BANK INDONESIA

REPORT FOR THE FINANCIAL YEAR 1995/96

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SYMBOLS, 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
Rp	Rupiah

Reporting period is the fiscal year, from April 1, 1995 to March 31, 1996.
Source of data is Bank Indonesia, unless mentioned otherwise.

LIST OF ABBREVIATIONS

ADB	Asian Development Bank
ADF	Asian Development Fund
AELM	APEC Economic Leaders Meeting
AFAS	ASEAN Framework Agreement on Services
AFTA	ASEAN Free Trade Area
APBN	State Budget *(Anggaran Pendapatan dan Belanja Negara)*
APEC	Asia-Pacific Economic Cooperation
Apkindo	Indonesian Wood Panel Association *(Asosiasi Panel Kayu Indonesia)*
ASEAN	Association of South-east Asian Nations
ASEM	Asian-European Meeting
ATM	Automated Teller Machine
Bapepam	Capital Market Supervisory Agency *(Badan Pengawas Pasar Modal)*
BIS	Bank for International Settlements
BKD	Rural Credit Agency *(Badan Kredit Desa)*
BLS	Baseline Economic Survey
BPR	Rural Credit Bank *(Bank Perkreditan Rakyat)*
Bulog	State Logistics Agency *(Badan Urusan Logistik)*
BUMN	State-owned Enterprise *(Badan Usaha Milik Negara)*
CGI	Consultative Group for Indonesia
CN	Credit Note
CP	Commercial Paper
CPI	Cunsumer Price Index
CPO	Crude Palm Oil
CSF	Currency Stabilization Funds
DN	Debit Note
DNS	Deferred Net Settlement
DSR	Debt Service Ratio
DVPS	Delivery versus Payment System
EFM	Emergency Financing Mechanism
EFT	Electronic Fund Transfer
EPTE	Export Oriented Production Entrepot *(Entrepot Produksi untuk Tujuan Ekspor)*
FKP-PUK	Banking Communication Forum - Small Enterprise Development *(Forum Komunikasi Perbankan untuk Pengembangan Usaha Kecil)*
GAB	General Agreement to Borrow

GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GWM	Statutory Reserve Requirement *(Giro Wajib Minimum)*
HVPS	High Value Payment System
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Islamic Development Bank
IDT	Presidential Instruction on subsidies for least developed village *(Inpres Desa Tertinggal)*
IGA	Investment Guarantee Agreement
IMF	International Monetary Fund
JATS	Jakarta Automated Trading System
JSX	Jakarta Stock Exchange
KKPA	Primary Cooperative Credit for Member scheme *(Kredit Koperasi Primer untuk Anggota)*
KKUD	Credit to Village Unit Cooperative *(Kredit kepada Koperasi Unit Desa)*
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
LPI	Preliminary Feasibility Study *(Laporan Peluang Investasi)*
LPK	Bankable Proposal *(Laporan Permohonan Kredit)*
LP2K	Bankable Proposal Appraisal *(Laporan Penilaian Permohonan Kredit)*
LPSM	Self-help Promotion Institution *(Lembaga Pengembangan Swadaya Masyarakat)*
LVPS	Low Value Payment System
MDF	Medium Density Fibreboard
MMBTU	*Mille Mille* (million) British Thermal Unit
MW	Megawatt
MWh	Megawatt/hour
NIEs	Newly Industrializing Economies
NMP	Net Material Product
NPS	National Payment System
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development

OECF	Overseas Economic Cooperation Fund
OPEC	Organization of Petroleum Exporting Countries
Pefindo	Indonesian Rating Agency *(PT Pemeringkat Efek Indonesia)*
PER	Price Earning Ratio
PHBK	Linking Bank and Self-help Group Project *(Proyek Hubungan Bank dengan KSM)*
PIBS	Parallel Information Bond System
PJP	Long-term Development *(Pembangunan Jangka Panjang)*
PKL	Field Consultancy Worker *(Petugas Konsultasi Lapangan)*
PKLN	Commercial Offshore Loan *(Pinjaman Komersial Luar Negeri)*
PKM	Micro-credit Project *(Proyek Kredit Mikro)*
PKUKT	Runway Case Project *(Proyek Kemitraan Usaha Kecil Terpadu)*
PLN	State Electric Company *(Perusahaan Umum Listrik Negara)*
PLTD	Diesel-powered electric plant center *(Pusat Listrik Tenaga Diesel)*
PLTU	Hydrothermal electric plant center *(Pusat Listrik Tenaga Gas/Uap)*
PMA	Foreign Direct Investment *(Penanaman Modal Asing)*
PMDN	Domestic Investment *(Penanaman Modal Dalam Negeri)*
Repelita	Five-year Development Plan *(Rencana Pembangunan Lima Tahun)*
Repo	Repurchase Agreement
RR	Reserve requirement
SBI	Bank Indonesia Certificate *(Sertifikat Bank Indonesia)*
SBPT	Advice *(Surat Bukti Penerimaan Transfer)*
SBPU	Money Market Securities *(Surat Berharga Pasar Uang)*
SDR	Special Drawing Rights
SIBOR	Singapore Interbank Offered Rate
SNA	System of National Account
SSE	Surabaya Stock Exchange
SWIFT	Society for Worldwide Interbank Financial Telecommunication
ToF	Training of Facilitators
ToT	Training of Trainers
UPUK	Local Enterprise Development Unit *(Unit Pengembangan Usaha Kecil)*
USD	United States Dollar
WBUT	Bank Draft *(Wesel Bayar untuk Transfer)*
WTO	World Trade Organization
ZA	Zinc Amonium

MANAGEMENT OF BANK INDONESIA
as of March 31, 1996

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 Rasyid (Managing Director), and Paul Soetopo Tjokronegoro (Managing Director).

FOREWORD

With thanks to God Almighty, I am pleased to present the 1995/ 96 Bank Indonesia Annual Report pursuant to Article 46, Act No. 13,1968 on the Central Bank. This report covers comprehensively various key economic and financial developments in Indonesia as well as policies adopted in the preceding year. The annual report also present Indonesia's economic prospects and future policy directions.

Fiscal year 1995/96 was the second year of the sixth five-year development plan (Repelita VI). In retrospect, we have witnessed various important developments that took place in the real and monetary sectors as well as on the domestic and external front. Furthermore, it is evident that global economic trends are increasingly moving toward intensive international trade and investment flows, faster world financial market integration, and greater significance of the private sector as a prime mover of the economy. As a result, international as well as domestic economic financial relations are becoming more complex, with the consequent implication that economic-monetary management has become more complicated and multivarious. These have been the experience of Indonesia as well as the prospects facing Indonesia an open economy which is increasingly integrated with the world economy. It is both a challenge and an opportunity for us in the management of the macroeconomy at the present time and in the future.

Several major developments deserve particular emphasis as they colored Indonesia's economy in fiscal year 1995/96 and were the factors underlying various policies adopted. Overall, Indonesia's economic development in fiscal year 1995/96 showed heartening growth. The previous year's economic growth of 8.1% reflected the dynamism of the economy. Robust expansion has effectively stimulated greater employment opportunities and optimized the allocation and utilization of resources. This high growth rate, however, signifies developments which are of particular concern to the monetary authority. The national economy has exhibited signs of overheating as reflected in the high inflation rate and the rising current account deficit. A prolongation of this symptom is an indication that the economic growth faced production capacity constraints. Expenditure overruns and high import growth which outpaced export growth, cannot be allowed to continue indefinitely.

In fiscal year 1995/96, the robust domestic demand led to strong inflationary pressures. Furthermore, the supply side encountered substantial setbacks including adverse weather conditions, distribution problems, and high production costs, which also contributed to the strong inflationary pressures. As a result, the inflation level rose from 8.57% to 8.86% in fiscal year 1995/96, above the 5% annual target of Repelita VI. In view of the circumstance, the government will persist in its efforts to contain the inflation rate to its target through policies aimed at influencing the supply as well as demand side.

On the external side, Indonesia's balance of payments experienced substantial pressures, particularly in the current account. The buoyant domestic economy has brought about strong non-oil/gas import growth of 19.8% while non-oil/gas exports only grew 13.9%. This development caused the current account deficit to rise substantially from 2% of GDP to 3.3% in 1995/96. The high import rate is a cause for concern in view that it surpassed export capacity to earn foreign exchange, thus widening the current account deficit. For a sustainable current account deficit, the Government will continue to persevere to maintain the ratio at approximately 2%. Nonetheless, the overall balance of payments remained secure as the current account deficit was completely financed by increasing capital inflows, thereby maintaining foreign exchange reserves equivalent to 4-5 months non-oil/gas imports.

In the banking sector, Indonesian banks showed strong credit expansion of 23.6% in 1995/96. Along with this expansion, the consolidation process proceeds steadily, contributing to the rising profitability and efficiency of banking businesses. Bank efforts to comply with prudential principles also improved, as measured by the loan to deposit ratio (LDR), net open position (NOP) and the legal lending limit (LLL). Nevertheless, compliance to the capital adequacy ratio (CAR) declined on average owing to strong bank credit expansion. With the progress of consolidation process, it is expected that national banks will be better prepared to compete with foreign banks.

As the dynamics of the existing problems have become more complex, in 1995/96, the Government continued to adopt policies aimed at facilitating the business community to adjust to this new environment. In the real sector, the government pressed ahead with various adjustment measures to promote the competitiveness of Indonesia's businesses through deregulation policies. In the monetary sector, *Bank Indonesia continued to enhance the effectiveness of existing monetary instruments as monetary management may no longer rely on only a single monetary instrument. Hence, besides promoting the effectiveness of open market operations, Bank Indonesia also activated and improved the effectiveness of other instruments. In this regard, adjustment of the reserve requirement to statutory reserves, widening of the conversion rate spread, setting the intervention band and the use of active moral suasion such as requiring banks to submit annual credit plans to Bank Indonesia, were measures that have been taken to diversify monetary instruments. To reinforce the effectiveness of monetary management, Bank Indonesia has also begun to involve itself in the supervision of financial institutions since last fiscal year. The above measures were supported by efforts to maintain exchange rate stability in which Bank Indonesia has cooperated with six monetary authorities in the Asia Pacific region and signed securities repurchase agreements.*

Looking ahead, future challenges will undoubtedly be greater. Nonetheless, in view of the existing fundamental factors, as well as robust world economic development, we are optimistic that we will be able to sustain our economic performance. Strong investment growth in line with the Government's persistent efforts to faster a conducive business climate through various' adjustment policies are expected to continue to stimulate domestic demand. Meanwhile, improved world economy, particularly in developed industrial countries, is expected to boost Indonesia's export growth.

Macroeconomic stability continues to be the highest priority on the Government's economic policy agenda. Efforts will be extended to lessen economic overheating by managing the inflation level and reducing the current account deficit, particularly by increasing export. As one of the key responsibilities of Bank Indonesia is to preserve stability, Bank Indonesia will continue to enhance the effectiveness of monetary management to contain demand as well as the present burgeoning current account deficit without jeopardizing stability. In part, this will be accomplished through the management of foreign borrowing and foreign exchange reserves. In the long run, however, we must guard against the widening of the national saving-investment gap. This represents the challenge for present as well as future monetary and banking policies which constitute part of prudent macro policies.

Finally, I hope that the 1995/96 Bank Indonesia Annual Report will be useful *to the public who wish to know in depth about developments in the area of economics, finance, and banking as well as regarding various problems faced and policies adopted to overcome those problems.*

On behalf of the Board of Directors of Bank Indonesia, I would like to thank all parties who have assisted and cooperated in the production of this annual report. I hope that the cooperation and mutual understanding of all parties involved in the completion of this report will always be maintained, and improved in the future.

Jakarta, May 1996
The Governor of Bank Indonesia

J. Soedradjad Djiwandono

1. INDONESIAN ECONOMY

The Indonesian economy showed increasingly rapid development in 1995/96. The accelerating economic performance since mid 1994 was further stimulated by various developments especially within the country. Stable macroeconomic conditions and sound economic fundamentals in the country were the underlying factors that triggered the expansion in domestic demand. Improvements in the business climate through deregulation measures, especially in investment, accompanied by rising business confidence in the economic prospects of Indonesia, were the major factors behind the investment boom in the reporting year. Furthermore, another prominent factor was the higher purchasing power per capita as a positive effect of the relatively high national income growth in the last few years. This has stimulated private consumption which in turn spurred further economic expansion in 1995.

On the financial side, financial institutions, in particular banks which have been preoccupied with various consolidation efforts in the last few years, were increasingly ready to support economic activity in the reporting year. In line with this development, bank credit grew rapidly although interest rates were relatively higher than in 1994. The gap between funds mobilized and credit extended by banks widened in the beginning of the reporting year.

Strong demand for liquidity has caused banks to increase deposit interest rate which, in turn, enabled banks to mobilize funds from the public and other sources within the country. Relatively tight monetary situation also encouraged economic agents, including banks, to source for funds abroad, which was further stimulated by the widening interest rate differentials as international rates tended to decline in 1995. Following these developments and bullish capital market performance, capital inflows on the whole rose steeply in the reporting year. Toward the end of the reporting year, the gap between funds and bank credit narrowed again.

Rapid economic developments that were spurred by the domestic demand have stimulated economic growth to 8.1% in 1995 and increased the GDP per capita to $1,023.00. However, the high economic growth was followed by economic overheating tendencies. Buoyant investment and consumption activities have caused sharp increases in several economic sectors, such as the construction sector and the manufacturing sector, especially cement, paper, and automotive industries. Capacity utilization in these sectors reached high levels and symptoms of price increases of some domestic products began to appear. The relatively unfavorable agriculture production and disturbances in the distribution system have further exacerbated pressures on supply. As a consequence, inflationary pressures remained high and the inflation rate in 1995/96 reached 8.9%. The strong domestic demand was also reflected in Indonesia's external position. Rising demand that was not fully balanced by rising domestic production ultimately had to be met by import which surged substantially in the reporting year. With relatively slow export growth owing to various factors on the demand as well as supply side, the current account deficit rose steeply from 2.0% of the GDP to 3.3% of the GDP in 1995/96.

In order to cool down the overheating tendencies, the Government adopted integrated economic policies, encompassing macro as well as sectoral aspects. At the macrolevel, policies were aimed at managing the accelerating domestic demand in the reporting year. To that effect, in the fiscal area, the Government attempted to further raise revenues and enhance financial operation by earmarking expenditures toward infrastructure development and poverty alleviation. Furthermore, the Government also attempted to control import growth by reviewing government and state enterprise projects. In the monetary and banking area, policies were aimed at controlling sources of money supply expansion, particularly bank credit. The prevailing rates on monetary instruments continued to be maintained although international interest rates tended to decline. Moreover, Bank Indonesia also extended moral suasion efforts to urge banks to slow down credit expansion, especially in the property sector. This measure was followed by regulations that required banks to submit their credit expansion plans for 1996 to Bank Indonesia to be examined on the aspect of bank prudential principles. Efforts to manage credit expansion were also supported by new regulations requiring higher paid-in capital for foreign exchange banks and the implementation of statutory reserve requirement for commercial banks. These steps were strengthened by the widening spread of conversion rate and setting the limits of the intervention band. At the sectoral level, policies were aimed at raising efficiency and productivity on the supply side by fostering a more conducive business climate and providing better facilities and incentives, particularly for export-related activities. This two-pronged economic policy strategy will be able to avert excessive domestic demand while improved competitiveness and supply response will stimulate export. As the sources of growth become more balanced, the foundation of economic development will be more solid to support a sustainable expansion of economic activity.

International Background

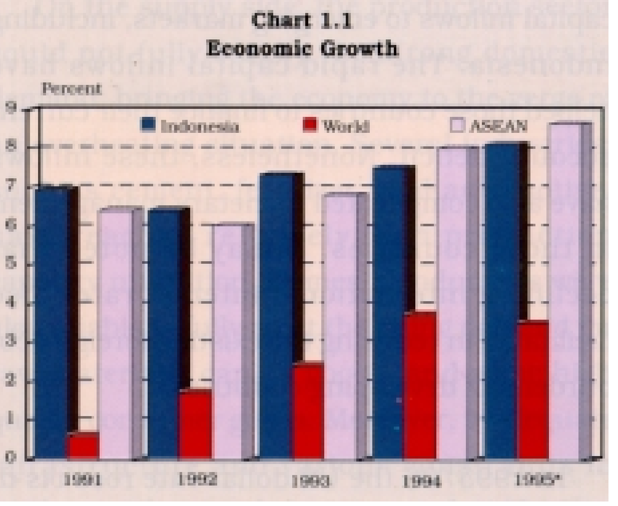
World economic situation in 1995/96 continued to show positive developments. World economy and trade volume rose at relatively high levels. These have created opportunities for export activities in Indonesia although they were simultaneously followed by increasingly intense competition from countries such as China, India, Pakistan, and Vietnam.

