors, with strong performance in non-oil/gas sectors such as manufacturing, construction, commerce, hotels and restaurants. The oil/gas sector also improved during the year, strengthening the overall growth performance. However, strong domestic demand did not only contribute to higher growth, but also generated rising inflationary pressures due to supply bottlenecks. In 1994, inflation measured by the Consumer Price Index (CPI) ran high at 9.24%, though this figure was slightly less than the 9.77% of 1993. High inflationary pressures in the first quarter of 1995 brought inflation for 1994/95 to 8.57%.

Table 6.1
GDP by Expenditure and Production Sector at 1993 Constant Market Prices

	1993*	1994*	1994*
	Changes (%)		Billion rupiah
Gross Domestic Product	**7.25**	**7.34**	**353,973.2**
By expenditure			
Consumption	5.0	5.4	224,793.8
Private	5.8	5.8	194,185.2
Government	0.1	2.9	30,608.6
Gross domestic fixed capital formation[1)]	10.3	15.4	126,482.8
Exports of goods and services	6.6	7.3	91,517.3
Imports of goods and services	4.4	13.3	88,820.7
By production sector			
Agriculture	1.7	0.3	59,153.8
Mining and quarrying	3.4	5.3	33,172.4
Manufacturing	11.4	11.1	81,690.2
Construction	14.5	14.7	25,824.6
Trade. hotel. and restaurant	9.8	9.2	60,381.0
Transportation and communication	7.5	7.6	25,014.2
Other services	5.5	6.2	68,737.1

1) Include changes of stock
Source : Central Bureau of Statistics and estimate

Demand

Domestic demand strengthened by 8.8% in 1994, driven largely by escalating private consumption, up 5.8% from the previous year (Table 6.2). Factors encouraging greater consumption were higher public incomes resulting from increased minimum wages and improved

Table 6.2
GDP Growth and GDP Weighted Growth by Expenditure

	1993*		1994*	
	Growth	Weighted growth	Growth	Weighted growth
	percent			
Gross Domestic Product	**7.25**	**7.25**	**7.34**	**7.34**
Domestic demand	**6.7**	**6.6**	**8.8**	**8.6**
Consumption	5.0	3.3	5.4	3.5
Private	5.8	3.3	5.8	3.2
Government	0.1	0.0	2.9	0.3
Gross domestic fixed capital formation[1)]	10.3	3.3	15.4	5.1
External demand	**40.1**	**0.6**	**-61.0**	**-1.3**
Exports of goods and services	6.6	1.7	7.3	1.9
Imports of goods and services	4.4	1.1	13.3	3.2

1) Include changes of stock
Sources : Central Bureau of Statistics and estimate

prices for some agricultural commodities, such as coffee and rubber. Private consumption was also encouraged by low domestic interest rates, particularly in the first semester of 1994. During the year, government consumption climbed 2.9%, significantly higher than the 0.1% increase in the previous year. This was mainly the result of larger maintenance expenditures.

Domestic demand was also driven by sharply increased investment expenditure, up 15.4% in 1994 compared to 10.3% in 1993. Private sector investment, excluding changes in stock, increased l 3.8% during the year, contributing much to this growth. During the year, Indonesia's investment climate had improved, and various deregulations had taken place in the real sector, strengthening business confidence in the prospects for the economy. These factors, along with a more conducive monetary policy, played an important part in stimulating greater investment. Investment growth was strongest in business sectors relating to manufacturing and construction.

Strengthening business confidence in Indonesia's prospects was reflected in growing investor interest, stimulated by a series of deregulatory packages in past years. Further deregulation was introduced in 1994. Complete foreign ownership is now permitted in newly formed foreign investment ventures, and foreign companies can now set up joint ventures in vital sectors previously off limits to foreign direct investment.[1] (Box: Government Regulation No. 20 of 1994 concerning Share Ownership in PMA Companies.) The Government also launched tax incentives to encourage investment in certain sectors and regions of the country.[2] As noted earlier, keen investor interest was reflected in a remarkable surge in domestic and foreign direct investment approvals.

1) Government Regulation No.20 dated May 19, 1994
2) Government Regulation No.34 dated November 16, 1994

GOVERNMENT REGULATION No. 20 OF 1994 CONCERNING SHARE OWNERSHIP IN PMA COMPANIES

On May 19, 1994, the Government issued Government Regulation No.20 of 1994 concerning Share Ownership in Foreign Investment Companies. This new regulation was designed to foster greater public and business participation in investment, international trade and transfer of technology. It also aims to strengthen managerial capabilities and capital resources, which will in turn increase investment. In addition, emphasis was given to the growth and expansion of economic activities in various regions of Indonesia.

Key provisions adopted in the regulation are as follows:

a. Licensing

- Foreign investment approvals are issued for foreign investment (PMA) companies legally incorporated as limited liability companies (PT) pursuant to Indonesian and domiciled in Indonesia.
- An operating license is issued valid for 30 years from the date that the company starts commercial production, and is extendable as long as the company conducts business that is beneficial to the national economy.

b. Ownership

- Wholly foreign-owned direct investment permitted by a foreign citizen and/or entity. Additionally, foreign investment permitted in joint ventures with national equity starting as low as 5%.
- A 100% foreign-owned company must commence divestment of some of its equity to Indonesian citizens and/or legal entities within 15 years of the commencement commercial production, as agreed. Such divestment may take place through private placement or on the Indonesian capital market.

c. Location and Line of Business

- A company founded under the foreign investment (PMA) law may operate anywhere in Indonesia, and especially in bonded zones and industrial estate in areas where such facilities exist.
- Foreign investment is permitted for ventures in vital sectors, i.e. ports; power generation, transmission and distribution; telecommunications; shipping; aviation; water utilities; railways; nuclear power; and the mass media. Nevertheless, sectors remained closed to 100% foreign ownership.

d. Possibilities for Expansion

- PMA company that has started commercial production may establish a new company and/or buy shares in an existing company established pursuant to the domestic investment (PMDN) law, or even in an existing non-PMA/PMDN company, whether not that company has started commercial production.
- A foreign legal entity may buy shares in a PMA or PMDN company, or even in a non-PMA/PMDN company, whether or not commercial production has begun in that company.

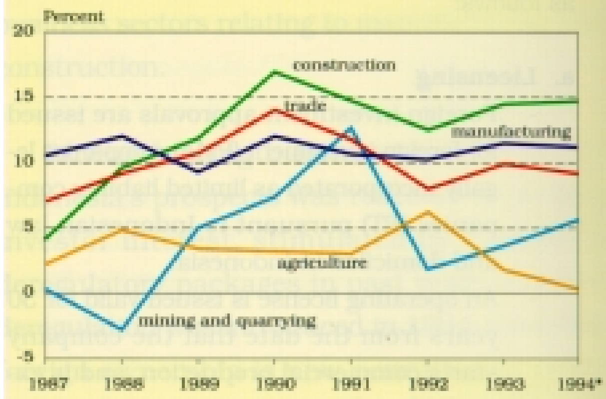
Planned foreign investment was up 192.6% to $23.7 billion, while planned domestic investment climbed 34.9% to Rp53.3 trillion. The most attractive business sectors to domestic investors were non-metal minerals, textiles and chemicals. Foreign investors were strongly interested in chemical plants, paper mills, power plants, gas and water utilities. Most planned domestic investment was for West Jawa (30%), East Jawa (16%) and DKI Jakarta (11%). Approved foreign direct investments were concentrated in East Jawa (26%), West Jawa (19%) and Riau (16%). The largest investing countries were Hong Kong (25%), the UK (13%) and Taiwan (11%).

Net external demand generated a net negative contribution (-1.3%) to economic growth, a less favorable development. This resulted mainly from high 16.8% growth in non-oil/gas imports, driven by strong domestic demand. Imports were particularly strong for raw materials used in the automotive and food industries. Though exports grew by a robust 7.3%, this growth lagged behind the strong surge in imports. Non-oil/gas exports contributed the most to export growth, with especially strong performance by some agricultural and mining/quarrying commodities that benefited from sharp price increases generated by rising world demand. However, traditional mainstay exports such as textiles and plywood did not fare so well during the year.

Supply

The main force driving economic growth in 1994 was activity in the non-oil/gas sector—mainly manufacturing and non-oil/gas services. High growth in manufacturing, in turn, was driven by rising domestic demand. Commerce and

Chart 6.1
Growth Rates of Major Sector 1)



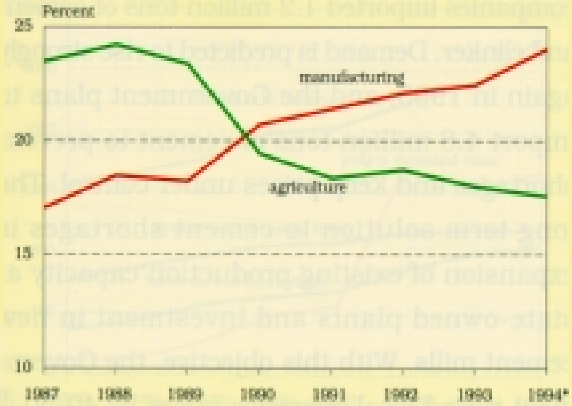
1) Since 1990 based on new clasification
Source : Central Bureau of Statistics

Table 6.3
Growth and Weighted Growth of Selected Sectors

	1993*		1994*	
	Growth	Weighted growth	Growth	Weighted growth
	percent			
Gross Domestic Product	**7.25**	**7.25**	**7.34**	**7.34**
Agriculture	1.7	0.3	0.3	0.1
Mining and quarrying	3.4	0.3	5.3	0.5
Manufacturing	11.4	2.5	11.1	2.5
Construction	14.5	0.9	14.7	1.0
Trade, hotel, and restaurant	9.8	1.6	9.2	1.5
Transportation and communication	7.5	0.5	7.6	0.5
Banks	8.2	0.3	13.8	0.5
Other services	4.9	0.8	4.6	0.7
Oil/gas	**0.3**	**--**	**3.1**	**0.3**
Non-oil/gas	**8.1**	**7.3**	**7.8**	**7.0**

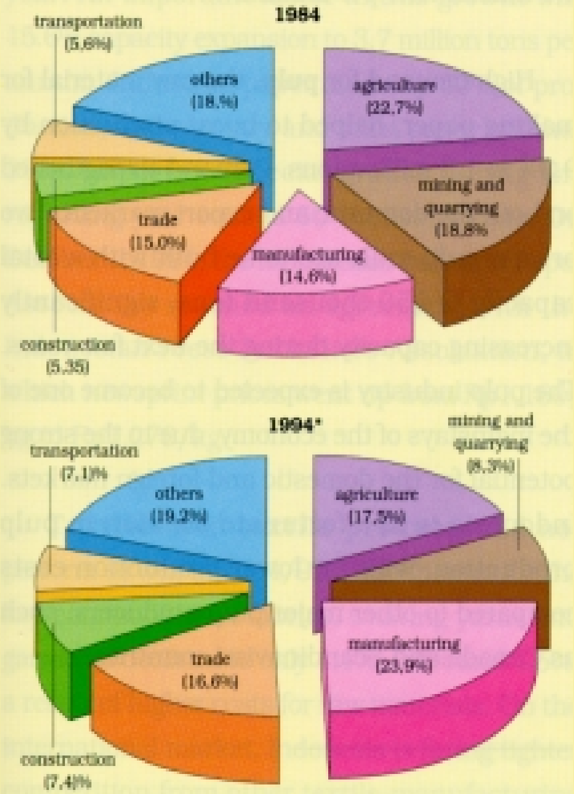
Source : Central Bureau of Statistics

Chart 6.2
Share of Agriculture and Manufacturing Sector in GDP [1]



1] Since 1990 based on new clasification
Source : Central Bureau of Statistics

Chart 6.3
Distribution of GDP by Economic Sector at Current Market Prices



Source : Central Bureau of Statistics

construction were the principal non-oil/gas services that also helped boost economic growth. The strongest activities in these sectors reflected in 7.8% growth of non-oil/gas GDP (Table 6.3). The oil/gas sector registered 3.1% growth, largely due to higher oil and natural gas production. The result was that the share of the non-oil/gas sector in the GDP increased from 90.0% in 1993 to 91.7%. Manufacturing, electricity, gas and water utilities, and construction, all exceeded 10% growth (Chart 6.1). However, agriculture achieved very little growth, mainly because of unfavorable climatic factors. The share of manufacturing and services sectors to GDP thus increased significantly, while agriculture declined (Charts 6.2 and 6.3).

Manufacturing

The value added of the **manufacturing sector** increased 11.1% in 1994, raising the share of manufacturing to the GDP from 22.3% to 23.9%. Key non-oil/gas industries contributing to the increased value added were food and beverages, fertilizers, chemicals, rubber-made articles (tires in particular), machinery and equipment, and motor vehicles. Other strongly growing industries were cement, pulp and paper. Value added from the oil/gas sector also increased, due to increased production of liquefied natural gas (LNG) (Table 6.4).

Non-oil/gas Manufacturing Production

In 1994/95, **palm oil** production rose by 20.1% to 1,506 thousand tons through a combination of

Table 6.4
Selected Manufacturing Products

	1993/94	1994/95*	1994/95*
	Changes (%)		
Oil-based fuels (million barrels) 1)	-0.4	-1.5	207.8
LNG (million MMBTUs)	4.3	1.6	1,321.6
LPG (thousand tons)	-0.7	2.5	2,847.3
Textile and its products			
Fabric (million meters)	17.4	4.1	8,202.3
Weaving yarn (thousand bales)	20.3	5.2	5,188.2
Garment (million dozens)	20.3	4.5	97.1
Staple fibre (thousand tons) 2)	21.1	11.5	449.9
Sport shoes (million pairs)	68.5	9.5	478.5
Leather shoes (million pairs)	-21.2	7.6	68.0
Pulp (thousand tons)	-10.3	9.3	1,314.3
Paper (thousand tons)	12.0	9.9	2,736.9
Cement (thousand tons)	9.9	15.4	21,907.3
Palm cooking oil (thousand tons)	7.5	20.1	1,505.5
Wood products (million m3)			
Plywood (million m3)	1.4	0.6	9,387.5
Sawn timber (million m3)	1.9	0.8	10,881.0
Fertilizer (thousand tons)			
Urea (thousand tons)	4.5	-4.0	5,043.1
ZA dan TSP (thousand tons)	9.0	-5.5	1,597.9
Motor vehicles			
Automobiles (thousand units)	19.7	55.4	325.0
Motorcycles (thousand units)	-0.5	71.8	781.4
Tire (thousand units)	3.4	13.0	19,510.0

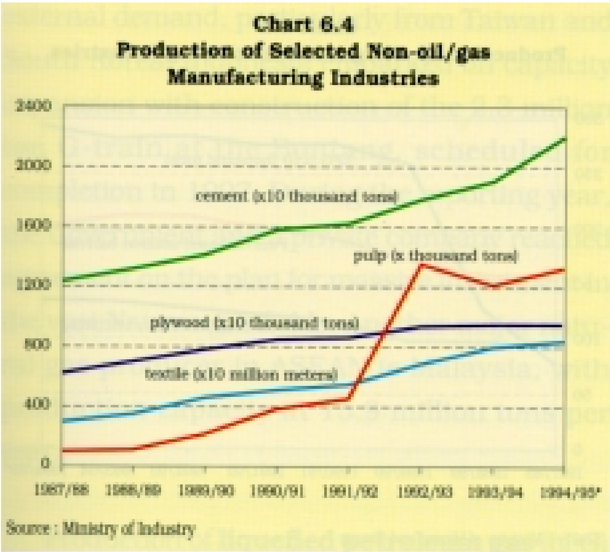
1) Calendar year
2) Consisting of polyesther and viscose rayon
Source : - Ministry of Mining and Energy
- Ministry of Industry

increased production capacity and strong supply of raw material from oil palm estates. Production was also driven by higher domestic demand for home and food industry.

Production of **four-wheeled motor vehicles** of all categories mounted 55.4% to a record 325 thousand units. Motorcycle production surged even faster at 71.8% to 781.4 thousand units. Stronger domestic demand resulting from higher public incomes was a key factor in this remarkable performance. Other important factors promoting growth in the automotive industry were import duty reductions on commercial vehicle components, announced in the June 27, 1994 Deregulation Package, and the growing trend for vehicle purchases through leasing and credit, which accounted for the largest proportion of vehicle sales in 1994/95. Strong automotive sales also generated greater demand for tires, and **tire** production thus rose 13.0% to 19.5 million units during the reporting year.

Cement production totaled 21.9 million tons, a 15.4% increase over the previous year (Chart 6.4). Installed capacity for Indonesia's 27 cement mills was 23.6 million tons, with state owned mills accounting for 40.6%. However, domestic demand rose even faster than production, driven by a robust 14.7% growth in construction, causing prices to soar well above the government-set local reference prices (HPS). To cope with the strong demand, cement companies imported 1.2 million tons of cement and clinker. Demand is predicted to rise strongly again in 1995, and the Government plans to import 4.8 million tons of cement to prevent shortages and keep prices under control. The long term solution to cement shortages is expansion of existing production capacity at state-owned plants and investment in new cement mills. With this objective, the Government raised local reference prices by 40-50,[3] after which these increases were quickly revised downwards. In 1994, the

3) Decree of the Minister of Trade No.48/KP/III/95 dated March 31, 1995



Investment Coordinating Board (BKPM) issued approvals for three new cement mills with total projected capacity at 3.0 million tons per annum.

High demand for **pulp,** the raw material for making paper, helped to boost production by 9.3% to 1.3 million tons. Demand strengthened on both the domestic and export markets. Two private pulp mills are to be built with a total capacity of 950 thousand tons, significantly increasing capacity during the next few years. The pulp industry is expected to become one of the mainstays of the economy, due to the strong potential for the domestic and foreign markets. Indonesia is in a fortunate position in pulp production, with far lower production costs compared to other major pulp producers, such as Canada and Scandinavian countries.

Paper production totaled 2.7 million tons, having increased 9.9% compared to the previous year. An important factor in this growth was 15.6% capacity expansion to 3.7 million tons per annum. Industrial paper made up 60% of production, and sanitary and toilet paper another 38%. Imports of special grades during the reporting year totaled 50 thousand tons. On October 1, 1994, the Indonesian Pulp and Paper Association reached an agreement with the Indonesian Press Publishers Association, in which newsprint prices went up from Rp1,160/kg to Rpl,270/kg.

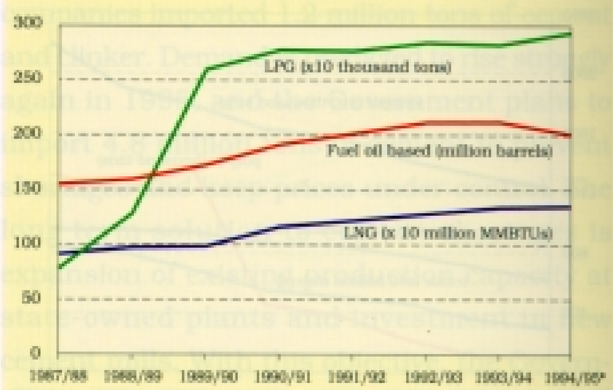
Textiles and **textile products** did not perform so well in 1994/95. Growth rates for the key commodities of fabrics, weaving yarns and garments declined to only 4.1%, 5.2% and 4.5%, a result of higher costs for raw materials. On the international market, Indonesia is facing tighter competition from other textile-manufacturing countries. Nevertheless, investor interest remains keen, as demonstrated by the $342 million and Rp2.6 trillion foreign and domestic investments undertaken during 1994.

Growth in **shoe** production fell sharply from 47.3% to 9.2%. Production totaled 546.5 million pairs, 88% of which were sports shoes and the remainder leather. Growth declined as a result of high capacity utilization at existing production facilities, as well as rising international competition. Upstream industry development is now under way to strengthen Indonesia’s competitive position. This is an important step towards strengthening the domestic shoe industry, as most raw materials and components continue to be imported. This import dependence is especially strong in the case of high quality shoes.

Plywood production also reported reduced growth during the reporting year, down from 1.4% to 0.6%. This resulted from declining external demand, brought on by environmental concerns in importing countries and the growing use of substitute products in Indonesia's main plywood markets. Difficulties are also emerging in sourcing good quality raw material, with logging operations having to work in more remote areas.

In 1994/95, **fertilizer** production decreased 4.4% to 6.6 million tons, due to declining efficiency at several fertilizer mills. It is expected that the replacement of some production units will strengthen plant capacity during the next reporting year. Additional production capacity will be available from PT Petrokimia when it comes on stream with 0.44 million tons of ammonia and 0.46 million tons of urea per year, while the Pusri IB capacity enhancement will bring on stream an additional 0.6 million tons of urea per year. The capacity expansions of these fertilizer mills are designed to support the government food procurement program through affordable fertilizer prices. During the reporting year, the Government raised prices for ZA and TSP from Rp260.00 per kg and Rp360.00 per kg to Rp295.00 per kg and Rp480.00 per kg. The urea price, however remained unchaged.[4] These price changes enabled

Chart 6.5
Production of Oil/gas Manufacturing Industries



Source : Ministry of Mining and Energy

the Government to eliminate subsidies for ZA and TSP, following the previous removal of subsidies for potassium based fertilizer.

There were some other industrial products that performed well during the year. Electronics products, including **radios** and **radio cassette players**, recorded a significant 7.7% growth to 7.9 million units, while production of **television** sets climbed 5% to 1.5 million units. Production of electrical appliances and metal equipment, such as **storage batteries**, also increased during the reporting year. Strong performance was also observed with other industrial products, such as basic chemicals.

Oil and Natural Gas Refining

In 1994, **Oil-based fuel** production declined 1.5% to 207.8 million barrels compared to the 0.4% decrease in the preceding year (Chart 6.5).

4) Decree of the Minister of Finance No.495/KMK.0616/1994 dated October 8, 1994

The declining production resulted from limitations in domestic refining capacity, while the EXOR-I Balongan refinery did not commence full operation until early 1995. During the Fifth Five Year Development Plan (Repelita V), domestic fuel consumption rose by an average of 9.4% each year, bringing estimated 1994 consumption to the equivalent of 227.9 million barrels of oil. Domestic fuel demand was supplied both from domestic refinery capacity and from imports. Transportation accounted for 49% of domestic fuel consumption, with another 26% taken up by industrial sector and the rest by households.

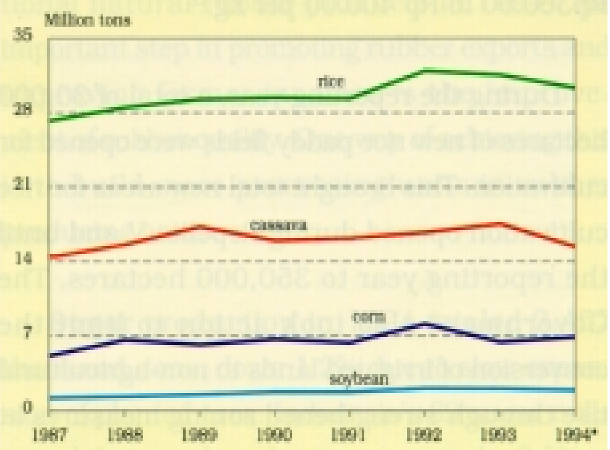
LNG production reached 1,321.6 million MMBTU, an increase of 1.6% in 1994 which was produced by 12 refinery installations in Arun and Badak with total capacity at 25.6 million tons. Almost all production was exported to Japan, South Korea and Taiwan. To meet rising external demand, particularly from Taiwan and South Korea, Indonesia embarked on capacity expansion with construction of the 2.3 million ton G-train at the Bontang, scheduled for completion in 1997. During the reporting year, the Government and a private company reached agreement on the plan for massive investment in the vast Natuna gas fields. Another major natural gas producer in ASEAN is Malaysia, with production capacity at 15.9 million tons per year.

Production of **liquefied petroleum gas** (LPG) increased 2.5% in 1994 to 2,874.3 thousand tons. Most LPG was produced by the Arun and Badak refineries, which accounted for 44% and 25% of total production. LPG, originally intended as a substitute to offset rising domestic consumption of kerosene, is now widely used in hotels, restaurants, and households. LPG exports have also risen rapidly over the past few years, and now more than 85% of total domestic production is sold on overseas markets.

Agriculture

Growth in the **agricultural sector** declined from 1.7% to 0.3% in 1994. As a result, agriculture declined as a share of the GDP from 17.8% to 17.5%. Food crop production declined, particularly for the major commodities of rice and secondary crops. Production increased in other areas, such as estate crops, livestock farming and fisheries, though at a low level of value added. Growth in forestry production also declined.

Chart 6.6
Production of Selected Food Crops



Source : Mining of Agriculture

Table 6.5
Harvested Area, Production, and Average Production per Hectare of Selected Foodcrops

	1993	1994*	1994*
	Changes (%)		
Paddy[1]			
Harvested area (thousand ha)	-0.8	-3.3	10,646.0
Production (thousand tons)	-0.1	-4.0	30,059.0
Average production (tons/ha)	0.4	-0.7	2.8
Corn[2]			
Harvested area (thousand ha)	-18.9	3.4	3,040.0
Production (thousand tons)	-19.2	2.4	6,617.0
Average production (tons/ha)	--	-0.9	2.2
Cassava			
Harvested area (thousand ha)	3.8	-7.6	1,295.0
Production (thousand tons)	4.7	-13.2	15,000.0
Average production (tons/ha)	0.6	-5.7	11.6
Soybean			
Harvested area (thousand ha)	-11.8	-4.4	1,406.0
Production (thousand tons)	-8.6	-9.1	1,553.0
Average production (tons/ha)	3.6	-4.3	1.1

1) Rice
2) Corn kernels
Source : - Ministry of Agriculture
- Central Bureau of Statistics

Most **food crops** suffered from reduced yields in 1994 (Table 6.5). Production of rice and soybeans fell by 4.0% and 9.1%, while peanuts and cassava dropped 4.1 % and 13.2%. The exception to this trend was corn, where production registered a modest 2.4% improvement. The principal cause of declining production was a prolonged dry season that led to reduced harvested area and crop yields per hectare. Consequently, the foodcrop subsector suffered an overall decline of 2.7%.

Following two consecutive years of decline, **rice** production totaled only 30.1 million tons in 1994 (Chart 6.6). The drop in production has reduced government stocks and led to spiraling prices. To keep prices under control, the Government imported 1.4 million tons of rice during the reporting year. It also adopted various measures to strengthen domestic foodcrop production also designed to restore the country self-sufficiency in rice production. These measures included the Insus and Suprainsus special crop intensification programs, improved irrigation, and the opening of new areas for cultivation. To improve farmer incomes and boost rice production, the Government raised the floor price of unhusked paddy from Rp360.00 to Rp400.00 per kg.[5)]

During the reporting year, a total of 30,000 hectares of new rice paddy fields were opened for cultivation. This brought total new areas for rice cultivation opened during Repelita V and until the reporting year to 350,000 hectares. The Government also took action to limit the conversion of irrigated lands to non-agricultural use through strengthened zoning measures at the provincial and district levels, and by restrictions on licensing of new industrial estates and sites for factory developments. During the reporting year, the Government also implemented a trial program using urea tablets in an effort to raise crop yields and improve efficiency in the use of fertilizers. This program covered 787,000 hectares, and used 128,000 tons of urea tablets.

Estate crops recorded 5.2% growth in 1994, slightly less than the 6.4% rate of the preceding year. Major growth commodities were palm oil, coffee, rubber and tea (Table 6.6). Improved

5) Presidential Instruction No.6 of 1994 dated October 8, 1994

Table 6.6
Production of Selected Cash Crops

	1993	1994*	1994*
	Changes (%)		
Rubber			
Production (thousand tons)	5.5	1.6	1,499.0
Productive area (thousand ha)	5.0	1.5	2,095.7
Copra			
Production (thousand tons)	6.2	1.0	2,631.0
Productive area (thousand ha)	3.3	1.4	2,492.9
Palm oil			
Production (thousand tons)	4.8	19.7	4,094.0
Productive area (thousand ha)	7.6	16.7	1,074.2
Coffee			
Production (thousand tons)	0.5	1.6	446.0
Productive area (thousand ha)	1.9	0.2	809.7
T e a			
Production (thousand tons)	7.1	2.4	169.0
Productive area (thousand ha)	3.0	1.7	104.3
Sugarcane (sugar)			
Production (thousand tons)	7.9	-1.2	2,452.0
Productive area (thousand ha)	4.2	1.8	428.0

Source : - Ministry of Agriculture
- Central Bureau of Statistics

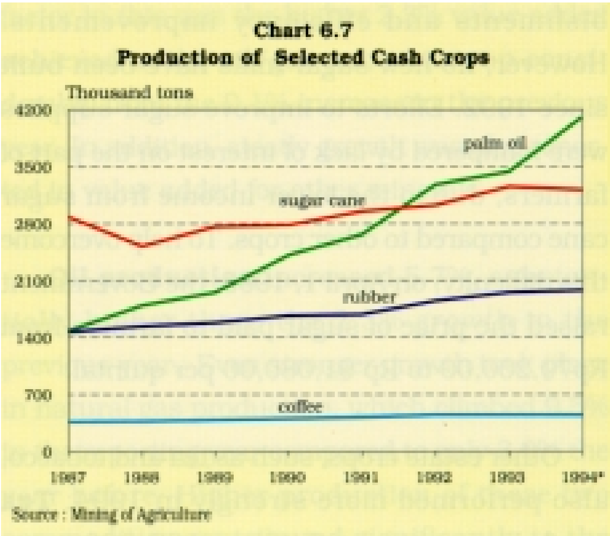
international market prices for estate crops led to higher prices paid by food industries using these raw materials, with consequent hikes in consumer prices.

The most important high-growth estate crop was palm oil (Chart 6.7). **Palm oil** production soared 19.7% in 1994 to 4,094 thousand tons. The last few years have been marked by strong growth, a result of government efforts to promote production through estate development schemes and the creation of a supportive investment climate. The palm oil industry also benefited from rising international prices. However, the stronger international market tended to absorb supplies from the domestic market, leading to shortages of cooking oil. Production of **copra**, another raw material used in making cooking oil, increased by only 1.0% in 1994. To secure domestic supplies, on September 1, 1994 the Government imposed export taxes on palm oil and palm oil products ranging from 48% to 65%,[6)] to remain effective as long as domestic cooking oil prices are higher than Rpl,250/kg.

Coffee production rose 1.6% to 446 thousand tons, a modest improvement compared to the 0.5% growth of the preceding year. Higher production was encouraged by stronger coffee prices on the international market, which also drove up domestic prices. International prices went up due to expected production losses in Brazil, and stock retention export policies. Domestic demand for coffee also increased, reflected in the variety of processed coffee available on the domestic market.

In 1994, **rubber** production increased by 1.6% to 1,499 thousand tons. This was mainly due to improvements in the productivity of small-holder estates, which make up the largest proportion of Indonesia's planted area. Efforts to expand planted areas and thereby raise production did not meet with much success, due to lack of investor interest. Growth in the tire, automotive and footwear industries, has generated stronger demand for domestic and international natural rubber products in 1994. An important step in promoting rubber exports and improving farmer incomes is the

6) Decree of the Minister of Finance No.439/KMK.017/1994 dated August 31, 1994



improvement of rubber quality. One way of achieving this is to build more processing units in rubber producing areas.

Sugar production in 1994 totaled 2,452 thousand tons, down 1.2% due to slow expansion of planted area. Indonesia's 69 sugar mills raised their total production capacity by 2.9% to 182,000 tons of sugar per day through refurbishments and efficiency improvements. However, no new sugar mills have been built since 1992. Efforts to improve sugar supplies were hampered by lack of interest on the part of farmers, due to the lower income from sugar cane compared to other crops. To help overcome this difficulty, on April 1,1995, the Government raised the price of sugar paid to farmers from Rp79,200,00 to Rp91,080,00 per quintal.

Other estate crops, such as tea and tobacco, also performed more strongly in 1994. **Tea** production rose by 2.4% to 169,000 tons, reflecting greater diversification of tea products on the domestic market. On the other hand, international demand remained sluggish. **Tobacco** production improved by a strong 15.7% to 147,000 tons to keep pace with increased cigarette production. **Clove** production rose by 3.0% to 69,000 tons in 1994, due to the expansion of productive planted area after declining subsequently in the last three years.

Fisheries registered 4.4% growth in the reporting year, clown slightly from 5.3% in 1993/94 due a slowdown in expansion of production. Freshwater and marine fisheries production increased 5.5% compared to 6.6% and 5.4% in the previous year. Marine fisheries, by far the largest component of total fisheries production, totaled 2,993 thousand tons, 25% of which came from the Exclusive Economic Zone (EEZ). There is still considerable potential for fisheries in the EEZ, as most of the 2.3 million ton sustainable catch remains untouched. However, the difficulty here lies in the limited number of fishing vessels. An added point is that on August 1, 1994, Indonesian fisheries products were granted access to the large market in the European Community.

The livestock farming subsector registered 5.0% growth, slightly more than the 4.8% rate in the preceding year, driven by higher production of livestock products. Meat and egg production increased 8.1% and 6.9%, reflecting the larger livestock population. Dairy production was up 5.1%, considerably lower than the 12.5% growth of the preceding year.

The forestry subsector recorded a very low 0.7% growth, down from 1.3% in the previous year as reflected in logging and harvesting of other forestry products, such as rattan, declined in the reporting year (Table 6.7). In 1994, log production fell 15.0% to 22.8 million cubic meters, 89% of which was felled in natural forests, 10% in timber estates, and the rest in smallholder estates. Production was adversely affected by the lower quality of forestry products and longer distances that complicated access to logging areas. With production on the decline, a log shortage is forecasted, which may reach as much as 4.8 million cubic meters per annum or 30.7% of total wood-based industry demand. Timber estates are as yet unable to meet this shortfall. Timber estates expanded by 62,000 hectares during the reporting year, following the development of 1.1 million hectares in Pelita V. Rattan production similarly declined, but production increased for other forestry products, such as *gondorukem* and turpentine. Another factor affecting forest productivity in 1994 was forest fires, which destroyed 37.6 thousand hectares of reforested areas, 29.6 thousand hectares of timber estates, and 19.1 thousand hectares of natural forests, or a total of 86.3 thousand hectares.