In 1995, world economic activity and trade volume grew by 3.5% and 8.5% respectively. Although slightly lower compared with the previous year, the persistently high world economic development is noteworthy since it was based on a more solid foundation (Table 1.1). Much of the expansion was due to the success of stabilization and economic reforms, particularly in countries in-transition, and the consistency of developing countries in implementing prudent macroeconomic and structural adjustment policies. Due to these positive efforts, the inflation rate in developing countries declined steeply from 48.0% to 19.9% although the inflation rate of industrial countries rose slightly. It is noteworthy that despite declining moderately, economic growth of developing countries in Asia was still relatively high at 8.4% while those of ASEAN countries rose from 8.5% to 8.7% (Chart 1.1).

Table 1.1
Selected World Economic Indicators

Indicator	1993r	1994r	1995*
Economic Growth (%)			
World	2.4	3.7	3.5
Industrial countries	0.8	2.8	2.1
Developing countries	6.2	6.4	5.8
Countries-in-transition	-8.5	-8.8	-1.4
Inflation Rates (%)			
Industrial countries	2.9	2.3	2.4
Developing countries	42.4	48.0	19.9
World Trade Volume (% growth)	3.9	9.0	8.5
	1993/94	**1994/95**	**1995/96***
World Trade Prices (% change)			
Manufactured goods	-6.3	3.3	9.6
Primary non-oil/gas commodities	1.8	13.6	8.5
Oil	-11.6	-5.5	8.0
Interest Rates in Industrial Countries (%)			
Short-term (3 month-LIBOR)	3.4	6.5	5.6
Long-term	6.5	7.1	6.9
Yen/Dollar Exchange Rate	111.2	102.2	94.1

Sources : - IMF, *World Economic Outlook*, March 1996
- Reuter



International monetary situation was marked by declining interest rates and the surge of capital inflows to developing countries, as well as the strengthening of the US dollar to the Japanese yen. Following tight monetary policies adopted in the previous period which successfully contained inflation rates, central banks in major industrial countries began to ease their monetary policies by lowering interest rates in stages. On the other hand, tight monetary policies were adopted in emerging markets to cool down the economy by maintaining relatively high interest rates. This situation has encouraged capital inflows to emerging markets, including Indonesia. The rapid capital inflows have helped those countries to finance their current account deficit. Nonetheless, these inflows have also complicated monetary management in those countries. It may be noted that declining international interest rates also facilitated in reducing the existing foreign debt burdens of developing countries.

In 1995/96 the US dollar rate rose *vis-a-vis* the Japanese yen, after dropping drastically in the previous period. Excessive concerns regarding the inflation level and the current account deficit of the United States following the Mexican crisis have prompted the weakening of the dollar's exchange rate against yen to below ¥80 at the beginning of the reporting period. Nonetheless, in line with the accord of the group of G-7 countries and economic turnaround of the United States, the dollar's exchange rate in terms of yen began to strengthen again since July 1995 and reached ¥107 at the end of the reporting period. For Indonesia, the weaker yen against the dollar has decreased the burden on principal and interest payments of Indonesia's foreign debt because part of the debt is denominated in yen.

The year 1995/96 also witnessed stronger international cooperation to create freer world trade. In November 1995 in Osaka, Japan, countries of the Asia Pacific Economic Cooperation (APEC) agreed on an Initial Action as a first step toward the creation of a free trade and investment area in the next 25 years. In the ASEAN countries, ASEAN leaders also reconfirmed their commitment to speed up the implementation of the ASEAN Free Trade Area (AFTA) that was originally set at the latest by 2008 to 2003. This trade agreement incorporates trade in services, covering financial services as outlined in the ASEAN Framework Agreement on Services (AFAS). In the meantime, in anticipation of the potential of Asia as a world economic growth center, leaders of European and Asian countries held a meeting in Bangkok, Thailand, in March 1996, to increase economic cooperation between the two group of countries.

Economic Developments

National Income

As mentioned earlier, robust domestic demand, particularly in private-sector investment and consumption, has sustained the Indonesian economy in 1995. The accelerating domestic demand outpaced domestic supply, resulting in pressures on the internal and external balances. On the internal side, the imbalance between demand and supply drove price increases, and as a result, the inflation rate remained relatively high. On the external side, the disequilibrium also encouraged the acceleration in import. This development which was followed by relatively slow export growth brought about negative contribution of the external sector to the GDP.

The rising private investment was encouraged by a more conducive business climate owing to positive impacts of various deregulations in the real sector in the last few years. Among others, this includes the opening of broader business opportunities for foreign investors as well as the reduction of tariff and non-tariff barriers in stages. Furthermore, the promising prospects of the Indonesian economy also attracted domestic and foreign investors. As a result, foreign direct investment (*penanaman* *modal asing*/PMA) and domestic investment (*penanaman modal dalam negeri*/PMDN) approvals surged in the last two years, which were partly aimed toward domestic needs and infrastructures, such as petrochemicals, transportation, electricity, gas, and water projects.

Private consumption also rose rapidly, primarily because of rising disposable income. The higher disposable income per capita was attributed to economic growth that far exceeded population growth, especially in the last three years. Moreover, the lowering of income tax rates since January 1995 and higher regional minimum wage also encouraged the increase in the disposable income of the public. The higher regional minimum wage resulted in the redistribution of income to the lower-income group, thereby increasing their disposable income and consumption. In addition, rising private consumption was also stimulated by increasingly sophisticated product development which was supported by attractive marketing techniques, including sales on credit terms.

On the supply side, the production sector could not fully satisfy the strong domestic demand, bringing the economy to the verge of an overheating situation. Several industries, such as cement, fertilizer, and automotive, have reached relatively high production capacity utilization. Domestic industries were also unable to fully meet the rising demand for raw materials, capital goods, and some high quality consumer goods. Moreover, inadequate infrastructure and various constraints in market mechanism have increased production costs which, in turn, weakened the competitiveness of the production sector in domestic as well as international markets.

Recognizing these problems, the Government has attempted to raise supply capacity, efficiency, and competitiveness through deregulation measures in the real sector, besides managing domestic demand through prudent monetary and fiscal policies. In May 1995, the Government issued a deregulation package covering investment and simplification of licensing procedures in the manufacturing sector. The Government also continued its efforts to privatize state enterprises. Besides increasing state revenue, these measures also helped increase efficiency in the real sector.

In line with government efforts to reduce the risk of economic overheating, economic expansions began to slow down at the end of the reporting period. In part, this was reflected in the slowing down of import growth since the fourth quarter of 1995. However, in 1995, the GDP continued to register higher growth compared with the previous year, recording an 8.1% growth (Table 1.2). As a result, average economic growth for the first two years of the Sixth Five-year Development Plan (Repelita VI) was 7.8%.

In sectoral terms, the manufacturing sector was the major source of economic growth in 1995. Moreover, improved performance in the agriculture sector also increased its contribution to the higher economic growth. On the demand

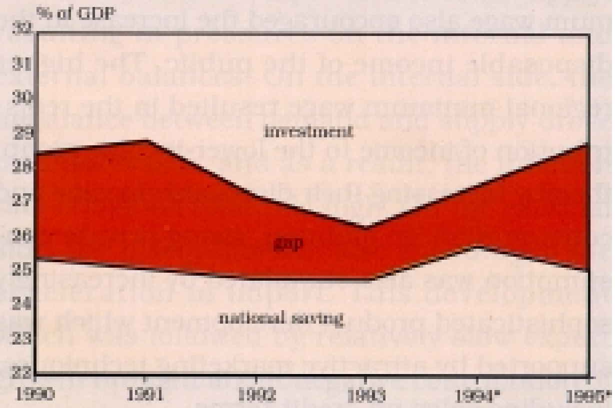
Table 1.2
Selected Macroeconomic Indicators

Indicator	1993	1994*	1995*
	At base year of 1993		
	% change		
Real Gross Domestic Product	**7.3**	**7.5**	**8.1**
By expenditure			
Consumption	5.4	5.3	5.9
Private	6.3	5.8	6.3
Government	0.2	2.3	3.4
Gross domestic capital formation	6.6	13.8	12.9
Exports of goods and services	3.3	9.0	4.3
Imports of goods and services	4.7	14.5	24.6
By sector			
Agriculture	1.7	0.6	4.0
Mining and quarrying	3.4	5.6	5.7
Manufacturing	11.4	12.5	11.1
Construction	14.5	14.9	13.0
Other services	8.5	7.0	7.7
GDP			
Non-oil/gas	**8.1**	**7.9**	**9.0**
Oil/gas	**0.3**	**3.5**	**-0.6**
Gross Domestic Income	**6.1**	**8.0**	**9.4**
Terms of Trade Index	**-1.3**	**1.8**	**5.0**
	1993/94	**1994/95**	**1995/96***
	% change		
Monetary			
M2	20.8	22.1	28.0
M1	23.9	18.5	18.4
Prices			
Consumer Price Index	7.0	8.6	8.9
Wholesale Price Index[1)]	3.7	5.4	11.4
Ratios	In percent		
Current account deficit/GDP	-1.9	-2.0	-3.3
Official Debt Service Ratio	19.5	17.7	16.9
Foreign exchange reserves in months of non-oil/gas imports	5.4	4.7	4.7

1) In calendar year.
Sources : - Central Bureau of Statistics
- Bank Indonesia calculation

side, the high GDP growth was mainly caused by a steep 13.3% rise in domestic demand. As mentioned earlier, rapid private sector consumption and investment growth were the major factors boosting domestic demand. Net external demand contributed larger negative impacts on GDP growth as import grew much faster than in the previous year while export growth declined.

Chart 1.2
Saving - Investment Gap



Rising negative contributions from net external demand also reflected the widening of the saving-investment gap. The gap widened

Table 1.3
Saving – Investment Gap

Sector	1993	1994*	1995*
	Trillion rupiah		
Government sector			
Saving	20.7	27.1	27.9
Investment[1)]	17.8	18.3	22.1
Deficit (-), surplus (+)	**2.9**	**8.8**	**5.8**
Private sector			
Saving	61.2	70.4	84.0
Investment[1)]	68.9	85.9	106.0
Deficit (-), surplus (+)	**-7.7**	**-15.5**	**-22.0**
Gross National Saving	81.9	97.5	111.9
Gross Domestic Saving	94.5	111.8	131.5
Investment[1)]	86.7	104.2	128.1
Current account deficit	**-4.8**	**-6.7**	**-16.2**
Gross Domestic Product	329.8	379.2	445.4
Gross National Product	317.2	364.9	425.8
	% of GDP		
Government sector			
Saving	6.3	7.1	6.3
Investment	5.4	4.8	5.0
Deficit (-), surplus (+)	**0.9**	**2.3**	**1.3**
Private sector			
Saving	18.6	18.6	18.9
Investment	20.9	22.7	23.8
Deficit (-), surplus (+)	**-2.3**	**-4.1**	**-4.9**
Gross National Saving	24.8	25.7	25.2
Investment	26.3	27.5	28.8
Current account deficit	**-1.5**	**-1.8**	**-3.6**
Note :			
Current account deficit (billion $)	-2.3	-3.1	-7.2
Exchange rate Rp/$ (average)	2,087.0	2,162.0	2,247.0

1) Excluding change of stock.
Sources : - Central Bureau of Statistics
- Bank Indonesia calculation

from 1.8% of GDP in 1994 to 3.6% in 1995 (Table 1.3 and Chart 1.2), indicating that the rapid growth of domestic investment surpassed the capacity of the economy to mobilize national saving. At the macrolevel, this situation was responsible for the relatively high interest rates in 1995.

The gap between private-sector saving and investment widened, in line with accelerating private investment. As a ratio to the GDP, the private-sector gap ratio rose from 4.1% to 4.9% in 1995. In contrast, the government sector recorded substantial saving surplus as a result of conservative fiscal policies in order to preserve macroeconomic stability. Following the widening national saving-investment gap, utilization of external savings rose in 1995, as reflected in the rising current account deficit in Indonesia's balance of payments (Table 1.3).

Inflation Rate

Inflationary pressures remained high in the reporting year. Besides reflecting the impact of accelerating domestic demand, this development was also associated with psychological factors and supply disturbances. Announcements of minimum wage increase have psychologically encouraged price levels to slide up before the wage increase was effectively implemented. On the supply side, production and distribution problems of some basic necessities also resulted in their escalating prices.

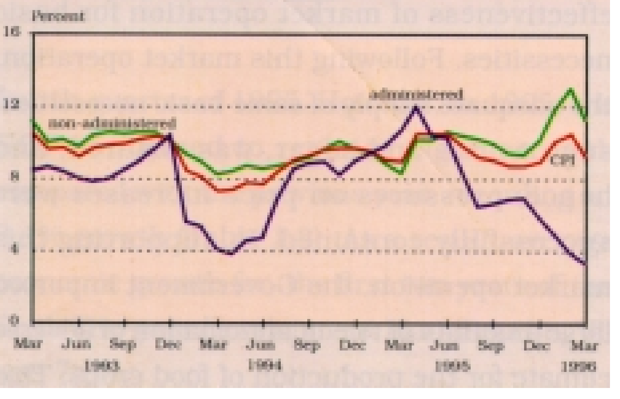
To overcome these pressures, besides consistently working toward managing aggregate demand through fiscal and monetary policies, the Government continued to encourage the smooth flow of production and distribution of several basic necessities. Through the state logistics agency (*Badan Urusan Logistik*/Bulog), the Government has enhanced the effectiveness of market operation for basic necessities. Following this market operation, the adequate supply of some basic necessities, such as rice and sugar, was ensured, and hence, pressures on price increases were successfully contained. In supporting this market operation, the

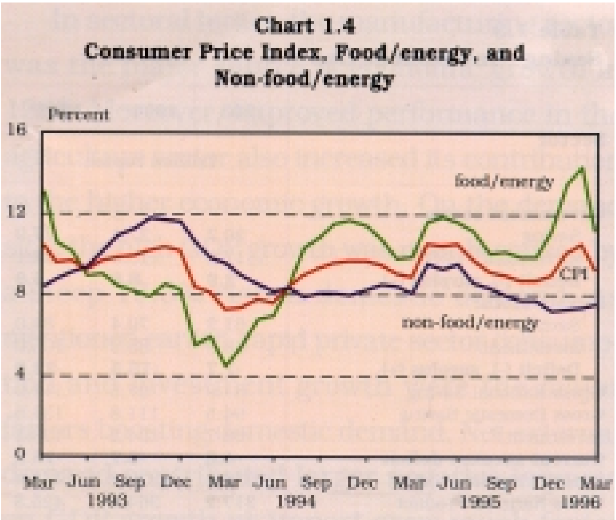
Table 1.4
Inflation in 1995 and 1995/96

Item	1995		1995/96	
	Price changes	Share	Price changes	Share
	Percent			
Foodstuffs	13.32	4.51	13.17	4.63
Housing	5.67	1.72	2.59	1.83
Clothing	6.50	0.67	7.84	0.68
Miscellaneous	7.00	1.74	9.57	1.72
General	**8.64**	**8.64**	**8.86**	**8.86**
Administered	5.65	1.49	3.28	0.86
Non-administered	9.70	7.15	10.80	8.00
Food/energy	10.70	4.81	10.78	4.85
Non-food/energy	7.03	3.83	7.33	4.01

Source : Central Bureau of Statistics

Chart 1.3
Consumer Price Index, Administered, and Non-administered





Government imported large amounts of rice in anticipation of adverse climate for the production of food crops. This effort was taken bearing in mind that in the last few years disruption in rice production was one of the critical factors that spurred the inflation rate. The Government also imposed export quota on several basic necessities which were vulnerable to excess demand.

In 1995/96, the inflation rate rose to 8.86%, compared with 8.57% in the previous period. As a result, average inflation rate in the first two years of Repelita VI was 8.72%, still above the average inflation rate targeted in Repelita VI. Rising inflation rate was mainly caused by rising prices of non-administered goods (Table 1.4 and Chart 1.3), while in contrast, inflation in the previous year originated from price increases of administered goods. In the food/energy and non-food/energy categories, price increases originated primarily from the food group, such as higher prices of rice and spices toward the end of the reporting period (Table 1.4 and Chart 1.4).

Balance of Payments

In the reporting year, the balance of payments experienced considerable pressures. The strong domestic demand caused non-oil/gas imports to grow substantially. Non-oil/gas exports also slowed down as a result of intense competition in international markets and buoyant domestic market. Consequently, the non-oil/gas trade balance deficit recurred and caused the current account deficit to rise steeply. Net capital inflows, primarily from the private sector to meet increased financing needs, rose rapidly, thereby financing the current account deficit and contributing to the surplus in the balance of payments.

To contain the current account deficit, besides introducing measures to manage domestic demand, the Government also adopted deregulation measures in the real sector in May 1995 and January 1996. These policies were partly aimed at stimulating investment by improving the efficiency and competitiveness of export commodities; for instance, by reducing import duties of raw materials and capital goods for the production of export goods and abolition of various levies that may create a high-cost economy. Besides these deregulation measures, in anticipation of rising import growth, the Government has attempted to contain import growth by forming a team to evaluate government and state enterprises projects with high import content.