Table 6.7
Selected Forestry Products

	1993/94	1994/95*	1994/95*
	Changes (%)		
Logs (million m3)	-2.2	-15.0	22.8
Non-wood forestry products			
Rattan (thousand tons)	27.0	-81.4	16.4
Resin (thousand tons)	-63.9	-15.2	4.4
Gondorukem (thousand tons)	47.6	562.9	519.5
Turpentine (thousand tons)	26.6	454.9	63.5

Source : Ministry of forestry and estimate

Mining and Quarrying

In 1994, the value added of **the mining and quarrying sector** rose by 5.3%, an improvement over the 3.4% growth in 1993. An important factor in this was the higher 2.3% value added achieved in the oil/gas subsector, up considerably from the 0.1% increase in the previous year. In addition, steady growth was also reported in value added for other minerals.

Oil production increased 5.7%, substantially higher than the 2.3% growth in the previous year. Even stronger growth took place in natural gas production, which climbed 9.5% in the reporting year compared to only 3.9% the year before. Higher production of these two commodities contributed significantly to the increased value added of the

Table 6.8
Selected Mining and Quarrying Outputs

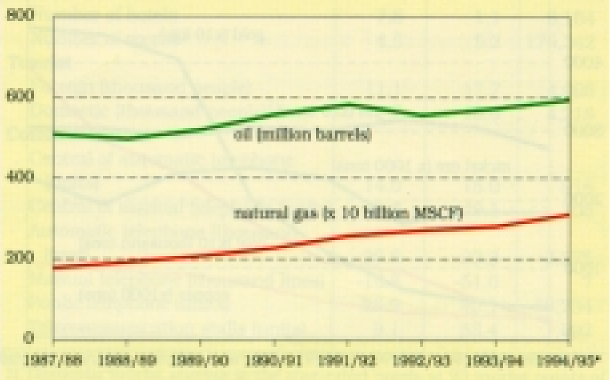
	1993	1994*	1994*
	Changes (%)		
Oil (million barrels)[1)]	2.3	5.7	595.2
Natural gas (million MSCF)[1)]	3.9	9.5	2,972.8
Coal (thousand tons)	19.3	3.7	28,601.8
Copper (consentrate, thousand tons)	2.4	14.8	1,065.5
Gold (kilograms)	9.5	2.5	42,595.1
Silver (kilograms)	-9.6	17.4	105,961.1
Tin (ore, thousand tons)	-2.7	7.1	30.6
Bauxite (thousand tons)	64.3	1.7	1,342.4
Nickel (ore. thousand tons)	-21.3	16.5	2,302.0

1) Fiscal year 1993/94 and 1994/95
Source : Ministry of Mining and Energy

oil/gas subsector. Oil production totaled 595.2 million barrels (Chart 6.8), while **natural gas** production increased to 2,972.8 trillion cubic feet. Natural gas production has gone up in line with the increased production of LNG and LPG, which consumes about 60% of total production of natural gas. Only a small proportion of total natural gas production is allocated for domestic use: about 46% is used in the fertilizer industry, another 34% for power generation, and 10% in the steel industry.

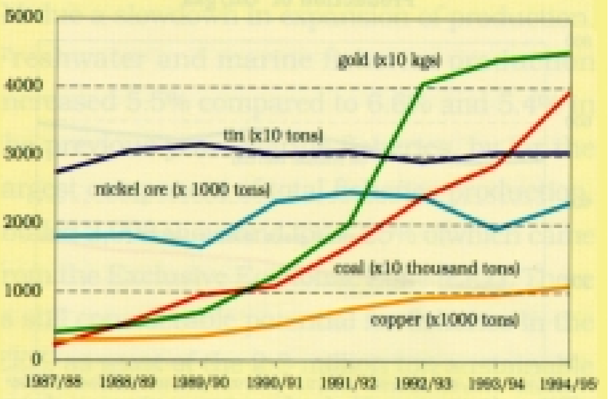
Following a year of decline, almost all minerals reported higher production in 1994/ 95. High-growth minerals during the year were tin, nickel, copper, and silver. Production also increased for coal, gold, and bauxite, though not at the same rate as in the preceding year. Mining benefited from the long dry season, enabling mining companies to work more days in their operations. **Tin** production increased 7.1% to 30.6 thousand tons, reversing a 2.7% decline during the previous year (Chart 6.9). This production level complies

Chart 6.8
Production of Oil/gas



Source : Ministry of Mining and Energy

Chart 6.9
Production of Selected Non-oil/gas Mining and Quarrying



Source : Ministry of Mining and Energy

with Indonesia's quota as agreed in a meeting of the Association of Tin Producing Countries in Kuala Lumpur, and most tin production was exported. Higher production was driven by rising demand in export markets.

Nickel ore production, which represents the largest proportion of total nickel production, increased by 16.5% to 2.3 million tons in the reporting year. This follows a year of 21.3% decline. Nickel matte production similarly grew by a strong 34.2% to 47.9 thousand tons. Ferronickel production climbed 8.6% to 5.7 thousand tons. The completion of the ferronickel plant expansion in Pomalaa during the reporting year is expected to raise production capacity to 10 thousand tons.

Copper production increased 14.8% to 1,065.5 thousand tons, which represented a very favorable performance compared to the 2.4% growth in 1993.

During the year, new mining areas opened, contributing to higher production. Similarly, **gold** production rose 2.5% to 42.6 tons. **Silver** production soared 17.4% to 106.0 tons, following the previous year s decline of 9.6%. In the last three years the production of the two commodities considerably increased, in line with the expansion of gold and silver processing industry. A major proportion of gold and silver (59% and 48%) is mined as a by product of copper.

Coal production increased by 3.7% to 28.6 million tons. This was a much reduced performance compared to the 19.3% growth in the previous year. At state mines, coal production declined 8.5%, which accounted for much of the drop in growth. By contrast, production at private mines rose 8.1%. Private mining companies thus increased their share of total national coal production to 76%, of which 94% was exported. Coal exports by private companies went up 21.0% during the reporting year. This was a considerably stronger showing than the 10.5% growth of 1993, and benefited from the new inroads made in the American market. Private mining companies will play an even larger role in the coming year, as approvals were issued for 19 new contractors in 1994.

In contrast to private companies, state coal mines produce mainly for the domestic market, with power plants consuming the largest share. Domestic demand is projected to rise with the construction of more coal-fired power plants. However, attempts to popularize the household use of coal briquettes have not met with much success.

Services

For several years, services have enjoyed strong growth. In 1994, the value added of the **services sector** contributed 4.3% of the total 7.3% GDP growth, making services one of the engines of economic growth. The most important services in terms of contribution to GDP growth are commerce, hotels and restaurants (1.5%), construction (1.0%) and financial services, leasing and other corporate services (0.8%).

Commerce, hotels and restaurants reported 9.2% growth in 1994. This particular sector ranked third in contribution to the GDP with 16.6%, after manufacturing and agriculture. Growth in manufacturing and mining has also stimulated activity in commerce, while hotels and restaurants performed well yet another year due to the rapid development of the tourism sector. In 1994, Indonesia had 8,164 hotels with 176,342 rooms, 1.1% and 5.2% more than in 1993 (Table 6.9). Star-rated hotels numbered 623, offering 57,398 rooms, reflecting strong 9.7% and 13.5% growth in the number of star-rated hotels and available rooms. Occupancy at star-rated hotels also improved from 51.5% to 52.1%. Investor interest is keen in the hotel industry, as indicated by the 160 approvals issued for hotel projects in 1994.

Tourism performed strongly in 1994, with

Table 6.9
Production of Selected Services

	1993	1994*	1994*
	Changes (%)		
Hotel			
Number of hotels	7.8	1.1	8,164
Number of rooms	4.5	5.2	176,342
Tourist			
Foreign (thousand people)	11.1	17.7	4,006
Domestic (thousand people)1)	2.7	10.6	4,218
Communication			
Central of automatic telephone (units)	14.0	18.0	916
Central of manual telephone (units)	-19.8	-40.1	108
Automatic telephone (thousand lines)	20.8	32.3	2,375
Manual telephone (thousand lines)	-16.8	-51.0	7
Public telephone (units)	26.9	40.1	68,734
Telecommunication stalls (units)	9.1	53.4	1,692

1) Domestic tourist staying in the star-rated hotels at 23 tourist points of interest
Source : Ministry of Tourism, Post, and Telecommunication

foreign tourist arrivals up 17.7% to 4.0 million. This compared to the 11.1 % increase in 1993. The most popular tourist destinations for foreigners were Bali (32.7%), Jakarta (24.8%) and North Sumatra (10.1%). The strong growth in tourist arrivals is the result of a series of government policies adopted for the tourism sector, including visa-free entry for tourists from 46 countries, intensified tourism promotion, and the development of tourist destination areas. In 1994, four more airports were opened to international flights, bringing the total to 23. With business strong in tourism, the number of travel bureaus and tourist guides increased 10.8% and 5.2% in 1994.

Growth in **construction** was slightly higher at 14.7% in 1994 compared to 14.5% the year before. Property development was particularly strong, with heavy construction activity in office buildings, hotels, apartments, and housing. Demand was especially strong for real estate. However, rapid construction of office properties, hotels and apartments has led to declining occupancy rates because of lack of demand. New power plant developments in 1994 also encouraged growth in the construction sector. Since 1988, construction has been a highgrowth sector with business expansion averaging 13.5% per year.

The financial sector, leasing and corporate services achieved 9.4% growth in 1994, with particularly strong performance in the banking subsector. Banking grew 13.8% compared to 8.2% in the previous year with the expansion of the banking network and a wider variety of more sophisticated services to keep pace with the needs of the growing diversifying economy. Increased fund mobilization, credit, revenues and foreign exchange transactions all contributed heavily to the growth of the banking subsector.

Transport and communications posted another high-growth year in 1994 (7.6%). **Transport** contributed more to overall growth, but the strong expansion in communications was also an important factor. Growth in tourism and the opening of new flight routes led to a strong year in aviation. Similarly, there was considerable expansion in land and sea transportation with increased passenger traffic, manufactured products requiring shipment, and imports and exports, all of which also led to intensified activity in loading, unloading and distribution. During the year, the Government issued a new schedule of rates for port facilities,[8] designed to speed up loading and unloading times and reduce waiting time and bottlenecks at ports. Also, to ease traffic on the main northern land route in Jawa, the Government also introduced a special ferry service to carry trucks and trailers between Jakarta and Surabaya.

The **communications subsector** enjoyed another year of strong performance with 20.3% growth in 1994. The year was marked by a massive expansion of telecommunications plant, and a corresponding increase in use (Table 6.9). To encourage use of excess capacity, PT Telkom reduced installation fees and introduced incentives for telephone installation, effective January 1, 1995. During the reporting year, 18.0% more automatic exchanges came into operation. Telephone line capacity increased to 3.8 million lines, having undergone a substantial 31.6% expansion compared to 1993. In contrast, the number of lines served by manual exchanges decreased 39.1%. There was also rapid expansion in public telecommunications facilities. By the end of the year, public telephones numbered 68,7 thousand units, up 40.1%, while the number of telecommunications outlets *(Wartel)* increased 53.4% to 1,692. During the reporting year, telephone density improved from 1.0 to 1.3 lines per 100 persons.

Electricity, gas and water utilities registered 12.7% growth, an improvement from 11.1% in 1993. Much of this growth came from increased power generation and sales by the state electricity enterprise, PLN. New power generation capacity helped boost generation and electricity sales by 13.4% and 14.0% in 1994. Gas also contributed much to growth in this sector, with sales by the state owned gas enterprise (PGN) up 28.0% compared to 14.1% in the preceding year. During the first eight months of the reporting year, power generation totaled 35.1 million MWH, 97.3% of which was supplied by PLNs 14.5 thousand MW generating capacity. Power capacity expansion reached 6.6% in the reporting year, mostly from additional geothermal capacity.

Power sales totaled 29.3 million MWH, 50.5% for industry and 33.8% for household consumption. By September 1994, the rural electrification program had brought power to 2,146 more villages. This raised the number of villages supplied with power since the beginning of Pelita II to 33,834, or 54.5% of all villages in Indonesia. To meet rising industrial and household demand in both urban and rural areas, the Government has invited private investment in the power sector. At the end of the reporting year, several power plant developments were under way in cooperation with the private sector, estimated to bring on stream an additional 3.6 thousand MW generating capacity. In addition, to support investment plan through the appropriation of sources of funds and the determination of selling price, Government raised the average base electricity tariffs at 6.78%. The new base electricity tariffs was changed every three months and the usage for industrial sector was differenciated.[9]

8) Decree of the Minister of Transportation Nos. KM-63, 64, 65,66 and 67 of 1994 dated October 19, 1994

9) Presidential Decree No.67/1994 dated October 8, 1994

CHANGE OF GDP BASE YEAR FROM 1983 to 1993

By definition, the GDP is the total value of the goods and services produced by a country during a set period. In Indonesia, GDP data is processed by the Central Bureau of Statistics (BPS) and presented in two versions, one based on current market prices and the other on constant prices.

GDP data based on current market prices is useful for calculating per capita income and displaying the structural changes in the economy. The GDP based on constant prices reflects the true value of goods and services produced, and is used to measure a nations economic growth. For ten years, the base year used to calculate the GDP based on constant prices was 1983. During that period, significant structural changes took place in which the secondary and tertiary sectors outpaced and overtook the primary sector. Consequently, the secondary and tertiary sectors have begun to dominate economic activity. These developments mean that continued use of the 1983 base line year for calculating the GDP is no longer justifiable. Therefore, a new line year is required in order to calculate the real GDP, thereby reflecting the economy s true condition.

Economic growth averaged 6.1% per year from 1984 to 1993. This strong growth primarily occurred in the non-oil/gas sector, which expanded by an average rate of 6.8% per annum. Manufacturing was the locomotive of the non-oil/gas sector with 11.9% annual growth. During the same period, the services sector, including transport and communications, electricity, gas, water, commerce, and the financial sector, also experienced strong growth, keeping pace with growth in non-oil/gas manufacturing. During this time, however, growth had proceeded at a much slower pace in the agricultural and mining sectors, which averaged 3.1% and 2.0% per annum. The oil/gas sectors similarly achieved only 2.8% growth per annum. Overall, these different growth rates have made the economic structure more dependent upon the non oil/gas sectors.

The changes in the economic structure were also reflected in the increasingly higher shares of the manufacturing and services sectors in the

Chart 1.
Growth of Major Sectors, 1984 - 1993

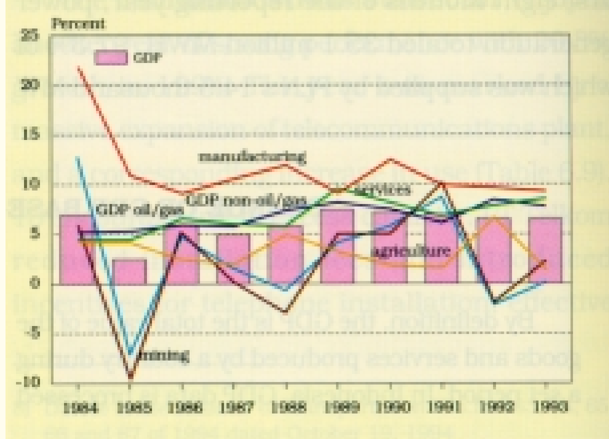
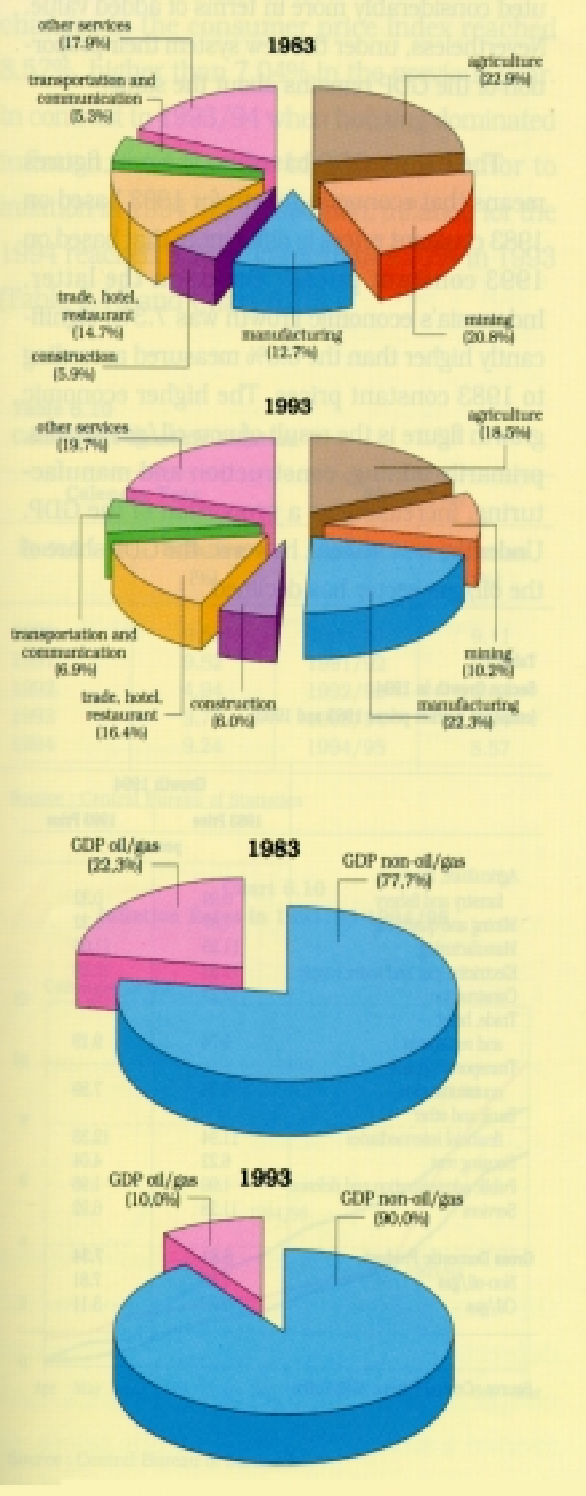


Chart 2
Indonesian Economy Structure at Year 1983 and 1993



GDP. In 1983, the agricultural and mining sectors provided a substantial proportion of the GDP, contributing 22.9% and 20.8% respectively. At that time, industry and services accounted for 12.7% and 43.6% of the GDP. By 1991, manufacturing sector had grown to 21% of the GDP, overtaking the agricultural sector which by that time had declined to 19.7% of the GDP. An important factor in the more rapid decline in the mining sector was stagnating oil production. In 1985, manufacturing surpassed the mining sector at 16% compared to 14%. By 1991, mining had decreased further as a percentage of the GDP to 13.8%. This trend continued so that by 1993, the agricultural and mining sectors had dropped to only to 18.5% and 10.2% of the GDP. During this time, services had increased significantly to 49% of the GDP. Service sectors experiencing high growth were

Table 1
GDP in 1994 at Current Market Price 1993

	Old Series		New Series	
	Nominal Billion Rp.	Share %	Nominal Billion Rp.	Share %
Agriculture, livestock, forestry and fishery	55,745.5	18.46	58,963.4	17.88
Mining and quarrying	30,749.5	10.18	31,497.3	9.55
Manufacturing	67,441.4	22.33	73,556.4	22.30
Electricity, gas, and water supply	2,714.3	0.90	3,290.2	1.00
Construction	18,139.9	6.01	22,512.9	6.83
Trade, hotel, and restaurant	49,789.4	16.49	55,297.6	16.77
Transportation and communication	20,728.2	6.86	23,248.9	7.05
Financial, rental, and corporation services	26,112.9	8.65	28,047.8	8.51
Services	30,596.7	10.13	33,361.5	10.12
Gross Domestic Product	**302,017.8**	**100.00**	**329,775.9**	**100.00**
Non-oil/gas	269,385.3	89.20	296,861.3	90.02
Oil/gas	32,632.5	10.80	32,914.6	9.98

Source : Central Bureau of Stâtistics

transport and communications, commerce and financial institutions. Other services experienced relatively little change in their share of the GDP.

Given the structural change in the economy, calculating the real GDP using 1983 as the base year would understate the size and growth of domestic output, especially for a year that was relatively distant to 1983. The reason for this is that the GDP measurements based on constant market prices would be based on sectoral balance for 1983, which no longer reflects the real situation. In addition, there has been substantial economic growth during the last ten years with the secondary and tertiary sectors in the lead. If this trend were to continue, the economic growth figures would become even more unrealistic. In order for economic growth statistics to accurately reflect the situation, BPS shifted the base year of the GDP from 1983 to 1993. It should be explained that other countries, where the GDP is calculated according to the System of National Accounts (SNA) recommended by the United Nations for all member countries, regularly change their base years.

The choice of 1993 as the new base year was a result of the application of the new SNA. In addition, 1993 was a relatively stable year compared to preceding years: 1990-1991 showed a trend towards overheating and 1992 was characterized by contractionary policies. Another consideration was that 1993 was the final year :

1990 -1991 showed a trend toward overheating and 1992 was characterized by contractionary policies. Another consideration was that 1993 was the final year of the First Long-term Development (PJP I), and thus would be an appropriate comparison basis for economic developments during PJP-II, which commenced alongside Repelita VI. From the aspect of statistical integrity and consistency, 1993 was an ideal choice for the new base year, as the 1990 input and output tables had been completely updated as the 1993 tables. It would be pertinent to add that the ten year interval between changes in base years is commonly practiced by other nations.

The change to the 1993 base year means

Table 2
Sector Growth in 1994
(constant market prices 1983 and 1993)

	Growth 1994	
	1983 Price	1993 Price
	percent	
Agriculture, livestock, forestry and fishery	0.99	0.32
Mining and quarrying	1.87	5.32
Manufacturing	11.25	11.06
Electricity, gas, and water supply	11.33	12.68
Construction	12.27	14.71
Trade, hotel, and restaurant	9.74	9.19
Transportation and communication	9.76	7.59
Bank and other financial intermediaries	11.94	12.33
Housing rent	6.22	4.04
Public administration and defence	1.99	1.98
Services	11.28	6.92
Gross Domestic Product	**6.81**	**7.34**
Non-oil/gas	7.60	7.81
Oil/gas	2.67	3.11

Source : Central Bureau of Statistics

that the GDP figures based on constant prices accommodate the expansion that has taken place in various economic sectors. The base year now has a wider coverage in light of better availability of data. The GDP based on the new SNA uses a new classification system divided into nine business sectors, less than the 11 sectors under the former classification system. The building lease sector, previously included under services, is now included under banking and finance. The public services sector, which had previously existed separately, is now included under services.

With these changes, GDP figures based on 1993 constant prices are higher than previously calculated. The biggest changes took place in the non-oil/gas sectors, while relatively little change occurred in the statistics for oil/gas GDP. Important non-oil/gas sectors were manufacturing, commerce, hotels, restaurants and construction, which under the new system contributed considerably more in terms of added value. Nevertheless, under the new system their proportion of the GDP remains about the same.

The higher GDP based on the new figures means that economic growth for l 993 based on 1983 constant prices is different to that based on 1993 constant prices. Based on the latter, Indonesia's economic growth was 7.3%, significantly higher than the 6.8% measured according to 1983 constant prices. The higher economic growth figure is the result of non-oil/gas sectors, primarily mining, construction andmanufacturing, increasing as proportion of the GDP. Under the new system, however, the GDP share of the oil /gas sector has declined.

Prices

In the reporting year, inflation measured by changes in the consumer price index reached 8.57%, higher than 7.04% in the previous year. In contrast to 1993/94 when housing dominated inflation, food was the biggest contributor to inflation in 1994/95. In addition, inflation for the 1994 reached 9.24%, lower than 9.77% in 1993 (Table 6.10 and Chart 6.10).

The high inflation was mainly driven by problems in supply, among others the long dry season that hit production of rice and secondary crops. Furthermore, soaring prices for coffee and palm oil on the international market affected domestic prices for these products. This generated substantial inflationary pressures in the food sector, with food prices up 11.68% (Chart 6.11), which contributed 3.92% of the total 8.57% inflation in 1994/95 (Table 6.11). The heaviest food price hikes were recorded for rice, ground coffee and cooking oil (Table 6.12). Housing price index increased highly by 9.14% contributed 2.76% to the inflation. This was due to the rising price of miscellaneous goods and services during reporting year. Strong inflationary pressures emerged at the end of 1994 in relation with the new electricity billing rates announced in November, reflected in the sharp increase on administered prices index for December 1994 (Chart 6.12 and 6.13).

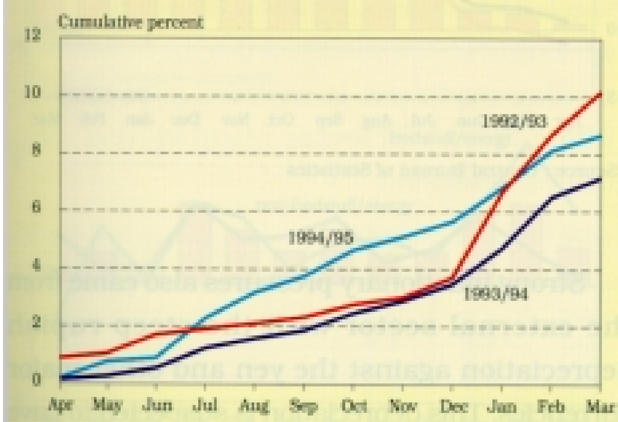
Strong inflationary pressures also came from the external sector with the steep rupiah

Table 6.10
Cumulative Monthly Inflation

Calendar Year		Fiscal Year	
Period	**Inflation (%)**	**Period**	**Inflation (%)**
1990	9.53	1990/91	9.11
1991	9.52	1991/92	9.78
1992	4.94	1992/93	10.03
1993	9.77	1993/94	7.04
1994	9.24	1994/95	8.57

Source : Central Bureau of Statistics

Chart 6.10
Inflation Rates in 1992/93-1994/95



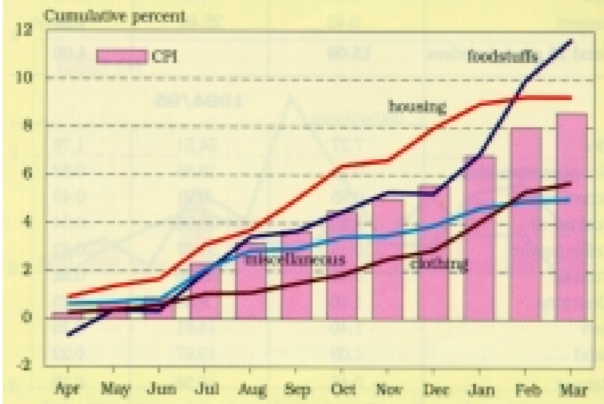
Source : Central Bureau of Statistics

Table 6.11
Inflation in 1994 and 1994/95

	1994		1994/95	
	Price Changes	Share	Price Changes	Share
	percent			
Foodstuffs	13.93	4.54	11.68	3.92
Housing	9.09	2.73	9.14	2.76
Clothing	6.08	0.63	5.56	0.58
Miscellaneous	4.89	1.34	4.84	1.31
General	**9.24**	**9.24**	**8.57**	**8.57**

Source : Central Bureau of Statistics

Chart 6.11
Changes in Consumer Price Index in 1994/95



Source : Central Bureau of Statistics

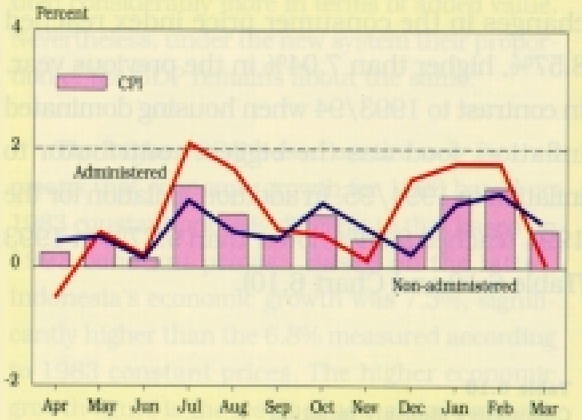
depreciation against the yen and other major currencies. This depreciation is suspected to have exerted a strong effect on domestic prices, as Japanese imports assume a major share of the total at around 30%. These factors were reflected in the sharp increase in the traded price index (8.26%), much higher than in the preceding year (6.40%). This surge in the trading price index contributed 5.57% to total inflation (Table 6.13).

Table 6.12
Ten Largest Contributors to the Inflation in 1994 and 1994/95

	Weight (%)	Cumulative Price changes (%)	Share to Inflation (%)
	1994		
Rice	7.27	19.36	1.41
Non-supervisor labor	0.59	16.55	0.45
School fee	0.95	9.15	0.40
Coffee powder	0.12	52.13	0.30
Cooking oil	0.49	20.63	0.28
Electricity	1.45	9.99	0.26
Rice noodle	0.68	45.40	0.24
Red pepper	1.69	38.21	0.22
Beef	1.40	16.63	0.22
Cement	0.45	25.46	0.22
Total 10 goods/services	**15.09**		**4.00**
	1994/95		
Rice	7.27	24.51	1.78
Non-supervisor labor	0.59	19.35	0.53
School fee	0.95	9.91	0.43
Cooking oil	0.49	23.98	0.34
Coffee powder	0.12	54.07	0.32
Coconut	0.43	65.59	0.28
Electricity	1.45	9.83	0.25
Beef	1.40	14.61	0.25
Sand	1.09	19.97	0.22
Cement	0.45	16.26	0.19
Total 10 goods/services	**14.24**		**4.59**

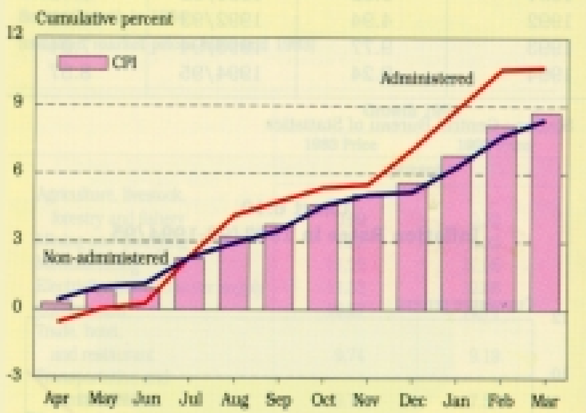
Source : Central Bureau of Statistics.

Chart 6.12
Monthly Changes of Administered and Non-Administered Price Index in 1994/95



Source : Central Bureau of Statistics

Chart 6.13
Cumulative Monthly Changes of Administered and Non-Administered Price Index in 1994/95



Source : Central Bureau of Statistics

Strong inflationary pressures were also generated by rising domestic demand, reflected in the non-administered price index and nonfood/energy price index (Chart 6.14 and 6.15). The non- administered price index registered a steep increase during 1994/95, climbing 8.04% and contributing 5.89% to total inflation. Growth in the non-food/energy price index was also high at 7.79%, contributing 4.32% to inflation. These inflationary pressures arose in construction-related sectors (Chart 6. 1 6 and 6.17), as shown in rising wages and high prices of construction materials. The sharp increase in the construction price index reflects the busy activity in that sector in 1994.

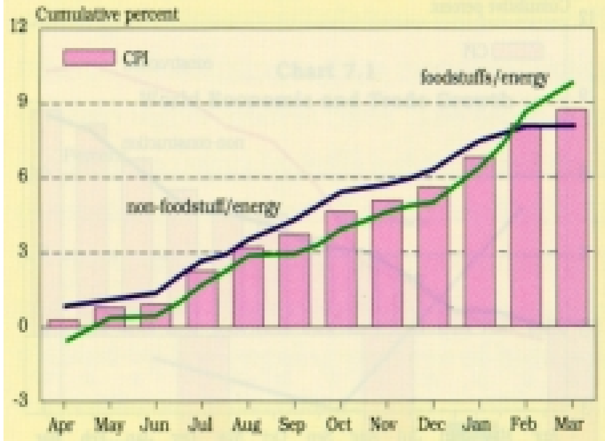
During the reporting year, the wholesale price index climbed 5.43%, higher than the 3.68% growth in the previous year. The strongest price increases took place in non-oil/gas exports, agriculture and industry (Table 6.14). However, oil/gas export prices continued their decline, dropping at an even faster rate than during the

Table 6.13
Inflation in 1994 and 1994/95 by Some Categories

	1994		1994/95	
	Price	Share changes	Price	Share changes
	percent			
Administered	9.05	2.29	10.22	2.68
Non-administered	9.31	6.95	8.04	5.89
Food/energy	10.94	4.81	9.63	4.25
Non-food/energy	7.77	4.43	7.79	4.32
Construction	10.56	1.27	10.02	1.22
Non-construction	8.94	7.97	8.40	7.35
Traded	9.13	6.18	8.26	5.57
Non-traded	9.20	3.06	9.35	3.00
General	**9.24**	**9.24**	**8.57**	**8.57**

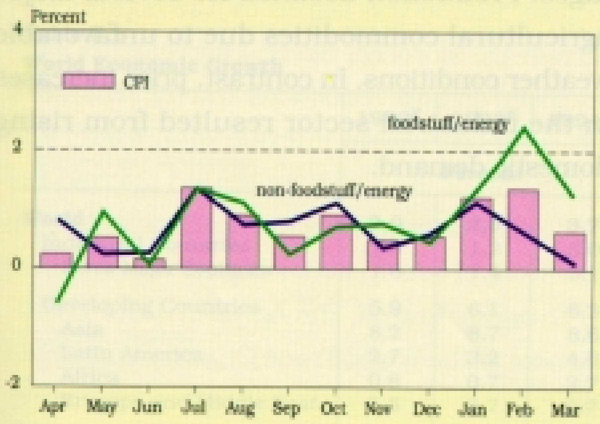
Source : Central Bureau of Statistics

Chart 6.15
Cumulative Monthly Changes of Foodstuff/Energy and Non-foodstuff/Energy Price Index in 1994/95



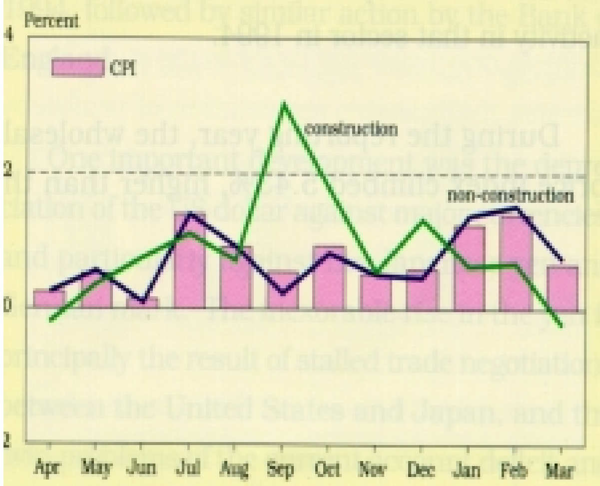
Source : Central Bureau of Statistics

Chart 6.14
Monthly Changes of Foodstuff/Energy and Non-foodstuff/Energy Price Index in 1994/95



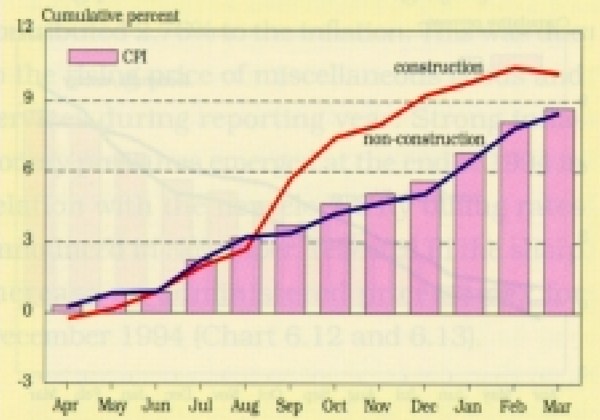
Source : Central Bureau of Statistics

Chart 6.16
Monthly Changes of Construction and Non-construction Price Index in 1994/95



Source : Central Bureau of Statistics

Chart 6.17
Cumulative Monthly Changes of Construction and Non-construction Price Index in 1994/95



Source : Central Bureau of Statistics

previous year. The strongest non-oil/gas export price increases were recorded for agricultural commodities, such as palm oil, rubber, coffee and pepper, due to the prevailing upward trend in international prices. These prices went up as a

Table 6.14
Changes in Wholesale Prices Index

	1993r	1994*
	percent	
Agriculture	11.76	18.59
Mining and quarrying	8.15	8.87
Manufacturing	5.49	6.36
Imports	1.80	1.61
Exports	-1.15	0.05
Oil/gas	-4.42	-6.21
Non-oil/gas	6.28	13.03
General	**3.68**	**5.43**

Source : Central Bureau of Statistics

result of a combination of improvement in world economic conditions and supply shortages. Production declined for several major agricultural commodities due to unfavorable weather conditions. In contrast, price increases in the industrial sector resulted from rising domestic demand.

7. THE WORLD ECONOMY AND INTERNATIONAL COOPERATION

The World Economy

General Conditions

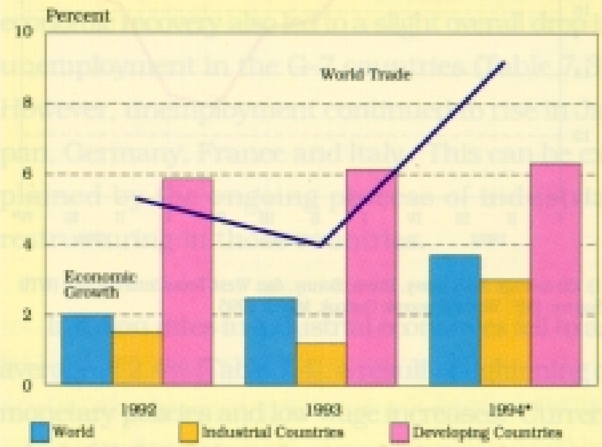
The world economy, which had been marked by meager economic growth since 1991, improved considerably in 1994. Economic growth climbed from 2.5% in 1993 to 3.7% in 1994 (Table 7.1), reflecting broad-based economic recovery in industrial countries along with high growth rates in developing nations and better performance by economies in transition. Asia remained in the lead as the world's fastest growing region, followed by Latin America. Africa also made considerable progress in 1994, with African economies in a stronger position due to improved commodity prices and successful economic reforms in some countries. The improving world economic situation generated strong growth in world trade, along with rising commodity prices (Chart 7.1).

Table 7.1
World Economic Growth

	1992r	1993r	1994*
		Percent	
World	**2.0**	**2.5**	**3.7**
Industrial Countries	1.5	1.2	3.0
Seven Major Countries	1.6	1.4	3.1
Developing Countries	5.9	6.1	6.3
Asia	8.2	8.7	8.6
Latin America	2.7	3.2	4.6
Africa	0.8	0.7	2.7
Erurope and Middle East	5.5	3.7	0.7

Souce : IMF, *World Economic Outlook*, March 1995

Chart 7.1
World Economic and Trade Growth



Source : IMF, *World Economic Outlook*, March 1995

High economic growth in some industrial countries triggered concerns over inflation, prompting some central banks to institute tighter monetary policies. The US Federal Reserve raised the Fed Funds rate six times in 1994, followed by similar action by the Bank of England.

One important development was the depreciation of the US dollar against major currencies, and particularly against the Japanese yen and German mark. The inexorable rise in the yen is principally the result of stalled trade negotiations between the United States and Japan, and the twin problems of the current account deficit and budget deficit in the United States. Despite this, the United States has had some success in reducing the size of its budget deficit, which declined as a percentage of the GDP from 4.1% in 1993 to 3.5% in the reporting year.

Chart 7.2
International Oil Prices 1)

1) Oil average Arab heavy, Brent, Bonny, dan West Texas Intermediate (WTI)
Source: IMF, *World Economic Outlook*, March 1995

Chart 7.3
Prices Changes of Manufactured Goods and Primary Commodities

Source : IMF, *World Economic Outlook*, March 1995

The Mexican crisis, however, triggered anxieties over the extent of the US government bailout of Mexico and the consequent impact on the US budget deficit, which sapped the confidence of international investors in the US economy. In addition, one important factor in the surge in the yen was the massive repatriation of profits by Japanese companies operating around the world to cover for losses suffered at home. Also, many international investors became interested in portfolio investments in Japan.

An important trend in 1994 was the declining flow of funds from industrial to developing countries, caused mainly by interest rate hikes in developed countries. Growing demand for investment funds in developed countries to take advantage of the wave of recovery also resulted in reduced flows of funds to developing nations. In response to this trend, stock indices fell on emerging markets, such as Jakarta, Singapore, Seoul and Hong Kong.

In April 1994, the milestone Final Act of the Uruguay Round was signed by 125 countries in Marrakesh, Morocco. Several agreements were concluded on tariff reductions and the removal of non-tariff barriers in international trade. The conclusion of the Uruguay Round marked the end of international trade negotiations within the framework of GATT. Following the completion of the Uruguay Round, the Agreement for Establishment of the World Trade Organization (WTO) was ratified by member countries, and since January, 1995, this organization officially has taken over the previous functions of GATT.

Industrial Economies

Economic growth among the OECD nations climbed to 3.0%, more than double that of the preceding year (Table 7.2). This was largely attributable to the improved performance of the G-7 countries, where economic growth increased from 1.4% in 1993 to 3.1% in 1994. The economies of the United States, the United Kingdom and Canada made considerable strides in 1994, even posting the highest growth rates since 1988. Germany, France and Italy, which had registered negative growth in 1993, turned around to achieve more than 2.0% economic recovery in 1994. Meanwhile, Japan and some European countries that had been mired in recession reported some economic recovery in 1994. The more broad-based recovery in industrial countries indicates that the recession besetting those economies is coming to an end, and this augurs well for overall world economic growth.

Nevertheless, high growth rates in some major industrial countries, such as the United States, the United Kingdom and Canada, triggered growing concerns over inflation. These countries reacted by adopting tighter monetary policies through higher interest rates. The broad-based economic recovery also led to a slight overall drop in unemployment in the G-7 countries (Table 7.3). However, unemployment continued to rise in Japan, Germany, France and Italy. This can be explained by the ongoing process of industrial restructuring in those countries.

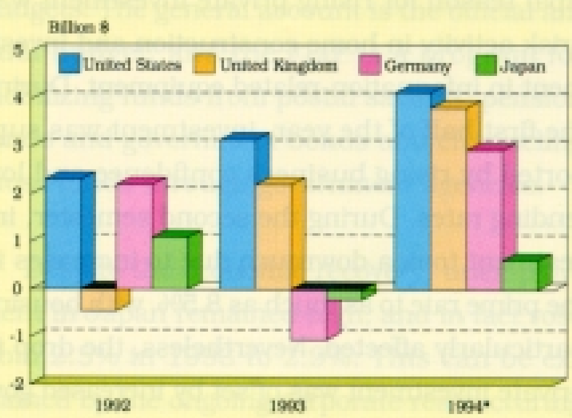
Inflation rates in industrial economies fell to an average of 2.4% (Table 7.4), a result of tightening of monetary policies and low wage increases. Current account deficits, however, were higher as a result of strong import growth in almost all of the G-7 countries. The higher imports themselves resulted from the strengthening economic recovery, besides being driven by rising commodity prices (Table 7.5).

Table 7.2
Economic Growth in OECD Countries

	1992r	1993r	1994*
	Percent		
Overall OECD[1)]	**1.5**	**1.2**	**3.0**
Seven Major Countries	**1.6**	**1.4**	**3.1**
United States	2.3	3.1	4.1
Japan	1.1	-0.2	0.6
Germany	2.2	-1.1	2.9
France	1.2	-1.0	2.5
Italy	0.7	-0.7	2.5
United Kingdom	-0.5	2.2	3.8
Canada	0.6	2.2	4.5
Others	**1.0**	**0.2**	**2.3**

1) Measured by GDP
Source : IMF, *World Economic Outlook*, March 1995

Chart 7.4
Economic Growth in Several Major Industrial Countries



Source : IMF, *World Economic Outlook*, March 1995

Table 7.3
Unemployment rates in OECD Countries

	1992r	1993r	1994*
	Percent		
Overall OECD	**7.7**	**8.1**	**8.1**
Seven Major Countries	**7.3**	**7.3**	**7.2**
United States	7.4	6.8	6.1
Japan	2.2	2.5	2.9
Germany	7.7	8.8	9.6
France	10.4	11.6	12.6
Italy	11.6	10.4	11.5
United Kingdom	9.9	10.3	9.3
Canada	11.3	11.2	10.4
Others	**8.9**	**12.2**	**12.6**

Source : IMF, *World Economic Outlook*, March 1995

Strong economic recovery in the **United States** helped the country achieve 4.1% growth in 1994, driven mainly by a magnificent 4.3% annualized growth in the first half of the year. During the second semester, annualized growth eased to 3.7%. The high growth in the US economy was driven by rising domestic demand, mainly for consumption and private investment. Private consumption grew mainly due to the increased need for durable goods, while the principal reason for rising private investment was brisk activity in home construction and investment in information-related equipment. During the first half of the year, investment was supported by rising business confidence and low lending rates. During the second semester, investment took a downturn due to increases in the prime rate to as much as 8.5%, with housing particularly affected. Nevertheless, the drop in private investment was offset by increased government consumption, and though economic growth declined, it still remained strong. With the improved economic growth, unemployment in the United States fell from 6.8% to 6.1% in the reporting year.

Table 7.4
Changes in Consumer Price Indices in OECD Countries

	1992r	1993r	1994*
	Percent		
Overall OECD	**3.3**	**3.0**	**2.4**
Seven Major Countries	**3.2**	**2.8**	**2.2**
United States	3.0	3.0	2.6
Japan	1.7	1.3	0.7
Germany	4.9	4.7	3.1
France	2.4	2.1	1.7
Italy	5.3	4.4	4.0
United Kingdom	4.7	3.0	2.4
Canada	1.5	1.8	0.2
Others	**4.2**	**3.7**	**3.2**

Source : IMF. *World Economic Outlook*. March 1995

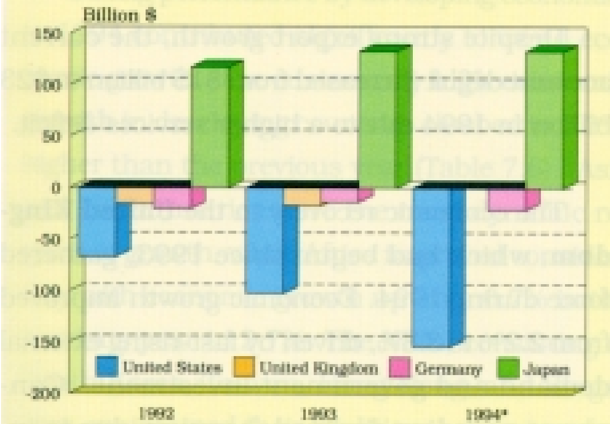
Table 7.5
Current Account Balances in OECD and Developing Countries

	1992r	1993r	1994*
	Billion $		
Overall OECD	**-41.0**	**23.0**	**-10.0**
Seven Major Countries	-35.0	-16.0	-45.0
United States	-68.0	-104.0	-156.0
Japan	118.0	131.0	129.0
Germany	-21.0	-15.0	-23.0
France	4.0	10.0	10.0
Italy	-28.0	12.0	13.0
United Kingdom	-17.0	-18.0	-1.0
Canada	-22.0	-24.0	-18.0
Others	7.0	29.0	34.0
Developing Countries [1]	**-74.0**	**-98.0**	**-91.0**
Oil exporting	-58.0	-47.0	-44.0
Non-oil exporting	-16.0	-52.0	-47.0
Newly Industrializing Economies Asia (NIEs)	12.8	18.0	11.2
PRC	4.4	-12.2	5.0
India	-6.3	-1.1	-4.1

1) Excluding countries in transition
Source : IMF, *World Economic Outlook*, March 1995

US inflation rate remained low at 2.6%, which

Chart 7.5
Current Account Balances in Several Major Industrial Countries



Source : IMF, *World Economic Outlook*, March 1995

compares to 3.0% in 1993. The low inflation rate resulted from a combination of the interest rate hikes by the Federal reserve and low wage increases. As explained, during the year the Federal Reserve raised the Fed Funds rate in six individual hikes from 3.0% to 5.5%, with widespread impact on international rates. The current account deficit, spurred by rising imports to satisfy domestic demand, soared from $104 billion to $156 billion.

The **Japanese** economy recovered in 1994 from several years of flagging activity to achieve a positive 0.6% growth, reversing the -0.2% growth of 1993. Higher domestic demand was driven mainly by rising private consumption and heavy investment in the public sector and by public companies. Due to tax cuts announced in October 1994, Japanese had higher disposable incomes, thus fueling demand, while high public sector investment resulted from the implementation of economic stimulation packages introduced in the past few years.

To support economic recovery, in 1994 the Japanese government adopted an expansive monetary policy, reflected in the low official discount rate. Money market rates were also low at only 2.3%, less than even in 1993. However, the low rates did not trigger a surge in the money supply, which grew by a modest 2.2%. An important factor in this was the extremely low 0.02% credit expansion due to even tighter prudence exercised by Japanese banks in lending.

On the fiscal side, the Japanese government also adopted an expansive policy to encourage economic growth. In February 1994, the government announced another stimulus package injecting 15.3 billion yen into the economy. Government expenditures thus increased from 34.0% to 35.3% of the GDP, while revenues declined from 33.9% in 1993 to 33.4% in the reporting year. In a further effort to stimulate the economy, the government also adopted measures funded by the Fiscal Investment and Loan Program (FILP). Under the Japanese fiscal system, there are two types of budgets. The general account is the official annual budget, and the FLIP is a program for mobilizing funds from postal savings, pension funds and government bonds and channeling those funds through government agencies.

Despite the economic recovery, unemployment in Japan remained high, and in fact rose from 2.5% in 1993 to 2.9%. This can be explained by the ongoing corporate restructuring designed to improve financial performance and thereby overcome the effects of the rising yen.

Since 1991, inflation rate gradually eased, reaching a low of 0.7% in 1994. One reason for the low inflation rate was the falling prices for imports as a result of the appreciating yen, strong competition in the retail market, and high capacity underutilization. The yen appreciation has also affected Japanese trade, with exports on the decline and imports rising. In particular, Japan also had to import more oil for power generation to compensate for reduced hydroelectric power output during the summer of 1994. Japan's current account surplus thus declined slightly from $131 billion in 1993 to $ 129 billion in the reporting year.

In 1994, the **German** economy grew at 2.9% after undergoing contraction in the previous year. This economic recovery not only took place in western Germany, but also in former East Germany, and was led by rising domestic and external demand. Strong domestic demand came from rising investment, especially in construction, machinery, tools and housing. Export of manufactured products also performed well, due to improved competitiveness in the wake of industrial restructuring, reduced manpower costs, and market expansion in North America and Europe. In the meantime, ongoing restructuring of industry pushed unemployment upwards from 8.8% in 1993 to 9.6% in 1994. Former East Germany was most affected, with unemployment running as high as 15%.

In 1994, German inflation rate reached 3.1%, down from 4.7% in the previous year. Inflation rate eased mainly because of the continued tight fiscal policy and the declining pressure from wage rises, a result of the high unemployment.

Despite strong export growth, the current account deficit increased from $ 15 billion to $23 billion in 1994 due to a higher services deficit.

The economic recovery in the **United Kingdom**, which had begun since 1993, gathered force during 1994. Economic growth improved from 2.2% to 3.8%, driven by fast-rising external demand and government investment. Consumer spending declined, however, due to increased taxes.

The improvement in the economy helped to reduce unemployment from 10.3% to 9.3%. Pressures from wage rises also eased compared to previous years, a result of higher than normal unemployment.

Inflation rate in the United Kingdom decreased from 3.0% in 1993 to 2.4% in 1994. This was attributable to low wages, rising productivity and tighter competition. Despite inflation rate being low, the monetary authority tightened its monetary policy to forestall the possibility of higher inflation rate. During 1994, the LIBOR went up from 3.3% to 6.4%.

The UK current account deficit improved remarkably in 1994, declining to $1 billion compared to $18 billion in the previous year. This was possible through rapid export growth generated by rising world demand and a strengthening market share.

Developing Economies

Strong performance by developing economies in 1994 contributed significantly to world economic growth. The customarily **high economic growth** in developing countries climbed to 6.3%, higher than the previous year (Table 7.6). Asia and Latin America were the most dynamic regions of growth, while Africa improved considerably with economic growth up from 0. 7% in the previous year to 2.7%. The NIEs, consisting of South Korea, Taiwan, Hong Kong, and Singapore, maintained their traditional strong performance, while China achieved another year of high growth. Economic growth also improved in India, a potential emerging competitor for Indonesia in international trade. Meanwhile, the economies in transition, i.e., Russia, Central and Eastern Europe, and the Transcaucasius and Central Asia underwent further contraction in 1994.

Table 7.6
Economic Growth in Developing Countries

	1992r	1993r	1994*
	Percent		
Developing Countries[1)]	**5.9**	**6.1**	**6.3**
By region			
Africa	0.8	0.7	2.7
Latin America	2.7	3.2	4.6
Asia	8.2	8.7	8.6
Europe and Middle East	5.5	3.7	0.7
By other criteria			
Oil exporting	4.6	2.3	2.9
Non-oil exporting	6.3	7.2	7.2
Newly Industrializing Economies Asia (NIEs)	5.7	6.0	7.2
PRC	13.0	13.4	11.5
India	4.5	4.0	4.8
Countries in Transition[2)]	**-15.3**	**-9.2**	**-9.4**
Central and East Europe	-11.4	-6.2	-3.8
Russia	-19.0	-12.0	-15.0
Transkaukasus and Middle Asia	-17.6	-11.9	-14.9

1) Measured by GDP, excluding countries in transition
2) Mostly measured in NMP (Net Material Product)
Source : IMF, *World Economic Outlook*, March 1995

The strong economic performance of developing economies was the product of economic stabilization and market reform in recent years. Macroeconomic stabilization was reflected in low fiscal deficits, while market reform took place in price liberalization, financial market reforms, outward-oriented trade policies, and exchange rate unification. These policies helped to create a stable macroeconomic environment in some countries, with inflation under control, real interest rates at low levels and reasonable exchange rates. Strong intra-regional trade and investment among developing countries, especially Asia, also contributed to strong economic performance.

Inflation in developing economies averaged 48.0%, up from 43.0% in 1993 (Table 7.7). As in the previous year, the higher average inflation resulted from soaring prices in some countries,

Table 7.7
Changes in Consumer Price Indices in Developing Countries

	1992[r]	1993[r]	1994*
	Percent		
Developing Countries	**35.9**	**43.0**	**48.0**
By region			
Africa	29.7	26.8	33.6
Latin America	152.6	212.3	225.8
Asia	7.1	9.4	13.5
Europe and Middle East	25.4	24.5	32.3
By other criteria			
Oil exporting	17.1	16.2	17.9
Non-oil exporting	42.0	51.6	57.4
Newly Industrializing Economies Asia (NIEs)	5.9	4.6	5.7
PRC	5.4	13.0	21.5
India	9.7	8.6	8.5
Countries in Transition	**722.3**	**675.1**	**295.2**
Central and East Europe	368.4	458.8	203.2
Russia	1,353.0	896.0	302.0
Transkaukasus and Middle Asia	915.0	1,241.2	1,337.6

Source : IMF. *World Economic Outlook.* March 1995

particularly in Latin America. However, developing economies as a whole recorded a lower current account deficit, down from $98 billion in 1993 to $91 billion. Stronger export growth reflected rising demand in industrial countries and improved prices for some commodities.

As in earlier years, Asia was the fastest growing region in 1994, despite a slight reduction in economic growth from 8.7% to 8.6%. The Chinese economy, one of the largest in Asia, played a significant role in this growth. In addition, the high-growth economies of the NIEs, ASEAN and some other countries also contributed much to this performance. India, one of the major economies in Asia, achieved better growth than in previous years.

Inflation in Asia remained under control, despite having risen compared to the previous year. Nevertheless, inflation rate was far lower in Asia than in many other regions. Rapid economic growth in some countries has also been followed by higher inflation rate. In China, the government has adopted measures to cool the overheated economy, but sharply rising prices in that country still contributed significantly to the higher average inflation rate in Asia.

China enjoyed yet another year of robust economic performance, with growth reaching 11.5% in 1994. One of the most important factors in this achievement was industrial sector, which boasted 18% during that year. Chinese economic growth was also fueled by increased exports, which benefited from depreciation of the renminbi against the currencies of several important trading partners, and rising foreign direct investment.

Despite this, the rapid economic growth has been followed by overheating of the economy, with inflation rate running as high as 21.5% compared to 13.0% in 1993. Food prices increased 45% due to price adjustments, poor weather conditions and inefficient marketing and distribution systems. High inflation was also driven by the rapid pace of investment, fuel price hikes and the imposition of value added tax. To bring inflation under control, the Chinese government tightened the money supply and introduced tighter price controls on staple goods.

Following a $12.2 billion deficit in 1993, the current account turned around to post a $5.0 billion surplus in 1994. China was able to achieve this through 30% export growth, while imports went up only 10%. Export growth was driven by rising external demand and the improved situation resulting from exchange rate reforms introduced in early 1994.

India, a potential emerging competitor for Indonesia in foreign trade and investment, has successfully made steady improvements in economic growth since 1991. To do this, India embarked on a series of economic reforms removing tight controls and restrictions across a range of sectors. Economic growth improved to 4.8% from the 4.0% achieved in 1993. A key factor in this growth was private investment, which received a strong stimulus from reduced interest rates and lower corporate taxes announced in the 1994.

Rapid growth in investment has also generated strong inflationary pressures. Despite this, inflation rate remained under control at about 8.5% due to a stable exchange rate and high agricultural production that helped prevent shortages. The current account deficit, however, rose from $ 1.1 billion in 1993 to $4.l billion, despite a robust 15% growth in agricultural and manufactured exports. This can be explained by rising debt repayments, with the debt service ratio up from 31.1% to 35.4%.

Hong Kong, South Korea, Taiwan and Singapore, the **NIEs** of Asia, averaged 7.2% growth in 1994, up from 6.0% in 1993. The strong growth performance was a continuation of a trend over several years, and was driven by high investment and intraregional trade in Asia. The NIEs benefited from the yen appreciation in 1994, as it strengthened their international competitiveness. Japanese exports to East Asia have declined as a result of the rising yen, and this has stimulated the relocation of many Japanese industrial enterprises to East Asia in an effort to stay competitive. Hong Kong, the gateway to China, has profited enormously from rising Japanese investment.

In South Korea and Singapore, the yen appreciation has also generated strong export growth. South Korean semiconductor exports soared 60% in the first half of 1994, while car exports went up 20%. Singapore's exports of electronic products and components have also risen sharply. Despite this, the yen appreciation has also raised production costs in the NIEs, as their industries rely to some extent on imported components from Japan. Rising foreign investment has fueled domestic demand, leading to pressures on inflation and the current account balance (Tables 7.4 and 7.7).

The **ASEAN** economies recorded stronger performance in 1994, with economic growth climbing from 6.8% to 7.7% (Table 7.8). Important factors in this growth were proper policies enabling these countries to maintain macroeconomic stability, strong trade with Asia, and rising demand from industrial countries undergoing economic recovery.

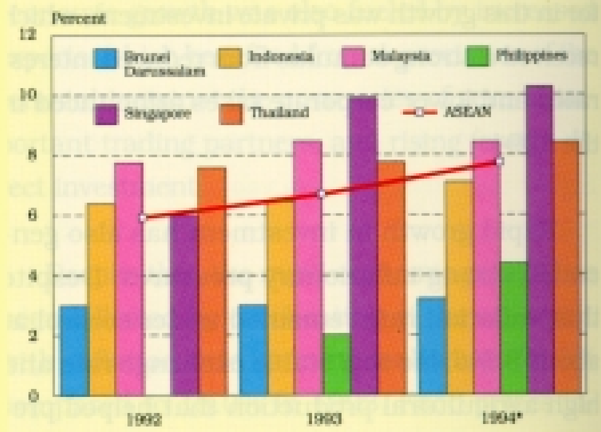
GDP growth improved in Indonesia as a result of stronger domestic demand fueled by low interest rates and high capital inflows, with foreign direct investments playing a dominant role. Growth in Malaysia remained strong, driven by robust performance in manufacturing, services and construction. The Philippines economy noted improved growth driven by rapidly rising exports. Singapore, where electronic products play a vital role, achieved higher economic growth due to rising demand from Asia and the United States. In Thailand, growth was propelled by domestic demand and exports, with manufactured products playing a leading role.

Table 7.8
Gross Domestic Product Growth Rates. Changes in Consumer Price Indices. and Current Account Balances in ASEAN Countries

	1992[r]	1993[r]	1994*
	Percent		
Real GDP Growth Rates			
ASEAN	6.0	6.8	7.7
Brunei Darussalam	3.0	3.0	3.2
Indonesia	6.5	6.5	7.3
Malaysia	7.8	8.5	8.7
Philippines	0.1	1.7	4.4
Singapore	6.0	9.9	10.3
Thailand	7.6	7.8	8.4
Changes in Consumer Price Indices			
ASEAN	5.4	6.0	6.7
Brunei Darussalam	2.5	2.5	2.7
Indonesia	4.9	9.8	9.2
Malaysia	4.7	3.6	3.9
Philippines	8.9	7.6	9.7
Singapore	2.3	2.4	3.7
Thailand	4.1	3.3	4.7
	Billion $		
Current Account Balances			
ASEAN	-7.6	-10.9	-12.4
Brunei Darussalam	1.6	1.5	1.4
Indonesia	-3.1	-2.3	-3.3
Malaysia	-1.6	-2.1	-4.4
Philippines	-1.0	-3.3	-4.4
Singapore	2.9	2.0	5.3
Thailand	-6.4	-6.7	-7.0

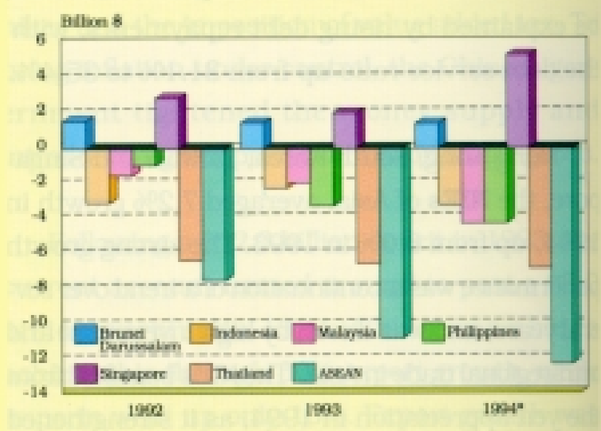
Source : Various publications

Chart 7.6
Economic Growth Rates in ASEAN Countries



Source : Various publication

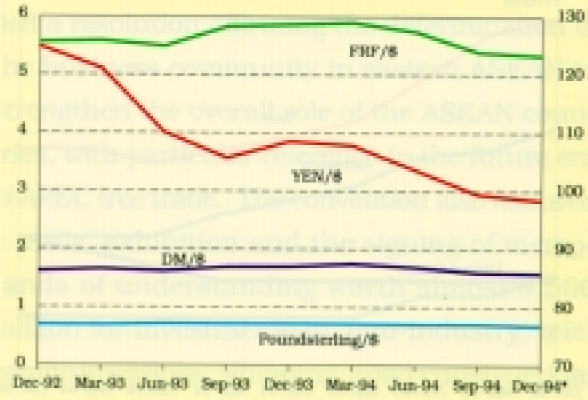
Chart 7.7
Current Account Balances in ASEAN Countries



Source : Various publication

The high economic growth in ASEAN countries was also matched by rising inflation generated by stronger domestic demand and large capital inflows. Despite better export performance, the current account deficit for ASEAN as a group climbed from $10.9 billion to $12.4 billion due to strong import growth driven by domestic demand. ASEAN countries have also been inevitably affected by the appreciation of the yen, due to their close economic ties with Japan through international trade and foreign aid/loan.

Chart 7.8
The United States Dollar's Exchange Rate against Other Major Currencies



Source : IMF, *International Financial Statistics*, March 1995
Note : Right hand scale for Yen/$

International Monetary Developments

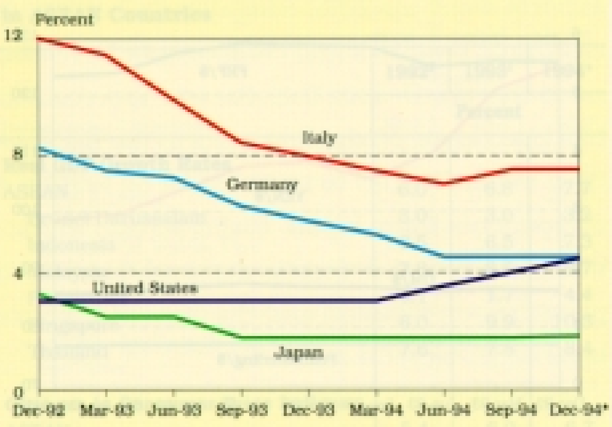
The international monetary situation in 1994/95 was marked by US dollar depreciation against other major currencies, rising interest rate tendencies, reduced capital inflows into developing countries, and the financial crisis in Mexico. Inflationary pressures and the large current account deficit in the United States contributed to the weakening of the dollar. International interest rates generally remained low in 1994, though marked by an upward trend in the second half of the year. Economic recovery in industrial countries led to declining net capital flows to developing economies. In January 1995, the financial crisis in Mexico triggered massive foreign exchange speculation in developing countries, with Asian emerging market particularly affected.

In 1994, dollar lost ground against some other major currencies. In June, the dollar started to slide against the Japanese yen, following the depreciation against the German mark and French franc that had begun earlier in the year. As noted, the weakening of dollar was attributable to the high current account deficit, particularly with Japan, and the massive budget deficit in the US. On the other hand, improving growth prospects in Japan and some European countries contributed to the strengthening currencies of those countries (Chart 7.8). Additional factors driving up the yen were the huge Japanese trade surplus, foreign investor interest in Japanese stocks, and US - Japan trade friction. Keen foreign investor interest in Japanese companies contributed to a surge in the Nikkei Index in 1994, particularly in January-August. However, investor interest in Japanese stocks took a downturn after the Kobe earthquake in January 1995, with the Nikkei index dropping to below 1993 levels.

Despite an upswing in the second half of 1994, short-term **interest rates** in industrial economies stayed generally below the levels of 1993 (Chart 7.9). With economic recovery at different stages in these countries, interest rate movements also took different paths during the year. Rates went up in the United States and Canada, which had benefited from an earlier start in their economic recovery. In countries with more recent economic recovery, such as Germany and France, short-term interest rates remained low. Nevertheless, these countries began raising short-term rates in the second half of 1994 to forestall rising inflation. During the year, improved economic growth, more widespread economic recovery and greater competition among borrowers exerted upward pressure on nominal and real long-term interest rates in all industrial economies.

With many countries on the road to economic recovery, there was a greater need in industrial economies for funding of economic activities and investment. Consequently, **net capital flows** from industrial countries to developing countries declined from $160.8 billion in 1993 to $134.3 billion in the reporting year. This decline took place across the board—affecting loans, direct investments and grants. Asia absorbed $80.7 billion, the largest proportion of net capital flows, while Latin America was next with $ 44.0 billion. Debt and non-debt funds flowing to Asia and Africa were in almost equal proportion, while in Latin America more than 60% of inflows were borrowings.

Chart 7.9
Discount Rates in Several Industrial Countries



Source : IMF, *International Financial Statistics*, March 1995

The financial crisis in Mexico at the end of 1994 adversely affected the emerging money markets of Asia. Apprehension over possible spillover of the crisis to Asian developing countries fueled massive foreign currency speculation in the region. To stem the wave of speculation, some central banks intervened in the foreign exchange markets and gave public assurances that there would not be any devaluation, after which speculation subsided and confidence in local currencies was restored. Senior officials from the central banks and monetary authorities of Hong Kong, Indonesia, Malaysia, Singapore, Thailand and the Philippines held informal talks in Hong Kong on January 21, 1995, regarding measures to forestall future speculation. The meeting discussed type of speculation, the way in which speculation works, where the funds come from, and ways of overcoming speculation. The officials agreed to step up their exchange of information and strengthen cooperation to reinforced their position in coping with speculation.

International Cooperation

Cooperation among ASEAN Countries

ASEAN members are engaged in an ongoing process of forging stronger economic cooperation among themselves. Three important agreements were concluded during the reporting year: expansion of membership, the accelerated implementation of AFTA, and the agreement for establishing business cooperation within the framework of the Brunei-Indonesia-Malaysia-Philippines-East ASEAN Growth Area (BIMP-EAGA).

The 27th Annual Meeting of ASEAN Foreign Ministers held in Bangkok, Thailand on July 22-23,1994 discussed political issues, security and issues on a regional and international scale. One of the important milestones achieved in Bangkok was the acceptance of Vietnam into full membership. The ASEAN foreign ministers will submit their recommendations to the Fifth ASEAN Summit to be held in Thailand in 1995. Vietnam s entry into ASEAN is expected to foster broader based cooperation in South East Asia.