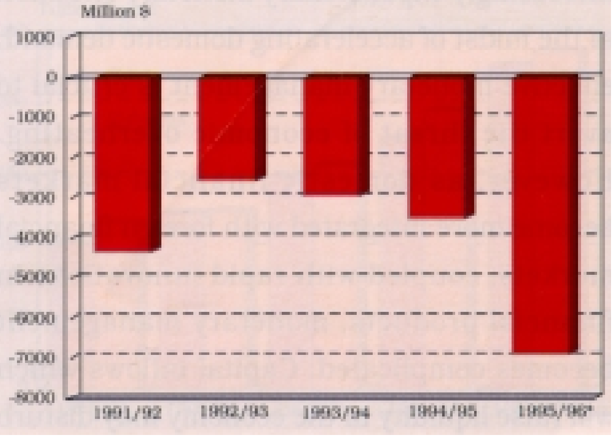
In 1995/96, total import value continued to rise, with growth of 17.6% (Table 1.5 and Chart

Table 1.5
Balance of Payments

Account	1993/94	1994/95	1995/96*
	Billion $		
Current Account	**-2.9**	**-3.5**	**-6.9**
Export f.o.b.	36.5	42.1	46.3
Import f.o.b.	-29.1	-34.1	-40.1
Services (net)	-10.3	-11.5	-13.1
Capital Account	**5.7**	**4.8**	**11.4**
Official transfer and capital (net)	1.1	0.2	-0.2
Private capital (net)	4.6	4.6	11.6
Monetary Movements	**-0.7**	**-0.6**	-2.7

1.5). The largest increase occurred in non-oil/gas imports, by 19.8%. This substantial increase originated primarily from the import of raw/auxiliary materials and capital goods, in line with the surge in investment realization, particularly PMA and PMDN. Moreover, import of consumer goods, including passenger cars and food, also rose rapidly. Meanwhile, export value rose by 10.0%, with the largest contribution from non-oil/gas exports which grew by 13.9%, lower than in the previous year. Following these developments, the current account deficit widened from $3.5 billion or 2.0% of the GDP to $6.9 billion or 3.3% of the GDP.

Chart 1.5
Current Account Balance



In the reporting year, the amount of net capital inflows reached $11.4 billion, largely comprising private capital which rose steeply and in more diversified forms. Besides direct investment and offshore borrowings, private capital inflows were also in the form of portfolio investment. Most of the private capital inflows were for the medium and long terms. Net official capital inflows was negative, due to the prepayment of high-interest official debts. At the end of 1995/96, official foreign exchange reserves of Bank Indonesia rose to $16.0 billion, equivalent to 4.7 months of non-oil/gas imports.

Monetary Developments

In 1995/96, monetary policy was aimed at curbing monetary expansion in order to restrain strong domestic demand pressures on the macroeconomic balance. Buoyant investment as well as consumption activity have stimulated the growth of bank credit. Credit growth in the first few months of the reporting year outpaced growth of fund mobilization, causing the gap between funds and credit to widen. This encouraged domestic interest rates to rise while foreign interest rates tended to fall, thereby attracting capital inflows. With an increasingly expansionary monetary situation in the midst of accelerating domestic demand, effective monetary management is crucial to avert the threat of economic overheating. However, as domestic financial markets become more integrated-with foreign financial markets, coupled with rapid innovations in financial products, monetary management becomes complicated. Capital inflows which will raise liquidity in the economy may disturb open market operations to manage domestic sources of expansion.

To increase the effectiveness of monetary management, Bank Indonesia enhanced the implementation of prudent monetary and banking policies in an effort to restrain domestic sources of expansion and reduce monetary leakage from the external sector. In an effort to contain domestic sources of monetary expansion, besides utilizing open market operations, Bank Indonesia also activated the use of reserve requirement instrument. In December 1995, Bank Indonesia amended the reserve requirement regulation to statutory reserve. With this new regulation, the reserve components changed from demand deposit with Bank Indonesia and cash originally, to only demand deposit with Bank Indonesia. Furthermore, the new regulation requires banks to place 3% of their funds in the form of demand deposit with Bank Indonesia effective from February 1996. In addition, in order to control excessive credit expansion, Bank Indonesia also continued to adopt moral suasion to ensure that the rate of credit extended by banks will be consistent with the objectives of monetary policy. Moreover, Bank Indonesia also issued regulations to raise the paid-in capital and capital adequacy ratio (CAR) of foreign exchange banks in stages. Although it was basically aimed at increasing bank competitiveness, indirectly, this policy will encourage banks to be more prudent in extending credit.

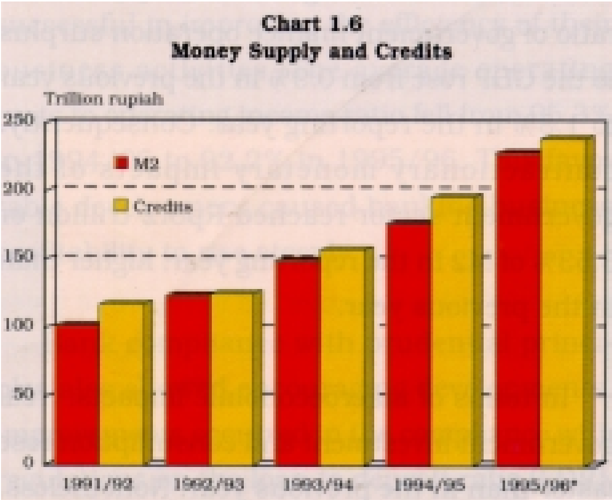
In order to curb short-term capital flows, particularly for speculative purposes, Bank Indonesia also attempted to increase the flexibility of the rupiah exchange rate. In June 1995, Bank Indonesia widened its selling and buying rate spread from Rp30.00 to Rp44.00. Then in December 1995, Bank Indonesia set the intervention band with an upper and lower limit range of Rp66.00. Furthermore, the Government also limited the amount of offshore funds which maybe utilized by finance companies.

In line with these efforts, growth of monetary aggregates slowed down. Growth of M1 drew closer to the target and credit growth began to weaken although still relatively high. Meanwhile, growth of M2 which tended to rise

Table 1.6
Monetary and Banking Indicators

Indicator	1993/94	1994/95	1995/96*
		% change	
M2	20.8	22.1	28.0
M1	23.9	18.5	18.4
Quasi money	19.8	23.3	31.1
Bank funds	22.9	20.2	28.7
Bank credits	25.9	24.8	23.6
		Percent	
SBI discount rates	6.7	13.2	13.7
Three month deposit int. rates	11.5	15.9	17.3
Credit interest rates			
Working capital	17.3	18.4	19.3
Investment	15.3	15.3	16.4
Loan to deposit ratio[1]	107.7	112.8	108.4
Operating expenses to operating income ratio[1]	90.3	95.3	92.2

1) As of December.



gradually in the beginning of the reporting year slowed down since the second semester of the reporting period. Nonetheless, annual growth of M2 was still higher compared with the previous period as a result of persistently strong credit growth which was supported by capital inflows. Meanwhile, deposit interest rates continued to rise in stages. Average interest rates of 3-month deposit gradually rose from 15.9% at the end of 1994/95 to 17.3% at the end of the reporting year (Table 1.6). Following this increase, interest rate differentials rose from 9.7% to 11.8%. The higher deposit interest rate stimulated the rise of credit interest rates interest rates of working capital credit and investment credit rose gradually to 19.3% and 16.4% respectively at the end of March 1996. Following higher domestic interest rates, since early of the second semester of the reporting period, fund mobilization tended to surpass credit growth, narrowing the gap between funds and credit. At the end of the reporting year, annual credit growth fell to 23.6% while fund mobilization grew to 28.7% (Chart 1.6).

Furthermore, in conjunction with exchange rate policies adopted by Bank Indonesia, interbank foreign exchange markets became less dependent on Bank Indonesia. As a result, the volume of foreign exchange transactions between banks and Bank Indonesia decreased. Interbank foreign exchange rates approached the lower limit of Bank Indonesia's intervention band, which reflected the strong confidence in rupiah.

Fiscal

In line with efforts to manage domestic demand, the Government continued to carry out prudent fiscal policy. This is reflected in the growing fiscal surplus (difference between fiscal saving to government investment) from Rp3.5 trillion last year to Rp5.8 trillion in the reporting year. The higher surplus was closely related to government efforts to increase state revenue from the non-oil/gas sector, especially by intensifying tax collection and broadening the tax base. Following this development, the ratio of government finance operation surplus to the GDP rose from 0.9% in the previous year to 1.3% in the reporting year. Consequently, contractionary monetary impacts of the government sector reached Rp8.2 trillion or 3.53% of M2 in the reporting year, higher than in the previous year.

In terms of macroeconomic impacts, real government investment and consumption rose faster than in the previous year. Nonetheless, the growth was much lower compared with growth in private-sector expenditure, causing the contribution of government expenditure to the GDP to decline.

Banking

In line with rising economic activity, banking activity in 1995/96 grew rapidly. Besides improving the performance of banking businesses, the acceleration in banking activities also posed new challenges. Excessive credit growth, especially property and consumer credit, has increased risk exposure faced by banks. In turn, it was feared that this development may negatively affect banking development and contradict the objectives of monetary policy. Other challenges emerged as the financial globalization process intensified competition and encouraged the development of new financial products, such as commercial papers and derivatives transactions. Although derivatives transactions may provide hedging opportunities on the one hand, it may also result in substantial losses on the other hand. Stiffer competition will also be faced by the banking sector along with the inclusion of trade in services in AFTA. These various developments must be closely monitored in order to minimize their negative effects on the banking sector.

In view of these developments, Bank Indonesia has adopted banking policies aimed at ensuring that banks continue to adopt prudential principles in their activities. To ensure that credit growth remained within the limits of bank capacity, both in terms of its administration and protection toward risk, Bank Indonesia urged banks to plan their loans and other investment consistent with bank capacity and the objective of maintaining macroeconomic stability. Furthermore, Bank Indonesia also issued regulations on investment in securities and derivatives transactions to prevent excessive risk exposure for banks conducting these activities. In view of global competition, Bank Indonesia adopted more stringent selection process for the establishment of new banks, increased minimum capital requirement of foreign exchange banks, and encouraged banks to merge and/or consolidate.

To further raise the effectiveness of bank supervision, Bank Indonesia also evaluated the interrelation between finance companies and bank operations. In this respect, the Ministry of Finance, in cooperation with Bank Indonesia, started to conduct supervision on finance companies. Furthermore, Bank Indonesia, banks, and other related parties have cooperated to resolve non-performing loans. Efforts to solve problem banks have showed significant progress. Nevertheless, Bank Indonesia continues to work toward ensuring that the resolution of problem banks may be carried out comprehensively and will not disrupt the soundness of the banking system. These efforts were carried out in adherence to Article 37 of Banking Act No.7 of 1992, comprising restructurization of capital, management takeover, management assistance, as well as providing the opportunity for merger and/or entry of new investors.

In the reporting period, banking businesses showed rapid growth as reflected in the substantial increase of total bank assets. This increase was primarily stimulated by the strong growth of bank credit that originated primarily from the rapid credit expansion of national private commercial banks; increasing their contribution toward credit expansion. Based on the recipient sector, bank credit was primarily absorbed by the manufacturing sector, followed by the services and trade sectors. Meanwhile, credit to small-scale enterprises (*Kredit Usaha Kecil*/KUK) grew significantly by 19.3%, and was also supported by efforts to increase its quality.

In 1995/96, credit collectibility and the quality of banks' earning assets improved. Along with this development, the proportion of bad debts declined substantially compared with the previous year. Banks were also successful in improving the efficiency of their business activities. The average operating costs to operating income ratio fell from 95.3% in 1994/95 to 92.2% in 1995/96. This favorable development caused banking business profitability to rise steeply.

Bank compliance with prudential principles also showed encouraging developments. Improvements occurred in the compliance with regulations on the loan to deposit ratio (LDR), net open position (NOP), and legal lending limit (LLL), as reflected in the smaller number of banks not complying with the regulations. However, average CAR declined, in line with rapid credit growth.

Prospects for 1996/97

In 1996/97, Indonesia's economic performance is projected to remain at high level. Domestic demand is expected to continue to be the source of high economic growth, particularly in line with the implementation of PMA and PMDN projects approved in previous years. On the other hand, contribution from the foreign sector may not be as strong as expected. This is due to the continuing sluggishness of several major industrial economies and other trading partners of Indonesia although world economic growth as a whole is expected to improve. Following this development, world trade volume will remain at high levels albeit declining slightly. Given the situation, expansion of Indonesia's export growth will rely more on raising production capacity and improving competitiveness.

Pressures on the macroeconomic balance will remain substantial due to the persistently high domestic demand. In 1996/97, investment activities are expected to continue rising as a positive response to government policies which have created a conducive business climate. Furthermore, private consumption also tends to rise as a result of the public's growing purchasing power. Although support from domestic financial institutions is not expected to be as strong as in the reporting period, capital inflows are expected to be persistently strong, to finance the accelerating domestic demand. On the external front, non-oil/gas exports will be confronted by various challenges, such as the increasing number of new competitors and allegations of dumping by major industrial countries.

In view of these tendencies, the Government will continue to give top priority to preserve macroeconomic stability. As in the preceding year, monetary policy will be aimed at managing domestic demand in order to reduce pressures on inflation and the current account. Following these developments, the indicative targets of broad money supply (M2) and credit growth in 1996/97, which are the references of monetary operations, were set at around 17% and 16% respectively. In addition, interest rate differentials will be maintained at appropriate levels to discourage speculative capital inflows that may disrupt monetary management. Similarly, domestic interest rates in real terms are aimed at ensuring that domestic demand will grow consistently with efforts to reduce the current account deficit and inflation. This policy is supported by an increasingly flexible managed floating exchange rate system in order to maintain realistic exchange rate development, which reflects market condition without being anti-export. Moreover, in order to strengthen the resilience of the economy to face foreign exchange market turbulences, Bank Indonesia will continue to on with central banks in Asia.

In addition to monetary policy, the Government also utilizes fiscal policy to manage domestic demand. To that effect, the Government will attempt to create significant budget surplus. The Government will also continue to extend deregulation and debureaucratization measures in the real sector in order to increase the efficiency and competitiveness of the production sector.

Following these measures to manage domestic demand, it is estimated that economic growth in 1996 will be sustained between 7% and 7.5%, consistent with the long-run path of sustainable economic growth. It is expected that the inflation rate will be lower in 1996/97 than in the reporting year, while the ratio of current account deficit to GDP is expected to increase. The relatively high current account deficit is primarily because of persistently high import, in line with realization of foreign direct investment and domestic investment. Non-oil/gas exports are expected to recover as a result of persistent efforts by the Government, improved competitiveness, and expanded domestic production capacity. Capital inflows are expected to remain high, with a large portion used to finance activities in the private sector. This development suggests that the overall balance of payments will remain stable and foreign exchange reserves will continue to be maintained at safe levels.

2. MONETARY DEVELOPMENTS

In the reporting year, relatively rapid growth of broad money supply (M2) characterized monetary development as a consequence of bank credit expansion and strong capital inflows. This development was stimulated by the accelerating domestic demand which, in turn, increased the demand for financing sources. Rapid growth of monetary aggregates, coupled with persistently high inflationary pressures and stronger import growth tendency, will complicate efforts to maintain macroeconomic stability. Faced with this situation, Bank Indonesia adopted prudent monetary policy to manage domestic demand within sustainable limits of domestic production capacity.

In line with these efforts, monetary policy in 1995/96 was aimed at managing growth and sources of M2 expansion, in particular bank credits and capital inflows. In this respect, Bank Indonesia maintained efforts to control money supply through various monetary instruments, particularly open market operations (OMO). This was reflected in the higher interest rates of Bank Indonesia Certificates (*Sertifikat Bank Indonesia*/SBI) and money market securities (*surat berharga pasar uang*/SBPU), from around 13.2% and 15.1% at the end of 1994/95 respectively, to 13.7% and 15.9% at the end of 1995/96. Moreover, in order to enhance the effectiveness of monetary management, Bank Indonesia amended the regulation on the reserve requirement to statutory reserve requirement by requiring commercial banks to maintain 3% of their funds in the form of demand deposit with Bank Indonesia (Box: New Provisions on Reserve Requirement).[1)] Furthermore, in order to ensure sound bank credit expansion while simultaneously strengthening banking prudence and reducing excessive credit risks, Bank Indonesia through the use of moral suasion, has urged banks to be more cautious in extending credit. In line with this effort, Bank Indonesia also introduced policies which require foreign exchange banks to increase their capital adequacy ratio (CAR) in phases up to 12% within six years from September 1995.[2)] Besides aiming at increasing the competitiveness of national banks, this policy is also directed toward enhancing bank prudence in expanding their businesses, especially in lending activities.

Monetary situation tended to be tight as a result of strong demand for liquidity to finance investment activities which, in turn, has stimulated capital inflows. This tendency became stronger as interest rate differentials between domestic and international rates widened. It is noteworthy that interest rate differentials widened because of lower international interest rates as a result of easier

1) - Decree of the Board of Managing Directors of Bank Indonesia No. 28/113/KEP/DIR, dated December 14, 1995.
- Circular Letter of Bank Indonesia No. 28/10/UPPB, dated December 14, 1995.