During the 5th ASEAN Economic Ministers (AEM) meeting in Chiangmai, Thailand on 22-23 September 1994, the AFTA Ministerial Council agreed to an accelerated 10-year phasing in of AFTA, effective January 1995. Previously, the full implementation of AFTA had been scheduled for 2008; under the new arrangement, the agreement will be fully phased in by 2003. The meeting also approved an accelerated schedule for transfer of commodities from the exclusion list to the inclusion list. This transfer is now to take place at 20% a year, so that by the end of five years, all commodities will be on the inclusion list. Another important product of the meeting was an agreement to establish an AFTA National Unit in each member country within the near future. The decisions adopted will encourage each member to introduce measures to raise efficiency and thus improve competitiveness.

As a follow-up to the agreement on the establishment of BIMP-EAGA, concluded in 1993, the first East ASEAN Business Convention (EABC) was held on November 15-20, 1994 in Davao City, Philippines. Delegates attending the event came from Brunei Darussalam, Indonesia, Malaysia and the Philippines. The convention ratified a resolution affirming the determination of the business community in eastern ASEAN to strengthen the overall role of the ASEAN countries, with particular reference to the future era of APEC free trade. The convention also featured a trade exhibition and the signing of memoranda of understanding worth almost $ 500 million for investments in agro-industry, telecommunications, shipping, road construction, airlines, tourism, handicrafts and education. The business convention and trade exhibition were an important first step on the road to cooperation among the businessmen of the four countries, which has the support of all governments involved.

Cooperation under APEC

Following the APEC informal meeting in Seattle, United States on November 20, 1993, the leaders of the APEC economies convened another meeting in Bogor, Indonesia. The historic event of November 15, 1994 produced the Bogor Declaration, comprising an agreement to introduce free and open trade and investment in Asia-Pacific region by 2010 for the industrialized countries within APEC and by 2020 for developing APEC member countries. The declaration also highlighted the basic scheme for partnership that takes into account the heterogeneity of APEC members. Not only do the APEC accords offer developing countries the benefit of free access to the markets of industrialized countries from 2010, but they also provide for cooperation in human resources development, infrastructure development, science and technology and conservation of the environment.

The meeting agreed that the GATT/WTO accords would constitute the constitutional basis for APEC. All agreements concluded under APEC would serve as the basis for putting the GATT/WTO accords into operation, and these agreements would also be based on the principle of the richer members assisting the poor. Another important accord reached in the meeting stipulated that APEC was not to become a closed trading bloc.

For Indonesia, this cooperation is expected to contribute substantially to higher economic growth. The Asia-Pacific is an important export market for Indonesia, the largest source of investments, and a major market for Indonesia's tourism sector. About 70% of Indonesia's non-oil/gas exports are to the Asia-Pacific. The elimination of a wide range of trade barriers is expected to provide a strong boost to Indonesia's exports. In another important area, about 65% of foreign investment comes from APEC members. Free trade will also compel APEC countries such as Japan, Korea, Taiwan, Hong Kong, Singapore and Australia to restructure their economies, and this will result in higher investment from those countries in Indonesia. The tourism industry will also benefit, as the Asia-Pacific also accounts for about 60% of Indonesia's tourist arrivals. Free trade within APEC is expected to promote the economic growth of each of its members, and this in turn will encourage more tourists to visit Indonesia.

Cooperation under GATT/GATS

The Final Act of the Uruguay Round was signed in April 1994 in Marrakesh, Morocco, concluding a long series of international trade negotiations. This agreement represents a considerable extension of the scope of international trade regulations compared to the previous GATT, and commits the signatories to tariff reductions and the elimination of non-tariff barriers. Agriculture and textiles, two key areas previously excluded from GATT, now fall within the new trade regime. New issues are included, in particular services, trade-related intellectual property rights (TRIPs) and trade-related investment measures (TRIMs). As set out in one of the agreements in the Final Act, various countries and economic communities have ratified the Agreement for Establishing the World Trade Organization (WTO). Therefore, as of January 1995 the WTO has taken over the role formerly held by GATT as regulator of global trade. As such, the WTO has wider authority and powers than the former GATT.

The establishment of the WTO now means that trade in services, including banking, now falls within the scope of the General Agreement of Services (GATS) and the Schedule of Commitments (SOC) submitted by each country. The reporting year was marked by considerable bilateral activity related to Schedules of Commitments. Some of Indonesia's main trading partners, such as the United States, European Union, Canada, and Australia are still urging Indonesia to adopt further liberalization in the trade of financial services. The new international trading regime is expected to boost international trade by a considerable margin. The extent to which Indonesia will benefit from this development depends a great deal on the readiness of Indonesian industry to seize opportunities on the world market. This places a demand on all business entities to improve efficiency and professionalism on an ongoing basis. Banks will also have to adopt strategic measures to raise their efficiency and competitiveness to survive in a more competitive domestic banking environment while also taking advantage of greater openness in overseas markets.

Bilateral Cooperation

As in previous years, Indonesia adopted further initiatives to build and improve bilateral economic cooperation with other countries. In 1994, Indonesia signed the bilateral Investment Agreement Guarantee (IGA) with China, Laos, Vietnam and the Slovak Republic in a move to promote investment and provide protection for investor interest similar IGA arrangements are under discussion with Bulgaria, Austria, Peru, Turkey and the Czech Republic. Another undertaking in bilateral cooperation was the joint commission with India, Vietnam, Philippines and Iraq. The joint commission covered bilateral cooperation in various sectors, such as trade, tourism, communications, public works and agriculture.

To promote bilateral trade with countries outside the circle of Indonesia's major trading partners, Bank Indonesia signed banking arrangements with the central banks of Turkmenistan, Bulgaria, Hungary and Russia in 1994. Talks on similar banking arrangements were also held with the central banks of Poland and the Czech Republic. These banking arrangements comprise bilateral agreements between central banks to facilitate payments between those countries. These are expected to promote bilateral trade, which in turn will help boost Indonesia's non oil-gas exports.

International Institutions

International Monetary Fund and World Bank

On October 2, 1994, the International Monetary Fund (IMF) held the 43rd Annual Meeting. The agenda of this meeting included new, higher credit ceilings for members, and a proposal for an additional SDR allocation for developing countries. On the next day (October 3, 1994), the World Bank held the 49th Development Committee Meeting to discuss the effectiveness of foreign aid and the impact of the Uruguay Round on developing countries and economies in transition.

The 43rd annual meeting of the IMF approved an increase in member credit ceilings from 68% to 85% of quotas. This measure provided greater leeway to developing countries, which had been lobbying heavily for the increase. However, the meeting turned down the proposal for the additional allocation of SDRs to developing countries because the governments of industrial economies wanted a higher allocation for former socialist and communist countries. The meeting also discussed the need for economic growth strategies based on structural reformation, budget deficit reductions and price stability.

The 49th Development Committee Meeting of the World Bank, which discussed foreign aid effectiveness and the impact of the Uruguay Round, produced a final communique addressing five important matters. First was an appeal to donor countries to step up their aid giving with a priority on impoverished countries. Second was a recognition of the specific needs and problems of countries undergoing economic and political upheaval, as well as of severely impoverished countries. Third, the communique appealed to countries experiencing difficulties in attracting private capital inflows to improve their creditworthiness through macroeconomic reforms and the creation of a climate conducive to healthy growth in the private sector. Fourth was a call for the ratification and implementation of the Uruguay Round accords. Finally, the communique emphasized the importance of closer cooperation between IMF and World Bank lending agencies and the WTO.

Asian Development Bank

The 27th Annual Meeting of the Asian Development Bank (ADB) annual meeting in Nice, France, held on May 3-5, 1994, discussed some important topics, including the factors underlying economic progress in Asia and proposal for the 4th increase in general capital. Some speakers noted the progress achieved in Asia, but also spotlighted some other topics, such as poverty, the environment, and the continued need for changes towards market economics. The board of governors basically supported the proposal for increased capital. The chairman appealed to all ADB members to keep their commitments to prevent impediments in carrying out the ADB program for

1994-1998. Concerning the proposal for increased capital, some industrial countries, including the Netherlands, Denmark, Finland and Sweden, said that the added capital should be formally linked with ADB policy of sustainable development. However, most developing country members objected, citing differences in values and expressing their desire that the ADB refrain from unnecessary involvement in the internal affairs of developing countries that could in turn hamper its activities. Finally, the meeting reached agreement on a proposal to raise authorized capital from $24,318.8 million to $47,950.9 million, and to increase subscribed capital from $23,631.1 million to $47,264.2 million.

By the end of 1994, the ADB had approved $9.6 billion in loans for Indonesia, of which $7.2 billion had been allocated for various development projects.

Islamic Development Bank

Indonesia has the world's largest Moslem population, and has consistently played an active role within the Islamic Development Bank (IDB) since joining the organization with the objective of building solidarity and economic cooperation among its members. In the 19th annual meeting held in Jeddah, Saudi Arabia on November 15-16, 1994, the Board of Governors of the IDB decided to accept Republic Turkmenistan as the 48th member, and to launch the Islamic Investment Insurance and Export Credit program on July 1, 1995. The meeting also reached a decision on the appointment of the President and Deputy President of Board of Governors for the 1994/95 term of office, and elected to hold the 20th Annual Meeting, scheduled for November 1995, in Indonesia.

By March 1995, the Islamic Development Bank had provided a total of $240 million for various projects in Indonesia. $146 million of this comprised various projects.

Consultative Group for Indonesia

The Consultative Group for Indonesia (CGI) is a group of countries and international agencies established in 1992 to provide funding for Indonesia's development. This group is chaired by the World Bank. The 3rd CGI Meeting in Paris on July 7-8 1994, attended by 19 countries and 14 international agencies, discussed various issues, mainly concerning economic development. In general, the delegations expressed their satisfaction with Indonesia's successful macroeconomic management, stability, high economic growth during 25 years, and impressive reductions in poverty. Nevertheless, they also expressed concern over Indonesia's high inflation and burgeoning foreign debt. The meeting gave full support to the objectives of Repelita VI, and stated that several key areas would be crucial to the success of Indonesia's development planning. These areas are prudent macroeconomic management, deregulation, settlement of problem loans, consolidation of the banking and financial sectors, greater efficiency in public administration, improvements to the legal system, and environmental conservation.

The CGI meeting concluded by committing $5,202.68 million in aid for Indonesia, a tangible demonstration of their strong support and confidence in Indonesia's development program. The aid commitments in 1994 were slightly more than the $5,110.6 million given in the previous year. $2,357.22 million was provided by the 18 country members, and $2,845.46 million by international agencies. The largest bilateral donor was Japan, which provided $1,670.0 million, followed by Germany, the United Kingdom and France with $157.41 million, $150.49 million and $ 140.57 million. The World Bank provided $1,500.00 million, followed by the ADB with $ 1,100.00 million and $245.46 million from other international agencies. Indonesia uses CGI funds in projects covering human resources development, infrastructure, agriculture, regional development, environmental conservation and poverty alleviation.

APPENDICES

APPENDIX A

BANK INDONESIA CONDENSED BALANCE SHEET *
as per March 31, 1993, 1994, and 1995

billion rupiah

ASSETS	1993	1994	1995
1. Gold and foreign assets	37,913	39,621	37,554
a. Gold and foreign exchange	37,138	39,060	37,122
b. Other foreign assets	775	561	432
2. Claims on public sector	5,611	5,027	1,431
a, Central government	5,586	5,013	1,030
b, Official entities	25	14	401
3. Claims on deposit money banks	13,465	12,568	12,581
4. Money market securities	3,132	3,147	4,337
5. Claims on private sectors	987	1,125	1,247
6. Other assets	3,473	3,888	3,236
Total	**64,581**	**65,376**	**60,386**

LIABILITIES	1993	1994	1995
1. Monetary liabilities	15,996	18,995	23,175
a. Currency in circulation	14,744	17,419	21,367
b. DMB's demand deposits	1,009	1,211	1,439
c. Private sector demand deposit	243	365	369
2. Foreign exchange	803	1,115	1,266
a. Foreign exchange bank's demand deposits	782	1,102	1,236
b. Other demand deposits in foreign currency	21	13	30
3. Foreign liabilities	1,517	1,133	1,415
a. Foreign exchange liabilities	781	398	798
b. Other foreign liabilities	736	735	617
4. Government deposits	15,567	16,782	13,570
a. Current account	14,579	15,441	11,805
b. Blocked account	--	--	--
c. Counterpart funds	739	865	1,084
d. Import guarantee deposits	246	476	681
e. Others	3	--	--
5. Bank Indonesia Certificates	23,006	19,772	11,183
6. Capital account	2,479	1,781	1,969
7. Other liabilities	5,213	5,798	7,808
Total	**64,581**	**65,376**	**60,386**

* Unaudited

APPENDIX B

MANAGEMENT OF BANK INDONESIA

as of March 31, 1995

GOVERNMENT COMMISSIONER

Sofjan Djajawinata

BOARD OF DIRECTORS

Governor	:	J. Soedradjad Djiwandono
Managing Directors	:	Hendrobudiyanto
		Boediono
		Heru Soepraptomo
		Mansjurdin Nurdin
		Haryono
		Paul Soetopo Tjokronegoro
		Mukhlis Rasjid

APPENDIX C

ORGANIZATION AND PERSONNEL

ORGANIZATION

In the reporting year Bank Indonesia restructered its organization, especially on bank supervision, by consolidating on-site supervision and off-site supervision activities. This has changed the organization structure to consist of 19 departments at the head office, 42 branches throughout the country, and 5 representatives abroad.

The total number of personnel at the end of March 1995 was 7,776 persons; 4,199 of them were placed at the head office, 3,521 at the branches, and 56 at the representatives.

PERSONNEL

No.	Fiscal Year	Offices			Total
		Head	Branches	Representatives	
1.	1992/93	4,445	3,362	50	7,857
2.	1993/94	4,218	3,424	56	7,698
3.	1994/95	4,199	3,521	56	7,776

DEPARTMENT DIRECTORS

Accounting Department	:	Suwarno
Bank Supervision Department I	:	Ekotjipto
Bank Supervision Department II	:	Siswanto
Bank Supervision Department III	:	Bun Bunan Hutapea
Banking Regulation and Development Department	:	Sukarwan
Communication and Security Department	:	Jusup Kartadibrata
Cooperative and Small-scale Credit Department	:	Sri Miyati Woeryanto, Ms.
Currency Circulation Department	:	Sulastinah Tirtonegoro, Ms.
Economics and Statistics Department	:	Subarjo Joyosumarto
Foreign Exchange Department	:	Bambang Trianto
General Credit Department	:	Abdullah Hasibuan
Human Resources Department	:	Achwan
Internal Control Department	:	Sutomo Sunartadirdja
Internal Resources Research and Development Department	:	Aulia Pohan
International Department	:	Susanna E. Pellaupessy, Ms.
Legal and Secretariat Department	:	Sjahrial Hamid
Logistics Department	:	Johanes Irawan
Money Market and Clearing Department	:	C. Harinowo
Rural Credit Bank Supervision Department	:	J.B. Murtiwijono

REPRESENTATIVES

Kuala Lumpur	:	Harisman
London	:	Bartholomeus Sugiharto
New York	:	Ibrahim Zarkasi
Singapore	:	Siswanto DJ.
Tokyo	:	Koesworodjati

BRANCH MANAGERS

Category I

Bandung	:	Bahrulkifli
Medan	:	Moh. Ma'ruf Saleh
Semarang	:	Moeharno
Surabaya	:	Irfano Chamra

Category II

Bandar Lampung	:	Goegoen Roekawan
Banjarmasin	:	Maskan Iskandar
Denpasar	:	Haswandi S. Effendy
Manado	:	Sidik Suharto
Padang	:	Inufasil Kafrawi
Palembang	:	Azis Sanuri
Ujung Pandang	:	Wiwiek Sudibyo
Yogyakarta	:	Warsono Santoso

Category III

Ambon	:	I Gusti Made Darmawa
Balikpapan	:	O. Momon Supartasaputra
Banda Aceh	:	Mohammad Ali Said Kasim
Cirebon	:	K. Koeswara
Jambi	:	M. Thobroni
Jayapura	:	Moeljono
Jember	:	Prihono Bagio
Kediri	:	Kokrosono Sadhan
Kupang	:	Imrandani
Malang	:	Langka Ardimudinar
Mataram	:	Fathoni Ahmad
Palu	:	Anang Atje
Pekanbaru	:	Deddy Rohendy
Pontianak	:	Warjoto
Samarinda	:	Aris Anwari
Solo	:	Sri Sularmo

Category IV

Batam	:	Pramono H.
Bengkulu	:	Maruli Sinaga
Dili	:	Jopie H. Lumintang
Kendari	:	Dedy Sutady
Lhokseumawe	:	Muchlis Rusli
Padang Sidempuan	:	Soesilo
Palangka Raya	:	Rizaf Anwar
Pematang Siantar	:	Eddy Suwardi H.
Purwokerto	:	Mulyadi
Sampit	:	Asri Amin
Sibolga	:	Siswanto
Tasikmalaya	:	Amrin Siregar
Tegal	:	Budhi Santoso
Ternate	:	Soejanto

APPENDIX D

Table 1
Gross Domestic Product by Expenditure
(billion rupiah)

	1991	1992	1993	1993*	1994*
	1983 prices			**1993 prices**	
Consumption	78,696.7	81,303.5	85,305.9	213,287.2	224,793.8
Private	66,584.0	68,484.5	72,476.2	183,530.5	194,185.2
Government	12,112.7	12,819.0	12,829.7	29,756.7	30,608.6
Gross domestic fixed capital formation	34,867.2	36,589.3	38.671.2	86,667.3	97,582.8
Change in stock [1)]	1,989.6	2,314.2	3,403.7	22,908.2	28,900.0
Exports of goods and services	34,600.8	39,674.8	42,296.8	85,296.2	91,517.3
less Imports of goods and services	26,929.1	28,697.0	29,970.5	78,383.0	88,820.7
Gross Domestic Product	**123,225.2**	**131,184.8**	**139,707.1**	**329,775.9**	**353,973.2**
Net factor income from abroad	–4,435.6	–4,955.7	–6,154.1	–12,552.6	–12,498.4
Gross National Product	**118,789.6**	**126,229.1**	**133,553.0**	**317,223.3**	**341,474.8**
less Net indirect taxes	8,123.6	8,945.6	9,621.0	21,171.1	22,983.4
less Depreciation	6,161.6	6,557.8	6,981.4	16,488.8	17,698.7
National Income	**104,504.4**	**110,725.7**	**116,950.6**	**279,563.4**	**300,792.7**
			Market prices		
Consumption	145,820.4	160,611.6	188,099.4	213,287.2	244,270.5
Private	125,035.8	135,880.3	158,342.7	183,530.5	213,256.3
Government	20,784.6	24,731.3	29,756.7	29,756.7	31,014.0
Gross domestic fixed capital formation	63,893.9	70,820.2	78,243.2	86,667.3	104,220.7
Change in stock [1)]	16,847.8	22,404.9	28,285.6	22,908.2	24,105.7
Exports of goods and services	62,263.8	76,384.4	85,454.3	85,296.2	94,537.4
less Imports of goods and services	61,375.7	70,336.6	78,064.7	78,383.0	89,780.0
Gross Domestic Product	**227,450.2**	**259,884.5**	**302,017.8**	**329,775.9**	**377,354.3**
Net factor income from abroad	–10,899.3	–12,446.8	–16,168.8	–12,552.6	–14,349.0
Gross National Product	**216,550.9**	**247,437.7**	**285,849.0**	**317,223.3**	**363,005.3**
less Net indirect taxes	15,003,5	17,794.6	20,543.8	21,171.1	24,501.5
less Depreciation	11,379.8	13,044.7	14,907.4	16,488.8	18,867.7
National Income	**190,167.6**	**216,598.4**	**250,397.8**	**279,563.4**	**319,636.1**
Memorandum item:					
Per capita Gross Domestic Product					
in thousands of rupiah	1,254.0	1,389.2	1,610.0	1,758.0	1,979.0
in $	643.1	684.4	711.4	842.3	914.5
Per capita Gross National Product					
in thousands of rupiah	1,193.9	1,322.7	1,523.8	1,691.1	1,903.7
in $	612.2	651.6	730.1	810.3	879.7
Per capita National Income					
in thousands of rupiah	1,048.4	1,157.4	1,334.8	1,490.3	1,676.3
in $	537.7	570.4	639.6	714.1	774.6

1) Residual
Source : Central Bureau of Statistics

Table 2
Expenditure's Weighted Growth and Its Share in GDP Growth at 1983 and 1993 Prices
(percent)

	1991	1992	1993	1993*	1994*
	1983 prices			1993 prices	
	Weighted growth				
Consumption	4.63	2.11	3.05	-	3.49
Private	3.94	1.54	3.04	-	3.23
Government	0.69	0.57	0.01	-	0.26
Gross domestic fixed capital formation	1.85	1.40	1.58	-	3.31
Change in stock 1)	–1.15	0.26	0.84	-	1.82
Exports of goods and services	4.99	4.12	2.00	-	1.89
less Imports of goods and services	3.37	1.44	0.97	-	3.17
Gross Domestic Product	**7.0**	**6.5**	**6.5**	**-**	**7.3**
	Share in GDP growth				
Consumption	66.6	32.7	46.9	-	47.5
Private	56.7	23.9	46.8	-	44.0
Government	9.9	8.8	0.1	-	3.5
Gross domestic fixed capital formation	26.6	21.7	24.3	-	45.1
Change in stock 1)	–16.5	4.0	12.9	-	24.8
Exports of goods and services	71.7	63.9	30.8	-	25.7
less Imports of goods and services	48.4	22.3	14.9	-	43.1
Gross Domestic Product	**100.0**	**100.0**	**100.0**	**-**	**100.0**

1) Residual
Source : Central Bureau of Statistics and estimates

Table 3
Growth Rate of GDP by Expenditure
(percent)

	1991	1992	1993	1993*	1994*
	1983 prices			1993 prices	
Consumption	7.3	3.3	4.9	5.0	5.4
Private	7.3	2.9	5.8	5.8	5.8
Government	7.0	5.8	0.1	0.1	2.9
Gross domestic fixed capital formation	6.5	4.9	5.7	5.7	12.6
Change in stock 1)	-39.8	16.3	47.1	32.0	26.2
Exports of goods and services	19.9	14.7	6.6	6.6	7.3
less Imports of goods and services	16.8	6.6	4.4	4.4	13.3
Gross Domestic Product	**7.0**	**6.5**	**6.5**	**7.3**	**7.3**
Net factor income from abroad	4.8	11.7	24.2	24.2	-0.4
Gross National Product	**7.0**	**6.3**	**5.8**	**6.8**	**7.6**
less Net indirect taxes	0.1	10.1	7.6	7.6	8.6
less Depreciation	9.2	6.4	6.5	6.5	7.3
National Income	**7.5**	**6.0**	**5.6**	**6.6**	**7.6**
	Market prices				
Consumption	17.7	10.1	17.1	17.0	14.2
Private	17.6	8.7	16.5	16.5	16.2
Government	18.3	19.0	20.3	20.3	4.2
Gross domestic fixed capital formation	14.8	10.8	10.5	10.5	20.3
Change in stock 1)	11.8	33.0	26.2	42.5	5.2
Exports of goods and services	19.8	22.7	11.9	11.9	10.8
less Imports of goods and services	20.5	14.6	11.0	11.0	14.5
Gross Domestic Product	**16.3**	**14.3**	**16.2**	**16.8**	**14.4**
Net factor income from abroad	13.4	14.2	29.9	29.9	14.3
Gross National Product	**16.4**	**14.3**	**15.5**	**16.3**	**14.4**
less Net indirect taxes	11.8	18.6	15.4	15.4	15.7
less Depreciation	16.3	14.6	14.3	14.3	14.4
National Income	**16.8**	**13.9**	**15.6**	**16.5**	**14.3**

1) Residual
Source : Central Bureau of Statistics and estimates

Table 4
Distribution of GDP by Expenditure
(percent)

	1990	1991	1992	1993 *	1994 *
	1983 prices			1993 prices	
Consumption	63.9	62.0	61.1	64.7	64.7
Private	54.0	52.2	51.9	55.7	56.5
Government	9.9	9.8	9.2	9.0	8.2
Gross domestic fixed capital formation	28.3	27.9	27.7	26.3	27.6
Change in stock 1)	1.6	1.8	2.4	6.9	6.4
Exports of goods and services	28.1	30.2	30.3	25.9	25.1
less Imports of goods and services	21.9	21.9	21.5	23.8	23.8
Gross Domestic Product	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Net factor income from abroad	–3.6	–3.8	–4.4	–3.8	–3.8
Gross National Product	**96.4**	**96.2**	**95.6**	**96.2**	**96.2**
less Net indirect taxes	6.6	6.8	6.9	6.4	6.5
less Depreciation	5.0	5.0	5.0	5.0	5.0
National Income	**84.8**	**84.4**	**83.7**	**84.8**	**84.7**
	Market prices				
Consumption	64.1	61.8	62.2	64.7	63.5
Private	55.0	52.3	52.4	55.7	54.9
Government	9.1	9.5	9.8	9.0	8.7
Gross domestic fixed capital formation	28.1	27.3	25.9	26.3	27.6
Change in stock 1)	7.4	8.6	9.4	6.9	8.2
Exports of goods and services	27.4	29.4	28.3	25.9	25.8
less Imports of goods and services	27.0	27.1	25.8	23.8	25.1
Gross Domestic Product	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Net factor income from abroad	–4.8	–4.8	–5.4	–3.8	–3.5
Gross National Product	**95.2**	**95.2**	**94.6**	**96.2**	**96.5**
less Net indirect taxes	6.6	6.8	6.8	6.4	6.5
less Depreciation	5.0	5.0	4.9	5.0	5.0
National Income	**83.6**	83.4	**82.9**	**84.8**	**85.0**

1) Residual
Source : Central Bureau of Statistics

Table 5
Gross Domestic Product by Sector
(billion rupiah)

	1983 prices			1993 prices		Market prices				
	1991	1992	1993	1993*	1994*	1991	1992	1993	1993*	1994*
Agriculture	**22,714.7**	**24,225.5**	**24,569.3**	**58,963.4**	**59,153.8**	**44,720.8**	**50,733.1**	**55,745.5**	**58,963.4**	**65,821.2**
Foodcrops	13,484.1	14,526.7	14,355.9	32,093.4	31,226.9	26,149.2	29,443.0	31,403.5	32,093.4	34,739.9
Plantation crops	3,924.0	4,111.2	4,350.7	9,014.4	9,480.6	7,604.1	8,717.1	9,422.0	9,014.4	10,135.4
Livestock and products	2,468.3	2,664.5	2,813.5	6,202.7	6,515.2	5,126.2	6,040.7	7,025.9	6,202.7	7,210.5
Forestry	1,002.9	980.4	996.6	6,267.6	6,309.6	2,018.0	2,179.6	2,5141.4	6,267.6	7,451.6
Fishery	1,835.4	1,942.7	2,052.6	5,384.9	5,621.5	3,823.3	4,352.7	5,352.7	5,384.9	6,283.7
Mining and quarrying	**19,317.0**	**18,957.7**	**19,370.3**	**31,497.3**	**33,172.4**	**31,402.6**	**29,907.2**	**30,749.5**	**31,497.3**	**31,381.0**
Oil and natural gas	17,512.6	16,719.2	16,666.5	23,120.8	23,651.6	26,126.1	23,383.9	23,168.5	23,120.8	21,223.0
Others	1,804.4	2,238.5	2,703.8	8,376.5	9,520.8	5,276.5	6,523.3	7,581.0	8,376.5	10,158.0
Manufacturing	**24,585.0**	**26,963.6**	**29,484.3**	**73,556.4**	**81,690.2**	**47,665.5**	**56,541.5**	**67,441.4**	**73,556.4**	**90,206.8**
Oil/gas	5,569.8	5,865.0	5,940.0	9,793.8	10,285.9	8,520.9	8,705.1	9,464.0	9,793.8	10,226.6
Natural oil refinery	1,136.7	1,202.3	1,186.8	5,540.5	5,685.8	3,806.5	4,321.5	5,210.7	5,540.5	5,742.7
Natural gas	4,433.1	4,662.7	4,753.2	4,253.3	4,600.2	4,714.4	4,383.6	4,253.3	4,253.3	4,483.9
Non-oil/gas	19,015.2	21,098.6	23,544.3	63,762.5	71,404.3	39,144.6	47,836.4	57,977.4	63,762.5	79,980.2
Electricity, gas, and water supply	**842.8**	**928.2**	**1,022.3**	**3,290.2**	**3,707.4**	**1,750.2**	**2,147.7**	**2,714.3**	**3,290.2**	**3,912.8**
Construction	**7,423.7**	**8,223.6**	**9,222.5**	**22,512.9**	**25,824.6**	**12,902.1**	**15,305.2**	**18,139.9**	**22,512.9**	**27,942.2**
Trade, hotel, and restaurant	**19,576.2**	**21,009.1**	**22,850.1**	**55,297.6**	**60,381.0**	**36,953.8**	**42,731.5**	**49,789.4**	**55,297.6**	**62,561.5**
Wholesale and retail trade	16,213.5	17,405.8	18,968.8	44,604.8	48,559.4	30,769.8	35,645.3	41,496.1	44,604.8	49,751.5
Hotel and restaurant	3,362.7	3,603.3	3,881.3	10,692.8	11,821.6	6,184.0	7,086.2	8,293.3	10,692.8	12,810.0
Transportation and communication	**6,869.4**	**7,554.9**	**8,302.2**	**23,248.9**	**25,014.2**	**13,908.0**	**17,099.3**	**20,728.2**	**23,248.9**	**26,927.0**
Transportation	6,002.7	6,601.3	7,192.1	20,101.2	21,228.6	12,327.4	15,133.2	18,183.1	20,101.2	23,018.7
Communication	866.7	953.6	1,110.1	3,147.7	3,785.6	1,580.6	1,966.1	2,545.1	3,147.7	3,908.3
Financial, rental and corporate services	**8,654.8**	**9,505.0**	**10,480.7**	**28,047.8**	**30,689.1**	**16,082.3**	**19,095.6**	**22,867.2**	**28,047.8**	**33,559.3**
Bank 1)	5,535.1	6,255.7	7,069.6	14,005.3	15,732.7	10,157.6	12,499.7	15,256.6	14,005.3	16,871.2
Rental and corporate services	3,119.7 2)	3,249.3 2)	3,411.1 2)	14,042.5	14,956.4	5,924.7 2)	6,595.9 2)	7,610.6 2)	14,042.8	16,688.1
Services	**13,241.5**	**13,817.2**	**14,405.3**	**33,361.5**	**34,340.6**	**22,064.8**	**26,323.3**	**33,842.4**	**33,361.5**	**35,042.6**
Public administration	9,052.1	9,320.0	9,508.8	22,458.1	22,903.7	14,621.6	17,309.4	22,458.0	22,458.1	22,817.7
Private	4,189.4 3)	4,497.2 3)	4,896.5 3)	10,903.4	11,436.9	7,443.2 3)	9,013.9 3)	11,384.4 3)	10,903.4	12,224.9
GROSS DOMESTIC PRODUCT	**123,225.1**	**131,184.8**	**139,707.0**	**329,775.9**	**353,973.2**	**227,450.2**	**259,884.5**	**302,017.8**	**329,775.9**	**377,354.3**
Non-oil/gas	**100,142.7**	**108,600.6**	**117,100.5**	**296,861.3**	**320,035.6**	**192,803.2**	**227,795.5**	**269,385.3**	**296,861.3**	**345,904.7**
Oil/gas	**23,082.4**	**22,584.2**	**22,606.5**	**32,914.6**	**33,937.6**	**34,647.0**	**32,089.0**	**32,632.5**	**32,914.6**	**31,449.6**

1) Including other financial institutions and financial supporting services
2) Housing rent
3) Other services
Source : Central Bureau of Statistics

Table 6
Sectoral Weighted Growth and Its Share in GDP Growth at 1983 and 1993 Prices
(percent)

	Weighted growth					Share in GDP growth				
	1983 prices			1993 prices						
	1991	1992	1993	1993*	1994*	1991	1992	1993	1993*	1994*
Agriculture	**0.31**	**1.23**	**0.26**	**0.31**	**0.06**	**4.5**	**19.0**	**4.0**	**4.3**	**0.8**
Foodcrops	-0.06	0.85	-0.13	-0.07	-0.26	-0.9	13.1	-2.0	-1.0	-3.6
Plantation crops	0.17	0.15	0.18	0.17	0.14	2.5	2.4	2.8	2.4	1.9
Livestock and products	0.12	0.16	0.11	0.09	0.10	1.8	2.5	1.7	1.2	1.3
Forestry	0.00	-0.02	0.01	0.03	0.01	0.0	-0.3	0.2	0.5	0.2
Fishery	0.08	0.09	0.09	0.09	0.07	1.1	1.3	1.3	1.2	1.0
Mining and quarrying	**1.55**	**-0.29**	**0.32**	**0.34**	**0.51**	**22.3**	**-4.5**	**4.9**	**4.7**	**6.9**
Oil and natural gas	1.29	-0.64	-0.04	0.01	0.16	18.5	-10.0	-0.6	0.1	2.2
Others	0.26	0.35	0.36	0.33	0.35	3.8	5.5	5.5	4.6	4.7
Manufacturing	**1.95**	**1.93**	**1.92**	**2.44**	**2.47**	**28.1**	**29.9**	**29.6**	**33.7**	**33.6**
Oil/gas	0.33	0.24	0.06	0.02	0.15	4.8	3.7	0.9	0.3	2.0
Natural oil refinery	0.03	0.05	-0.01	--	0.04	0.5	0.8	-0.2	--	0.6
Natural gas	0.30	0.19	0.07	0.02	0.11	4.3	2.9	1.1	0.3	1.4
Non-oil/gas	1.62	1.69	1.86	2.42	2.32	23.3	26.2	28.7	33.4	31.6
Electricity, gas, and water supply	**0.10**	**0.07**	**0.07**	**0.11**	**0.13**	**1.4**	**1.1**	**1.1**	**1.5**	**1.7**
Construction	**0.65**	**0.65**	**0.76**	**0.93**	**1.00**	**9.4**	**10.0**	**11.7**	**12.8**	**13.7**
Trade, hotel, and restaurant	**0.87**	**1.16**	**1.40**	**1.61**	**1.54**	**12.6**	**18.0**	**21.6**	**22.2**	**21.0**
Wholesale and retail trade	0.68	0.96	1.19	1.27	1.20	9.9	15.0	18.3	17.5	16.3
Hotel and restaurant	0.19	0.20	0.21	0.34	0.34	2.7	3.0	3.3	4.7	4.7
Transportation and communication	**0.44**	**0.56**	**0.57**	**0.53**	**0.53**	**6.3**	**8.6**	**8.7**	**7.3**	**7.3**
Transportation	0.35	0.49	0.45	0.36	0.34	5.1	7.5	6.9	5.0	4.7
Communication	0.09	0.07	0.12	0.17	0.19	1.2	1.1	1.8	2.3	2.6
Financial, rental and corporate services	**0.66**	**0.69**	**0.74**	**0.61**	**0.80**	**9.5**	**10.7**	**11.5**	**8.4**	**10.9**
Bank [1]	0.55	0.58	0.62	0.41	0.52	7.9	9.1	9.6	5.6	7.1
Rental and corporate services	0.11 [2]	0.11 [2]	0.12 [2]	0.20	0.28	1.6 [2]	1.6 [2]	1.9 [2]	2.8	3.8
Services	**0.41**	**0.47**	**0.45**	**0.37**	**0.30**	**5.9**	**7.2**	**6.9**	**5.1**	**4.1**
Public administration	0.23	0.22	0.14	0.14	0.14	3.3	3.3	2.2	1.9	1.9
Private	0.18 [3]	0.25 [3]	0.31 [3]	0.23	0.16	2.6 [3]	3.9 [3]	4.7 [3]	3.2	2.2
GROSS DOMESTIC PRODUCT	**6.95**	**6.45**	**6.50**	**7.25**	**7.34**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non-oil/gas	5.4	6.9	6.5	7.3	7.0	76.7	106.3	99.7	99.6	95.8
Oil/gas	1.6	-0.4	--	--	0.3	23.3	-6.3	0.3	0.4	4.2