2) Decree of the Board of Managing Directors of Bank Indonesia No. 28/64/KEP/DIR dated September 7, 1995.
- Circular Letter of Bank Indonesia No. 28/4/UPPB, dated September 7, 1995.

monetary policies in several major industrial countries. In response to this situation, Bank Indonesia took measures to reduce leakages from capital inflows, while simultaneously enhancing the effectiveness of monetary management.

In order to discourage speculative capital inflows, in particular short-term capital, and to dampen pressures on the rupiah exchange rate, Bank Indonesia has attempted to raise the flexibility of the rupiah exchange rate by further widening the spread between the selling and buying rates of, rupiah against the US dollar and introduced an intervention band with a range of Rp66.00. These steps were also meant to further stimulate the development of the interbank foreign exchange market in order to reduce the reliance of banks on Bank Indonesia. Moreover, in cooperation with the Ministry of Finance, Bank Indonesia also supervised non-bank financial institutions, particularly finance companies, in line with the increasing role of these institutions as alternative fund sources.[3)] It may be noted that in maintaining monetary stability, particularly to fend off speculative attacks on foreign exchange, Bank Indonesia has conducted bilateral cooperation with the monetary authorities of Malaysia, Singapore, Thailand, Hong Kong, Australia, and the Philippines through securities repurchase agreement. This cooperation also includes information exchanges and cooperation in monetary and exchange rate management.

As a result of these various policy measures, monetary situation in 1995/96 remained relatively under control. Annual growth of money supply (M1) since mid-1995 has slowed gradually. Moreover, growth of claims on the business sector, including credit and other claims, also began to slow down until the end of the reporting year, resulting in lower growth compared with the previous year.

3) Joint Decree of the Minister of Finance and Governor of Bank Indonesia No. 607/KMK.017/1995 and No. 28/9/Kep/GBI, dated December 19, 1995.

NEW PROVISIONS ON RESERVE REQUIREMENT

Reserve requirement is a monetary instrument which requires banks to keep their reserves in the form of demand deposit with the central bank and/or cash in vault on a certain percentage of bank's funds. In Indonesia the reserve requirement as a monetary instrument is rarely used, as reflected in the infrequent change of reserve requirement ratio.

Since its implementation, the rupiah reserve requirement ratio has only changed three times -- in 1977, 1988, and 1995 --while foreign exchange reserve ratio has been adjusted four times, in 1974, 1977, 1988, and 1995.

Based on the provisions issued in 1988, banks were required to keep 2% of their funds, consisting of demand deposit, time deposit, savings deposit, and other liabilities as required reserves. The provisions covered both rupiah and foreign exchange funds separately. To fulfill the requirement, banks may keep the reserves in cash on hand and/or demand deposits with Bank Indonesia.

As the 1988 reserve requirement was considered relatively low and had been used for some time, it was no longer optimal in supporting the management of monetary aggregates. It is understood that minimum reserves is a monetary control instrument which can be applied to curb the growth of money supply (M2), particularly bank credit. In this regard, to support monetary stability and enhance the prudent principles of bank lending, in December 1995, the reserve requirement was raised to 3% of bank's funds and should be placed in Bank Indonesia as statutory reserves. Under the new provisions, bank reserves other than statutory reserves are not regulated (Table: The Summary Comparison of Provisions on Reserve Requirement).

The new regulation also covers some technical improvement to enable timely and accurate calculation of statutory reserves with simpler procedures and less administrative cost. The improvement covers:

a. The statutory reserves is calculated on a daily basis, while previously it was based on a weekly average.
b. The calculation is done by Bank Indonesia; consequently, banks are not required to report their own calculation.
c. The bank fund position is only reported by the bank head office using an on-line system, containing consolidated reports from all its branch offices.
d. To obtain the data promptly, banks are required to submit the report within six days from the last reporting date. Previously, bank branch offices were required to submit the report within two weeks.
e. The reporting form is simplified.

In the short run, the implementation of 3% statutory reserve requirement will raise bank reserves in Bank Indonesia. The increase, on the one hand, will drive up the amount of reserve money (M0) as bank demand deposits with Bank Indonesia are counted as components of reserve money. On the other hand, higher reserve requirement will dampen the ability of banks to expand their business, particularly in extending credits. In addition, another impact of the new reserve requirements is lower money multiplier which, in turn, could slow down the growth of money supply.

A month after the implementation of the new reserve requirement, in February 1996, the M0 rose Rp4,864 billion to Rp29,893 billion. Meanwhile, MM1 (money multiplier of M1) decreased from an average of 2.02 in 1995 to 1.81. Similarly, MM2 (money multiplier of M2) also declined, to 7.63, from an average of 8.31 in 1995. With this development, the growth rate of M1 and M2 in the future are expected to decrease gradually, hence monetary control, particularly through bank credit, will be more effective.

The Summary Comparison of Provisions on Reserve Requirement

No.	Item	Old Provision	New Provision
1.	Reserve requirement ratio	2%	3%
2.	Reserve components	- Demand deposit with Bank Indonesia - Cash	- Demand deposit with Bank Indonesia
3.	Fund components (Eligible liabilities)	- Demand deposit - Time deposit - Savings deposit - Other liabilities with terms of 24 months and less	- Demand deposit - Time deposit - Savings deposit - Other liabilities disregarding the term
4.	Method of reserve requirement calculation	a. Weekly average b. Calculated and reported by each commercial bank	a. Daily b. Calculated by Bank Indonesia
5.	Bank's report	a. Reported by each bank office; consolidated report submitted by bank head office b. Time lag of two weeks c. The number of reporting banks: 2,462 branch offices; 240 commercial bank head offices	a. Only consolidated report submitted by bank head office b. Time lag of six days c. The number of reporting bank: 240 commercial bank head offices
6.	Sanctions		
	a. - Insufficient reserves	- 3% per month times the difference	- 0.1% times daily difference
	- Sanction imposition	- Upon receiving bank's report	- On a daily basis based on information available at Bank Indonesia
	b. Report		
	- Inaccurate report	- 3% per month times the correct amount	- Rp250,000.00 for each default, with a maximum fine of Rp10,000,000.00
	- Late report	- Rp1,000,000.00	- Rp2,500,000.00 for each report
	- Late report correction	- Rp1,000,000.00	

Money Supply

As a result of the implementation of prudent monetary policy, M1 growth tended to decline during 1995/96, particularly since mid-1995, and reached its lowest growth rate in February 1996 (14.0%) before rising to 18.4% in March 1996 (Table 2.1). The slower growth of M1 originated from the slowing down of the annual growth rate of currencies although growth of demand deposits rose. The growth of demand deposits as an instrument of payment in economic transactions was consistent with the higher economic activity recorded in 1995/96. The greater role of demand deposits was also reflected by the declining currency to demand deposit ratio of 0.6 in the reporting year, compared with 0.7 last year (Table 2.3). The same development was also seen in the higher growth of quasi money, in line with rising

Table 2.1
Annual Growth Rates of Money Supply

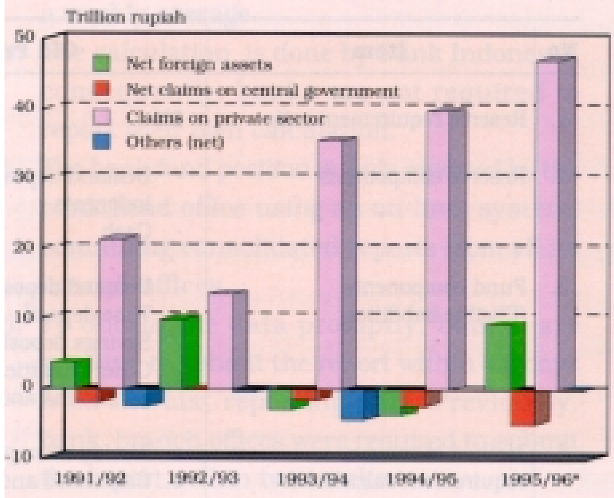
End of period	Currency	Demand deposits	M1	Quasi money	M2
	% change				
1991/92	22.1	12.0	15.9	27.7	24.2
1992/93	11.8	12.1	12.0	26.0	22.2
1993/94	24.5	23.5	23.9	19.8	20.8
1994/95	23.2	15.2	18.5	23.3	22.1
1995/96*	11.8	23.2	18.4	31.1	28.0
June	21.2	15.8	18.0	28.5	25.7
September	11.4	19.4	16.1	30.2	26.5
December	11.7	19.2	16.1	31.6	27.6
March*	11.8	23.2	18.4	31.1	28.0

domestic interest rates in the reporting year. Hence, the quasi money to demand deposit ratio increased from 5.3 to 5.6. Due to the acceleration in quasi money, M2 recorded higher growth rate in the reporting year.

Of the factors affecting M2, claims on the business sector, consisting of credit and other claims, contributed expansionary effects of Rp46.9 trillion (Chart 2.1 and Table 2.2). This was the primary source of M2 expansion although its growth has relatively slowed, to 21.5% in 1995/96, compared with 22.0% in 1994/95 (Chart 2.2). The expansion of claims on the business sector occurred as a result of relatively high credit growth, in conjunction with the strong demand for funds to finance investment as well as consumption.

The external sector which provided contractionary effects in 1994/95 contributed expansionary effects of Rp9.1 trillion in the reporting year. This was reflected in the expansion of net foreign assets of the monetary authority by Rp10.3 trillion and contraction of Rp1.2 trillion at commercial banks. Among

Chart 2.1
Factors Affecting Money Supply

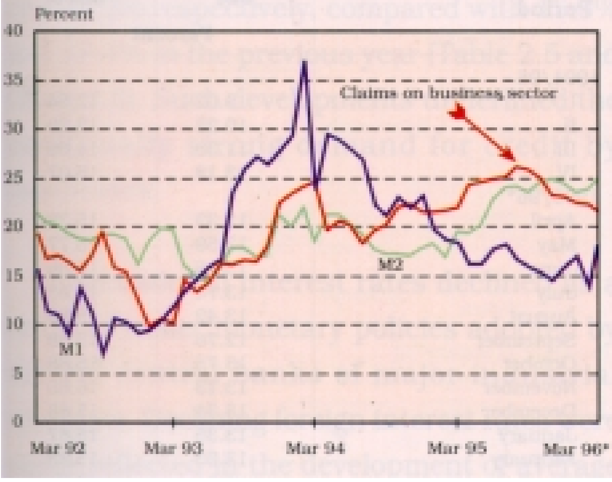


others, this expansionary effect was because of the increasing realization of foreign direct investment and rising offshore borrowings of the private sector. Part of this capital inflows was utilized as a source of funds for bank credit

Table 2.2
Money Supply and Its Affecting Factors

Item	1994/95	1995/96*	1995/96*
	changes		End of period
	Trillion rupiah		
M1 (narrow money)	**7.0**	**8.3**	**53.1**
Currency	3.6	2.2	21.1
Demand deposits	3.4	6.1	32.0
Quasi money	**25.9**	**42.5**	**179.3**
Time and savings deposits in rupiah	20.0	34.7	137.8
Time deposits in foreign currency	5.9	7.8	41.5
M2 (broad money)	**32.9**	**50.8**	**232.5**
Affecting factors			
Foreign assets (net)	-4.1	9.1	35.2
Bank Indonesia	-2.0	10.3	47.2
Commercial banks	-2.1	-1.2	-12.0
Claims on central government (net)	-2.7	-5.2	-24.7
Claims on business sector	39.4	46.9	265.1
Claims on government institutions and enterprises	0.8	1.6	11.2
Claims on private enterprises and individuals	38.6	45.3	253.9
Others	0.3	0.0	-43.1

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



and the balance was utilized as a financing source for domestic businesses, such as commercial papers and shares sold tenon-residents. It may be noted that the high capital inflows was also influenced by the widening of interest rate differentials in 1995/96, besides being stimulated by the relatively bullish domestic capital market.

In the reporting year, the government sector contributed a large contractionary effect of Rp5.2 trillion, compared with Rp2.7 trillion in the preceding year. Contractions in the government sector was due to cautious fiscal policies implemented to reduce the risk of economic overheating. Moreover, increasing contractionary effect of the net government sector was also a reflection of the Government's success in raising domestic revenue from tax sources through extensification of tax base as well as intensification of tax collections.

In the reporting year, financial deepening

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

Item	1993/94	1994/95	1995/96*
		Percent	
Ratios			
M1/GDP	11.5	11.8	11.8
M2/GDP	45.1	47.9	51.7
Quasi money/GDP	33.6	36.1	39.8
		Ratio	
Multiplier			
M1	2.0	1.9	1.7
M2	7.8	7.8	7.5
Multiplier Components			
C/D	0.7	0.7	0.6
T/D	4.9	5.3	5.6

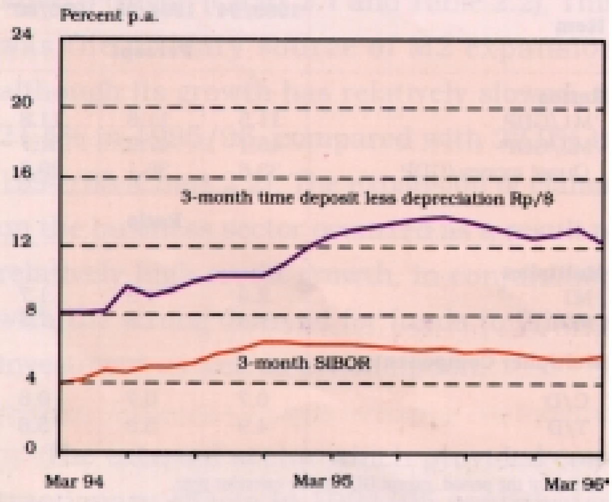
1) End of the period, except GDP in the calendar year.

increased, as reflected in the higher M2 to GDP ratio of 51.7%, compared with 47.9% in the previous year (Table 2.3), indicating higher economic monetization. This was also accompanied by rising utilization of banking services in the daily financial transactions of the public, as reflected in the declining currency to demand , deposit ratio. This development, coupled with increasingly stable banking development, is expected to be one of the factors stimulating productive economic activity.

Interest Rates

As a result of prudent monetary policy adopted in the reporting year, rupiah liquidity of commercial banks tended to decline. In turn, this development has stimulated the rise of domestic interest rates and widened interest differentials. This tendency was further accentuated by the general decline of international interest rates (Chart 2.3).

Chart 2.3
Domestic and International Interest Rates



In the reporting year, weighted average interest rates of SBI and SBPU reached 13.71% and 15.92%, respectively, compared with 13.18% and 15.07% in the previous year (Table 2.4). Higher interest rates occurred in both short and long-term SBIs and SBPUs. SBI rates exhibited fluctuating tendencies and reached its highest level in October 1995. Likewise, SBPU rates tended to rise, reaching its highest level in November 1995, but was followed by decreases in December 1995 and January 1996.

Table 2.4
Average Discount Rates on SBI and SBPU

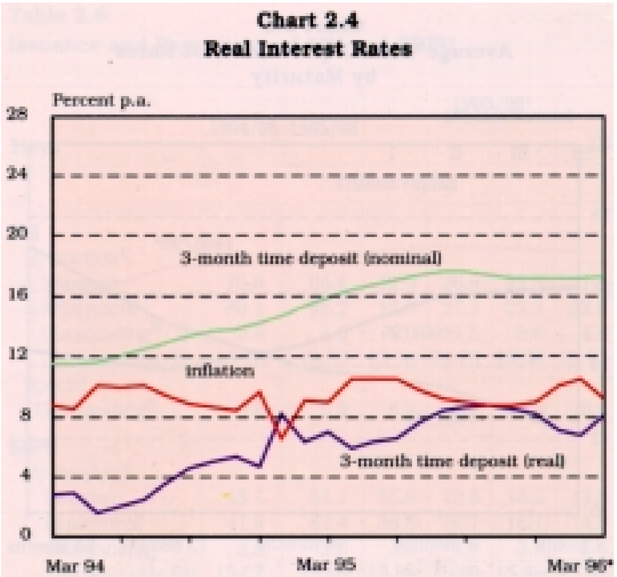
Period	SBI	SBPU
	Percent	
1994/95		
I	9.02	12.54
II	10.22	13.20
III	11.38	14.65
IV	13.18	15.07
1995/96*		
April	12.32	15.38
May	13.59	15.77
June	13.16	15.88
July	13.74	15.88
August	13.42	15.89
September	12.76	15.89
October	13.75	15.88
November	13.13	16.65
December	13.34	15.88
January	13.35	15.87
February	13.33	15.88
March	13.71	15.92

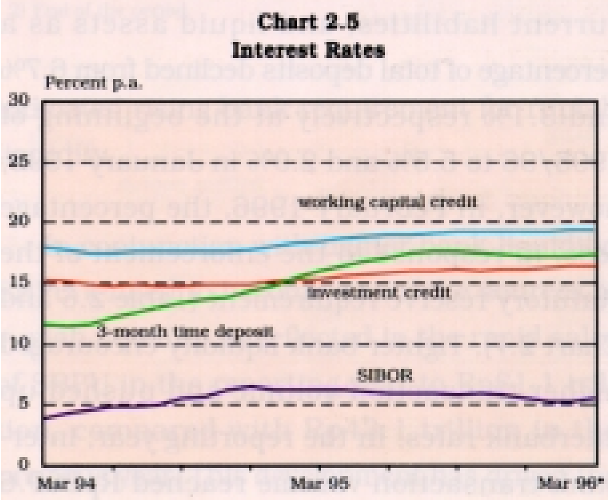
Interest rates on funds mobilized by banks, partly reflected in time deposit rates, picked up in the reporting year. Interest rates on time deposits in rupiah and foreign currency for all maturity terms rose, with relatively large increases occurring in rupiah time deposit rates. This development reflected the high demand for rupiah liquidity by banks. Moreover, the yield curve for interest rates on rupiah time deposits indicated that during 1995/96 banks tended to mobilize relatively short-term funds, as reflected in the relatively higher increase of 3, 6, and 12-month time deposit rates compared with the rise in 1 and 24-month time deposit rates (Chart 2.6). It is worthnoting that such

Table 2.5
Interest Rates

Item	1994/95 IV	1995/96* I	1995/96* II	1995/96* III	1995/96* IV*
	Percent p.a.				
Time deposit 1)					
Rupiah					
1 month	16.16	17.33	16.92	16.88	17.15
3 months	15.92	17.09	17.60	17.15	17.29
6 months	14.57	15.73	16.72	16.95	16.88
12 months	13.87	14.85	15.66	16.28	16.68
24 months	14.45	13.67	14.46	15.45	15.39
Foreign currency					
1 month	6.76	6.98	7.07	7.07	6.83
3 months	6.99	7.36	7.48	7.29	7.88
6 months	7.13	7.50	7.61	7.75	8.72
12 months	6.58	7.05	7.47	7.85	7.75
Credit					
Working capital	18.40	18.94	19.20	19.27	19.30
Investment	15.27	15.79	16.08	16.12	16.39
International					
3 month LIBOR	6.27	6.01	5.86	5.78	5.47
3 month SIBOR	6.27	6.03	5.85	5.84	5.31

1) Weighted average.





increases led to higher real interest rate for 3-month deposit rates (Chart 2.4).

Lending rates for both investment and working capital also edged upwards to 16.3% and 19.3% respectively, compared with 15.3% and 18.4% in the previous year (Table 2.5 and Chart 2.5). Such developments underlined the continually strong demand for credit by businesses.

International interest rates declined as a result of easier monetary policies adopted by several central banks of mayor industrial countries. Declining foreign interest rates were partly reflected in the development of average interest rates of 3-month London Interbank Offered Rate (LIBOR) and 3-month Singapore Interbank Offered Rate (SIBOR) which fell to 5.55% and 5.31% respectively in the reporting year compared with 6.27% for both rates in the previous year.

Rupiah Money Market

As mentioned earlier, rupiah liquidity of commercial banks declined in the reporting year. Total bank reserves, as a percentage of current liabilities, and liquid assets as a percentage of total deposits declined from 6.7% and 3.1% respectively at the beginning of 1995/96 to 5.5% and 2.9% in January 1996; however, in February 1996, the percentage rose, in response to the enforcement of the statutory reserve requirement (Table 2.6 and Chart 2.7). Tighter bank liquidity

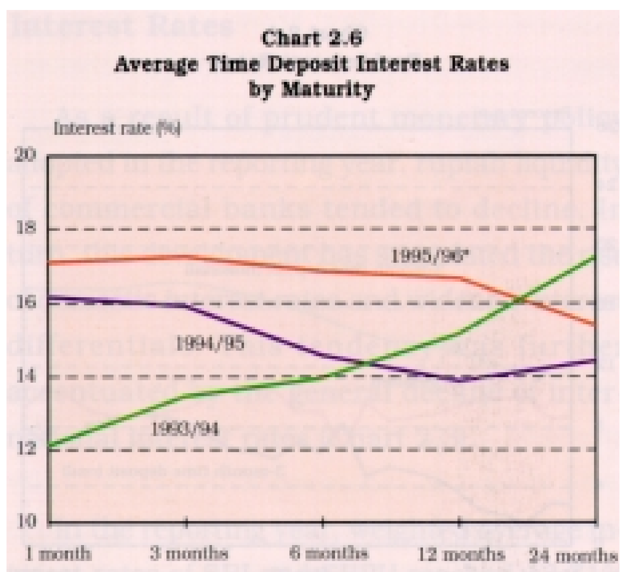


Table 2.6
Rupiah Liquidity of Commercial Banks[1]

Item	1993/94	1994/95	1995/96*		
			Jan 96	Feb 96	Mar 96*
	Trillion rupiah				
Total reserves	**18.6**	**9.6**	**9.4**	**13.5**	**13.7**
Primary reserves	4.0	4.3	4.8	8.6	9.0
Secondary reserves (SBI)	14.6	5.3	4.6	4.9	4.7
Current liabilities	**121.3**	**143.8**	**169.8**	**174.5**	**189.0**
Deposits[2]	118.6	139.7	167.7	173.2	186.4
Outstanding SBPUs with Bank Indonesia	2.7	4.1	2.1	1.3	2.6
Percentage of liquidity (%)					
Total reserves/total current liabilities	15.3	6.7	5.5	7.7	7.2
Primary reserves/deposits	3.4	3.1	2.9	5.0	4.8

1) End of the period.
2) Average in the period.

encouraged higher transaction volume and pushed up interbank rates. In the reporting year, interbank transaction volume reached Rp209.6 trillion, compared with Rp118.8 trillion in the previous year. This development was also accompanied by the rise of interbank rates to 13.9%, compared with 13.1% in the previous year (Table 2.7 and Chart 2.8).

Chart 2.7
Rupiah Liqudity of Commercial Banks

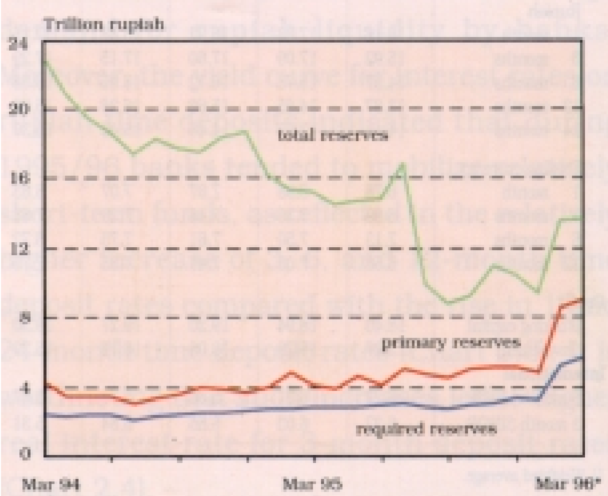


Table 2.7
Interbank Money Market Transactions and Interest Rates in Jakarta

Item	1994/95	1995/96*	1995/96*			
			I	II	III	IV*
	Trillion rupiah					
Transaction value						
One day	111.3	164.6	31.2	43.1	44.7	45.6
Total	118.8	209.6	40.3	57.3	58.2	53.8
	Percent p.a.					
Interest rates[1]						
One day[1]	11.1	12.9	14.8	13.8	14.1	12.9
Total	13.1	13.9	14.8	13.9	14.0	13.9

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

Auctioned SBIs in the primary market rose to Rp94.4 trillion, compared with Rp70.9 trillion in the previous year, while the amount of SBIs mature was also substantial, at Rp95.2 trillion. As a result, outstanding SBI in the reporting year declined, compared with its balance in the previous year (Table 2.8). Special SBI showed a slight increase to Rp6.2 trillion, due to the

Chart 2.8
Interbank Money Market
Transactions and Interest Rates

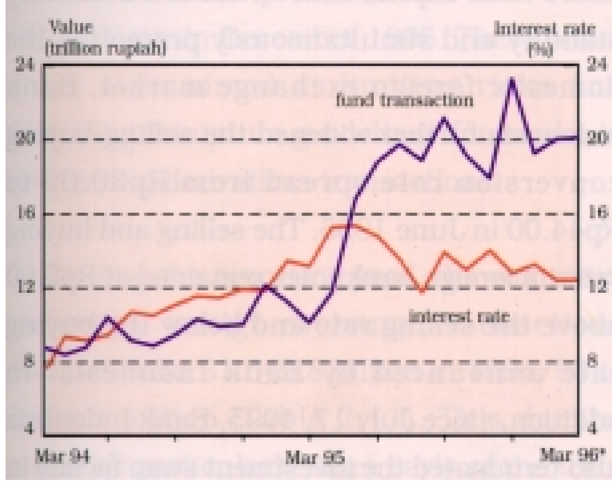


Table 2.8
Issuance and Repayment of SBI and SBPU

Item	1994/95	1995/96	1995/96* I	II	III	IV*
	Trillion rupiah					
SBI						
By auction[1]						
Issuance	70.9	94.4	12.5	26.8	23.3	31.8
Repayment	80.1	95.2	12.9	27.3	22.2	32.8
Outstanding[2]	5.4	4.6	5.0	4.5	5.6	4.6
Discount rate (%)	13.18	13.33	13.16	12.76	13.34	13.71
Special						
Outstanding[2]	5.8	6.2	6.2	6.2	6.5	6.2
SBPU						
By auction[1]						
Issuance	43.1	81.1	36.8	12.6	18.2	13.5
Repayment	41.9	82.4	36.8	14.7	16.1	14.8
Outstanding[2]	3.9	2.6	3.9	1.8	3.9	2.6
Discount rate (%)	15.07	15.88	15.88	15.89	15.88	15.92

1) Including repurchase agreement.
2) End of the period.

capitalization of SBI interest payment the form of new special SBIs.

In contrast to SBIs auctioned in the primary market, transaction of SBIs in the secondary market was apparently less buoyant despite the rise in SBI rates. In the reporting year, the value of SBI transactions in the secondary market declined substantially, to Rp3.2 trillion from Rp11.4 trillion in the previous year (Table 2.9). This development indicated rising bank requirement for rupiah liquidity.

In conjunction with tighter bank liquidity, SBPU tended to become one of the sources of rupiah liquidity as reflected in the rapid sales of SBPU in the reporting year to Rp81.1 trillion, compared with Rp43.1 trillion in the previous year. This development has driven the SBPU rates up; hence, banks tended to utilize SBPUs only to meet short-term rupiah liquidity

Table 2.9
SBI Transactions in the Secondary Market

Period	Transaction value	Weighted average interest rate
	Billion rupiah	Percent p.a.
1994/95	11,358.5	12.89
I	3,365.3	11.59
II	3,651.8	13.06
III	3,078.6	13.48
IV	1,262.8	14.38
1995/96*	3,153.3	15.28
I	1,451.9	15.75
II	1,001.8	14.40
III	563.9	15.75
IV*	135.7	14.75

requirement. This was reflected in the increase of SBPU repayment, at Rp82.4 trillion compared with Rp41.9 trillion in the preceding year.

On the whole, OMO transactions in the reporting year brought about contractionary impact of Rp0.5 trillion compared with expansions of Rp10.4 trillion last year.

Certificates of deposit (CDs) also experienced remarkable growth as an increasingly attractive investment alternative. This may be seen in the substantial increase in the issuance of CDs, from Rp7.0 trillion to Rp10.6 trillion (Table 2.10).

Table 2.10
Certificates of Deposit

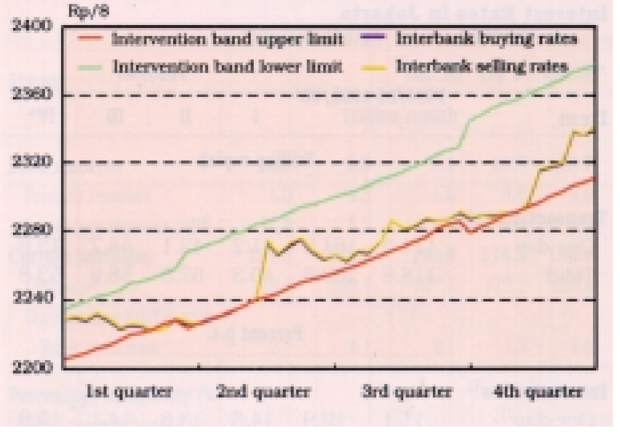
Bank	1994/95	1995/96	1995/96*
	Changes		End of the period
	Billion rupiah		
State banks	334	3,003	3,805
Private banks	1,223	4,032	6,749
Total	1,557	7,035	10,554

Foreign Exchange Market

In 1995/96, the domestic foreign exchange market was characterized by significant capital inflows. The inflows was associated with PMA purposes and bullish domestic capital market, besides being stimulated by the widening of interest rate differentials. As a consequence, interbank exchange rates moved toward the lower limit of Bank Indonesia's intervention band (Chart 2.9). Tight rupiah liquidity has encouraged banks to sell part of their foreign currencies to Bank Indonesia which, in turn, resulted in expansionary impacts on the money supply.

In order to reduce the negative impacts of short-term capital inflows toward monetary stability and simultaneously promoting the domestic foreign exchange market, Bank Indonesia further widened the selling-buying conversion rate spread from Rp30.00 to Rp44.00 in June 1995. The selling and buying rates of foreign bank notes remained at Rp5.00 above the selling rate and below the buying rate announced by Bank Indonesia. In addition, since duly 17, 1995, Bank Indonesia also terminated the investment swap facility in an effort to reduce banks' dependence on Bank Indonesia. Nonetheless, Bank Indonesia may still carry out swap transactions with banks at Bank Indonesia's discretion. Furthermore, since January 1996, Bank Indonesia has also introduced an intervention band with the difference between the upper and lower limit at Rp66.00 (Box: New Exchange Rate Provisions, December 29, 1995).

Chart 2.9
Interbank Exchange Rate Movement in 1995/96



Domestic foreign exchange market was also marked by buoyant derivatives transactions by banks and other market participants. In part, derivatives transactions could be used to hedge against assets as well as liability risks, particularly risks associated with changes in exchange rates and interest rates, profit-motivated speculations, and funding purposes. Use of derivatives transactions for

Table 2.11
Net Foreign Exchange Transactions between Bank Indonesia and Banks and Interbank Transactions

Transaction	1994/95	1995/96*	1995/96			
			I	II	III	IV*
		Million $				
BI - banks net transaction						
- Spot	-2,994.0	4,539.1	465.8	1,985.2	-50.0	2,138.1
- Export draft	1,171.4	718.2	275.2	172.7	148.6	121.7
- Swap	1,184.0	9.8	5.8	4.0	0.0	0.0
Total	-638.6	5,267.1	746.0	2,161.9	98.6	2,259.8
	Billion$					
Interbank transactions						
- Spot	681.5	566.9	194.8	166.0	116.4	89.7
- Forward	171.2	57.9	27.2	15.4	7.8	7.5
- Swap	197.1	268.4	67.6	92.9	61.7	46.2
Total	1,049.8	893.2	289.6	274.3	185.9	143.3

these purposes may be beneficial on the one hand but, on the other hand, it may also result in substantial loss potentials for banks as well as other market participants. In this respect, in an effort to create a sound banking and financial market climate, Bank Indonesia issued provisions on derivatives transactions in December 1995. These provisions were aimed at limiting risks and providing minimum guidelines for banks in conducting derivatives transactions.

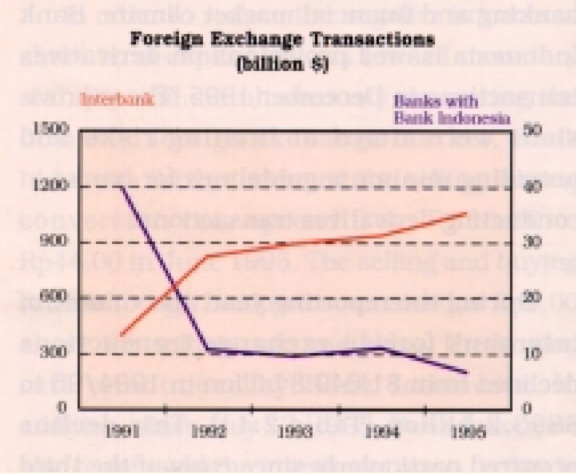
During the reporting year, the volume of interbank foreign exchange transactions declined from $1,049.8 billion in 1994/95 to $893.2 billion (Table 2.11). This decline occurred particularly since early of the third quarter of 1995/96 and was closely related to the high demand by banks for rupiah liquidity. Nonetheless, foreign exchange transactions throughout 1995 showed an increase of $123.6 billion, from $937.7 billion in 1994 to $1,061.3 billion in 1995. At the same time, the number of participants in the domestic foreign exchange market which comprised foreign exchange banks grew by 18 to 130 banks.

Bank Indonesia's foreign exchange transactions with banks in the reporting year showed an overbought of $5.3 billion. Contributing to the overbought situation were spot transactions amounting to $4.5 billion, export draft of $0.7 billion, and swap transactions of $9.8 million. In the preceding year, in contrast, Bank Indonesia experienced an oversold situation amounting to $0.6 billion.