1) Including other financial institutions and financial supporting services
2) Housing rent
3) Other services
Source : Central Bureau of Statistics

Table 7
Growth Rate of Gross Domestic Product by Sector

	1983 prices			1993 prices		Market prices				
	1991	1992	1993	1993*	1994*	1991	1992	1993	1993*	1994*
Agriculture	**1.6**	**6.7**	**1.4**	**1.7**	**0.3**	**6.1**	**13.4**	**9.9**	**11.8**	**11.6**
Foodcrops	- 0.5	7.7	- 1.2	-0.7	- 2.7	0.9	12.6	6.7	8.0	8.2
Plantation crops	5.4	4.8	5.8	6.4	5.2	14.1	14.6	8.1	8.6	12.4
Livestock and products	6.0	7.9	5.6	4.8	5.0	17.4	17.8	16.3	16.2	16.2
Forestry	0.0	- 2.2	1.7	1.3	0.7	8.8	8.0	16.6	25.5	18.9
Fishery	5.2	5.8	5.7	5.3	4.4	14.1	13.8	23.0	22.3	16.7
Mining and quarrying	**10.2**	**- 1.9**	**2.2**	**3.4**	**5.3**	**20.2**	**- 4.8**	**2.8**	**3.0**	**- 0.4**
Oil and natural gas	9.3	- 4.5	- 0.3	0.1	2.3	19.9	- 10.5	- 0.9	-1.3	- 8.2
Others	20.1	24.1	20.8	13.8	13.7	21.9	23.6	16.2	17.0	21.3
Manufacturing	**10.1**	**9.7**	**9.3**	**11.4**	**11.1**	**22.5**	**18.6**	**19.3**	**18.6**	**22.6**
Oil/gas	7.4	5.3	1.3	0.9	5.0	16.9	2.2	8.7	7.6	4.4
Natural oil refinery	3.9	5.8	- 1.3	0.1	2.6	6.5	13.5	20.6	17.4	3.6
Natural gas	8.3	5.2	1.9	1.9	8.2	26.9	- 7.0	- 3.0	-3.0	5.4
Non-oil/gas	10.9	11.0	11.6	13.2	12.0	23.8	22.2	21.2	20.5	25.4
Electricity, gas, and water supply	**16.1**	**10.1**	**10.1**	**11.1**	**12.7**	**39.1**	**22.7**	**26.4**	**33.1**	**18.9**
Construction	**11.3**	**10.8**	**12.1**	**14.5**	**14.7**	**20.0**	**18.6**	**18.5**	**33.4**	**24.1**
Trade, hotel, and restaurant	**5.4**	**7.3**	**8.8**	**9.8**	**9.2**	**12.0**	**15.6**	**16.5**	**17.3**	**13.1**
Wholesale and retail trade	5.1	7.4	9.0	9.6	8.9	11.0	15.8	16.4	15.9	11.5
Hotel and restaurant	7.0	7.2	7.7	10.9	10.6	16.9	14.6	17.0	23.5	19.8
Transportation and communication	**7.9**	**10.0**	**9.9**	**7.5**	**7.6**	**26.4**	**22.9**	**21.2**	**17.9**	**15.8**
Transportation	7.3	10.0	8.9	5.9	5.6	27.2	22.8	20.2	16.5	14.5
Communication	12.3	10.0	16.4	19.5	20.3	21.0	24.4	29.4	27.9	24.2
Financial, rental and corporate services	**9.7**	**9.8**	**10.3**	**7.2**	**9.4**	**22.0**	**18.7**	**19.8**	**16.9**	**19.7**
Bank [1]	13.1	13.0	13.0	10.0	12.3	22.6	23.1	22.1	18.4	20.5
Rental and corporate services	4.0 [2]	4.2 [2]	5.0 [2]	4.6	6.5	21.1 [2]	11.3 [2]	15.4 [2]	15.4	18.8
Services	**3.7**	**4.3**	**4.3**	**3.5**	**2.9**	**14.7**	**19.3**	**28.6**	**24.3**	**5.0**
Public administration	3.1	3.0	2.0	2.0	2.0	14.2	18.4	29.7	29.1	1.6
Private	5.2 [3]	7.3 [3]	8.9 [3]	6.8	4.9	15.7 [3]	21.1 [3]	26.3 [3]	15.4	12.1
GROSS DOMESTIC PRODUCT	**7.0**	**6.5**	**6.5**	**7.3**	**7.3**	**16.3**	**14.3**	**16.2**	**16.8**	**14.4**
Non-oil/gas	6.5	8.4	7.8	8.1	7.8	15.8	18.1	18.3	18.8	16.5
Oil/gas	8.8	- 2.2	0.1	0.3	3.1	19.1	- 7.4	1.7	1.0	- 4.5

1) Including other financial institutions and financial supporting services
2) Housing rent
3) Other services
Source : Central Bureau of Statistics

Table 8
Distribution of GDP by Sector
(percent)

	1983 prices			1993 prices		Market prices				
	1991	1992	1993	1993*	1994*	1991	1992	1993	1993*	1994*
Agriculture	**18.4**	**18.5**	**17.6**	**17.9**	**16.7**	**19.7**	**19.5**	**18.5**	**17.8**	**17.5**
Foodcrops	10.9	11.1	10.3	9.7	8.8	11.5	11.3	10.4	9.7	9.2
Plantation crops	3.2	3.1	3.1	2.7	2.7	3.3	3.4	3.1	2.7	2.7
Livestock and products	2.0	2.0	2.0	1.9	1.8	2.3	2.3	2.3	1.9	1.9
Forestry	0.8	0.8	0.7	1.9	1.8	0.9	0.8	0.9	1.9	2.0
Fishery	1.5	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.6	1.7
Mining and quarrying	**15.7**	**14.4**	**13.9**	**9.5**	**9.4**	**13.8**	**11.5**	**10.2**	**9.5**	**8.3**
Oil and natural gas	14.2	12.7	11.9	7.0	6.7	11.5	9.0	7.7	7.0	5.6
Others	1.5	1.7	2.0	2.5	2.7	2.3	2.5	2.5	2.5	2.7
Manufacturing	**20.0**	**20.6**	**21.1**	**22.3**	**23.1**	**20.9**	**21.8**	**22.3**	**22.3**	**23.9**
Oil/gas	4.5	4.5	4.2	3.0	2.9	3.7	3.4	3.1	3.0	2.7
Natural oil refinery	0.9	0.9	0.8	1.7	1.6	1.7	1.7	1.7	1.7	1.5
Natural gas	3.6	3.6	3.4	1.3	1.3	2.0	1.7	1.4	1.3	1.2
Non-oil/gas	15.5	16.1	16.9	19.3	20.2	17.2	18.4	19.2	19.3	21.2
Electricity, gas, and water supply	**0.7**	**0.7**	**0.7**	**1.0**	**1.0**	**0.8**	**0.8**	**0.9**	**1.0**	**1.0**
Construction	**6.0**	**6.3**	**6.6**	**6.8**	**7.3**	**5.7**	**5.9**	**6.0**	**6.8**	**7.4**
Trade, hotel, and restaurant	**15.9**	**16.0**	**16.4**	**16.8**	**17.0**	**16.2**	**16.4**	**16.4**	**16.7**	**16.6**
Wholesale and retail trade	13.2	13.3	13.6	13.6	13.7	13.5	13.7	13.7	13.5	13.2
Hotel and restaurant	2.7	2.7	2.8	3.2	3.3	2.7	2.7	2.7	3.2	3.4
Transportation and communication	**5.6**	**5.7**	**5.9**	**7.1**	**7.1**	**6.1**	**6.6**	**6.9**	**7.1**	**7.1**
Transportation	4.9	5.0	5.1	6.1	6.0	5.4	5.8	6.0	6.1	6.1
Communication	0.7	0.7	0.8	1.0	1.1	0.7	0.8	0.9	1.0	1.1
Financial, rental and corporate services	**7.0**	**7.3**	**7.5**	**8.5**	**8.7**	**7.1**	**7.3**	**7.6**	**8.5**	**8.9**
Bank[1]	4.5	4.8	5.1	4.2	4.5	4.5	4.8	5.1	4.2	4.5
Rental and corporate services	2.5[2]	2.5[2]	2.4[2]	4.3	4.2	2.6[2]	2.5[2]	2.5[2]	4.3	4.4
Services	**10.7**	**10.5**	**10.3**	**10.1**	**9.7**	**9.7**	**10.2**	**11.2**	**10.1**	**9.3**
Public administration	7.3	7.1	6.8	6.8	6.5	6.4	6.7	7.4	6.8	6.0
Private	3.4[3]	3.4[3]	3.5[3]	3.3	3.2	3.3[3]	3.5[3]	3.8[3]	3.3	3.2
GROSS DOMESTIC PRODUCT	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non-oil/gas	81.3	82.8	83.8	90.0	90.4	84.8	87.7	89.2	90.0	91.7
Oil/gas	18.7	17.2	16.2	10.0	9.6	15.2	12.3	10.8	10.0	8.3

1) Including other financial institutions and financial supporting services
2) Housing rent
3) Other services
Source : Central Bureau of Statistics

Table 9
Terms of Trade Effects on GDP at 1983 and 1993 Market Prices
(billion rupiah)

	1991r	1992r	1993	1993*	1994*
	1983 prices			1993 prices	
1. Exports of goods and services at current market prices	62,263.8	76,384.4	85,454.3	85,296.2	94,537.4
2. Exports of goods and services at constant prices	34,600.8	39,674.8	42,296.8	85,296.2	91,517.3
3. Export deflator [(1:2)x100]	179.9	192.5	202.0	100.0	103.3
4. Imports of goods and services at current market prices	61,375.7	70,336.6	78,064.7	78,383.0	89,780.0
5. Imports of goods and services at constant prices	26,929.1	28,697.0	29,970.5	78,383.0	88,820.7
6. Import deflator [(4:5)x100]	227.9	245.1	260.5	100.0	101.1
7. Terms of trade index [(3:6)x100]	78.9	78.5	77.5	100.0	102.2
8. Changes of terms of trade index (%)	–3.1	–0.5	–1.3	. . .	2.2
9. Import capacity (1:6)	27,320.7	31,164.6	3,280.4	85,296.2	93,508.8
10. Terms of trade effect (9-2)	–7,280.1	–8,510.2	–9,492.8	. . .	1,991.5
11. Changes of terms of trade effect (%)	35.9	16.9	11.5	. . .	. . .
12. GDP at 1983 market prices	123,225.2	131.184.8	139,707.1	329,775.9	353,973.2
13. Changes of GDP at constant prices (%)	7.0	6.5	6.5	7.3	7.3
14. GDY (10+12)	115,945.1	122,674.6	130,214.3	329,775.9	355,964.7
15. Changes of GDY (%)	5.5	5.8	6.1	. . .	7.9

Source : Central Bureau of Statistics

Table 10
Approved Domestic Investment Projects by Sector
(billion rupiah)

	1990	1991	1992	1993	1994*	Total 1) 1968 through 1994* Value	Projects
Agriculture, forestry, and fishery	**7,035.4**	**3,774.4**	**2,485.3**	**3,092.5**	**7,401.0**	**39,322.4**	**1,407**
Agriculture	5,744.6	3,289.3	1,769.4	2,735.0	4,544.8	29,847.5	787
Forestry	593.0	309.5	533.7	257.5	261.5	3,634.9	295
Fishery	697.8	178.6	182.2	100.0	2,594.7	5,840.0	325
Mining	**154.7**	**182.2**	**236.3**	**69.2**	**112.4**	**2,654.8**	**140**
Manufacturing	**39,849.6**	**27,623.9**	**19,079.2**	**24,032.1**	**31,921.7**	**197,915.0**	**5,671**
Food	1,220.7	1,341.0	1,487.1	2,073.1	4,044.8	15,436.8	863
Textile	12,561.3	3,645.9	2,538.9	3,539.0	5,518.3	38,049.2	1,244
Wood	2,179.3	1,565.9	637.7	1,373.6	1,171.2	12,285.8	770
Paper	9,691.4	6,804.6	5,323.2	2,208.7	3,749.3	30,143.5	335
Chemical and pharmaceutical	7,918.8	8,530.2	3,355.2	7,767.1	5,377.8	48,040.0	1,124
Non-metal mineral	3,788.9	4,053.7	3,441.2	5,399.2	8,546.9	30,968.4	341
Basic metal	982.3	858.3	1,320.9	186.7	1,663.9	11,863.5	185
Metal products	1,323.3	784.5	904.6	1,460.8	1,783.5	10,655.6	718
Others	183.6	39.8	70.4	23.9	66.0	472.2	91
Construction	**86.5**	**275.1**	**215.4**	**186.6**	**731.1**	**2,175.6**	**96**
Hotel	**4,703.0**	**3,895.1**	**3,114.7**	**3,051.3**	**4,341.9**	**23,634.7**	**596**
Transportation	**2,083.3**	**906.5**	**860.1**	**3,827.4**	**3,119.8**	**12,670.1**	**611**
Real estate and office	**2,095.0**	**3,502.0**	**1,746.2**	**4,392.9**	**3,803.8**	**18,650.5**	**302**
Other services	**503.0**	**915.6**	**1,604.5**	**798.4**	**1,857.4**	**6,932.8**	**173**
T o t a l	**56,510.5**	**41,077.9**	**29,341.7**	**39,450.4**	**53,289.1**	**303,956.5**	**9,009**

1) From July 1968 up to December 1994, after taking into account the cancellation and shifting of projects from foreign to domestic investment
Source : Capital Investment Coordinating Board

Table 11
Approved Domestic Investment Projects by Province
(billion rupiah)

	1990	1991	1992	1993	1994*	Total 1) 1968 through 1994* Value	Projects
Jawa & Madura	**35,807.1**	**25,005.7**	**16,437.2**	**27,278.0**	**36,466.0**	**196,266.2**	**6,051**
DKI Jakarta	3,272.3	3,604.4	4,001.9	8,828.9	5,968.3	34,150.2	1,347
West Jawa	23,979.3	13,505.6	7,876.1	11,681.8	15,863.0	105,282.0	2,890
Central Jawa	5,700.3	3,634.4	1,507.2	2,68.1	5,766.9	22,313.1	643
D.I. Yogyakarta	420.3	334.3	116.9	220.6	422.9	1,791.1	121
East Jawa	2,435.0	3,908.2	2,935.1	3,778.6	8,444.9	32,729.8	1,050
Sumatera	**10,781.7**	**6,451.8**	**5,695.8**	**4,473.7**	**8,518.6**	**51,523.7**	**1,359**
D.I. Aceh	228.2	151.4	1,450.1	304.9	127.6	5,718.1	103
North Sumatera	907.2	824.9	1,935.6	1,491.8	804.7	7,827.0	366
West Sumatera	438.2	157.4	42.9	15.9	573.3	2,626.2	117
Riau	5,821.8	3,255.7	1,175.2	961.4	3,682.5	18,712.5	270
Jambi	617.8	1,061.1	55.3	279.3	1,066.5	5,268.6	70
South Sumatera	1,781.6	554.9	519.6	854.0	360.5	6,855.5	226
Bengkulu	79.4	20.2	161.9	57.5	192.9	899.2	48
Lampung	895.2	426.2	355.2	508.9	1,710.6	5,616.6	159
Kalimantan	**5,221.3**	**4,390.2**	**3,257.2**	**3,377.5**	**4,113.7**	**25,929.6**	**665**
West Kalimantan	1,793.4	2,420.9	322.3	540.2	932.0	8,044.8	149
Central Kalimantan	104.8	192.3	2.3	2.8	873.2	1,657.9	106
South Kalimantan	174.1	549.1	1,157.7	1,107.8	366.1	4,247.4	129
East Kalimantan	3,149.0	1,228.2	1,774.9	1,726.7	1,942.4	11,979.5	231
Sulawesi	**1,247.0**	**1,214.0**	**699.9**	**1,138.9**	**1,656.8**	**9,258.8**	**379**
North Sulawesi	144.0	386.1	188.3	275.4	583.6	2,578.7	88
Central Sulawesi	426.6	451.9	33.2	122.5	30.9	1,292.6	67
South Sulawesi	550.3	323.8	178.4	679.4	673.0	3,917.7	203
Southeast Sulawesi	126.1	52.2	300.0	61.6	369.3	1,469.8	21
Nusa Tenggara	**619.0**	**390.9**	**939.3**	**116.5**	**69.2**	**2,572.5**	**112**
West Nusa Tenggara	357.3	372.0	596.0	98.0	46.9	1,670.3	68
East Nusa Tenggara	261.8	18.9	343.3	18.5	22.3	902.2	44
Bali	**1,845.1**	**1,331.3**	**676.7**	**444.6**	**1,716.3**	**7,540.7**	**247**
East Timor	**22.6**	**- -**	**202.9**	**- -**	**55.1**	**283.7**	**9**
Maluku	**807.9**	**126.6**	**107.0**	**2,192.0**	**51.4**	**4,519.3**	**119**
Irian Jaya	**171.0**	**2,167.1**	**1,325.7**	**429.2**	**642.0**	**6,062.0**	**68**
Total	**56,510.5**	**41,077.9**	**29,341.7**	**39,450.4**	**53,289.1**	**303,956.5**	**9,009**

1) From July 1968 up to December 1994, after taking into account the cancellation and shifting of projects from foreign to domestic investment
Source : Capital Investment Coordinating Board

Table 12
Approved Foreign Direct Investment Projects by Sector
(million dollar)

	1990	1991	1992	1993	1994*	Total 1) 1967 through 1994*	
						Value	Projects
Agriculture, forestry, and fishery	**189.4**	**26.0**	**231.4**	**160.1**	**729.8**	**2,925.0**	**172**
Agriculture	167.5	14.3	65.9	138.2	690.3	2,088.0	83
Forestry	2.4	0.7	137.6	--	--	510.2	28
Fishery	19.5	11.9	27.9	21.9	39.5	326.8	61
Mining	**115.5**	**--**	**2,312.0**	**--**	**--**	**6,551.6**	**121**
Manufacturing	**5,667.8**	**3,970.4**	**5,669.5**	**3,422.8**	**18,738.8**	**60,354.9**	**2,057**
Food	98.9	381.9	212.8	141.1	1,234.8	3,288.8	159
Textile	1,083.2	532.4	591.3	419.4	396.4	5,388.4	418
Wood	218.6	62.2	33.5	50.2	68.1	900.5	141
Paper	992.4	822.0	686.4	201.6	5,120.1	9,501.9	58
Chemical and pharmaceutical	1,762.1	920.8	2,342.6	1,182.8	7,743.2	22,163.8	464
Non-metal mineral	124.8	133.4	841.2	97.8	631.9	3,701.2	78
Basic metal	822.6	184.9	46.6	185.9	2,081.6	6,664.0	70
Metal products	463.9	868.4	862.8	1,114.0	1,423.1	8,352.6	585
Others	101.3	64.4	52.3	30.0	39.6	393.7	84
Construction	**76.8**	**26.4**	**41.2**	**96.9**	**76.5**	**818.7**	**144**
Hotel	**864.3**	**4,019.0**	**919.2**	**394.4**	**343.6**	**7,736.9**	**133**
Transportation	**803.0**	**166.9**	**14.2**	**85.4**	**145.1**	**1,634.6**	**51**
Real estate and office	**894.2**	**402.7**	**715.8**	**598.0**	**1,027.8**	**4,816.9**	**102**
Other services	**140.1**	**166.7**	**419.9**	**3,386.6**	**2,662.7**	**7,540.5**	**382**
Total	**8,751.1**	**8,778.0**	**10,323.2**	**8,144.2**	**23,724.3**	**92,379.1**	**3,162**

1) From June 1967 up to December 1994, after taking into account the cancellation and shifting of projects from foreign to domestic investment
Source : Capital Investment Coordinating Board

Table 13
Approved Foreign Direct Investment Projects by Province
(million dollar)

	1990	1991	1992	1993	1994*	Total 1) 1967 through 1994*	
						Value	Projects
Jawa & Madura	**6,134.5**	**7,186.9**	**6,001.9**	**6,566.3**	**14,356.3**	**59,625.7**	**2,430**
DKI Jakarta	1,594.1	4,216.6	1,131.4	1,669.1	1,832.3	16,316.4	903
West Jawa	3,450.0	2,376.2	4,497.8	2,508.0	4,446.3	26,120.5	1,167
Central Jawa	110.7	130.6	42.5	50.3	1,830.2	4,255.8	86
D.I. Yogyakarta	6.9	37.0	48.4	56.3	0.2	115.2	8
East Jawa	972.8	426.5	281.8	2,282.6	6,247.3	12,817.8	266
Sumatera	**1,170.2**	**995.0**	**2,452.4**	**1,368.0**	**5,515.0**	**19,613.4**	**377**
D.I. Aceh	192.0	- -	0.3	528.6	1,050.2	2,991.2	17
North Sumatera	627.0	35.9	657.8	78.0	225.3	4,740.1	71
West Sumatera	1.5	- -	3.2	65.7	97.7	266.2	17
Riau	247.0	950.8	1,734.4	609.4	3,964.3	9,356.8	213
Jambi	- -	- -	- -	0.3	39.3	39.6	4
South Sumatera	44.4	5.0	5.6	- -	82.9	1,360.2	26
Bengkulu	- -	- -	- -	34.0	8.6	93.3	9
Lampung	58.3	3.3	51.1	52.0	46.7	766.0	20
Kalimantan	**700.8**	**24.0**	**441.2**	**12.8**	**2,058.3**	**5,248.7**	**129**
West Kalimantan	6.8	12.8	- -	2.0	7.7	109.1	26
Central Kalimantan	10.8	2.7	6.0	- -	- -	267.8	31
South Kalimantan	122.6	4.5	361.4	9.8	1,951.0	2,792.9	29
East Kalimantan	560.7	4.0	73.8	1.0	99.6	2,078.9	43
Sulawesi	**134.4**	**13.0**	**91.4**	**40.2**	**1,448.3**	**3,287.6**	**69**
North Sulawesi	8.0	7.2	25.6	32.0	40.5	419.4	27
Central Sulawesi	1.4	2.0	2.0	- -	6.3	40.4	10
South Sulawesi	121.4	1.6	3.2	8.2	1,395.3	2,752.9	23
Southeast Sulawesi	3.6	2.2	60.6	- -	6.2	74.9	9
Nusa Tenggara	**1.2**	**6.8**	**44.9**	**3.7**	**7.3**	**101.0**	**24**
West Nusa Tenggara	- -	6.8	42.0	1.2	2.3	81.9	12
East Nusa Tenggara	1.2	- -	2.9	2.5	5.0	19.1	12
Bali	**612.1**	**550.0**	**476.0**	**47.8**	**29.2**	**2,473.7**	**97**
East Timor	**- -**	**- -**	**- -**	**- -**	- -	- -	**- -**
Maluku	**1.2**	**2.5**	**0.9**	**- -**	- -	116.6	**11**
Irian Jaya	**1.2**	**- -**	**814.4**	**105.4**	**309.9**	**1,912.4**	**25**
T o t a l	**8,751.1**	**8,778.0**	**10,323.2**	**8,144.2**	**23,724.3**	**92,379.1**	**3,162**

1) From June 1967 up to December 1994, after taking into account the cancellation and shifting of projects from foreign to domestic investment.
Source : Capital Investment Coordinating Board

Table 14
Approved Foreign Direct Investment Projects by Country of Origin
(million dollar)

	1990	1991	1992	1993	1994*	Total 1) 1967 through 1994* Value	Projects
Europe	**1,338.6**	**1,186.5**	**1,364.6**	**929.8**	**3,385.2**	**13,311.5**	**490**
Netherland	567.2	183.6	96.2	311.4	165.7	2,764.3	119
Belgium	87.1	23.0	21.7	9.9	- -	294.5	20
United Kingdom	57.8	535.7	978.2	301.1	2,957.1	5,644.0	145
Germany	13.4	59.9	36.7	120.6	113.1	2,058.2	66
France	68.7	25.8	19.9	158.0	37.1	466.8	39
Switzerland	14.3	307.8	11.5	17.9	70.8	643.3	45
Others	528.8	60.7	200.4	10.9	41.3	1,440.4	56
America	**202.8**	**446.7**	**942.2**	**526.5**	**1,027.0**	**5,450.1**	**225**
United States	153.7	275.6	922.5	444.5	977.0	4,650.1	175
Canada	8.5	10.0	0.1	46.5	39.0	123.8	20
Others	40.6	161.8	19.6	35.5	11.0	676.1	30
Asia	**4,993.3**	**2,952.5**	**4,300.9**	**3,658.3**	**14,528.6**	**46,573.7**	**2,061**
Hong Kong	993.3	277.7	1,020.9	384.1	6,041.7	12,005.0	292
Japan	2,240.8	929.3	1,510.6	836.1	1,562.5	15,665.4	654
South Korea	722.9	301.3	618.3	661.4	1,849.1	5,448.5	327
Malaysia	7.2	29.5	15.7	36.7	421.8	598.1	56
Philippines	- -	8.0	0.3	- -	35.9	50.7	9
Singapore	265.2	346.4	465.1	1,460.2	1,664.4	5,568.6	344
Taiwan	618.3	1,057.3	563.3	131.4	2,847.5	6,570.4	310
Thailand	9.5	1.0	55.8	2.8	11.7	110.8	22
Others	136.1	2.0	50.9	145.6	94.1	556.2	47
Australia	**186.5**	**48.4**	**84.9**	**158.0**	**53.2**	**1,587.1**	**162**
Africa	**2.2**	**5.8**	**4.4**	**384.0**	**5.8**	**716.3**	**16**
Joint countries	**2,027.7**	**4,138.1**	**3,626.2**	**2,487.6**	**4,724.5**	**24,740.4**	**208**
T o t a l	**8,751.1**	**8,778.0**	**10,323.2**	**8,144.2**	**23,724.3**	**92,379.1**	**3,162**

1) From June 1967 up to December 1994, after taking into account the cancellation and shifting of projects from foreign to domestic investment.
Source : Capital Investment Coordinating Board

Table 15
Consumer Price Index (Composite of 27 Cities) [1]
(April 1988 through March 1989 = 100)

End of period	Foodstuffs	Housing	Clothing	Miscella-neous	General Index	Changes in the General Index (%) [2]
1990/91	113.57	124.62	114.17	119.59	118.26	+9.11
1991/92	125.82	134.59	120.76	136.14	130.34	+9.78
1992/93	140.81	149.41	133.22	147.76	143.96	10.03
1993/94						+7.04
June	136.64	153.32	136.58	150.34	144.72	+0.24
September	134.57	159.63	137.82	152.51	146.56	+0.28
December	136.81	163.61	138.90	153.98	148.83	+0.53
March	149.02	165.06	143.55	155.77	154.41	+0.70
1994/95						+8.57
April	147.97	166.54	143.97	156.70	154.78	+0.24
May	149.53	167.24	144.05	156.87	155.59	+0.52
June	149.48	167.80	144.05	156.92	155.78	+0.12
July	151.82	170.18	144.96	158.85	157.91	+1.37
August	154.03	171.20	144.99	160.16	169.32	+0.89
September	154.40	173.37	145.55	160.23	160.17	+0.53
October	155.70	175.79	146.23	160.93	161.60	+0.89
November	157.07	176.17	147.03	161.11	162.33	+0.45
December	156.97	178.57	147.53	161.69	163.17	+0.52
January	159.56	180.37	149.21	162.92	165.06	+1.16
February	164.49	180.79	151.18	163.41	167.22	+1.31
March	167.29	180.76	151.70	163.48	168.18	+0.57

1) Up to March 1990, composite of 17 cities (April 1977 - March 1978 = 100)
2) Annual/quarterly changes are calculated on a cumulative basis as summation of the monthly percentage changes.
Source : Central Bureau of Statistics

Table 16
Wholesale Price Index 1)
(1983 = 100)

	1990/91	1991/92	1992/93	1993/94	1994*	1994* against 1993 (%)
Agriculture	194	211	225	260	298	18.59
Mining and quarrying	174	191	202	222	237	8.87
Manufacturing	181	198	206	220	231	6.36
Imports	194	203	208	212	215	1.61
Exports	164	151	159	154	157	0.05
Oil/gas	155	134	143	131	128	-6.21
Non-oil/gas	196	206	212	231	255	13.03
General Index	182	189	197	205	215	5.43

1) Average figures in the respective fiscal/calendar year
Source : Central Bureau of Statistics

Table 17
Money Supply
(billion rupiah)

End of period	M2 1)			M1 2)		Quasi money 3)	
		Changes (%)		Outstanding	Share	Outstanding	Share
	Outstanding	Annualy	Quarterly		(%)		(%)
1981/82	10,151	28.4		6,775	66.7	3,376	33.3
1982	11,875	14.0		7,171	60.4	4,704	39.6
1982/83	12,247	20.6		7,379	60.3	4,868 4)	39.7
1983	14,668	32.4		7,569	51.6	7,094	48.4
1983/84	15,758	28.7		8,055	51.1	7,703	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	27,661	19.5		11,678	42.2	15,983	57.8
1986/87	28,491	17.9		11,500	40.4	16,991 5)	59.6
1987	33,885	22.5		12,685	37.4	21,200	62.6
1987/88	35,660	25.2		12,626	35.4	23,034	64.6
1988	41,998	23.9		14,392	34.3	27,606	65.7
1988/89	44,167	23.9		15,009	34.0	29,158	66.0
1989	58,705	39.8		20,114	34.3	38,591	65,7
1989/90	64,367	45.7		22,155	34.4	42,212	65.6
1990	84,630	44.2	10.0	23,819	28.1	60,811	71.9
1990/91	81,124	26.0	–4.1	23,570	29.1	57,554	70.9
1991/92							
June	87,757	25.1	8.2	24,610	28.0	63,147	72.0
September	93,328	21.4	6.3	25,805	27.6	67,523	72.4
December	99,059	24.2	1.8	26,342	26.6	72,717	73.4
March	100,796	24.2	1.8	27,318	27.1	73,478	72.9
1992/93							
June	106,922	21.8	6.1	26,845	25.1	80,077	74.9
September	113,487	21.6	6.1	27,626	24.3	85,861	75.7
December	119,053	20.2	3.2	28,779	24.2	90,274	75.8
March	123,161	22.2	5.1	30,592	24.8	92,569	75.2
1993/94							
June	125,030	16.9	1.5	31,563	25.2	93,467	74.8
September	136,716	20.5	9.3	35,041	25.6	101,675	74.4
December	145,599	24.3	6.5	37,036	25.4	108,563	74.6
March	149,311	21.2	2.6	38,452	25.8	110,859	74.2
1994/95							
June	152,811	22.2	2.3	40,106	26.2	112,705	73.8
September	162,774	19.1	6.5	42,408	26.1	120,366	73.9
December	174,319	19.7	7.1	45,622	26.2	128,697	73.8
March *	181,381	21.5	4.1	45,134	24.9	136,247	75.1

1) Consists of M1 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 18
Narrow Money (M1)
(billion rupiah)

End of period	Outstanding	Changes (%)		Currency		Demand deposits	
		Annual	Quarterly	Outstanding	Share (%)	Outstanding	Share (%)
1981/82	6,775	29.9		2,542	37.5	4,233	62.5
1982	7,171	10.6		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	5.6		3,330	44.0	4,236	56.0
1983/84	8,055	9.2		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		3,785	42.1	5,203	57.9
1985	10,104	17.7		4,441	43.9	5,663	56.0
1985/86	10,475	16.5		5,044	48.1	5,431	51.9
1986	11,678	15.6		5,339	45.7	6,339	54.3
1986/87	11,500	9.8		5,673	49.3	5,827	50.7
1987	12,685	8.6		5,782	45.6	6,903	54.4
1987/88	12,626	9.8		5,873	46.5	6,753	53.5
1988	14,392	13.5		6,246	43.4	8,146	56.6
1988/89	15,009	18.9		6,559	43.7	8,450	56.3
1989	20,114	39.8		7,426	36.9	12,688	63.1
1989/90	22,155	47.6		7,780	35.1	14,375	64.9
1990	23,819	18.4	–0.7	9,094	38.2	14,725	61.8
1990/91	23,570	6.4	–1.0	9,026	38.3	14,544	61.7
1991/92							
June	24,610	6.1	4.4	8,825	35.9	15,785	64.1
September	25,805	12.3	4.9	9,025	35.0	16,780	65.0
December	26,342	10.6	2.1	9,346	35.5	16,996	64.5
March	27,318	15.9	3.7	11,025	40.4	16,293	59.6
1992/93							
June	26,845	9.1	–1.7	9,945	37.0	16,900	63.0
September	27,626	7.1	2.9	10,440	37.8	17,186	62.2
December	28,779	9.3	4.2	11,478	39.9	17,301	60.1
March	30,592	12.0	6.3	12,324	40.3	18,268	59.7
1993/94							
June	31,563	17.6	3.2	12,386	39.2	19,177	62.7
September	35,041	26.8	11.0	13,106	37.4	21,935	62.6
December	37,036	28.7	5.7	14,431	39.0	22,605	61.0
March	38,452	25.7	3.8	15,652	40.7	22,800	59.3
1994/95							
June	40,106	28.0	4.3	15,825	39.5	24,281	60.5
September	42,408	21.0	5.7	17,555	41.4	24,853	58.6
December	45,622	23.2	7.6	18,637	40.9	26,985	59.1
March *	45,134	17.4	–1.1	18,905	41.9	26,229	58.1