NEW EXCHANGE RATE PROVISIONS
DECEMBER 29, 1995

In the past few years domestic money market was marked by rapid growth of foreign capital inflows, owing largely to a rise in the investment activity of international fund managers. Factors behind the increasing investment activity were, among others, the more attractive interest rate differentials, rapid growth of the capital market, and favorable economic growth. Capital inflows, especially short-term capital for speculative purposes, have exerted pressures on monetary stability and the domestic foreign exchange market.

In an effort to dampen negative impacts of short-term capital inflows, especially for speculative activity in the domestic foreign exchange market, since 1992, Bank Indonesia has introduced new exchange rate provisions by widening the rupiah to US dollar spread. In addition to dampening short-term capital inflows, the policy is also intended to foster the development of the domestic foreign exchange market. To that end, Bank Indonesia has widened the rupiah exchange rate band four times, namely in September 16, 1992 from Rp6.00 to Rp10.00; in January



3,1994 from Rp10.00 to Rp20.00; in September 5,1994 from Rp20.00 to Rp30.00; and in June 30, 1995 from Rp30.00 to Rp44.00.

This series of policies has successfully encouraged the development of domestic foreign exchange markets and has also reduced banks' dependence on Bank Indonesia in foreign exchange transactions. This was reflected in the increase of domestic interbank foreign exchange transaction volume from $822.7 billion in 1992 to $1,061.3 billion in 1995, while foreign exchange transactions of banks with Bank Indonesia declined from $11.0 billion to $6.7 billion in the same period (Chart: Foreign Exchange Transactions). As the foreign exchange transactions between banks and Bank Indonesia declined, especially transactions through squaring facility, money supply fluctuations originating from foreign exchange transactions also decreased. It is worth noting that the measures taken to widen the spread of Bank Indonesia's rates did not induce disturbances in the domestic foreign exchange market.

Following these developments and in anticipation of continuous capital inflows, especially for speculative activity, Bank Indonesia continued policies to develop the domestic foreign exchange market to sustain the demand and supply of foreign exchange. This will lessen pressures on the government foreign exchange reserves, which will support efforts to maintain monetary stability. There fore, while preserving the prevailing managed rupiah exchange rate system -- based on a basket of major currencies which so far constituted the basic mechanism of rupiah exchange rate determination -- Bank Indonesia introduced a new exchange rate provisions on December 29, 1995, by applying an intervention band in addition to conversion rates.

The new exchange rate provisions effective since January 2, 1996 contain major points as follows.

1. The intervention band is intended to be used as limits for banks buying US dollars from Bank Indonesia when the interbank Rp/USD rate is on or above the upper limit of the intervention band; or as limits for banks selling US dollars to Bank Indonesia when the interbank Rp/USD rate is on or below the lower limit of the intervention band. The difference between the upper and lower limit of the intervention band is set at Rp66.00.

2. Speard of rupiah/US dollar conversion rate is maintained at Rp44.00. Basically, the determination of the conversion rate follows the interbank mid-rate (market mid-rate) as a reference, except when the conversion rates go beyond the intervention band. Conversion rates for foreign bank notes and currencies other than US dollars remain the same.
3. Bank Indonesia announces the intervention band along with the conversion rates daily, which will be effective until the next announcement.
4. Conversion rates are applied to transactions with the Government, supranational institutions in the framework of government borrowing, transfer of export draft, and setting balance sheet rate.
5. The prevailing transaction time between Bank Indonesia and banks remained between 3.00 to 4.00 pm, Western Indonesian Time every working day; preceded by an announcement of the intervention band and conversion rates. The time for transaction with the Government, supranational institutions, and transfer of export draft remains the same.

NATIONAL PAYMENT SYSTEM

In a market-based economy, payment is an important element in the transaction of goods and services. In many countries, the importance of a safe, efficient, and stable payment system was only recently realized. Until mid-1980s, only a few central banks -- as monetary authorities or banks -- analyzed in depth the relations between the payment system and responsibilities in the monetary and banking area. The lack of attention to the payment system at that time was primarily because of the reliance of economic transaction settlements on paper-based instruments.[1] These paper-based instruments, despite lengthy settlement process, do not incur much systemic risks on the financial system in the economy. For instance, delays in the settlement process or the loss of several checks will not immediately result in disruptions or cause all economic activities to come to a stand still. Consequently, central banks were not overly concerned regarding problems in the payment system.

This has changed with the emergence of various new developments in the payment system. The evolution of the payment system toward an electronic system, with greater capacity to process the amount as well as value of transactions and in additional to domestic and international network linkages, has raised the concerns of many central banks due to its risks. Some examples of the risks are the failure of Bankhaus Herstatt in Germany (1974) to settle international foreign exchange transactions (now known as Herstatt risk), the computer breakdown at the Bank of New York (1985) which threatened the continuity of the payment system in New York before it was rescued by the Federal Reserve of New York with a $23 billion credit, and various problems in the area of payment system which have implications on the implementation of monetary policies and supervision of bank. Recent development suggests that the issue of the payment system lies not only on clearing aspects but also that it is now a part of the trilogy of central banks responsibilities, i.e., monetary policy, establishment and supervision of banks, and the payment system.[2]

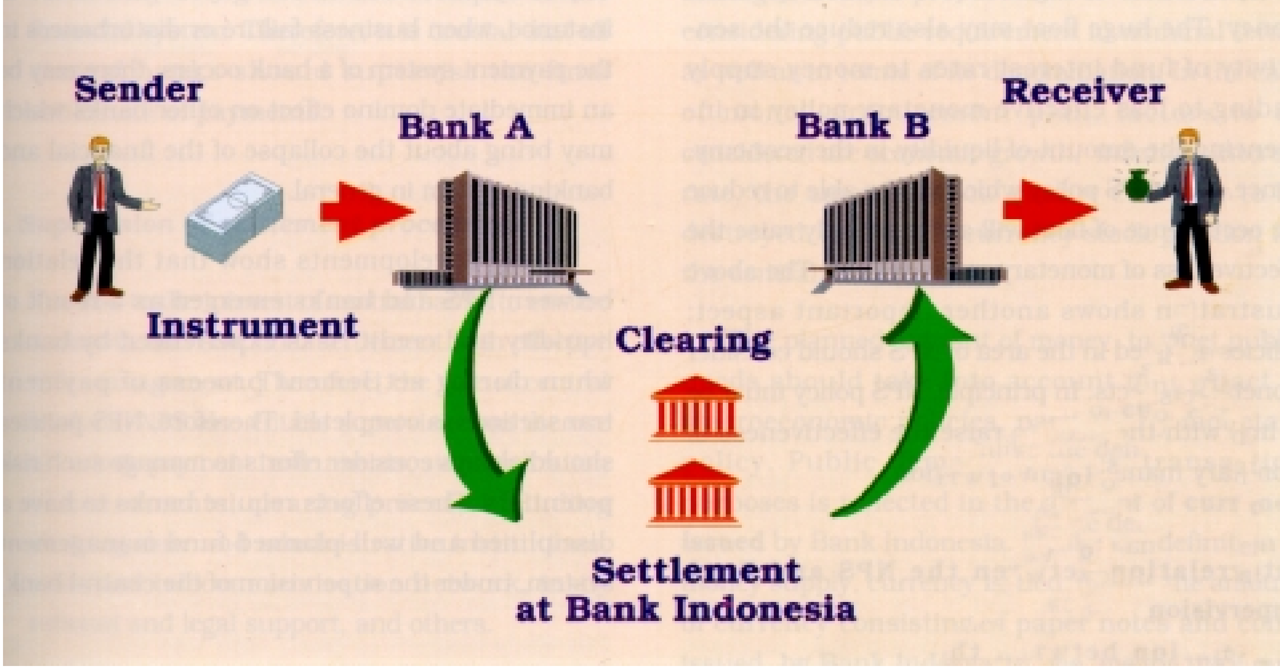
Definition of the Payment System

Basically, the payment system is related to the submission or transfer of an amount of money from the payer to the recipient. Payment settlements may be carried out directly between two related parties or indirectly through an intermediary, for instance, banks. An example of a simple process may be seen in Figure 1.

1) Sheng. Andrew. *Payment Systems in Developing Countries, Lessons for a Small Economy*. (Occasional Paper No. 19/ 1994). Kuala Lumpur: SEACEN Research and Training Centre, 1994. p. 2.

2) Corrigan, E. Gerald. *The Trilogy of Central Banking in a Contemporary Setting*. New York Federal Reserve Bank of New York, 1992.

Figure 1. Payment System Mechanism



It may be seen in Chart 1 that the process of fund transfer, movement of liquidity/money from the payer to the recipient, involves several aspects such as payment instruments, related institutions (banks and clearing institutions, central banks), a number of policies, legal regulations, and relevant payment procedures. Therefore, the payment system is frequently understood as a group of payment operations including infrastructure, related institutions, legal regulations, and development policies associated with the payment system. Together, these components underlie the processfor presentation, authentication, and receipt on a payment order and, subsequently, to carry out submission of money value between individuals, banks, and other institutions, by using particular payment instruments, at the domestic as well as international level.

Interrelation between the National Payment System and Monetary Policy

The aim of the supervision of the National. Payment System (NPS) as well as the monetary policy is essentially the same, namely, the liquidity of the economy. However, NPS places greater emphasis on efforts to ensure that liquidity is mobile from one party/location to another party/location in a fast, safe, efficient, and reliable manner. Monetary policy, meanwhile, is aimed at influencing the amount and price of the liquidity of the economy (read: interest rate) in line with the demand for liquidity in the economy.

It is clear that there is a high interrelation between NPS and monetary policy. Developments in NPS will influence the effectiveness of monetary policy and vice versa. As an illustration, an inefficient payment system with slow fund transfer will create an amount of floating liquidity. This float occurred because funds have not been effectively received by the relevant party although the paying party has paid, owing to delayed final settlement. This means that the funds are not fully utilized and, in turn, create inefficiencies in fund management as a whole at the macrolevel. The larger the amount of float, the less effective is monetary policy in influencing the quantity and price of money. The huge float may also reduce the sensitivity of fund interest rates to money supply leading to less effective monetary policy in influencing the amount of liquidity in the economy. Hence, each NPS policy which will be able to reduce the occurrence of float will automatically raise the effectiveness of monetary management. The above illustration shows another important aspect; policies adopted in the area of NPS should consider monetary aspects. In principle, NPS policy must be in line with the need to raise the effectiveness of monetary management operation.

Interrelation between the NPS and Bank Supervision

In a modern economy with a high level of monetization is normally characterized by increasing role of the banking sector in providing payment services to all economic activity. Various fund payments, using paper, non-paper, or electronic media, will be carried out through the banking system. Therefore, the development of NPS will automatically encourage the development of banking businesses, particularly in increasing activities which will produce fee-based income, besides increasing the capability of banks in mobilizing and managing funds more efficiently.

In recent years, the volume of payment undertaken through banks has reached a large amount both in terms of the number of transactions and values. Funds transfer may be conducted in real time through the electronic media, 24 hours internationally. The rapid developrhent of communication and information technology, the effect of globalized trading and financial activities, and the interrelation of financial transaction networks between financial institutions, particularly banks, have further increased interbank dependency levels. Consequently, this has increased systemic risks. For instance, when business failure or disturbances in the payment system of a bank occurs, there may be an immediate domino effect on other banks which may bring about the collapse of the financial and banking system in general.

These developments show that the relation between NPS and banks emerged as a result of liquidity and credit risks experienced by banks when during settlement process of payment transactions is completed. Therefore, NPS policies should always consider efforts to manage such risk potentials. These efforts require banks to have a disciplined and well-planned fund management system, under the supervision of the central bank.

Role of the Central Bank in Supervising NPS

The supervision of NPS by the central bank comprises both cash and non-cash payments. Supervision in the case of cash payments is well understood but it Is not so for non-cash payments. Supervision of the latter differs among countries. In this regard, there are two forms of supervision which may be carried out by a central bank:

a. *Supervision of final settlements*

In principle, each party which is involved in payment wishes not only for a fast, safe, and reliable payment but also for a final settlement. The settlement will only be final if there is an institution which guarantees the payment. The institution which is able to do this is the central bank which holds the unique position as the bankers' bank. The assurance of payment settlement is associated with the central bank's interest in minimizing the highest payment system risk, namely, systemic risks which, in turn, may bring about the collapse of the financial system. Therefore, it is crucial that all central banks should supervise the final settlement of payments.

b. *Supervision of settlement procedures*

It is also to the interest of central banks to ensure a smooth and safe final settlement with effective risk management. Therefore, the role of central banks in NPS also entails supervision on the use of various payment instruments, standardization of instruments, clearing process including clearing time and administrative institutions, standard telecommunication network, institutional and legal support, and others.

Current Payment System in Indonesia

1. *Payment Instruments*

There are three methods of payment currently used in Indonesia, namely, cash payment, paperbased payments, and non-paper-based payment. Each of these payment methods in itself utilizes varied payment instruments.

a. Cash payments

The printing and circulating of money is one of the functions of the payment system. In this respect, Bank Indonesia has exclusive rights to issue and circulate rupiah notes and coins pursuant to article 26 of Act No. 13 of 1968. Therefore, Bank Indonesia has to provide a sufficient amount of currency to meet the public demand by taking into account public preference for currency denomination, time and place of issuance, and quality of notes and coins.

To that end, money citculation has to be well managed from its procurement to distribution by considering public requirement in nominal terms as well as in terms of its denomination. In the case of money procurement plan, factors to be considered are economic growth, inflation, interest rate, the amount of low quality currency to be destroyed, and a safe currency stock position for the central bank.

The planned amount of money to meet public needs should take into account the impact of macroeconomic policies, particularly monetary policy. Public demand for cash transaction purposes is reflected in the amount of currency issued by Bank Indonesia. Unlike the definition of money supply, currency issued means the amount of currency consisting of paper notes and coins issued by Bank Indonesia. The definition of currency issued includes paper notes and coins circulated held by the public, cash at banks (as reserves and excess reserves), and cash at the Treasury.

Since 1990, currency issued has continued to rise rapidly. This growth was not only owing to rising economic activity but was boosted by the property boom, salary increases of civil servants, and higher regional minimum wage as well as investment in the plantation estate. Moreover, business activities involving cash transactions such as loans of the Perum Pegadaian (the state pawnshop) and PT Pos Indonesia (state postal offfice) as well as wholesale trading activities also rose rapidly. Furthermore, the increase in ATM services and the fewer working days also boosted the need for cash. The October 1988 policy package, which encouraged the increase in the number of banks, particularly rural banks, with networks to sub-districts, is also one of the factors contributing to the rise in currency issued.

It may be noted that-despite rising disposable income as a result of lower income tax rates and rising national income, the growth of currency issued in the reporting year fell compared with the previous year. At the end of the reporting year, currency issued was Rp23.5 trillion or an increase. of 10.2%, albeit lower compared with 22.7% in the previous year (Table 1 and Chart 1). The slow growth of currency issued was in line with technological development in the banking industry which offers various non-cash payment instruments.

With respect to rising public demand for currency in large denominations, the proportion of Rp20,000.00 and Rp50,000.00 denominations rose, while the proportion of Rpl0,000.00 denomination and below declined (Table 2 and Chart 2). Coins continue to play relatively

Table 1
Currency Issued and Its Ratio to M1
(trillion rupiah)

Item	1993/94		1994/95		1995/96*	
	Nominal	%	Nominal	%	Nominal	%
Bank notes	17.0	97.8	20.9	97.7	23.2	97.8
Coins	0.4	2.2	0.5	2.3	0.5	2.2
Cur. issued	17.4	100	21.4	100	23.5	100
M1	47.3		50.6		54.0	
Cur. issued/M1		36.8		42.3		43.5

Chart 1
Currency Issued

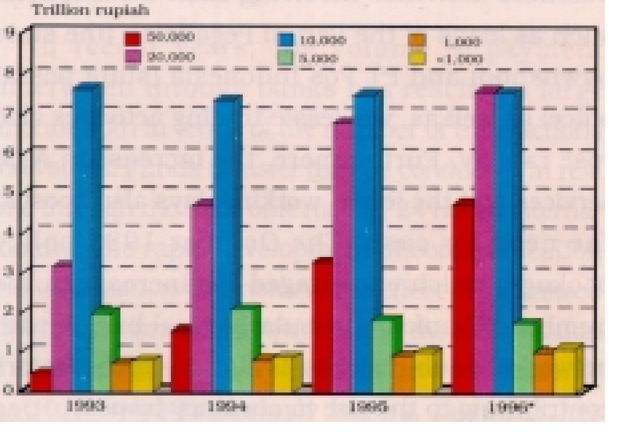


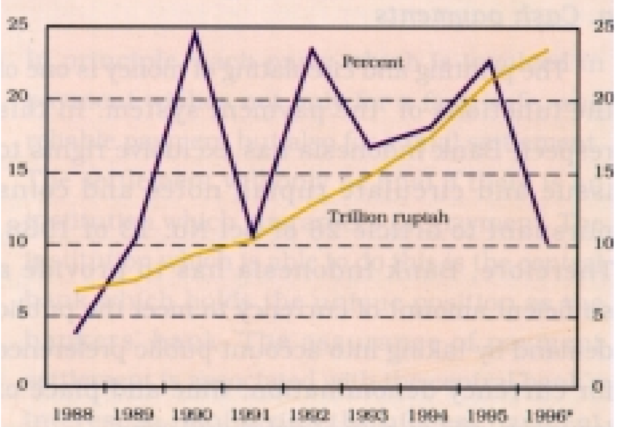
Table 2
Composition of Total Currency Issued by Denomination

Denomination	1993/94	1994/95	1995/96
		Percent	
Rp 50,000	8.9	15.4	20.2
Rp 20,000	27.2	31.8	32.3
Rp 10,000	42.3	35.2	32.2
Rp 5,000	11.9	8.6	7.4
Rp 1,000	4.8	4.3	4.3
< Rp 1,000	4.9	4.7	4.6

insignificant roles, at around 2.1% to 2.3% of total currency issued. In part, this was owing to the availability of similar denominations in notes.

The relatively small contribution of coins to total currency issued has made it costly to meet the public demand for currency due to the short livecycle of Rp1,000.00 notes and below. In addition, large transaction values and confusing size and design of coin denominations also contributed to the low usage of coins. In the reporting year, the procurement and distribution of notes in small denominations have been shifted to coins.

Chart 2
Currency Issued by Denomination



To ensure that the supply of notes and coins denominations demanded by the public is adequate, distribution of currency has to take into consideration local economic conditions and the impact of e,conomic policies. To meet public demand in remote areas, Bank Indonesia has included cash services outside Bank Indonesia into a part of Bank Indonesia's money circulation operation. Furthermore, to meet public requirement for fresh currency, Bank Indonesia continues to carry out mobile cash activities and to open more special cash counters at Bank Indonesia. To further increase the use of coins by the public, Bank Indonesia has redesigned Rp500.00 coin and has cooperated with PT Pos Indonesia in the reporting year. In previous years, similar cooperation was carried out with the Asosiasi Pedagang Eceran (retailer association) and several supermarkets.

With respect to the procurement and circulation of notes and coins to meet public needs, Bank Indonesia consistently ensures the genuineness of rupiah and facilitates transaction settlement to maintain public confidence. One of the measures to ensure the security of notes is the introduction of new notes in denominations of Rp50,000.00 and Rp20,000.00 in August 1995. Since then, notes which are legal tender for Rp50,000.00 denomination are those with markings of 1993 and 1995 and Rp20,000.00 notes which are legal tender are those with markings of 1992 and 1995. These new issues are marked by Stardust security features. To further simplify notes in circulation, from 25 September 1995, notes of

Tabel 3
Stock, Inflow, Outflow, and Printing of Currency

Item	1993/94	1994/95	1995/96
	(billion rupiah)		
Stock	3,426.4	5,438.4	23,328.5
Bank notes	3,345.0	5,352.6	23,252.2
Coins	81.4	85.8	76.3
Inflow	40,077.8	48,075.4	54,609.1
Bank notes	40,057.5	48,052.3	54,666.3
Coins	20.3	23.1	42.8
Outflow	42,749.8	52,025.4	57,329.2
Bank notes	42,698.1	51,926.4	57,201.6
Coins	51.7	99.0	127.6
Printing	12,576.4	19,889.6	30,742.9
Bank notes	12,545.5	19,807.9	30,618.0
Coins	30.9	81.7	124.9

Rp10,000.00/1987,Rp5,000.00/1986, Rp1,000.00/1987, Rp500.00/1988 and Rp100.00/1984 are no longer legal tender instruments. Since then, the preceding notes which are legal tender are notes issued in 1992.

At the end of the reporting year, the amount of notes and coins at Bank Indonesia was Rp23.3 trillion, an increase of Rp17.9 trillion compared with the previous year (Table 3). In addition, in 1995/96, the inflows of notes and coins amounted to Rp54.6 trillion or an increase of 13.6% compared with the previous year, and the outflows was Rp57.3 trillion or an increase of 10.2%. Furthermore, to meet public demand, Bank Indonesia has printed Rp30.6 trillion worth of notes and Rp0.1 trillion worth of coins in the reporting year.

b. Paper-based payments

Paper-based instruments, which consist of checks, *bilyet giro* (a kind of post-dated check), debit notes, credit notes, transfer receipts, and bank transfer draft, are still dominant in Indonesia. Checks, *bilyet giro,* debit notes, and transfer receipts are basically debit documents. These documents are used to debit the drawee's account by requesting the bank to do so. Credit documents, such as credit notes and bank transfer draft, sent by remitting banks to receiving banks, are used to credit the recipient's account. The main difference between the two types of documents is that credit documents are not returnable to the remitting bank whereas debit documents may be rejected owing to insufficient funds in the drawee's account or signature which do not match the drawee's specimen. The use of these documents indicates public preference on the method of payment. Data in 1995s which is based on clearing documents at Bank Indonesia in Jakarta (Table 4), revealed that giro notes are the most preferred method of payment.

Table 4
Use of Paper-based Instruments[1)]

Item	Use (percent)
Bilyet giro	61.75
Credit notes	30.30
Checks	7.25
Others (debit notes, SBPT, WBUT)	0.70

1) Covering Jakarta clearing house transactions only.

c. Non-paper-based payments

In response to technological progress, the banking industry has invested a large amount of money to provide more efficient payment instrument products. These payment instruments, such as credit cards, debit cards, and charge cards, have been widely used through domestic as well.as international networks. Other facilities, such as direct debit, electronic funds transfer among bank offices, home banking services, and other specifIc forms of electronic money, namely phone cards (classified as prepaid cards) have also been much introduced. The use of ATM cards are extensive, some of which are connected to international networks. The special feature of these payment instruments is the use of information technology enabling payment to be done electronically. However, the use of non-paper based payment is still relatively limited due to an inadequate national network system as well as lack of legal support for electronic payment instruments.

2. *Clearing and Final Settlements*

As non-paper based payment instruments are not widely used, interbank clearing and settlements stil1 use paper-based instruments. There are now 103 clearing houses throughout Indonesia. Of this total, 43 are executed by Bank Indonesia and its regional offlces, while the rest are admtnistered by state bank offices appointed by Bank Indonesia. Of this total, 3 clearing facilities have been automated, 44 facilities are semi-automated, and the remain are still fully manual. Clearing volume in Jakarta throughout the last 8 years may be seen in Table 5.

So far, there is as yet no integrated national clearing network in Indonesia to connect the 103 clearing houses. As a result, clearing houses operate separately; hence, interbank and intercity clearing processes of paper-based instruments are still rather lengthy. Doubtless, this situation is not conducive for the development of interregion transactions.

Table 5
Clearing Transactions[1)]

Year	Number of notes (thousand)	Value (billion rupiah)
1988	25,495	366,152
1989	27,832	483,748
1990	34,361	781,558
1991	38,023	981,160
1992	41,593	1,218,680
1993	45,389	1,695,835
1994	49,964	2,654,477
1995	53,070	4,592,026

1) Jakarta clearing house transactions only.

In the reporting year, clearing settlement using paper-based instruments, as recorded in Bank Indonesia's settlement accounts, went through some changes. This change took effect on Apfil 1, 1996; setting settlement times in Indonesia.[3)] Specifically for Jakarta, the previous settlement time which was conducted at the end of the day (T+O) was changed to the middle of the following day (T+1). In other districts, the settlement time of T+O is still effective.

Interbank clearing systems, particularly ATM and non-paper-based payment instruments, such as credit cards or debit cards, were developed by

3) - Decree of the Board of Managing Directors of Bank Indonesia No. 28/160/KEP/DIR, dated March 15, 1996.
- Circular Letter of Bank Indonesia No. 28/169/UPG, dated March 15, 1996.

the banking industry, in line with the development of banking products to ease customers' transactions. So far, this clearing system is not under Bank Indonesia's supervision.

For international payment transactions, Bank Indonesia has pioneered the connection with the Society for Worldwide Interbank Financial Telecommunication (SWIFT). It may be noted that in 1993, SWIFT has officially started tooperate in Indonesia, with Bank Indonesia as one of its users.

3. *Other Institutions Closely Related to NPS*

The provision of payment services is not solely by banking institutions. In fact, PT Pos Indonesia has provided funds transfer services to the public through its nation-wide network. In addition, to provide faster and more efficient services, PT Pos Indonesia has currently developed a Postal - Electronic Funds Transfer (EFT) system.

In the meantime; the Jakarta Stock Exchange (JSX) has automated its trading system since May 1995. In early 1996, JSX introduced a scripless settlement system allowing the settlement of stocks traded to be carried out electronically. This scripless settlement system will greatly speed up the process of stocks submission among buyers and sellers at the bourse. Nonetheless, the scripless system is not followed by faster financial settlement because current clearing facilities is limited to paper-based instruments. As a result, these two forms of settlements cannot be executed simultaneously according to the delivery-versus payment system (DVPS) concept.

NPS Development Plan

Current economic development in Indonesia is characterized by large trade transactions and other transactions both domestically and internationally; inevitably the NPS must be reformed. The reformation is aimed at supporting economic activity in the form of smooth, safe, reliable, and efficient payment services with wide access for all economic participants to meet various payment needs.

In line with the NPS development plan, Bank Indonesia has developed a blueprint for the reformation of NPS. The reformation is carried out in stages based on the following principles.

1. Integration: the payment system should be integrated nationally with the possibility of international connection.
2. Confidence: the NPS has to guarantee the confidence of users and other interested parties within as well as outside the country. In this regard, the development of NPS should take into consideration international standards. This standard is effective for all aspects of NPS including risk management, architecture, format standard, and legal support.
3. Credibility: NPS may not fail as a failure of the system, however small, may be fatal. Therefore, its development require special

attention on security factors and a back-up system.

4. Consult: NPS development is to be carried out in consultation with banks and other related institutions. Consultation with experts and payment system authorities of other countries must also be constantly conducted.

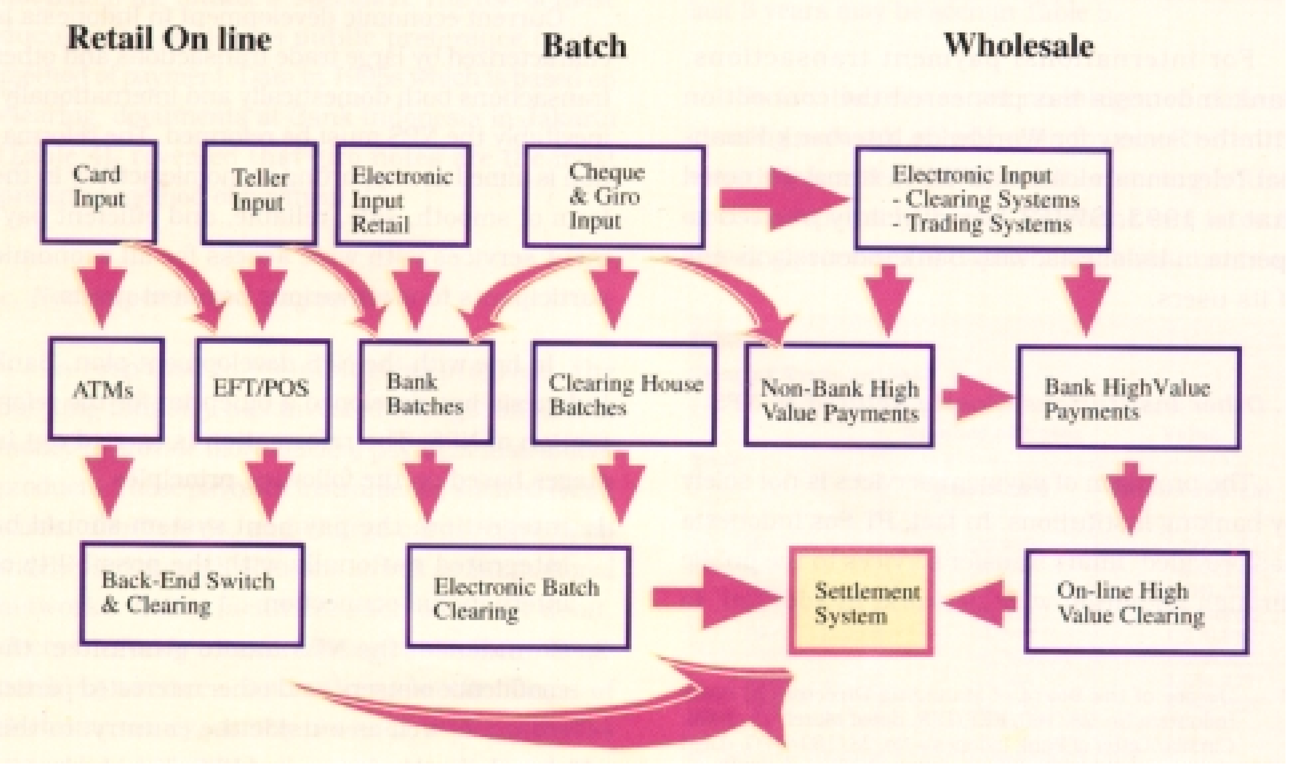
5. Competition: the development of NPS should always ensure free-entry of the public to payment and clearing services while complying to the terms and conditions prescribed by Bank Indonesia.

In carrying out NPS reformation, Bank Indonesia plays a central role as the coordinator and supervisor of NPS as well as the guarantor of final settlement. Moreover, Bank Indonesia will coordinate and encourage other NPS development efforts by the banking industry as well as the public. So long as the public has not developed NPS, Bank Indonesia may initiate the development.

By observing economic development trend and the requirement for payment services, Bank Indonesia has attempted to build an integrated payment system network based on a settlement system (Figure 2).

This cycle will integrate various sub-system settlement cycles, for example, high-value payment system, clearing of paper-based instruments, electronic batch, credit cards,

Figure 2. Conceptual Design of the National Payment System



debit cards, charge cards and ATM, automated clearing house (giro system), money market, and capital market.

As an initial step, Bank Indonesia has developed the Bank Indonesia interoffice electronic funds transfer system (*Sistem Antarkantor Terpadu Bank Indonesia*/SAKTI) which will be the backbone of NPS toward a real time payment system. Gradually, SAKTI will connect transfer systems between banks and Bank Indonesia as well as interbank on-line transfers throughout Indonesia. With regards to electronic fund transfer, Bank Indonesia together with the National Law Development Agency *(Badan Pengembangan Hukum Nasional)* has analyzed the development of a legal framework for electronic transactions.

3. GOVERNMENT FINANCE

Aggregate Government Finance

To restrain economic overheating tendencies in 1995/96, the Government continued to adopt prudent fiscal policy while promoting a sustainable economic growth and more equitable distribution-of economic development. In aggregate, government finance operation continued to show substantial surplus of Rp5.8 trillion which is the difference between saving and investment (Table 3.1 and Chart 3.1) and its ratio to the GDP rose from 0.9% in 1994/95 to 1.3% in 1995/96. Higher government finance surplus occurred as domestic revenue, from oil/gas as well as non-oil/gas receipts, continued to show larger increases than government expenditure.

Table 3.1
Government Finance Operation

Item	1993/94[1)]	1994/95[r]	1995/96*	1994/95	1995/96*
	Trillion rupiah			% change	
Domestic revenue	**60.0**	**64.1**	**75.7**	**6.8**	**18.1**
Oil/gas and non-oil/gas	56.1	61.4	71.6	9.4	16.6
Oil/gas	12.5	13.4	14.8	7.2	10.4
Tax	36.7	40.7	48.4	10.9	18.9
Non-tax and net oil profit	6.9	7.3	8.4	5.8	15.1
Other revenue (net)[2)]	3.9	2.7	4.1	-30.8	51.9
Government expenditure	**57.9**	**60.6**	**69.9**	**4.7**	**15.3**
Operational expenditure[3)]	30.6	33.0	41.6	7.8	26.1
Investment expenditure[4)]	27.3	27.6	28.3	1.1	2.5
Fiscal saving	**29.4**	**31.1**	**34.1**	**5.8**	**9.6**
Investment expenditure[4)]	**27.3**	**27.6**	**28.3**		
Saving - investment gap	**2.1**	**3.5**	**5.8**		
Financing	**-2.1**	**-3.5**	**-5.8**		
Domestic[5)]	-2.0	-2.7	-4.5		
Net foreign borrowings[6)]	-0.1	-0.8	-1.3		

1) Audited.
2) Including unsettled differences.
3) Routine expenditure excluding, *inter alia*, foreign debt amortization.
4) Development expenditure excluding, *inter alia*, operation and maintenance costs.
5) Minus means crediting on net government account with Bank Indonesia and commercial banks.
6) Development revenue in state budget minus foreign debt amortization.