Table 19
Total and Index of Money Supply

End of period	M2 (billion rupiah)	M1 (billion rupiah)	Price index 1) (April 1988-March 1989=100)	M2 in real terms (billion rupiah)	M1 in real terms (billion rupiah)	Index of M2 (March 1979=100)	Index of M1 (March 1979=100)
1982/83	12,247 2)	7,379	65.05	18,827	11,344	174.22	155.77
1983	14,663	7,569	69.96	20,959	10,819	193.95	148.57
1983/84	15,758	8,055	73.71	21,380	10,928	197.85	150.06
1984	17,937	8,581	76.30	23,509	11,246	217,55	154.44
1984/85	19,447	8,988	76.44	25,441	11,758	235,43	161.47
1985	23,153	10,104	79.64	29,072	12,687	269.03	174.22
1985/86	24,168	10,475	80.86	29,889	12,954	276.59	177.89
1986	27,661	11,678	86.93	31,820	13,433	294,46	184.46
1986/87	28,491 3)	11,500	88.26	32,281	13,030	298.72	178.93
1987	33,885	12,685	94.97	35,680	13,357	330.18	183.40
1987/88	35,660	12,626	95.85	37,204	13,173	344.28	180.89
1988	41,998	14,392	100.28	41,881	14,352	387.56	197.00
1988/89	44,167	15,009	102.30	43,174	14,672	399.53	201.47
1989/90	58,705	20,114	108.02	54,346	18,621	510.53	259.57
1990	64,367	22,155	116.98	55,024	18,939	551.42	281.62
1990/91	84,630	23,819	118.26	71,563	20,141	669.48	279.61
1991	81,124	23,570	128.60	63,082	18,381	634.80	273.69
1991/92							
June	87,757	24,610	121.25	72,376	20,296	669.78	278.71
September	93,328	25,805	126.04	74,046	20,474	685.23	281.16
December	99,059	26,342	128.60	77,029	20,484	712.84	281.30
March	100,796	27,318	130.34	77,333	20,959	715.65	287.82
1992/93							
June	106,922	26,845	132.53	80,677	20,255	746.59	278.15
September	113,487	27,626	133.30	85,137	20,725	787.86	284.59
December	119,053	28,779	135.08	88,135	21,305	815.47	292.55
March	123,161	30,592	143.96	85,552	21,250	791.53	292.35
1993/94							
June	125,017	31,563	144.72	86,385	21,800	799.42	299.36
September	136,716	35,041	146.56	93,283	23,909	863.25	328.33
December	145,599	37,036	148.83	97,829	24,885	905.32	341.73
March	149,311	38,452	154.41	96,698	24,903	894.85	341.98
1994/95							
June	152,811	40,106	157.90	96,777	25,400	895.59	348.81
September	162,774	42,408	160.17	101,626	26,477	940.46	363.59
December	174,319	45,622	163.17	106,833	27,960	988.65	383.96
March*	181,381	45,134	168.18	107,849	26,837	998.05	368.54

1) Based on Consumer Price Index; prior to March 1979 the index was based on the Cost of Living Index for Jakarta. For April 1979 to March 1990 was based on Consumer Price Index (17 cities) and April 1977 – March 1978 = 100. Since April 1990 has been based on Consumer Price Index (27 cities) and April 1988 – March 1989 = 100).
2) Includes valuation adjustments of foreign currency deposits amounting to Rp620 billion
3) Includes valuation adjustments of foreign currency deposits amounting to Rp1,447 billion

Table 20
Factors Affecting Money Supply
(billion rupiah)

	1992	1992/93	1993	1993/94	1994 I	1994 II	1994 III	1994 IV	1995* I	1994/95*
Changes of broad money (M2)	**19,994**	**22,365**	**26,546**	**26,150**	**3,712**	**3,500**	**9,963**	**11,545**	**7,062**	**32,070**
Narrow money (M1)	2,437	3,274	8,257	7,860	1,416	1,654	2,302	3,214	–488	6,682
Currency	2,132	1,299	2,953	3,328	1,221	173	1,730	1,082	268	3,253
Demand deposits	305	1,975	5,304	4,532	195	1,481	572	2,132	–756	3,429
Quasi money	17,557	19,091	18,289	18,290	2,296	1,846	7,661	8,331	7,550	25,388
Affecting factors :										
Foreign assets (net)	7,082	9,715	–23	–2,175	559	–4,108	1,591	–2,202	1,006	–3,713
Claims on central government (net)	–1,291	–62	804	–1,567	–2,645	–666	–403	–892	–657	–2,618
Claims on entities enterprises, and individuals	15,749	13,260	32,054	35,490	5,357	7,997	12,129	12,121	10,235	42,482
Claims on official entities/ public enterprises	492	53	916	613	48	247	663	183	0	1,093
Claims on private enterprises and individuals	15,257	13,207	31,138	34,877	5,309	7,750	11,466	11,938	10,235	41,389
Net other items	–1,546	–548	–6,289	–5,598	410	277	–3,354	2,518	–3,522	–4,081

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

Table 21
Government Revenues and Expenditures
(billion rupiah)

	1990/91	1991/92	1992/93	1993/94	1994/95 Budget	1994/95 Actuals	1995/96 Budget
Revenues	49,451	51,944	58,168	62,652	69,749	72,353	78,024
Domestic	39,546	41,585	47,452	52,280	59,737	61,370	66,265
Development	9,905	10,409	10,716	10,372	10,012	10,983	11,759
Expenditures	49,450	51,992	58,166	64,460	69,749	72,342	78,024
Routine	29,998	30,228	34,031	38,799	42,351	43,179	47,240
Development	19,452	21,764	24,135	25,661	27,398	29,163	30,784
Government savings [1]	9,548	11,357	13,421	13,481	17,386	18,191	19,025
Total development fund [2]	19,453	21,766	24,137	23,853	27,398	29,174	30,784
Surplus (+) / Deficit (–)	1	2	2	-1,808	0	11	0

1) Domestic revenues minus routine expenditures
2) Development revenues plus government savings
Source : Ministry of Finance

Table 22
Government Revenues
(billion rupiah)

	1990/91	1991/92	1992/93	1993/94	1994/95 Budget	1994/95 Actuals	1995/96 Budget
Domestic revenues	**39,546**	**41,595**	**47,452**	**52,280**	**59,737**	**61,370**	**66,265**
Oil and gas receipts	17,712	15,039	15,330	12,508	12,851	13,399	13,275
Oil	14,578	12,451	12,095	9,472	9,504	9,880	9,812
Gas	3,134	2,588	3,235	3,036	3,347	3,519	3,463
Non-oil receipts	21,834	26,556	32,122	39,772	46,886	47,971	52,990
Income tax	6,755	9,580	11,913	15,273	18,843	18,350	19,239
Value-added tax on goods and services and sales tax on luxury goods	7,643	8,926	10,714	12,282	13,238	14,087	16,655
Import duties	2,486	2,133	2,652	2,888	3,443	3,218	3,543
Excise duties	1,917	2,233	2,381	2,560	2,623	3,001	3,299
Export duties	44	19	8	14	16	120	44
Land and building tax	811	875	1,101	1,534	1,629	1,632	1,923
Others	243	303	360	285	282	303	320
Non-tax receipts	2,115	2,487	2,993	3,895	4,293	5,997	6,491
Oil-based fuel receipts	--	--	--	1,041	2,519	1,263	1,476
Development revenues	**9,905**	**10,409**	**10,716**	**10,372**	**10,012**	**10,983**	**11,759**
Program aid	1,397	1,563	512	441	--	--	--
Pure	35	-	-	--	--	--	--
Local cost financing	1,362	1,563	512	441	--	--	--
Project aid	8,508	8,846	10,204	9,931	10,012	10,983	11,759
T o t a l	**49,451**	**52,004**	**58,168**	**62,652**	**69,749**	**72,353**	**78,024**

Source : Ministry of Finance

Table 23
Government Expenditures
(billion rupiah)

	1990/91	1991/92	1992/93	1993/94	1994/95 Budget	1994/95 Actuals	1995/96 Budget
Routine expenditures	**29,998**	**30,228**	**34,031**	**38,799**	**42,351**	**43,179**	**47,240**
Personnel expenditures	7,054	8,103	9,466	11,214	13,011	13,069	15,347
Rice allowance	640	923	888	905	1,039	1,038	1,140
Salaries and pensions	5,570	6,299	7,533	9,167	10,456	10,490	12,416
Food allowance	382	393	473	498	783	801	835
Other domestic personnel expenditures							
Overseas personnel expenditures	264	279	313	342	392	396	511
Material expenditures	198	209	259	302	341	344	445
Domestic	1,830	2,373	2,870	3,042	3,751	4,296	4,745
Overseas	1,670	2,218	2,681	2,848	3,526	4,071	4,457
Subsidies to local governments	160	155	189	194	225	225	288
Irian Jaya/non-personnel expenditures	4,236	4,834	5,283	6,796	7,095	7,188	8,409
Other autonomous regions/ personnel expenditures	275	314	377	378	430	432	477
Amortization and interest payments	3,961	4,520	4,906	6,418	6,665	6,756	7,932
Domestic debt	13,395	13,434	15,217	17,288	17,969	18,422	18,215
Foreign debt	250	251	275	121	317	204	319
Food stock expenditures	13,145	13,138	14,942	17,167	17,652	18,218	17,896
Others	– –	– –	– –	– –	– –	– –	– –
	3,483	1,484	1,195	459	525	204	524
Development expenditures							
Ministries/institutions including national defence and security	**19,452**	**21,764**	**24,135**	**25,661**	**27,398**	**29,163**	**30,784**
Regional development	4,853	5,971	7,858	8,560	9,946	9,478	10,910
Subsidies to villages	2,998	3,953	5,040	5,976	6,821	7,135	7,321
Subsidies to regencies	181	250	327	390	423	432	426
East Timor	392	583	825	1,025	2,418	2,554	2,525
Subsidies to provinces	– –	– –	– –	– –	– –	– –	– –
Land and building tax	486	574	701	783	1,219	1,318	1,277
Construction of primary schools	657	708	891	1,243	1,482	1,485	1,750
Subsidies for construction/ reconstruction of markets	374	520	655	698	498	538	499
Public health services							
Subsidies for afforestation	3	2	1	4	– –	– –	– –
and reforestation	193	269	320	377	393	412	370
Presidential instruction on underdeveloped villages	33	75	95	104	– –	– –	– –
Presidential instruction on road infrastructures	679	972	1,225	1,352	– –	– –	– –
Presidential instruction on underdeveloped villages	– –	– –	– –	– –	389	397	474
Other expenditures	1,093	1,494	1,033	1,194	618	1,567	794
Subsidies to fertilizer	265	302	175	265	175	457	143
Government equity participation	323	470	150	126	50	205	50
Others	505	722	708	803	393	905	601
Development budget reserves	2,000	1,500	– –	– –	– –	– –	– –
Project aid	8,508	8,846	10,204	9,931	10,012	10,983	11,759
T o t a l	**49,450**	**51,992**	**58,166**	**64,460**	**69,749**	**72,342**	**78,024**

Source : Ministry of Finance

Table 24
Development Expenditures by Sector
(billion rupiah)

	1990/91	1991/92	1992/93	1993/94	1994/95 Budget	1994/95 Actuals	1995/96 Budget
Government	**250**	**321**	**401**	**448**	**668**	**657**	**804**
State apparaturs	215	269	327	368	557	551	665
Law	35	52	724	80	111	106	139
National defence and security	**996**	**1,023**	**1,204**	**1,147**	**1,155**	**1,155**	**1,317**
Education and culture	**2,607**	**2,847**	**3,733**	**3,585**	**3,591**	**3,570**	**4,070**
Education, youth, culture, and religion	2,052	2,417	3,147	3,064	3,061	3,068	3,359
Science, technology, and research	555	430	586	521	530	502	711
Health, social welfare, women's role, population, and family planning program	**723**	**891**	**957**	**1,146**	**1,322**	**1,333**	**1,352**
Housing and settlement	**677**	**801**	**1,054**	**661**	**888**	**929**	**1,102**
Religion and manpower	**621**	**766**	**966**	**918**	**1,225**	**1,138**	**1,379**
Religion	42	47	78	82	122	131	183
Manpower and transmigration	579	719	888	836	1,103	1,007	1,196
Economy	**8,766**	**10,288**	**12,101**	**13,014**	**13,245**	**14,633**	**14,900**
Agriculture and irrigation	2,308	2,713	3,240	2,977	2,677	2,813	3,146
Manufacturing	547	545	570	43	451	475	497
Mining and energy	1,874	2,463	3,333	3,672	3,582	3,871	3,895
Transportation and tourism	3,744	3,910	4,538	5,592	5,946	6,390	6,904
Information, press, and communications	94	78	82	121	157	160	153
Trade and cooperatives	199	579	338	609	432	924	305
Regional, business, and environment	**2,812**	**3,327**	**3,719**	**4,742**	**5,304**	**5,748**	**5,860**
Regional, rural, and urban development	1,938	2,478	2,920	3,633	4,548	4,805	5,114
Business development	334	410	409	364	304	486	229
Resources and environment	540	439	390	745	452	457	517
Development budget reserves	**2,000**	**1,500**	**-**	**-**	**-**	**-**	**-**
T o t a l	**19,452**	**21,764**	**24,135**	**25,661**	**27,398**	**29,163**	**30,784**

Source : Ministry of Finance

Table 25
Balance of Payments [1]
(million $)

	1990/91	1991/92	1992/93	1993/94 r	1994/95*
A. Balance of goods and services	**-3,741**	**-4,352**	**-2,561**	**-2,940**	**-3,454**
1. Merchandise, exports f.o.b.	28,143	29,714	35,303	36,504	42,041
imports f.o.b.	-23,028	-24,803	-27,317	-29,127	-33,938
2. Freight and insurance on imports	-2,519	-2,719	-2,995	-3,194	-3,733
3. Other transportation	-607	-672	-903	-981	-929
4. Travel	1,380	1,579	1,904	2,174	2,870
5. Investment income	-5,388	-5,579	-5,887	-5,872	-6,938
5.1. Oil and LNG sector	-2,127	-2,023	-2,355	-1,987	-1,958
5.2. Direct investment and others	-3,261	-3,556	-3,532	-3,885	-4,980
6. Government, not included elsewhere	-160	-205	-214	-153	-164
7. Other services	-1,562	-1,667	-2,452	-2,291	-2,663
Balance of goods (1)	**5,115**	**4,911**	**7,986**	**7,377**	**8,103**
Balance of services (2 through 7)	**-8,856**	**-9,263**	**-10,547**	**-10,317**	**-11,557**
B. Grants	**226**	**210**	**250**	**200**	**180**
8. Private	--	--	--	--	--
9. Government	226	210	250	200	180
C. Current account (A+B)	**-3,515**	**-4,142**	**-2,311**	**-2,740**	**-3,274**
D. Capital movements	**3,252**	**4,360**	**3,510**	**4,784**	**3,635**
D.1. Other than reserves	6,554	5,341	4,949	5,511	4,251
10. Direct investment and other long-term capital movements	6,623	5,267	4,815	5,213	4,002
10.1. Direct investment	1,424	1,531	1,705	1,917	2,544
10.2. Bonds	--	--	--	--	--
a. Official	--	--	--	--	--
b. Private	--	--	--	--	--
10.3. Other long-term capital movements	5,199	3,736	3,110	3,242	1,458
a. Official	698	1,208	665	863	-75
b. Private	4,501	2,528	2,445	2,379	1,533
11. Short-term capital movements	-69	74	134	298	249
11.1. Official	--	--	--	--	--
11.2. Private	-69	74	134	298	249
D.2. Reserves	-3,302	-981	-1,439	-727	-616
12. Monetary gold	97	62	52	-148	9
13. Special Drawing Rights	--	--	2	--	--
14. Reserves position in the Fund	--	2	-169	6	-27
15. Foreign exchange	-3,392	-1,046	-1,324	-585	-598
16. Others	-7	1	--	--	--
E. Errors and Ommissions (between C and D) [2]	**263**	**-218**	**-1,199**	**-2,044**	**-361**

1) The presentation follows the IMF standard.
2) Positive is for credit and negative for debit.

Table 26
Export Value [1]
(million $)

	1990/91	1991/92	1992/93 [r]	1993/94 [r]	1994/95 *
Non-oil/gas	**15,380**	**19,008**	**24,825**	**27,170**	**31,716**
Wood and wood products	3,452	3,732	4,343	6,152	5,594
Log	5	10	13	11	14
Plywood	2,764	2,868	3,270	4,507	3,607
Sawn timber	90	90	93	147	184
Others	593	764	967	1,486	1,789
Rubber	887	932	1,054	974	1,428
Coffee	371	362	264	345	946
Palm oil	284	349	495	555	1,047
Shrimp and other animal products	1,076	1,150	1,266	1,476	1,729
Shrimp	711	810	745	883	1,046
Others	365	340	521	593	683
T e a	154	145	143	144	106
Foodstuffs	445	502	579	619	711
Tapioca	121	99	119	74	65
Others	324	403	460	546	646
Pepper	78	69	55	56	85
Tobacco	72	65	79	71	60
Copra cakes	56	51	63	65	79
Hides	58	43	43	41	53
Cacao	100	120	202	187	267
Rattan and rattan products	230	295	298	346	358
Raw rattan	–	–	–	-	-
Rattan mat	21	37	21	13	14
Rattan furniture	189	234	250	301	306
Others	20	24	27	32	38
Textile and textile products	2,731	4,011	5,876	5,651	5,847
Handicrafts	357	489	605	689	1,085
Electrical appliances	259	544	1,100	1,290	1,854
Urea fertilizer	214	291	147	168	202
Cement	69	68	104	47	37
Iron steel	308	380	395	451	496
Paper	248	330	405	520	890
Glasswares	100	124	137	159	169
Footwears	679	1,028	1,355	1,650	1,963
Mining products	1,440	1,692	2,195	2,278	2,725
T i n	147	146	145	86	130
Copper	447	528	719	744	907
Aluminum	202	159	199	166	236
Nickel	326	289	283	329	368
Gold	68	141	170	202	147
Others [2]	250	429	679	750	937
Others	1,712	2,236	3,622	3,236	3,985
O i l [3]	**8,053**	**6,869**	**6,363**	**5,512**	**6,237**
G a s	**4,710**	**3,837**	**4,117**	**3,822**	**4,088**
LNG	4,304	3,510	3,764	3,507	3,701
LPG	406	327	353	315	387
T o t a l	**28,143**	**29,714**	**35,305**	**36,504**	**42,041**

1. Commodity classification system changed from CCCN to HS in 1991/92, shifting the grouping of some export commodities
2. Includes natural sands from 1990/91 to 1994/95 amounting to $5.7 million, $8.5 million, $19.5 million, $24.6 million, and $25.6 million
3. Consists of crude oil and oil products

Table 27
Export Volume [1]
(thousand ton)

	1990/91	1991/92	1992/93	1993/94 r	1994/95 *
Non-oil/gas	**40,873**	**50,996**	**80,343**	**109,618**	**125,743**
Wood and wood products	7,029	8,165	9,224	8,317	8,261
Log	108	432	262	214	300
Plywood	5,351	5,727	5,701	5,993	5,291
Sawn timber	97	163	248	172	230
Others	1,473	1,843	3,013	1,937	2,440
Rubber	1,221	1,473	1,529	1,253	1,449
Coffee	426	343	270	331	329
Palm oil	1,098	1,163	1,033	1,563	2,049
Shrimp and other animal products	411	512	410	527	690
Shrimp	133	226	159	136	165
Others	278	286	251	391	525
T e a	112	119	127	120	111
Foodstuffs	2,449	1,774	1,536	2,253	2,868
Tapioca	1,268	589	521	813	696
Others	1,181	1,185	1,051	1,439	2,171
Pepper	52	65	50	30	43
Tobacco	21	27	35	35	30
Copra cakes	632	465	486	492	536
Hides	2	3	3	3	3
Cacao	105	144	158	184	206
Rattan and rattan products	95	117	126	114	135
Raw rattan	—	–	–	–	–
Rattan mat	6	24	31	5	4
Rattan furniture	71	81	86	98	118
Others	18	12	9	11	14
Textiles and textile products	390	596	728	762	927
Handicrafts	94	292	312	115	179
Electrical appliances	64	115	171	175	232
Urea fertilizer	1,553	1,736	715	1,453	1,570
Cement	1,753	1,436	1,873	872	715
Iron steel	600	884	652	984	1,225
Paper	401	581	652	872	1,468
Glasswares	220	281	267	337	336
Footwears	103	163	186	211	235
Mining products	18,997	27,336	56,064	83,412	95,854
T i n	26	32	25	17	25
Copper	477	630	1,010	1,022	1,126
Aluminum	136	106	143	297	384
Nickel	1,615	1,576	1,660	1,613	1,615
Gold [2]	5,648	17,742	48,462	43,834	25,875
Others [3]	16,743	24,992	53,226	80,463	92,704
Others	3,045	3,206	3,736	5,204	6,294
O i l (million barrel) [4]	**360**	**383**	**348**	**352**	**383**
G a s	**3,735**	**3,535**	**3,732**	**3,823**	**3,971**
LNG (million MMBTU) [5]	1,100	1,157	1,240	1,277	1,364
LPG	2,635	2,378	2,492	2,546	2,607

1. Commodity classification system changed from CCCN to HS in 1991/92, shifting the grouping of some export commodities
2. In kilogram
3. Includes natural sands which amounts were 8,136 thousand tons, 9,035 thousand tons, 37,100 thousand tons, 54,170 thousand ton from 1990/91 to 1994/95.
4. Consists of crude oil and oil products
5. MMBTU – *Mille-mille British Thermal Unit*

Table 28
Non-oil/gas Export Value by Country of Destination
(million $)

	1990/91	(%)	1991/92	(%)	1992/93	(%)	1993/94 r	(%)	1994/95 *	(%)
Africa	**227.8**	**1.5**	**337.9**	**1.8**	**541.0**	**2.2**	**470.6**	**1.7**	**649.2**	**2.0**
America	**2,636.0**	**17.1**	**3,321.2**	**17.5**	**4,713.9**	**19.0**	**5,498.3**	**20.2**	**6,387.3**	**20.1**
United States	2,383.9	15.5	2,911.8	15.3	4,005.8	16.1	4,699.3	17.3	5,446.9	17.2
Canada	129.8	0.8	203.1	1.1	279.9	1.1	305.8	1.1	334.9	1.1
Others	122.3	0.8	206.3	1.1	428.2	1.7	493.2	1.8	605.5	1.9
Asia	**8,841.9**	**57.5**	**11,120.0**	**58.5**	**14,086.2**	**56.7**	**15,216.1**	**56.0**	**17,492.4**	**55.2**
ASEAN	2,308.0	15.0	3,212.6	16.9	4,784.2	19.3	4,141.3	15.2	4,633.3	14.6
Brunei Darussalam	10.0	0.1	12.0	0.1	31.9	0.1	31.3	0.1	47.5	0.1
Malaysia	251.8	1.6	392.3	2.1	521.9	2.1	576.7	2.1	779.4	2.5
Philippines	139.7	0.9	160.1	0.8	179.7	0.7	282.5	1.0	340.6	1.1
Singapore	1,705.1	11.1	2,417.8	12.7	3,623.6	14.6	2,881.0	10.6	3,021.5	9.5
Thailand	201.3	1.3	230.4	1.2	427.1	1.7	369.8	1.4	444.4	1.4
Hong Kong	689.4	4.5	770.8	4.1	950.4	3.8	680.2	2.5	1,482.7	4.7
South Korea	504.4	3.3	691.0	3.6	719.8	2.9	1,043.1	3.8	1,092.4	3.4
Taiwan	411.6	2.7	561.0	3.0	788.5	3.2	981.1	3.6	1,223.5	3.9
China	614.9	4.0	627.0	3.3	763.5	3.1	680.2	2.5	807.5	2.5
India	65.9	0.4	43.1	0.2	68.6	0.3	106.2	0.4	282.3	0.9
Pakistan	57.1	0.4	59.4	0.3	108.9	0.4	105.5	0.4	147.1	0.5
Japan	3,366.5	21.9	3,717.7	19.6	4,140.8	16.7	5,632.8	20.7	5,992.1	18.9
Middle East	561.5	3.7	1,012.1	5.3	1,171.4	4.7	1,252.1	4.6	1,275.8	4.0
Iraq	25.1	0.2	5.1	0.0	3.4	0.0	4.0	0.0	8.6	0.0
Iran	51.3	0.3	93.4	0.5	27.2	0.1	16.6	0.1	36.6	0.1
Saudi Arabia	325.7	2.1	539.2	2.8	638.3	2.6	477.8	1.8	416.3	1.3
Kuwait	15.9	0.1	22.3	0.1	50.3	0.2	58.7	0.2	65.0	0.2
Jordan	10.2	0.1	29.8	0.2	32.5	0.1	40.5	0.1	46.2	0.1
Arab Emirates	116.7	0.8	292.0	1.5	391.7	1.6	469.7	1.7	506.6	1.6
Others	16.6	0.1	29.9	0.2	28.1	0.1	184.8	0.7	196.4	0.6
Others	262.8	1.7	425.4	2.2	589.1	2.4	593.4	2.2	555.6	1.8
Europe	**3,438.6**	**22.4**	**3,930.7**	**20.7**	**5,046.3**	**20.3**	**5,507.9**	**20.3**	**6,614.0**	**20.9**
European Community	3,198.1	20.8	3,639.7	19.1	4,716.3	19.0	5,064.1	18.6	6,045.6	19.1
Netherlands	721.1	4.7	798.9	4.2	1,009.8	4.1	1,148.5	4.2	1,386.7	4.4
Belgium – Luxemburg	213.5	1.4	246.4	1.3	391.3	1.6	364.7	1.3	425.3	1.3
United Kingdom	558.1	3.6	661.0	3.5	848.6	3.4	971.8	3.6	1,082.1	3.4
Italy	283.8	1.8	393.0	2.1	486.5	2.0	464.3	1.7	574.3	1.8
Germany	821.0	5.3	855.8	4.5	1,051.2	4.2	1,151.2	4.2	1,345.3	4.2
France	308.2	2.0	377.0	2.0	465.3	1.9	435.3	1.6	454.3	1.4
Others	292.5	1.9	307.6	1.6	463,7	1.9	528.3	1.9	777.7	2.5
Former USSR	46.4	0.3	42.9	0.2	69.2	0.3	149.1	0.5	92.6	0.3
Other Eastern Europe	76.7	0.5	82.9	0.4	105.3	0.4	112.3	0.4	222.9	0.7
Others	117.3	0.8	165.2	0.9	155.5	0.6	182.4	0.7	252.9	0.8
Australia & Oceania	**218.4**	**1.4**	**292.3**	**1.5**	**430.9**	**1.7**	**473.3**	**1.7**	**571.4**	**1.8**
Others	**17.4**	**0.1**	**5.9**	**0.0**	**3.0**	**0.0**	**3.8**	**0.0**	**1.7**	**0.0**
Total	**15,380.0**	**100.0**	**19,008**	**100.0**	**24,823.0**	**100.0**	**27,170.0**	**100.0**	**31,716.0**	**100.0**

Table 29
Non-oil/gas Import Value by Country of Origin
(million $)

	1990/91	(%)	1991/92	(%)	1992/93	(%)	1993/94 r	(%)	1994/95 *	(%)
Africa	**150**	**0.8**	**147**	**0.7**	**176**	**0.7**	**72**	**0.3**	**296**	**1.0**
America	**3,104**	**16.0**	**3,581**	**16.5**	**4,352**	**18.3**	**3,536**	**14.0**	**4,973**	**16.3**
United States	2,322	11.9	2,849	13.1	3,518	14.8	2,527	10.0	3,810	12.5
Latin America	452	2.3	359	1.7	395	1.7	540	2.1	727	2.4
Canada	272	1.4	323	1.5	390	1.6	398	1.6	403	1.3
Others	58	0.3	50	0.2	49	0.2	72	0.3	34	0.1
Asia	**10,628**	**54.6**	**11,696**	**54.0**	**11,855**	**49.9**	**13,743**	**54.3**	**16,562**	**54.4**
ASEAN	1,123	5.8	1,301	6.0	1,694	7.1	1,557	6.2	1,966	6.5
Brunei Darussalam	1	--	1	--	1	0.0	0	0.0	1	0.0
Malaysia	139	0.7	207	1.0	323	1.4	414	1.6	433	1.4
Philippines	34	0.2	35	0.2	49	0.2	42	0.2	60	0.2
Singapore	783	4.0	753	3.5	1,073	4.5	900	3.6	1,051	3.5
Thailand	166	0.9	305	1.4	248	1.0	201	0.8	422	1.4
Hong Kong	254	1.3	193	0.9	205	0.9	215	0.8	190	0.6
India	155	0.8	231	1.1	167	0.7	350	1.4	254	0.8
Iraq	4	--	1	--	0	0.0	0	0.0	0	0.0
Japan	6,046	31.1	6,498	30.0	5,673	23.9	7,144	28.2	8,457	27.8
South Korea	864	4.4	1,282	5.9	1,817	7.7	1,830	7.2	2,074	6.8
Myanmar	1	--	5	--	7	0.0	16	0.1	55	0.2
Pakistan	38	0.2	48	0.2	90	0.4	42	0.2	24	0.1
China	572	2.9	659	3.0	657	2.8	839	3.3	1,573	5.2
Saudi Arabia	147	0.8	149	0.7	163	0.7	324	1.3	233	0.8
Taiwan	1,168	6.0	1,042	4.8	1,123	4.7	1,217	4.8	1,391	4.6
Others	256	1.3	288	1.4	260	1.1	209	0.8	346	1.1
Australia & Oceania	**948**	**4.9**	**1,173**	**5.4**	**1,201**	**5.1**	**1,152**	**4.5**	**1,432**	**4.7**
Europe	**4,618**	**23.7**	**5,063**	**23.4**	**6,167**	**26.0**	**6,809**	**26.9**	**7,162**	**23.5**
European Community	3,845	19.8	4,198	19.4	5,166	21.8	5,506	26.8	5,653	18.6
Netherlands	544	2.8	423	1.9	600	2.5	521	2.1	454	1.5
Belgium – Luxemburg	226	1.2	236	1.1	269	1.1	332	1.3	281	0.9
United Kingdom	390	2.0	516	2.4	628	2.6	659	2.6	567	1.9
Italy	391	2.0	436	2.0	677	2.9	804	3.2	939	3.1
Germany	1,535	7.9	1,816	8.4	1,901	8.0	2,170	8.6	2,298	7.6
France	528	2.7	603	2.8	733	3.1	690	2.7	694	2.3
Others	231	1.2	168	0.8	358	1.5	331	1.3	420	1.4
Former USSR	37	0.2	33	0.2	46	0.2	106	0.4	276	0.9
Other Eastern Europe[1)]	121	0.6	113	0.5	67	0.3	118	0.5	264	0.9
Others	615	3.1	719	3.3	888	3.7	1,079	4.3	968	3.2
Total	**19,448**	**100.0**	**21,660**	**100.0**	**23,751**	**100.0**	**25,311**	**100.0**	**30,425**	**100.0**

1) Comprises Czech, Slovak, East Germany, Hungary, Poland, Romania, Bulgaria, and former Yugoslavia

Table 30
Funds Mobilized by Commercial Banks[1)]
(billion rupiah)

End of period	Demand deposits			Time deposits			Savings deposits	Total
	Rupiah	Foreign currencies	Sub-total	Rupiah [2)]	Foreign currencies	Sub-total		
1982	4,295	1,101	5,396	2,198	784	2,982	490	8,868
1983	4,365	1,666	6,031	4,441	1,341	5,782	584	12,397
1984	5,279	1,686	6,965	6,022	1,757	7,779	754	15,498
1985	6,456	971	7,427	8,888	2,839	11,727	1,020	20,174
1986	6,753	1,404	8,157	10,525	3,442	13,967	1,387	23,511
1987	7,441	1,355	8,796	15,366	3,541	18,907	1,628	29,331
1988	8,920	1,430	10,350	19,732	5,254	24,986	2,174	37,510
1989	13,032	2,118	15,150	27,069	6,943	34,012	5,213	54,375
1990	15,124	4,130	19,254	38,789	15,450	54,239	9,661	83,154
1991								
March	13,520	4,429	17,949	33,751	16,089	49,840	9,722	77,511
June	15,739	4,488	20,227	38,226	15,393	53,619	10,595	84,441
September	16,769	3,488	20,257	39,985	16,790	56,775	12,857	89,889
December	17,984	4,029	22,013	40,559	16,993	57,552	15,553	95,118
1992								
March	17,034	4,394	21,428	38,890	17,922	56,812	17,471	95,711
June	18,385	4,490	22,875	42,129	18,104	60,233	19,684	102,792
September	19,260	4,433	23,693	44,676	18,951	63,627	22,104	109,424
December	19,464	4,298	23,762	45,182	20,437	65,619	25,469	114,850
1993								
March	20,074	5,003	25,077	42,453	21,763	64,216	28,343	117,636
June	20,195	7,788	27,983	43,396	22,675	66,071	29,175	123,229
September	23,828	5,578	32,406	47,347	23,951	71,298	32,124	135,828
December	24,612	7,710	32,322	50,369	23,650	74,019	35,605	141,946
1994								
January	25,614	7,970	33,584	50,490	23,367	73,857	35,867	143,308
February	26,691	10,000	36,691	49,914	24,023	73,937	36,550	147,178
March	23,817	7,958	31,775	48,416	25,969	74,385	37,610	143,770
April	24,484	8,214	32,698	47,808	27,133	74,941	37,177	144,816
May	25,318	8,416	33,734	47,973	27,195	75,168	37,217	146,119
June	26,047	8,346	34,393	49,502	26,391	75,893	37,241	147,526
July	25,923	8,330	34,253	50,771	27,460	78,231	37,402	149,886
August	27,052	8,643	35,695	52,471	27,615	80,086	37,814	153,595
September	27,026	9,076	36,102	54,604	28,082	82,686	38,298	157,086
October	29,023	9,312	38,335	55,799	27,245	83,044	38,796	160,175
November	29,587	9,584	39,171	57,166	27,912	85,078	39,590	163,839
December	29,703	9,327	39,030	61,297	28,307	89,604	40,313	168,947
1995								
January	29,396	8,658	38,055	62,103	29,469	91,572	39,760	169,387
February	29,300	8,100	37,400	62,969	29,529	92,498	39,790	169,688
March*	27,620	7,712	35,332	65,061	30,829	95,890	40,915	172,137

1) Includes funds held by the Central Government and non-residents
2) Includes certificates of deposit

Table 31
Demand Deposits in Rupiah and Foreign Currency by Group of Banks [1]
(billion rupiah)

End of period	State banks [2]			Private national banks			Local Government-owned banks			Foreign & joint 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
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	4,364	1,667	6,031
1984	3,641	1,355	4,996	824	29	853	587	—	587	227	303	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	4,562	768	5,330	1,354	129	1,483	564	—	564	273	506	779	6,753	1,403	8,156
1987	4,735	751	5,486	1,725	113	1,838	671	—	671	311	491	802	7,442	1,355	8,797
1988	5,456	814	6,270	2,192	155	2,347	945	—	945	327	461	788	8,920	1,430	10,350
1989	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	8,271	1,268	9,539	4,451	1,610	6,061	1,728	—	1,728	674	1,252	1,926	15,124	4,130	19,254
1991															
March	7,203	1,622	8,825	4,093	1,558	5,651	1,539	—	1,539	685	1,249	1,934	13,520	4,429	17,949
June	8,817	1,686	10,503	4,512	1,422	5,934	1,753	—	1,753	657	1,380	2,037	15,739	4,488	20,227
September	9,211	1,339	10,550	4,994	1,055	6,049	1,865	—	1,865	699	1,094	1,793	16,769	3,488	20,257
December	9,502	1,397	10,899	5,779	1,424	7,203	2,002	—	2,002	701	1,208	1,909	17,984	4,029	22,013
1992															
March	8,342	1,556	9,898	6,311	1,439	7,750	1,612	—	1,612	769	1,399	2,168	17,034	4,394	21,428
June	8,813	1,453	10,226	6,847	1,580	8,427	1,788	—	1,788	937	1,457	2,394	18,385	4,490	22,875
September	9,574	1,884	11,458	6,880	1,142	8,022	1,846	—	1,846	960	1,407	2,367	19,260	4,433	23,693
December	9,281	2,013	11,294	7,347	981	8,328	1,950	—	1,950	886	1,304	2,190	19,464	4,298	23,762
1993															
March	9,393	2,387	11,780	7,933	1,161	9,094	1,652	—	1,652	1,096	1,455	2,551	20,074	5,003	25,077
June	9,047	2,184	11,231	7,991	4,136	12,127	2,097	—	2,097	1,060	1,468	2,528	20,195	7,788	27,983
September	11,463	2,362	13,825	8,884	4,501	13,385	2,281	—	2,281	1,200	1,715	2,915	23,828	8,578	32,406
December	11,009	1,716	12,725	9,947	4,270	14,217	2,406	—	2,406	1,250	1,724	2,974	24,612	7,710	32,322
1994															
January	10,971	2,067	13,038	10,346	4,201	14,547	2,439	1	2,440	1,858	1,701	3,559	25,614	7,970	33,584
February	10,840	2,243	13,083	10,511	4,055	14,566	2,405	1	2,406	2,935	3,701	6,636	26,691	10,000	36,691
March	9,836	1,951	11,787	10,436	4,264	14,699	2,054	1	2,055	1,491	1,743	3,234	23,817	7,985	31,775
April	10,213	2,048	12,261	10,562	4,394	14,956	2,053	1	2,054	1,656	1,771	3,427	24,484	8,214	32,698
May	10,743	2,122	12,869	10,547	4,416	14,963	2,351	1	2,352	1,677	1,877	3,554	25,318	8,416	33,734
June	11,201	2,045	13,246	10,810	4,481	15,291	2,478	1	2,479	1,558	1,819	3,377	26,047	8,346	34,393
July	10,985	1,959	12,944	10,775	4,447	15,222	2,660	—	2,660	1,503	1,924	3,427	25,923	8,330	34,253
August	11,445	2,058	13,503	11,235	4,610	15,845	2,740	—	2,740	1,633	1,974	3,607	27,053	8,642	35,695
September	11,124	1,999	13,123	11,478	5,088	16,566	2,787	1	2,788	1,637	1,988	3,625	27,026	9,076	36,102
October	11,593	1,959	13,552	12,628	5,210	17,838	3,005	1	3,006	1,797	2,142	3,939	29,023	9,312	38,335
November	11,968	1,943	13,911	12,686	5,425	18,111	3,258	1	3,259	1,675	2,215	3,890	29,587	9,584	39,171
December	12,363	2,142	14,505	12,109	5,082	17,191	3,452	1	3,453	1,779	2,102	3,881	29,703	9,327	39,030
1995															
January	11,885	2,205	14,091	12,313	4,163	16,476	3,534	1	3,534	1,665	2,290	3,955	29,396	8,659	38,055
February	11,678	1,993	13,671	12,404	3,890	16,294	3,532	1	3,533	1,687	2,217	3,903	29,300	8,100	37,400
March*	11,696	1,998	13,694	11,442	3,325	14,767	2,913	1	2,914	1,569	2,388	3,957	27,620	7,712	35,332

1) Includes certificates of deposit
2) Includes since 1989

Table 32
Rupiah Time Deposits of Commercial Banks by Group of Ownership
(billion rupiah)

End of period	Residents											Non-residents	Total
	Government	Official entities	Non-bank financial institutions	Insurance companies	State enterprises	Private enterprises	Social institutions	Coopera-tives	Individuals	Others	Sub-total		
1988/89	577	632	168	2,204	3,858	1,762	2,178	51	8,870	670	20,970	14	20,984
1989	1,428	540	225	3,245	2,928	3,362	2,633	61	11,618	971	27,011	58	27,069
1989/90	1,548	545	258	3,344	2,905	4,033	2,689	59	11,789	828	27,998	30	28,028
1990	1,523	683	169	4,538	3,145	7,529	3,503	72	16,244	1,305	38,711	78	38,789
1990/1991	513	505	185	1,335	1,735	6,788	3,620	79	17,748	1,071	22,579	171	33,750
1991	1,019	583	—	1,239	4,411	6,854	3,865	118	19,139	2,987	40,215	344	40,559
1991/92	1,144	521	—	1,174	4,464	6,015	3,987	103	18,987	2,134	38,259	361	45,182
1992	1,503	610	—	1,538	4,507	8,194	5,152	102	21,067	2,127	44,800	382	38,890
1992/93	1,610	600	—	1,604	3,624	7,906	5,021	90	19,644	1,936	42,035	418	42,453
1993													
January	1,489	588	—	1,482	4,551	7,600	5,256	101	19,816	2,224	43,107	340	43,447
February	1,434	674	—	1,604	4,843	7,848	5,320	117	19,784	2,331	43,995	305	44,260
March	1,610	600	—	1,604	3,624	7,906	5,021	90	19,644	1,936	42,035	418	42,453
April	1,687	619	—	1,552	4,067	7,356	5,161	127	18,434	3,446	42,449	410	42,859
May	1,699	554	—	1,564	4,198	7,563	5,111	141	17,984	3,421	42,235	407	42,642
June	1,719	535	—	1,665	4,146	7,489	5,066	127	18,317	3,949	43,013	383	43,396
July	1,850	788	—	1,567	4,297	7,908	5,230	130	18,557	3,960	44,287	376	44,663
August	1,933	843	—	2,022	4,385	8,363	5,088	142	19,005	4,165	45,946	374	46,320
September	1,948	764	—	2,115	4,608	9,021	5,380	133	18,934	4,072	46,975	372	47,347
October	2,065	792	—	2,058	4,641	9,246	5,461	143	19,126	3,844	47,376	352	47,728
November	2,075	891	—	2,185	5,073	9,687	5,387	147	19,504	4,019	48,968	348	49,316
December	2,182	876	—	2,289	4,755	10,027	5,485	139	20,186	4,070	50,009	360	50,369
1994													
January	2,114	793	—	2,432	4,662	9,554	5,909	136	20,570	3,937	50,107	383	50,490
February	2,368	715	—	2,462	4,423	9,612	5,675	156	20,356	3,768	49,535	379	49,914
March	2,340	632	—	2,517	3,621	9,375	5,700	134	20,231	3,509	48,059	357	48,416
April	2,265	685	—	2,644	3,814	9,042	5,629	152	19,721	3,533	47,485	323	47,808
May	2,230	877	—	2,692	3,946	8,771	5,692	209	19,606	3,631	47,654	319	47,973
June	2,107	884	—	2,861	4,085	9,634	5,616	219	20,285	3,474	49,165	337	49,502
July	2,236	944	—	3,034	3,785	10,230	6,004	180	20,622	3,371	50,406	365	50,771
August	2,111	1,021	—	3,178	3,757	10,784	6,369	167	21,360	3,337	52,084	387	52,471
September	2,285	1,112	—	3,056	3,904	11,518	6,487	170	22,061	3,595	54,188	416	54,604
October	2,609	1,159	—	3,269	4,074	11,321	6,592	182	22,548	3,640	55,394	405	55,799
November	2,293	1,218	—	3,313	4,310	11,920	6,793	220	23,082	3,631	56,780	386	57,166
December	2,723	1,135	—	3,420	3,822	13,732	6,841	256	24,882	4,087	60,898	399	61,297
1995													
January	2,460	1,230	—	3,358	3,810	13,424	7,196	227	25,833	4,177	61,715	388	62,103
February	2,613	1,278	—	3,226	3,727	12,772	7,164	201	27,205	4,302	62,488	481	62,969
March*	2,572	1,388	—	3,407	3,627	12,327	7,127	224	28,722	5,186	64,580	481	65,061

Table 33
Time Deposits in Rupiah and Foreign Currencies of Commercial Banks by Maturity
(billion rupiah)

End of period	24 months	12 months	6 months	3 months	1 month[1)]	Others	Total
1982	967	343	695	253	640	84	2,982
1983	684	1,316	1,541	750	1,379	112	5,782
1984	396	2,462	1,670	1,194	1,851	206	7,779
1985	536	9,550	1,824	1,924	3,103	190	17,127
1986	671	5,695	2,198	2,173	3,097	133	13,967
1987	910	6,540	1,959	4,022	5,245	231	18,907
1988	2,052	7,589	3,738	5,342	5,797	468	24,986
1989	2,217	10,230	5,578	6,687	8,740	560	34,012
1990	3,069	11,957	7,272	8,591	22,145	1,205	54,239
1991							
March	816	8,985	7,041	10,393	20,278	2,327	49,840
June	854	8,742	8,307	13,854	20,522	1,340	53,619
September	854	9,110	9,199	14,472	18,431	4,701	56,767
December	930	9,419	10,128	12,920	19,966	4,189	57,552
1992							
March	912	10,320	10,866	12,897	17,413	4,404	56,812
June	937	11,849	12,820	13,738	16,800	4,088	60,232
September	865	12,157	14,906	15,179	17,245	3,275	63,627
December	612	12,564	15,378	15,050	18,503	3,512	65,619
1993							
March	501	13,046	14,560	14,679	18,104	3,326	64,216
June	516	13,280	15,177	15,843	17,640	3,615	66,071
September	569	15,095	18,720	15,606	17,712	3,596	71,298
December	585	15,309	19,473	15,641	18,722	4,289	74,019
1994							
January	589	15,397	19,742	16,612	17,915	3,602	73,857
February	581	15,252	19,281	16,735	18,638	3,450	73,937
March	617	15,586	19,051	17,175	18,295	3,661	74,385
April	610	15,697	18,795	17,285	18,448	4,107	74,941
May	656	15,027	18,217	17,554	19,442	4,272	75,168
June	647	14,940	18,541	17,020	20,210	4,534	75,892
July	649	14,417	18,807	18,696	21,274	4,388	78,231
August	643	14,845	19,467	19,571	21,630	4,930	81,086
September	608	13,455	20,033	19,965	22,808	5,817	82,686
October	615	13,331	19,933	19,920	23,336	5,909	83,044
November	561	13,255	20,387	20,329	24,440	6,106	85,078
December	533	13,342	20,666	20,212	27,907	6,944	89,604
1995							
January	545	13,635	21,120	20,656	28,519	7,096	91,571
February	550	13,747	21,293	20,825	28,753	7,154	92,322
March*	591	13,973	22,970	21,462	30,774	6,120	95,890

1) Including mature time deposits

Table 34
Savings Deposits with State Banks

End of period	Savings deposits		Taska		Others		Total	
	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)
1994								
July	22,121	15,072	12	8	5,234	2,006	27,367	17,086
August	22,981	15,320	12	9	5,333	2,015	28,326	17,344
September	27,351	15,460	12	9	5,113	2,107	32,476	17,576
October	22,496	15,749	100	32	5,562	2,054	28,158	17,835
November	22,801	16,030	11	6	5,423	2,107	28,235	18,143
December	22,610	16,246	9	7	5,704	2,272	28,323	18,525
1995								
January	21,998	15,900	9	7	5,549	2,224	27,556	18,131
February	22,074	16,031	9	7	5,568	2,242	27,651	18,280
March *	23,477	16,459	11	26	5,727	2,066	29,215	18,551

Table 35
Savings Deposits with Private National Banks

End of period	Savings deposits		Taska		Others		Total	
	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)
1994								
July	6,655	16,327	46	65	4,557	2,425	11,258	18,817
August	6,597	16,390	46	62	4,706	2,482	11,349	18,934
September	6,633	16,597	47	47	4,787	2,492	11,467	19,136
October	6,640	16,818	48	49	4,859	2,471	11,547	19,338
November	6,800	17,263	49	50	4,882	2,484	11,731	19,797
December	6,924	17,381	52	50	4,811	2,666	11,787	20,097
1995								
January	6,737	17,250	50	50	4,681	2,646	11,468	19,946
February	6,760	17,391	50	50	4,697	2,668	11,507	20,109
March *	7,023	17,890	97	68	4,922	2,550	12,042	20,508

Table 36
Savings Deposits with Local Government-owned Banks

End of period	Savings deposits		Taska		Others		Total	
	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)
1994								
July	1,986	1,289	—	—	1,315	185	3,301	1,474
August	1,972	1,297	—	—	1,330	217	3,302	1,514
September	1,849	1,365	—	—	1,359	199	3,208	1,564
October	1,900	1,396	—	—	1,385	203	3,285	1,599
November	1,906	1,425	—	—	1,410	202	3,316	1,627
December	2,003	1,442	—	—	1,408	227	3,411	1,669
1995								
January	1,949	1,433	—	—	1,370	226	3,319	1,659
February	1,955	1,445	—	—	1,375	228	3,330	1,673
March *	2,027	1,576	—	—	1,432	255	3,459	1,831

Table 37
Savings Deposits with Foreign and Joint Banks

End of period	Savings deposits		Taska		Others		Total	
	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)
1994								
July	2	23	—	—	1	2	3	25
August	2	20	—	—	1	2	3	22
September	2	20			1	2	3	22
October	3	22	—	—	—	2	3	24
November	2	20	—	—	1	3	3	23
December	3	19	—	—	—	3	3	22
1995								
January	3	18	—	—	—	3	3	21
February	3	18	—	—	—	3	3	21
March *	3	20	—	—	1	5	4	25

Table 38

Savings Deposits with Commercial Banks

End of period	Savings deposits		Taska		Others		Total	
	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)	Depositors (thousand)	Outstanding (billion rupiah)
1994								
July	30,764	32,711	58	73	11,107	4,618	41,929	37,402
August	31,552	33,027	58	71	11,370	4,716	42,980	37,814
September	35,835	33,442	59	56	11,260	4,800	47,154	38,298
October	31,039	33,985	148	81	11,806	4,730	42,993	38,796
November	31,509	34,738	60	56	11,716	4,796	43,285	39,590
December	31,540	35,088	61	57	11,923	5,168	43,524	40,313
1995								
January	30,687	34,601	59	57	11,600	5,099	42,346	39,757
February	30,792	34,885	59	57	11,640	5,141	42,491	40,083
March *	32,530	35,945	108	94	12,082	4,876	44,720	40,915

Table 39
Bank Credits in Rupiah and Foreign Currencies by Economic Sector 1)
(billion rupiah)

	March 31					June 30	Sep. 30	Dec. 31	Mar. 31*
	1990	1991	1992	1993	1994	1994	1994	1994	1995
Credits in rupiah	**65,123**	**87,391**	**96,451**	**100,996**	**125,029**	**133,018**	**142,174**	**153,264**	**157,781**
Agriculture	5,834	7,308	8,372	9,262	10,717	11,582	11,575	12,049	12,413
Mining	462	603	594	540	286	328	327	346	325
Manufacturing	19,508	25,341	25,515	30,965	36,521	37,323	39,315	41,048	41,936
Trade	2,1811	26,966	28,039	27,510	31,795	33,495	35,014	36,391	36,886
Services	9,800	14,327	18,161	22,282	30,524	33,536	36,069	41,387	42,752
Others	7,708	12,846	15,770	10,437	15,186	16,754	19,874	22,043	23,469
Credits in foreign currency	**5,750**	**12,298**	**19,288**	**23,171**	**28,900**	**29,492**	**32,112**	**34,353**	**36,925**
Agriculture	148	321	527	865	1,735	1,974	2,002	1,766	1,825
Mining	57	42	136	184	337	293	297	414	588
Manufacturing	2,941	5,972	9,896	12,508	15,030	14,633	15,801	16,945	18,590
Trade	1,003	2,624	3,868	5,024	6,223	6,498	7,045	7,304	7,809
Services	1,313	2,787	3,586	3,592	5,564	6,072	6,940	7,916	8,103
Others	288	552	1,275	998	11	22	27	8	10
Total	**71,873**	**99,689**	**115,739**	**124,167**	**153,929**	**162,510**	**174,286**	**187,617**	**194,706**
Agriculture	5,982	7,629	8,899	10,127	12,452	13,556	13,577	13,815	14,238
Mining	519	645	730	724	623	621	624	760	913
Manufacturing	22,449	31,313	35,411	43,473	51,551	51,956	55,116	57,993	60,526
Trade	22,814	29,590	31,907	32,534	38,018	39,993	42,059	43,695	44,695
Services	11,113	17,114	21,747	25,874	36,088	39,608	43,009	49,303	50,855
Others	7,996	13,398	17,045	11,435	15,197	16,776	19,901	22,051	23,479

Table 40
Bank Credits in Rupiah and Foreign Currencies by Type of Credit and Economic Sector 1)
(billion rupiah)

	March 31					June 30 1994	Sep. 30 1994	Dec. 31 1994	Mar. 31 * 1995
	1990	1991	1992	1993	1994				
Working Capital	**55,141**	**78,125**	**88,349**	**87,484**	**112,086**	**119,507**	**128,805**	**141,714**	**145,093**
Agriculture	2,261	2,903	3,035	2,958	3,510	3,950	3,684	3,925	3,996
Mining	198	254	287	288	454	513	455	585	734
Manufacturing	15,740	22,106	23,627	26,984	34,345	35,068	37,156	39,421	41,000
Trade	21,394	27,398	28,996	28,349	31,251	32,820	34,535	37,729	38,344
Services	7,740	12,541	16,335	18,658	27,331	30,380	33,074	38,003	37,557
Others	7,808	12,923	16,069	10,247	15,195	16,776	19,901	22,051	23,479
Investment	**15,732**	**21,564**	**27,390**	**36,683**	**41,843**	**43,003**	**45,481**	**45,903**	**49,613**
Agriculture	3,721	4,726	5,864	7,169	8,942	9,606	9,893	9,890	10,062
Mining	321	391	443	436	169	108	169	175	179
Manufacturing	6,709	9,207	11,784	16,489	17,208	16,888	17,960	18,752	19,083
Trade	1,420	2,192	2,911	4,185	6,767	7,173	7524	5,966	6,211
Services	3,373	4,573	5,412	7,216	8,757	9,228	9,935	11,300	13,298
Others	188	475	976	1,188	--	--	--	--	--
Total	**70,873**	**99,689**	**115,739**	**124,167**	**153,929**	**162,510**	**174,286**	**187,617**	**194,706**
Agriculture	5,982	7,629	8,899	10,127	12,452	13,556	13,577	13,815	14,238
Mining	519	645	730	724	623	621	624	760	913
Manufacturing	22,449	31,313	35,411	43,473	51,551	51,956	55,116	57,993	60,526
Trade	22,814	29,590	31,907	32,534	38,018	39,993	42,059	43,695	44,695
Services	11,113	17,114	21,747	25,874	36,088	39,608	43,009	49,303	50,855
Others	7,496	13,398	17,045	11,435	15,197	16,776	19,901	22,051	23,479

1) Excluding interbank credits, credits to the Central Government and non-residents, and foreign currency components of project aid

Table 41
Credits to the Economically-weak Group [1]
(billion rupiah and thousand customers)

	March 31					June 30 1994	Sep. 30 1994	Dec. 31 1994	Mar. 31 * 1995
	1990	1991	1992	1993	1994				
Small Scale Investment Credits (KIK)									
Number of application									
approved (customers)	334	-	-	-	-	-	-	-	-
Value of application approved	1,947	-	-	-	-	-	-	-	-
Outstanding	749	743	477	326	214	193	180	165	168
Permanent Working Capital Credits (KMKP)									
Number of application									
approved (customers)	2,491	-	-	-	-	-	-	-	-
Value of application approved	5,854	-	-	-	-	-	-	-	-
Outstanding	1,784	1,699	1,417	884	342	298	252	227	220
KIK/KMKP									
Number of application									
approved (customers)	2,825	-	-	-	-	-	-	-	-
Value of application approved	7,801	-	-	-	-	-	-	-	-
Outstanding	2,533	2,442	1,894	1,210	556	491	432	392	388
Rural General Credits (Kupedes) [2]	938	1,451	1,535	1,725	1,772	1,807	1,840	1,898	2,007
Investment	79	144	176	197	244	263	283	292	309
Working capital	859	1,307	1,359	1,528	1,528	1,544	1,557	1,606	1,698
Working Capital Credits under	161	52	–	–	-	-	-	-	-
Pres. Decree No. 29/1984	2,938	2,367	908	678	562	454	481	449	356
Credits with maximum of Rp75 million	1,145	1,190	908	678	562	454	481	449	356
Investment	1,793	1,177	–	–	-	-	-	-	-
Working capital	380	276	147	80	32	29	23	17	54
Credits for Teachers (KPG) [3]	56	45	45	38	19	14	12	9	8
Credits for Indonesian Students (KMI)	416	460	2,204	2,466	737	752	775	829	910
Credits for Cooperatives	57	65	101	152	214	179	215	274	309
Investment	359	395	2,103	2,314	523	573	560	555	601
Working capital	132	–	–	–	-	-	-	-	-
Mass Intensification Program (Bimas) [4]	91	–	–	–	-	-	-	-	-
Pres. Instruction on Market	196	–	–	–	-	-	-	-	-
Pension Credits	–	–	–	–	-	-	-	-	-
Viability Credits up to Rp75 million	–	–	–	–	-	-	-	-	-
Pres. Decree No. 14A/1980 Credits									
House Ownership Credits									
State Savings Bank (BTN)									
Customers	626	687	...	...	...	...	...	...	...
Outstanding	2,370	2,273	2,421	2,661	3,500	3,346	3,368	3,528	3,615
Credits for Student Dormitories	4	8	–	–	-	-	-	-	-
Smallholder Nucleus Estate	497	584	836	1,041	1,088	1,197	1,220	1,237	1,228
Rejuvenation, Rehabilitation, and Extension									
of Export Plantation (PRPTE)	181	157	28	24	141	146	145	10	6
House Ownership Credits (KPR)									
PT Papan Sejahtera									
Customers	17	23	25	27	30	...	...	...	...
Outstanding	236	242	225	229	268	...	...	...	...
Petty Trader Credits (Kredit Candak Kulak)									
Customers	17,046	17,110	–	–	-	-	-	-	-
Outstanding	15	15	–	–	-	-	-	-	-
Total	11,144	10,372	10,243	10,152	8,595	8,236	8,296	8,369	8,920

1) Includes credits extended by non-bank institutions
2) Prior to January 1994 consisted of mini and midi credits; further consisted of unsettled Kupedes and Mini and Midi credits.
3) Provided for motor-cycle ownership
4) Includes credits for farming (KUT)

Table 42
Outstanding Bank Credits in Rupiah and Foreign Currencies by Group of Banks and Economic Sector
(billion rupiah)

	March 31 1990	March 31 1991	March 31 1992	March 31 1993	March 31 1994	June 30 1994	Sep. 30 1994	Dec. 31 1994	Mar. 31 * 1995
1. State banks	**42,589**	**54,699**	**61,751**	**69,066**	**73,665**	**74,498**	**77,638**	**80,224**	**81,532**
Agriculture	5,318	6,450	7,744	8,559	10,089	10,715	10,864	10,673	11,098
Mining	451	580	568	498	214	172	248	397	535
Manufacturing	16,198	21,544	22,420	27,615	28,617	28,101	28,791	29,542	30,223
Trade	11,759	14,086	15,319	15,759	15,799	16,426	17,329	17,139	16,385
Services	5,287	7,110	8,402	11,249	10,943	11,919	12,677	14,088	14,451
Others	3,576	4,929	7,298	5,386	8,003	7,165	7,729	8,385	8,840
2. Private national banks	**22,684**	**35,641**	**42,300**	**42,465**	**64,612**	**71,658**	**78,728**	**88,663**	**93,141**
Agriculture	565	982	923	1,261	1,939	2,476	2,285	2,738	2,700
Mining	30	49	63	96	184	236	213	208	217
Manufacturing	4,241	6,526	8,315	10,064	15,174	15,818	17,515	19,360	20,322
Trade	9,786	13,351	13,959	14,021	19,362	20,521	21,406	23,179	24,760
Services	4,743	7,994	11,448	12,863	22,690	25,107	27,410	31,743	32,890
Others	3,319	6,739	7,592	4,160	5,263	7,500	9,899	11,435	12,252
3. Local government-owned banks	**1,814**	**2,512**	**2,628**	**2,941**	**3,528**	**3,764**	**4,162**	**4,371**	**4,305**
Agriculture	74	92	99	128	147	160	169	169	168
Mining	1	3	4	5	9	9	6	8	8
Manufacturing	144	180	158	261	269	276	283	314	322
Trade	602	747	836	850	845	886	905	903	903
Services	511	679	888	1,011	1,159	1,209	1,466	1,559	1,400
Others	482	811	643	686	1,099	1,225	1,333	1,418	1,504
4. Foreign and joint banks	**3,786**	**6,837**	**9,060**	**9,695**	**12,124**	**12,590**	**13,758**	**14,359**	**15,728**
Agriculture	25	105	133	179	277	205	259	235	272
Mining	37	13	95	125	216	205	157	147	153
Manufacturing	1,866	3,063	4,518	5,533	7,491	7,761	8,527	8,777	9,659
Trade	667	1,406	1,793	1,904	2,012	2,160	2,419	2,474	2,647
Services	661	1,331	1,009	751	1,296	1,373	1,456	1,913	2,114
Others	530	919	1,512	1,203	832	886	940	813	883
5. Sub-total (1 through 4)	**70,873**	**99,689**	**115,739**	**124,167**	**153,929**	**162,510**	**174,286**	**187,617**	**194,706**
Agriculture	5,982	7,629	8,899	10,127	12,452	13,556	13,577	13,815	14,238
Mining	519	645	730	724	623	621	624	760	913
Manufacturing	22,449	31,313	35,411	43,473	51,551	51,956	55,116	57,993	60,526
Trade	22,814	29,590	31,907	32,534	38,018	39,993	42,059	43,695	44,695
Services	11,202	17,114	21,747	25,874	36,088	39,608	43,009	49,303	50,855
Others	7,907	13,398	17,045	11,435	15,197	16,776	19,901	22,051	23,479
6. Bank Indonesia	**691**	**724**	**820**	**755**	**950**	**1,047**	**1,041**	**958**	**1,061**
7. Total (5 + 6)	**71,564**	**100,413**	**116,559**	**124,922**	**154,879**	**163,557**	**175,327**	**188,575**	**195,767**

Table 43
Interest Rates on Time Deposits in Rupiah and Foreign Currency
(percent per annum)

Maturity	March 1993		March 1994		March 1995*	
	Rupiah	Foreign currencies	Rupiah	Foreign currencies	Rupiah	Foreign currencies
State banks						
1 month	12,00–13,00	5,27–7,00	7,50–8,00	4,00–5,00	13,00–14,00	6,00–6,50
3 months	13,00–14,00	5,25–7,75	8,00–9,00	4,00–5,50	14,00–14,00	6,50–6,63
6 months	14,00–14,50	5,45–7,50	10,00–11,00	4,25–5,75	15,00–15,00	7,00–7,50
12 months	14,00–14,50	5,60–7,50	11,00–11,00	4,50–6,00	14,50–15,00	7,00–7,81
24 months	14,00–14,50		11,00–12,00		15,00–15,00	
Private national banks						
1 month	13,00–17,50	6,00–7,50	8,00–13,50	4,00–6,50	12,50–16,50	6,00–8,75
3 months	14,00–18,50	6,00–7,50	9,00–14,50	4,0625–6,75	13,00–17,00	6,00–9,00
6 months	14,50–19,00	6,00–8,00	10,50–15,00	4,125–6,75	13,50–18,00	6,25–9,00
12 months	14,50–19,00	6,00–7,75	10,50–15,00	4,125–6,75	14,50–18,00	6,25–9,00
24 months	15,00–15,00		10,50–10,50		16,00–16,00	
Foreign and joint banks						
1 month	10,50–13,00	2,00–5,00	7,25–10,00	1,25–4,25	9,50–13,50	2,00–6,00
3 months	10,50–13,50	2,25–5,13	7,25–10,50	1,75–4,38	9,75–13,50	2,50–6,25
6 months	10,50–14,00	2,25–5,25	7,50–10,50	2,00–4,50	9,50–14,50	3,00–6,75
12 months	10,50–14,00	2,50–5,50	7,50–11,00	2,25–4,63	10,0–14,50	3,50–7,25

Table 44
Interbank Call Money in Jakarta

Period		Value of transaction (billion rupiah)	Weighted average interest rate (percent per annum)
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 – December	9,323	14.50
1988 :	January – December	12,491	14.93
1989 :	January – December	22,906	12.40
1990 :	January – December		
1991 :	January – March	12,480	22.28
	April–June	11,572	13.82
	July–September	11,851	12.25
	October–December	12,517	12.64
1992 :	January – March	11,983	12.95
	April–June	13,705	12.24
	July–September	16,601	11.86
	October–December	15,516	11.54
1993 :	January – March	17,112	11.41
	April–June	26,067	10.03
	July–September	20,957	6.83
	October–December	25,970	7.15
1994 :	January	8,578	7.10
	February	8,252	7.53
	March	8,786	7.60
	January – March	25,616	7.44
	April	8,396	9.33
	May	8,780	9.16
	June	10,359	9.41
	April–June	27,535	9.31
	July	9,192	10.68
	August	8,911	10.54
	September	9,476	11,02
	July–September	27,579	10.75
	October	10,300	11.50
	November	9,920	11.48
	December	10,041	11.95
	October–December	30,261	11.64
1995 :	January	12,143	11.79
	February	11,216	13.45
	March*	10,093	13.13
	January–March*	33,452	12.75

Table 45
Certificates of Deposit [1)]
(billion rupiah)

End of period		State banks	Private banks [2)]	Total
1982		59	13	72
1983		352	22	374
1984		112	18	130
1985		279	42	321
1986		94	37	131
1987		69	132	201
1988		59	148	207
1989		64	102	166
1990 :	March	77	93	170
	June	66	110	176
	September	64	172	236
	December	121	236	357
1991 :	March	103	331	434
	June	171	958	1,129
	September	187	1,194	1,381
	December	222	1,160	1,382
1992 :	March	243	985	1,228
	June	161	740	901
	September	371	651	1,022
	December	456	554	1,010
1993 :	March	438	405	843
	June	374	463	837
	September	500	458	958
	December	528	469	997
1994 :	January	518	464	982
	February	406	435	841
	March	414	370	784
	April	408	364	772
	May	326	381	707
	June	259	446	705
	July	225	481	706
	August	157	449	606
	September	218	514	732
	October	241	625	867
	November	248	698	946
	December	245	970	1,215
1995 :	January	257	1,044	1,301
	February	260	1,327	1,587
	March *	330	1,396	1,726

1) Outstanding certicates of deposit represent the outstanding amount at the end of the previous period plus the amount sold and less the amount redeemed during the concerned period.
2) Prior to March 1985 represented outstanding certificates of deposit of foreign banks. Since March 1985 include outstanding certificates of deposit of private national commercial banks.

Table 46
Discount Rates on Certificates of Deposit
(percent per annum)

Maturity	1994				1995*
	March	June	September	December	March
1 month	6.96-11.50	8.00-12.00	8.00-13.25	8.00-15.00	9.25-15.50
3 months	7.50-13.00	8.25-13.00	8.25-14.00	8.25-15.50	9.50-16.00
6 months	8.00-13.50	9.00-13.00	9.00-14.00	9.25-15.75	9.50-16.50
12 months	9.00-13.50	10.00-13.00	10.00-14.00	10.25-16.00	10.00-16.50
24 months	-	-	-	-	-

Table 47
Issuance, Repayment, and Outstanding of Bank Indonesia Certificates (SBIs) 1)
(billion rupiah)

Period	Issuance	Cumulative	Repayment	Cumulative	Outstanding
1986/87					
April–March	7,141	15,469	8,374	15,308	161
1987/88					
April–March 2)	27,874	43,343	27,267	42,575	768
1988/89 3)					
April–March	35,629	78,972	34,027	76,602	2,370
1989/90					
April–March	49,478	128,450	49,632	126,234	2,216
1990/91	**32,299**	**160,749**	**25,101**	**151,335**	**9,414**
April–June	6,464	134,914	6,619	132,853	2,061
July–September	5,923	140,837	6,572	139,425	1,412
October–December	4,849	145,686	4,731	144,156	1,530
January–March 4)	15,063	160,749	7,179	151,335	9,414
1991/92	**57,728**	**218,477**	**55,903**	**207,238**	**11,239**
April–June	16,355	177,104	13,775	165,110	11,994
July–September	15,529	192,633	16,113	181,223	11,410
October–December	12,281	204,914	12,749	193,972	10,942
January–March	13,563	218,477	13,266	207,238	11,239
1992/93	**75,118**	**293,595**	**63,347**	**270,585**	**23,010**
April–June	13,073	231,550	8,770	216,008	15,542
July–September	16,272	247,822	13,832	229,840	17,982
October–December	18,988	266,810	16,371	246,211	20,599
January–March	31,517	298,327	29,106	275,317	23,010
1993/94	**149,240**	**447,567**	**152,479**	**427,796**	**19,771**
April–June	19,390	317,717	23,670	298,987	18,730
July–September	43,579	361,296	43,646	342,633	18,663
October–December	52,391	413,687	47,619	390,252	23,435
January–March	33,880	447,567	37,544	427,796	19,771
1994/95	**78,240**	**525,807**	**86,835**	**514,631**	**11,176**
April	5,742	453,309	8,120	435,916	17,393
May	5,934	459,243	7,278	443,194	16,049
June	5,083	464,326	5,894	449,088	15,238
July	4,388	468,714	5,212	454,300	14,414
August	5,749	474,463	5,387	459,687	14,776
September	6,855	481,318	7,540	467,227	14,091
October	6,562	487,880	7,114	474,341	13,539
November	11,938	499,818	11,226	485,567	14,251
December	5,987	505,805	5,184	490,751	15,054
January	8,147	513,952	11,014	501,765	12,187
February	4,026	517,978	5,715	507,480	10,498
March*	7,829	525,807	7,151	514,613	11,176

1) SBI was introduced in February, 1984.
2) The 7 day SBI started to be auctioned in July 1987.
3) The 180 day SBI was first issued in October 1988.
4) The 360-day SBI started to be issued on February 23, 1991.

Table 48
Discount Rates on Bank Indonesia Certificates 1)
(percent per annum)

Period	7 days	14 days	28 days	90 days	180 days	360 days
1986/87						
April–March	–	–	14.00	15.00	–	–
1987/88						
April–March	-	–	14.00–17.50	15.00–18.00	–	–
1988/89						
April–March	13.00–16.50	-	14.63–17.75	-	-	-
1989/90						
April–June	12.75–13.75	–	15.25–16.75	16.25–16.50	–	–
July–September	11.75–12.81	–	14.63–15.25	15.69–16.25	–	–
October–December	10.25–11.75	–	13.50–14.50	14.50–15.50	–	–
January–March	10.00–10.25	–	13.13–13.25	13.94–14.25	–	–
1990/91						
April–June	10.00–13.00	–	13.12–17.75	13.90–17.87	15.50–18.00	–
July–September	15.50–15.75	–	15.25–17.75	17.50–17.87	18.88–19.00	–
October–December	16.25–17.25	–	18.25–18.75	19.25–19.87	20.00–20.75	–
January–March 2)	17.75–24.00	–	19.25–25.00	20.00–26.00	20.75–26.00	22.00–26.00
1991/92						
April–June	18.00–18.00	18.47–18.50	20.00–19.00	20.50–20.00	20.50–20.00	21.50–21.00
July–September	17.38–17.38	17.88–17.88	18.50–18.50	19.63–19.63	19.88–19.88	20.88–20.88
October–December	17.38–17.38	17.88–17.88	18.50–18.50	19.63–19.63	19.88–19.88	20.88–20.50
January–March	17.00–17.00	17.50–17.50	17.88–18.00	18.88–19.00	19.88–19.50	20.50–20.00
1992/93						
April–June	16.00–15.00	16.50–15.50	17.00–16.00	17.50–16.50	18.00–17.00	18.50–17.50
July–September	14.00–13.50	14.50–14.00	16.00–15.00	16.45–15.50	17.00–16.00	17.50–16.50
October–December	13.00–13.00	13.50–13.50	14.00–13.50	14.25–13.75	14.50–14.00	14.50–14.00
January–March	12.00–11.50	12.50–12.00	13.00–12.50	13.25–13.00	13.50–13.00	13.50–13.25
1993/94						
April–June	11.50–6.00	12.00–6.25	12.50–930	12.75–9.08	13.12–11.00	13.50–11.00
July–September	10.13–5.88	10.50–6.00	10.75–7.00	10.25–8.00	11.00–8.95	12.00–11.50
October–December	10.00–6.50	10.25–8.00	10.37–8.25	10.62–9.25	11.50–9.50	12.50–9.87
January–March	8.75–5.00	9.00–7.12	9.62–7.75	10.25–8.37	10.00–9.00	10.50–9.50
1994/95						
April	8.00–6.50	8.62–7.25	9.12–8.00	10.62–8.25	11.50–11.00	11.75–11.25
M a y	8.87–7.75	12.50–9.00	9.75–9.12	11.75–10.00	–	–
June	9.50–8.12	10.00–8.62	10.00–9.00	11.75–10.50	12.00–10.75	–
July	9.62–8.25	10.00–9.50	10.88–10.00	12.25–12.20	–	12.25–11.87
August	10.12–8.50	10.75–10.00	10.88–10.00	–	–	12.75–11.75
September	10.00–6.50	10.75–9.75	11.00–10.62	11.75–11.75	12.25–12.25	12.25–12.25
October	10.50–9.50	11.00–10.50	12.00–10.87	12.37–12.00	–	–
November	11.00–10.00	11.25–10.50	12.25–11.00	12.75–12.00	13.00–12.50	13.25–12.50
December	11.50–11.00	12.00–11.00	12.75–11.75	12.67–12.67	13.00–13.00	–
January	12.00–10.00	12.50–11.12	13.00–11.50	13.75–12.75	13.50–13.50	13.75–13.75
February	13.25–10.00	13.25–12.50	14.00–12.75	13.75–13.50	14.00–13.95	14.25–14.25
March*	13.25–10.50	13.50–13.12	14.25–13.25	14.25–13.75	14.50–14.49	14.75–14.50

1) The 15-day SBI was first issued in October 1984 and stopped on May 15, 1985. The 7-day SBI was introduced on July 23, 1987. The 180-day SBI was first issued in October 1988.
2) The 360-day SBI started to be issued on February 23, 1991.

Table 49
Transaction of Money Market Securities
(billion rupiah)

Period	Buying	Selling	Outstanding
1987/88			
April–March	15,860	16,782	—
1988/89			
April–March	1,266	1,266	—
1988/89			
April–March	1,302	1,049	253
1990/91	**10,315**	**3,786**	**6,782**
April–June	1,856	2,109	—
July–September	—	—	—
October–December	—	—	—
January–March	8,459	1,677	6,782
1991/92	**17,319**	**19,905**	**4,196**
April–June	3,574	2,617	7,739
July–September	2,569	5,313	4,995
October–December	4,524	5,177	4,342
January–March	6,652	6,798	4,196
1992/93	**32,137**	**33,714**	**2,619**
April–June	4,788	6,176	2,808
July–September	7,221	8,034	1,995
October–December	10,459	9,634	2,820
January–March	9,669	9,870	2,619
1993/94	**24,421**	**24,408**	**2,732**
April–June	6,425	7,533	1,511
July–September	6,620	6,506	1,625
October–December	2,791	3,021	1,395
January–March	8,685	7,348	2,732
1994/95	**95,478**	**94,074**	**4,136**
April	7,455	6,032	4,155
M a y	4,426	5,489	3,092
June	4,857	4,609	3,340
July	6,267	5,948	3,659
August	6,357	7,159	2,857
September	9,947	9,433	3,371
October	7,912	8,469	2,814
November	5,157	5,777	2,194
December	6,558	4,913	3,839
January	5,980	7,155	2,664
February	10,319	9,242	3,741
March*	20,243	19,848	4,136

Table 50
Selected Manufacturing Products

Products	Units	1990/91	1991/92 r	1992/93 r	1993/94	1994/95*
Oil-based fuels 1)	million barrels	189.4	200.5	211.8	211.0	207.8
LNG	million MMBTUs	1,142.0	1,196.5	1,247.8	1,301.2	1,321.6
LPG	thousand tons	2,762.0	2,743.7	2,825.0	2,805.4	2,874.3
Plywood and sawn timber						
Plywood	thousand m3	8,370.0	8,500.0	9,200.0	9,330.0	9,387.5
Sawn timber	thousand m3	11,100.0	10,500.0	10,600.0	10,800.0	10,881.0
Fertilizer						
Urea fertlizer	thousand tons	5,131.2	4,881.2	5,026.4	5,253.6	5,043.1
ZA and TSP fertilizer	thousand tons	1,881.0	1,687.0	1,550.8	1,690.6	1,597.9
Cement	thousand tons	15,783.0	16,153,4	17,279.8	18,990.0	21,907.3
Pulp 2)	thousand tons	376.7	444.0	1,340.5	1,202.0	1,314.3
Paper	thousand tons	1,399.7	1,644.0	2,222.6	2,489.3	2,736.9
Textile and weaving yarn						
Textile	million meters	5,028.2	5,341.7	6,710.0	7,878.5	8,202.3
Weaving yarn	thousand bals	3,572.7	4,140.2	4,101.4	4,933.7	5,188.2
Clothes	million dozen	58.6	66.0	77.2	92.9	97.1
Staple fiber	thousand tons	177.0	216.2	333.2	403.5	449.9
Motor vehicle tires						
Automobile tires	thousand units	8,220.3	8,209.1	8,772.0	9,654.9	11,483.9
Motorcycle tires	thousand units	5,829.3	7,682.3	7,923.4	7,615.3	8,027.0
Basic metal						
Sponge iron	thousand tons	1,356.9	1,355.0	1,298.6	1,428.6	1,332.0
Steel ingot	thousand tons	1,988.1	2,091.1	2,267.3	2,416.8	2,051.9
Concrete steel bar	thousand tons	1391.3	1,310.6	1,297.9	1,381.0	1,503.4
Wire rod	thousand tons	537.0	445.5	522.1	526.0	671.6
Steel wire	thousand tons	155.7	170.5	187.5	198.0	207.9
Steel pipe	thousand tons	326.8	301.1	453.3	509.2	445.9
Galvanized iron sheet	thousand tons	171.9	48.6	285.6	309.1	368.0
Aluminum plate	thousand tons	47.2	40.7	42.9	44.1	46.5
Transportation means						
Automobiles	thousand unit	271.4	260.5	174.7	209.2	325.0
Motorcycles	thousand unit	410.0	435.6	457.3	454.8	781.4
Aircrafts	units	6.0	9.0	7.0	9.0	9.0
Helicopters	units	14.0	9.0	27.0	7.0	7.0
Steel vessels	thousand BRT	32.6	44.9	50.8	53.3	60.4
Others						
Clove cigarettes	billion pieces	139.3	125.0	134.2	135.5	139.1
White cigarettes	billion pieces	34.8	52.8	39.9	44.3	45.4
Refined coconut oil	thousand tons	490.4	540.3	586.6	639.4	661.4
Olein	thousand tons	968.9	980.5	1162.4	1249.6	1,505.5
Laundry soap	thousand tons	191.2	219.9	243.7	275.4	265.3
Detergent	thousand tons	212.6	233.9	243.9	261.0	282.9
Electric/telecommunication cords	thousand tons	72.4	82.0	93.9	107.3	105.2
Light bulbs/TL bulbs	million units	171.7	223.3	301.8	374.9	313.1
Radio and radio cassette recorders	thousand units	3,091.7	3,788.0	5,293.0	5,660.0	5,943.0
Car radio cassette recorders	thousand units	692.5	1,467.4	1,650.0	1,700.0	1,985.0
Television set	thousand units	1,082.0	1,581.1	1,856.0	1,476.0	1,549.8
Refrigerators	thousand units	158.9	213.3	237.0	279.6	248.9
Sewing machines	thousand units	29.3	28.8	52.1	62.0	53.4
Storage batteries	thousand units	7,980.2	9,500.0	10,300.0	11,600.0	12,180.0
Dry batteries	million units	1,158.4	1,224.1	1,380.6	1,463.4	1,536.5
Pesticide sprayers	thousand units	310.6	335.3	365.2	381.6	390.4
Hand tractors	units	6,330.0	10,000.0	9,350.0	9,350.0	9,817.5
Diesel engines	thousand units	49.7	51.8	71.0	71.0	74.5
Hullers	units	1,337.0	2,000.0	1,511.0	1,511.0	1,586.5
Sports shoes	million pairs	142.7	185.2	259.4	437.1	478.5
Leather shoes	million pairs	24.5	31.8	80.2	63.2	68.0

1) End of calendar year
2) Including integrated pulp industry
Sources : – Supplement to the President's Report to Parliament, Agustus 16,1994
– Ministry of Industry
– Ministry of Mining and Energy

Table 51
Selected Agricultural Products
(thousand ton)

	1990	1991[r]	1992[r]	1993	1994*
Foodstuffs					
Rice	29,366	29,048	31,357	31,318	30,059
Corn	6,734	6256	7,996	6,460	6,617
Cassava	15,830	15,954	16,516	17,285	15,000
Sweet potatoes	1,972	2,039	2,171	2,088	1,854
Peanuts	651	652	739	639	613
Soybeans	1,487	1,556	1,870	1,709	1,553
Mung beans	273	237	326	322	258
Cash crops					
Rubber	1,275	1,284	1,398	1,475	1,499
Smallholder	913	919	1,030	1,102	1,118
Estate	362	365	368	372	381
Copra	2,332	2,337	2,455	2,606	2,631
Palm oil	2,413	2,658	3,266	3,421	4,094
Palm kernels	504	551	559	602	602
Sugar cane	2,119	2,253	2,307	2,483	2,452
Tea	155	159	154	165	169
Smallholder	31	32	32	37	38
Estate	124	127	122	122	131
Coffee	413	419	437	439	446
Smallholder	384	390	409	410	416
Estate	29	29	28	29	30
Tobacco	156	161	112	121	140
Smallholder	152	157	110	119	137
Estate	4	4	2	2	3
Pepper	70	69	65	66	68
Nutmeg	16	17	17	21	24
Cloves	66	84	73	67	69
Cacao	156	161	112	258	271
Forestry					
Log 1)	26,128	23,810	27,460	26,848	22,821
Livestocks					
Meat	1,028	1,099	1,239	1,328	1,436
Egg	484	510	572	593	634
Milk 2)	346	360	367	413	434
Fishery					
Sea	2,370	2,505	2,692	2,837	2,993
Inland	793	807	851	907	957

1) Fiscal year, thousand cubic meters
2) Million liters
Sources :
- Supplement to the President's Report to Parliament, Agustus 16,1994
- Ministry of Agriculture
- Central Bureau of Statistics

Table 52
Output, Harvested Area, and Average Yield of Paddy and Secondary Crops

	1990	1991	1992	1993	1994*
Output (thousand tons)					
Paddy 1)	29,366	29,048	31,357	31,318	30,059
Corn (kernel)	6,734	6,256	7,996	6,460	6,617
Cassava	15,830	15,954	16,516	17,285	15,000
Sweet potatoes	1,972	2,039	2,171	2,088	1,854
Peanuts	651	652	739	639	613
Soybeans	1,487	1,556	1,870	1,709	1,553
Mung beans	273	237	326	322	258
Harvested area (thousand hectares)					
Paddy 1)	10,502	10,282	11,103	11,013	10,646
Corn (kernel)	3,158	2,909	3,629	2,940	3,040
Cassava	1,312	1,319	1,351	1,402	1,295
Sweet potatoes	209	214	230	224	197
Peanuts	635	628	720	624	629
Soybeans	1,334	1,368	1,666	1,470	1,406
Mung beans	346	301	393	374	294
Average yield (quintals per hectare)					
Paddy 1)	28.0	28.3	28.3	28.4	28.2
Corn (kernel)	21.3	21.5	22.0	22.0	21.8
Cassava	120.7	121.0	122.3	123.0	116.0
Sweet potatoes	94.0	95.3	94.4	93.0	94.0
Peanuts	10.2	10.4	10.3	10.2	9.8
Soybeans	11.2	11.4	11.2	11.6	11.1
Mung beans	7.9	7.9	8.3	8.6	8.8

1) Equivalent to rice
Source : – Supplement to the President's Report to Parliament, Agustus 16,1994
– Ministry of Agriculture

Table 53
Selected Mining and Quarrying Outputs [1)]

Outputs	Units	1990/91	1991/92 r	1992/93 r	1993/94	1994/95 *
Oil	million barrels	553.0	573.5	550.4	563.1	595.2
Crude oil	million barrels	486.5	507.0	483.4	493.7	521.8
Condensate	million barrels	66.5	66.2	64.7	64.4	73.4
Natural gas	billion cubic feet	2,206.9	2,495.4	2,614.1	2,715.9	2,972.8
Tin	thousand tons	30.1	30.5	29.3	30.4	30.6
Coal	thousand tons	10,731.5	16,551.8	23,684.4	28,364.7	28,601.8
Copper (concentrate)	thousand tons	499.2	720.8	905.6	959.3	1,065.5
Nickel						
Nickel ore	thousand tons	2,296.7	2,459.1	2,378.4	1,926.5	2,302.0
Ferro-nickel [2)]	thousand tons	5.1	5.9	5.4	5.3	5.8
Nickel matte [2)]	thousand tons	26.7	37.8	41.1	35.7	47.9
Bauxite	thousand tons	1,300.5	1,268.6	868.0	1,338.7	1,342.4
Gold	kilograms	12,095.0	19,657.3	40,325.4	43,908.8	42,595.1
Silver	kilograms	65,900.0	82,407.0	98,720.9	88,902.6	105,961.1

1) For 1994/95, all outputs other than oil natural gas were counted within calendar year
2) Indicating the amount of nickel content
Source : – Supplement to the President's Report to Parliament, Agustus 16,1994
– Ministry of Mining and Energy

Table 54
Transportation Means and Outputs

	Unit	1990/91	1991/92	1992/93	1993/94	1994/95*
Land transportation						
Motor vehicles [1]						
Buses	thousand units	438	447	542	610	713
Cargo vehicles	thousand units	1.307	1.338	1.405	1.462	1.474
Passenger vehicles	thousand units	1.641	1.701	1.729	1.864	1.917
Motorcycles	thousand units	8.387	8.637	8.714	9.120	9.177
Railway transportation						
Passengers	thousand persons	57.000	60.300	72.800	95.360	53.600
Passengers-km	thousand persons x km	9.238.500	9.617.300	1.0510.190	12.244.250	5.795.100
Cargo	thousand tons	12.700	13.800	14.980	15.680	7.870
Cargo-ton-km	thousand tons x km	3.377.800	3.464.300	3.780.510	3.955.720	1.577.170
River, lake, and ferry transportation						
Passengers	thousand persons	46.067	46.637	56.490	59.035	36.182
Cargo	thousand tons	11.953	12.903	19.340	26.156	11.304
Vehicles	thousand units	3.433	5.055	5.146	5.735	3.346
Sea transportation						
Ocean						
Vessels	units	28	27	27	25	25
Capacity	thousand DWT	354	347	347	322	322
Cargo	thousand tons	21.917	18.200	23.831	27.016	39.798
Interisland shipping						
Vessels	units	311	344	344	525	526
Capacity	thousand DWT	611	844	844	933	936
Cargo	thousand tons	10.126	10.632	14.762	15.233	15.235
Local shipping						
Vessels	units	1.097	1.119	1.119	453	453
Capacity	thousand DWT	158	180	180	117	117
Cargo	thousand tons	3.820	3.939	4.282	3.434	3.318
Traditional shipping						
Vessels	units	3.721	3.974	3.974	2.747	2.794
Capacity	thousand DWT	199	209	209	146	394
Cargo	thousand tons	3.000	3.174	6.105	6.410	6.421
Pioneer sailing services						
Vessels	units	26	26	26	30	34
Capacity	thousand DWT	16	15	16	31	27
Cargo	thousand tons	37	83	124	101	...
Air transportation						
Fleet	units	193	223	249	253	253
Outputs						
Passengers	thousand persons	9.226	10.069	11.049	12.268	21.828
Domestic flights	thousand persons	7.704	7.831	8.458	9.439	28
Overseas flights	thousand persons	1.522	2.238	2.591	2.829	21.800
Cargo	thousand tons	150	178	174	186	2.887
Domestic flights	thousand tons	96	99	92	96	2.229
Overseas flights	thousand tons	54	79	82	90	658

1) Cumulative figures
Source : – Supplement to the President's Report to Parliament, Agustus 16,1994
– Ministry of Communication

Table 55
Selected Indicators of Tourism

	Unit	1990	1991	1992	1993	1994*
Foreign tourists	**person**	**2,177,566**	**2,569,870**	**3,064,161**	**3,403,138**	**4,006,312**
Ports of entry						
Airports	area	13	13	13	23	23
Seaports	area	11	11	11	11	11
Tourist points of interest	**area**	**23**	**23**	**23**	**23**	**23**
Facility						
Star-rated hotel	unit	410	467	485	568	623
Number of rooms	unit	34,971	42,114	43,879	50,583	57,398
Occupation rate 1)	percent	63	55	53	52	52
Non-star-rated hotel 2)	unit	81,812	96,083	107,165	117,007	118,944
Travel agencies	**unit**	**1,089**	**1,197**	**1,341**	**1,539**	**1,705**

1) Since 1990 covers only 23 tourist points of interest.
2) Has more than 10 rooms
Source : Ministry of Tourism, Post, and Telecommunication, *Monthly Report*, January 1995

Table 56
Selected Indicators of Telecommunication

	Unit	1990r	1991r	1992r	1993	1994*
Telephone						
Central						
Automatic	unit	367	536	681	776	916
Manual	unit	421	293	182	146	108
Capacity						
Automatic	line unit	1,246,957	1,514,760	1,959,815	2,892,151	3,806,336
Manual	line unit	103,016	49,691	25,793	19,430	11,840
Capacity utilization						
Automatic	percent	78.9	79.8	75.8	62.0	62.4
Manual	percent	81.8	74.0	68.4	75.6	60.8
Public telephone	line unit	13,499	24,563	38,659	49,077	68,734
Motor-vehicle telephone networks						
Capacity	line unit	21,300	21,000	31,000	64,550	117,100
Subscription	line unit	18,096	4,336	17,100	32,476	55,733
Number of cities having STKB facility	city	5	9	...	...	...
Long-distance telephone subscription	line unit	785	785	...	...	...
Long-distance direct dialing coverage	city	181	236	...	...	...
International direct dialing coverage						
Cities of origin	city	95	115	115	115	...
Countries of destination	country	184	190	196	204	219
Telecommunication stalls	**unit**	**407**	**800**	**1,011**	**1,103**	**1,692**
Earth stations for supporting domestic satellite telecommunication	**unit**	**229**	**230**	**237**	**237**	**...**
Telex						
Central	unit	35	40	39	43	43
Capacity	line unit	20,850	29,477	31,644	30,220	30,430
Subscription	line unit	15,553	16,486	16,517	16,430	15,672
General telex offices	office	1,039	1,111	1,382	1,572	2,146
Package data communication networks						
Central	unit	7	7	16	16	16
Capacity	line unit	704	704	984	984	984
Subscription	line unit	456	585	607	650	592

Source : Ministry of Tourism, Post, and Telecommunication, *Monthly Report*, January 1995

Table 57
PLN Installed Capacity
(MW)

	Generators						Total
	Water powered	Steam powered	Gas and Steam powered	Diesel powered	Gas powered	Geothermal powered	
1990/91	2,095	3,941	–	1,869	1,230	140	9,275
1991/92	2,115	3,941	120	1,946	1,094	140	9,236
1992/93	2,178	3,941	1,312	2,059	1,223	140	10,853
1993/94	2,178	3,891	1,817	2,097	1,243	140	13,569
1994/95*	. . .	. . .	. . .	. . .	. . .		. . .

*) Up to November 1994
Source : State Electric Company (PLN)

Table 58
Electric Power Production
(million KWH) 1)

	PLN	Non-PLN	Total
1990/91	34,012	856	34,868
1991/92	37,894	843	38,737
1992/93	40,877	1,057	41,934
1993/94	45,469	1,250	46,719
1994/95*	34,176	953	35,130

1) Only distributed by PLN to general public
*) Up to November 1994
Source : State Electric Company (PLN)

Table 59
Distribution of Population by Major Island [1)]

	1971		1980		1990		1994 [2)]	
	Number of population (thousand person)	Share (%)	Number of population (thousand person)	Share (%)	Number of population (thousand person)	Share (%)	Number of population (thousand person)	Share (%)
Jawa	**76,086.3**	**63.83**	**91,269.5**	**61.88**	**107,573.7**	**59.99**	**113,267**	**58.9**
Outside Jawa	**43,121.9**	**36.17**	**56,220.8**	**38.12**	**71,747.9**	**40.01**	**78,949**	**41.1**
Sumatera	20,808.1	17.46	28,016.2	19.00	36,455.3	20.33	40,330	21.0
Kalimantan	5,154.8	4.32	6,723.1	4.56	9,109.8	5.08	10,264	5.3
Sulawesi	8,526.9	7.15	10,409.5	7.06	12,521.4	6.98	13,567	7.1
Nusa Tenggara	6,619.1	5.55	8,487.1	5.75	10,163.9	5.67	10,855	5.6
Others	2,013.0	1.69	2,584.9	1.75	3,497.5	1.95	3,933	2.1
Indonesia	**119,208.2**	**100.00**	**147,490.3**	**100.00**	**179,321.6**	**100.00**	**192,216**	**100.0**

1) Based on population census in September 1971, October 1980, and October 1990
2) Estimates
Source : Central Bureau of Statistics

Table 60
Manpower Condition
(thousand persons)

	1989	1990	1991	1992	1993
Working population [1]	132,905.3	135,714.3	137,310.2	140,774.5	143,792.2
Labor force	75,507.9	77,802.1	78,455.5	80,704.0	81,446.0
By age					
10 – 14	2,724.6	2,450.6	2,231.6	2,304.0	2,158.3
15 – 19	7,860.2	7,899.3	7,885.1	7,487.4	7,114.2
20 – 24	8,563.6	9,478.0	9,722.1	8,857.8	8,925.1
25 – 29	9,213.4	10,493.	10,928.8	10,302.7	10,182.6
30 – 34	9,170.8	9,767.9	10,264.0	10,467.7	10,445.9
35 – 39	8,996.1	9,415.1	9,632.8	9,874.2	10,201.5
40 – 44	6,982.5	7,019.4	6,973.1	7,591.7	8,101.5
45 – 49	6,858.9	6,708.6	6,318.4	6,430.6	6,607.3
50 – 54	5,659.7	5,450.3	5,406.5	5,716.4	5,822.4
55 – 59	4,066.2	3,824.4	3,703.1	3,778.7	3,912.5
60 – 64	2,806.0	2,760.0	2,803.5	2,942.9	3,008.2
65+	2,623.9	2,534.8	2,583.4	2,763.3	2,721.0
By working sector and Job Seeker					
Working sector	73,424.8	75,850.6	76,423.3	78,518.4	79,200.5
– Agriculture	41,284.2	42,378.3	41,205.8	42,153.2	40,071.8
– Mining	448.9	528.2	564.7	524.9	653.3
– Manufacturing	7,334.9	7,693.3	7,946.4	8,255.5	8,784.3
– Electricity. gas. and water	125.3	134.7	150.7	162.4	171.6
– Construction	1,828.6	2,059.5	2,436.6	2,514.7	2,810.3
– Trade	10,890	11,067.4	11,430.7	11,746.8	12,508.1
– Transportation	2,192.1	2,312.5	2,493.4	2,573.8	2,931.3
– Finance	396.5	478.4	516.1	574.6	565.0
– Public services	8,869.1	9,070.3	9,530.0	9,911.6	10,566.4
– Others	54.5	128.0	149.0	100.6	138.4
Job Seeker	2,083.2	1,951.7	2,032.4	2,185.6	2,245.5
Not-economically active	57,397.4	57,912.2	58,854.7	60,070.5	62,346.2

1) Population of 10 years of age and over
Source : Central Bureau of Statistics

Table 61
Monthly Average Wages by Economic Sector
(thousand rupiah)

	Average minimum wage			Average maximum wage		
	1992	1993	1994*	1992	1993	1994*
Plantation	145	170	240	1,747	1,835	1,835
Mining	410	414	414	3,909	3,998	4,495
Manufacturing	187	195	195	2,620	2,920	2,920
Construction	254	290	290	2,263	2,656	2,656
Electricity	151	155	173	1,308	2,643	2,744
Trade/bank & insurance	301	305	326	3,162	3,733	4,506
Transportation	213	223	467	2,688	2,805	4,311
Services	235	235	235	2,271	2,271	2,509
Others	69	69	...	462	462	...

Source : Ministry of Manpower

Table 62
Birth Control Clinics and Target and Realization of New and Active Participants of Family Planning Program

	Birth control clinics	New participants			Active participants 1)		
		Target	Realization	%	Target	Realization	%
		(thousand persons)			(thousand persons)		
1989/90	9,674	4,582.8	4,284.3	93.5	19,079.7	18,525.3	97.1
1990/91	10,206	4,612.9	4,478.7	97.1	19,805.2	18,771.8	94.8
1991/92	11,641	4,668.8	4,504.0	96.5	21,017.4	20,262.9	96.4
1992/93	12,086	4,724.2	4,366.0	92.4	21,507.7	21,378.7	99.4
1993/94*	. . .	4,915.2	3,477.2	70.7	22,685.7	21,950.3	96.8

1) End of period
Source : National Family Planning Program Coordinating Board

Table 63
Transmigration Program
(families)

	Target	Realization		Total
		Official	Spontaneous	
1989/90	27,000	7,340	19,193	26,533
1990/91	60,000	21,498	28,554	50,052
1991/92	70,000	25,896	35,877	61,773
1992/93	60,000	21,123	38,079	59,202
1993/94*	50,000	19,007	30,433	49,440

Source : – Supplement to the President's Report to Parliament, August 16, 1994
– Ministry of Transmigration

Table 64
Selected Indicators of Cooperatives

	Units	1989	1990	1991	1992r	1993
Number of cooperatives	units	36,147	36,502	37,858	40,760	42,061
Village Unit Cooperatives (KUD)	units	8,276	8,334	8,535	8,721	8,873
– Self-supporting KUD	units	544	885	1,381	1,320	4,934
Non-KUD	units	27,871	28,168	29,323	32,039	33,188
Membership	thousand person	25,601	29,134	32,912	33,719	36,664
KUD	thousand person	17,903	18,355	20,433	20,506	21,354
– Self-supporting KUD	thousand person	1,430	...	...	...	...
Non-KUD	thousand person	7,698	10,779	12,479	13,213	15,310
Number of cooperatives' management, members, and management trainees	thousand person	9.5	18.4	10.4	12.5	14.2
Savings	billion rupiah	518.0	638.0	706.2	1,421.2	1,803.3
Capital	billion rupiah	1,242.9	1,574.6	1,796.0	2,826.0	3,589.0
Total assets	billion rupiah	3,284.1	3,543.3	4,278.0	6,813.5	9,496.3
Bank credits to cooperatives 1)	billion rupiah	416.0	460.0	2,114.0	2,445.0	5,843.6
Investment	billion rupiah	57.0	65.0	101.0	151.0	586.9
Working capital	billion rupiah	359.0	395.0	2,013.0	2,304.0	5,256.7

1) Outstanding amount at end of the reporting year
Source : – Supplement to the President's Report to Parliament, August 16, 1994
– Ministry of Cooperatives
– Bank Indonesia

Table 65
Activities of Cooperatives (KUDs)

Activities	Units	1990	1991	1992	1993	1994*
Food procurement (paddy/rice)						
KUDs	unit	2,124	2,126	2,386	2,274	2,307
Total purchase (rice)	million tons	1.2	1.4	2.2	1.8	1.0
Fertilizer procurement and distribution						
KUDs	unit	2,696	2,923	3,013	3,174	2,473
Total amount accepted	million tons	5.4	5.1	4.9	4.6	...
Total amount distributed	million tons	4.3	4.1	4.3	4.0	0.8
Pesticides distribution						
KUDs	unit	76	...	...	...	...
Total amount accepted	million liters	1.6	...	...	...	...
Total amount distributed	million liters	1.5	...	...	...	...
Copra marketing						
KUDs	unit	129	163	146	175	...
Volume						
purchase	thousand tons	28.4	45.9	47.5	45.5	...
sales	thousand tons	27.5	42.9	47.1	45.5	...
Cloves marketing						
KUDs	unit	546	832	725	671	903
Volume						
purchase	thousand tons	1.6	143.6	142.1	53.9	129.7
sales	thousand tons	0.5	142.2	142.1	53.9	129.7
Livestock farm						
Cooperatives	unit	568	568	591	623	203
Membership	thousand persons	56.0	57.1	57.2	59.0	74.0
Total assets	billion rupiah	105.7	110.9	113.1	175.6	15.9
Dairy farm						
Cooperatives/KUDs	unit	196	201	203	203	...
Membership	thousand persons	98.0	74.6	74.0	74.0	...
Milch cows	thousand heads	258.0	248.0	260.0	267.4	...
Milk collected	million liters	257.0	253.3	267.6	297.4	...
Fishery						
Cooperatives	unit	726	730	734	739	...
Membership	thousand persons	779.1	781.3	803.3	804.4	...
Total assets	billion rupiah	141.1	148.1	162.6	173.2	...
Handicraft						
Cooperatives	unit	1.148	1.173	1.232	1.236	...
Membership	thousand persons	150.4	157.2	165.0	201.6	...
Total assets	billion rupiah	205.2	270.4	283.9	314.2	...
Electricity distribution						
Cooperatives/KUDs	unit	1,580	1,656	2,305	2,685	2,926
Customers	thousand customers	3,209.2	4,687.6	7,097.5	10,069.0	10,392.1
Villages	unit	10,112.0	12,118.0	15,485.0	15,606.0	20,728.0
Credits to petty traders						
Cooperatives	unit	5,679	5,979	...	...	...
Credits	billion rupiah	256.3	263.8	...	...	...
Customers	million persons	17.0	17.2	...	...	...

Source : – Supplement to the President's Report to Parliament, August 16, 1994
– Bank Indonesia