Sources : - Ministry of Finance
- Bank Indonesia calculation

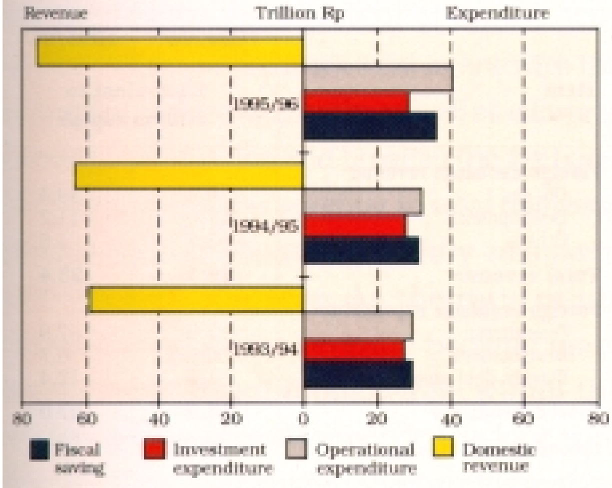
In the reporting year, the Government attempted to restrain its investment expenditure while encouraging the private sector to play a greater role in economic development. As a result, government investment expenditures continued to rise slightly by 2.5% (Table 3.1). Investment expenditures was aimed at supporting equitable development, developing the potentials of regions, raising the development of facilities and infrastructure to stimulate economic growth, and enhancing the quality of human resources.

Government rupiah expenditure which influenced domestic demand rose 17.6% or 8.8% in real terms. Despite its relatively high growth, the ratio of government expenditure to the GDP was 12.4%, about the same as in the preceding year. Much of the increase was attributed to consumption spending in the reporting year (Table 3.2). Meanwhile, ratio of total savings to the GDP reached 7.7% in 1995/96 (Table 3.5).

To support the national car industry, the Government provided fiscal incentives, such as lower duties on imported components which are not locally made.[1)] Another facility is that tax payment of luxury goods owed on the consignment of cars produced will be borne by the Government.[2)]

1) - Presidential Instruction No. 2, 1996 dated February 19, 1996.
- Decree of the Minister of Finance No. 82/KMK 01/1996, dated February 19, 1996.
2) Government Regulation No. 20/1996, dated February 19, 1996.

Chart 3.1
Government Finance Operation



In an effort to raise efficiency and professionalism in the management of state enterprises, the Government continued to carry out its privatization plan for well managed state enterprises. In the reporting year, stocks of two state enterprises, PT Timah and PT Telkom, were sold in international and domestic capital markets. The Government's portion from the proceeds of the sales of these stocks abroad were used to prepay high-interest foreign loans.

In line with prudent fiscal policy and in an effort to contain pressures on the current account of the balance of payments, the Government formed a team to control the import of state enterprise and government projects. Among others, the team will evaluate government and state enterprise projects with substantial import content and analyze the possibilities of rescheduling and/or adjusting relevant projects.[3)]

Table 3.2
State Budget Impacts on Aggregate Demand

Item	1993/94[1)]	1994/95	1995/96*	1994/95	1995/96*
	Million rupiah			% change	
I. Government consumption	**23,531**	**25,439**	**33,105**	**8.1**	**30.1**
- Domestic material expenditure	10,890	12,725	14,293	16.9	12.3
- Domestic personnel expenditure	2,847	4,071	4,969	42.9	22.0
- Subsidies to autonomous regions	6,909	7,188	8,344	4.0	16.1
- Others	2,885	1,455	5,499	-49.6	277.9
II. Gross domestic fixed capital formation	**21,253**	**21,527**	**22,137**	**1.3**	**2.8**
- Domestic funding	16,952	17,135	17,669	1.1	3.1
- Project aid	4,301	4,392	4,468	2.1	1.7
III. Total (I+II)	**44,784**	**46,966**	**55,242**	**4.9**	**17.6**

1) Audited.
Source : - Ministry of Finance
- Bank Indonesia calculation

Monetary and Balance of Payments Impacts

In 1995/96, government finance operation on the whole contributed substantial rupiah contractionary impacts toward the growth of money supply, amounting to Rp8.2 trillion (Table 3.3). The contraction came about because government revenues in rupiah, from oil/gas and tax as well as non-tax receipts, exceeded domestic government expenditures for operational as well as investment purposes. The substantial contractionary impacts of rupiah reflected better coordination between fiscal policy and monetary policy in preserving monetary stability.

3) Presidential Decree No. 19/1996. dated February 27, 1996.

Table 3.3
Monetary Impacts of Government Finance Operation

Item	1994/95r	1995/96*
	Trillion rupiah	
Revenue in rupiah		
Oil/gas	4.0	4.4
Non-oil/gas[1)]	46.3	55.0
Other revenue (net)[2)]	2.7	4.1
Total revenue	**53.0**	**63.5**
Expenditure in rupiah		
Operational	26.0	33.7
Development	21.0	21.6
Total expenditure	**47.0**	**55.3**
Monetary impacts[3)]	**6.0**	**8.2**

1) Tax and non-tax revenues.
2) Including unsettled difference.
3) Plus means contraction.
Sources : - Ministry of Finance
- Bank Indonesia calculation

With respect to the balance of payments, government finance operation in the reporting year resulted in foreign exchange outflows equivalent to Rp3.6 trillion, slightly higher compared with Rp3.2 trillion in the previous year (Table 3.4). The higher outflow was due to an increase in government spending in foreign currencies, particularly for foreign exchange payments abroad, consisting of debt amortization and interest payment as well as funding of development projects. Besides owing to the large amount of mature government borrowings, substantial increase in debt amortization and interest payment was due to the prepayment of high-interest government debts. On the revenue side, there was a slight increase in foreign exchange receipts, primarily from oil/gas receipts and disbursement of foreign borrowings.

Table 3.4
Balance of Payments Impacts of Government Finance Operation

Item	1994/95r	1995/96*
	Equivalent to trillion rupiah	
Foreign exchange revenue		
Oil/gas	9.4	10.4
Development	11.0	11.2
Others	1.7	1.8
Total revenue	**22.1**	**23.4**
Foreign exchange expenditure		
Operational	7.0	7.9
Development	6.6	6.7
Foreign debt amortization	11.7	12.4
Total expenditure	**25.3**	**27.0**
Incoming (+)/outgoing (-)[1)]	**-3.2**	**-3.6**

1) Negative means foreign exchange outflows.
Sources : - Ministry of Finance
- Bank Indonesia calculation

Domestic Revenue in 1995/96

Domestic revenue from non-oil/gas as well as oil/gas receipts in 1995/96 continued to show heartening growth, at 18.1%, much higher compared with growth of 6.8% in the previous year. With respect to its components, non-oil/gas revenue rose sharply, causing its ratio to the GDP to rise slightly to 13.7% from 13.4% in the previous year (Table 3.5). Of the non-oil/gas revenue, tax receipts continued to show promising results, with growth of 18.9%. The relatively high tax revenues were in line with the substantial economic growth, as well as efforts to intensify tax collection and broaden the tax base. The proportion of tax revenue to total domestic revenue was 63.9%, rising slightly compared with the previous year. As the ratio of tax receipts to domestic revenue became more stable, development finance from within the country will become stronger. In the long run, this will create a firm foundation for a state revenue structure which is not vulnerable to external shocks.

Table 3.5
Important Ratios in Government Revenues and Expenditures [1)]

Item	1993/94[2)]	1994/95[r]	1995/96*
Domestic expenditures to GDP	13.5	12.4	12.4
Government investment to GDP	8.3	7.3	6.3
Fiscal saving to GDP	8.9	8.2	7.7
Government investment to total expenditures	47.2	45.5	40.4
Non-oil/gas revenue to domestic revenues	79.1	79.1	80.5
Non-oil/gas revenue to GDP	14.4	13.4	13.7
Tax revenue to GDP	11.1	10.7	10.9
Tax revenue to non-oil/gas GDP	12.4	11.8	11.8

1) GDP in calendar year.
2) Audited.
Sources: - Ministry of Finance
- Bank Indonesia calculation

Income tax, which has been a major contributor of total tax receipts, rose 11.8% compared with an increase of 24.4% last year.

The lower growth in income tax revenue was due to adjustments in the level of taxable income and the lowering of income tax rate, based on the new tax act introduced in January 1995.[4)] Other substantial receipts were from value added tax (VAT) and sales tax on luxury goods which surged 30.3% in the reporting year, to Rp18.4 trillion due to the continuously high economic growth. Moreover, increase in VAT receipts was also owing to the broadening of tax objects to include intangible goods and services, such as patent, copyrights, and trademark. Meanwhile, tax receipts from excise duties in the reporting year rose 22.2%. This substantial increase in revenue was primarily due to the increased production of taxable goods, particularly tobacco, and adjustments in base prices and rate of tax exacted. Other tax receipts with substantial contribution were import duties of Rp3.2 trillion in the reporting year, relatively the same as in the preceding year. The relatively stable import duty receipts was related to the Deregulation Package of May 23, 1995 which, among others, lowered import duties of several items. Despite relatively small contribution compared with the taxes mentioned earlier, growth of land and building tax (*Pajak Bumi dan Bangunan*/PBB) was relatively high (17.9%). This was primarily related to policies implemented, such as adjustments of sales value of tax objects (*Nilai Jual Objek Pajak*/NJOP) and extension of taxable amounts, as well as increasing awareness of taxpayers.

Following these developments, the ratio of tax revenue to GDP increased to about 11.0%, slightly higher than 10.7% in the preceding year. Nonetheless, this ratio was still low compared with around 18.0-34.0% achieved by other ASEAN countries. Meanwhile, non-tax receipts and net oil profit rose 15.1% in 1995/96. This increase reflected improvements in management and administration, increased supervision, and increasingly improved reporting mechanism on self-managed funds *(swadana).* Following this development, the ratio of non-oil/gas receipts to domestic revenue rose to 80.5%, compared with 79.1% last year. This indicated the increasing role of non-oil/gas revenue as a backbone of state finance.

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

Oil/gas receipts experienced an increase of 10.4% compared with 7.2% in the previous year. This was primarily associated with higher average price of Indonesia's oil/gas export in international markets. Although it fluctuated in the reporting year, on average, export price of Indonesia's crude oil per barrel was about $17.20, slightly above the assumed $16.50 reference price used in the 1995/96 state budget.

Government Expenditure in 1995/96

Government expenditure grew at a slower rate compared with the rise of domestic revenues. Nonetheless, compared with the previous year, government expenditure in the reporting year rose significantly, from 4.7% to 15.3% (Table 3.1). This substantial rise was mainly caused by a rather large increase in operational expenditure of 26.1% compared with 7.8% in the previous year. Meanwhile, investment expenditure only increased by 2.5%.

Increases in government operational expenditure was primarily owing to increases in personnel expenditure, such as salaries and pensions, rice allowance, and food allowance. Furthermore, material expenditure and subsidies to autonomous regions also increased significantly, partly owing to broader government activity and various efforts to raise the quality of public services. Another operational expenditure which rose significantly was interest payments of government foreign debts which grew 11.2%, compared with 5.1% last year. Moreover, the Government has also returned excess payment of net oil profit and of Pertamina's operating profits in 1993/94 amounting to around Rp1.5 trillion.

As mentioned earlier, government investment rose only 2.5%, slightly higher than last year's increase. Investment expenditure was primarily allocated for the economic area, public housing, education, general government administration, and health. In the economic area, the largest expenditure was allocated for transportation and communication (43.8%), followed by energy (30.2%), and agriculture as well as forestry (18.6%). Of the total expenditure for public housing and settlement, 83.4% was utilized for regional development and transmigration, and the balance for developing public housing and settlement. In the area of education, 98.8% of expenditure was allocated to increase formal and informal education, including its infrastructure, and the remainder for youth and sports activities. Furthermore, general administration expenditure was primarily utilized for the financing of state apparatus and development supervision as well as development of science, technology, and research. Other substantially large capital expenditure was in the area of health in the framework of improving public health. Following this development, the proportion of government investment expenditure to total government expenditure was 40.4%, while the ratio of government investment to the GDP declined slightly to 6.3% compared with 7.3% in the preceding year (Table 3.5).

The relatively wide gap between domestic revenue and operational expenditure increased fiscal saving to Rp34.1 trillion or an increase of 9.6% compared with 5.8% last year. This suggests the increasing capability of the Government to finance development with funds from domestic sources.

Sources of Government Finance

Government finance operation on the whole in the reporting year showed an improvement from the previous year, as reflected in the fiscal saving surplus on government investment amounting to Rp5.8 trillion (Table 3.1). Of this surplus, Rp1.3 trillion was utilized for net payment of external liabilities while the balance was deposited into government accounts with Bank Indonesia as well as commercial banks. It is noteworthy that lower disbursements of foreign loans as compared with payment of foreign debt amortization has persisted in the last three years. Following this development and taking into account the effect of exchange rate changes, outstanding government foreign debts at the end of 1995/96 declined to about $58.2 billion, compared with $62.6 billion at the end of 1994/95.

Government Finance Operation for 1996/97

In 1996/97, the Government will maintain a prudent stance in fiscal policy with the objective of maintaining economic growth, promoting equitable development, and preserving macroeconomic stability. Government domestic revenue, especially from non-oil tax, which is generally not affected by shocks continue to be augmented through the intensification and extensification of tax. The Government continues to increase efficiency on the expenditure side in view that its budget is increasingly limited. Expenditure will continue to be prioritized to the development of infrastructures to encourage the growth of various sectors, such as manufacturing, agriculture, and services as well as tourism. In 1996/97, the Government will continue to provide the private sector greater opportunity to participate in the development of infrastructures, such as telecommunication, electricity generation, and highways. Furthermore, government expenditure is also aimed at improving the quality of human resources and to expedite poverty alleviation or equitable development, especially in the East Indonesian region. To that end, the Government will continue to encourage public participation in government projects, especially in rural areas. To develop the economic potential of regions, the Government gives regencies more authority to allocate funds under the Presidential Instruction on least developed villages (*Inpres Desa Tertinggal*/IDT) with other private funds as well as community self-help funds.

Furthermore, the Government continues to mobilize domestic financing sources to enable self-sufficiency in financing economic development. Tax receipts will continue to be increased by broadening its coverage ratio. Furthermore, increased legal enforcement toward tax evasions, accompanied by the increased quality of services, capability of tax officers, tax infrastructure, and cooperation with related agencies, will continue to be extended. Improved tax laws are also hoped to be able to increase the intensification of government tax revenue and, in the long run, to increase the ratio of tax receipts to GDP, to catch up with other ASEAN countries.

As in previous years, external borrowing policies will continue to be based on prudential principles. Foreign aid will only be complementary, under favorable terms and conditions, and will be prioritized for productive projects to increase national economic capacity and expedite equitable development. Current expenditure is primarily aimed at enhancing government operations, fulfilling debt obligations, broadening the scope of services and improving the quality of public services, and preserving national assets as well as supervising development. Meanwhile, investment expenditure is aimed at completing current development projects and providing rupiah funds in the implementation of project aid.

In view of existing opportunities and possible constraints, the government domestic revenue in 1996/97 is estimated at Rp81.3 trillion, growing 7.5% compared with 17.8% in the previous year (Table 3.6). Of total revenue, the proportion of oil/gas receipts is 17.4%, and 82.6% from non-oil/gas receipts. Tax receipts are budgeted to rise by 15.6% and non-tax receipts to decline by 6.8%. Meanwhile, estimating that average price of oil throughout 1996/97 will be $16.5 per barrel with production level of 1.52 million barrels per day, oil/gas receipts are estimated to fall by about 4.9% from the outcome of the 1995/96 budget.

Operating expenditure is budgeted to rise by 9.7%, compared with an increase of 26.1% in 1995/96. This rise is partly because of higher personnel expenses which grew 18.9%, which will be primarily utilized to cover salary increases of civil servants (*Pegawai Negeri Sipil*/ PNS), the armed forces (*Angkatan Bersenjata Republik Indonesia*/ABRI), and pensioners. Interest payment of foreign debts is budgeted at Rp7.8 trillion or 17.1% of total operating costs taking into account the increasing amount of mature government debts and fluctuations in exchange rate of major currencies as well as depreciation of rupiah.

Table 3.6
Government Finance Operation 1996/97

Item	Budget			% change
	1994/95[1]	1995/96[1]	1996/97	
	Billion rupiah			1996/97-1995/96
Revenue	**64,071**	**75,662**	**81,302**	7.5
Oil	9,880	10,977	10,315	-6.0
Gas	3,519	3,872	3,805	-1.7
Tax	40,711	48,421	55,986	15.6
Non-tax	5,997	7,801	7,268	-6.8
Net oil	1,263	487	828	70.0
Other revenues (net)[2]	2,701	4,104	3,100	-24.5
Operational Expenditure	**33,043**	**41,633**	**45,666**	**9.7**
Fiscal Saving	**31,028**	**34,029**	**35,636**	**4.7**
Investment Expenditure[3]	**27,552**	**28,264**	**32,834**	**16.2**
Saving - Investment Gap	**3,476**	**5,765**	**2,802**	**-**
Financing	**-3,476**	**-5,765**	**-2,802**	**-**
Domestic[4]	-2,711	-4,479	-3,100	-
Net foreign borrowings[5]	-765	-1,286	298	-

1) Actual.
2) Including unsettled differences.
3) Development revenue in state budget minus foreign debt amortization.
4) Net change on government account with Bank Indonesia and commercial banks.
5) Development revenue in state budget minus foreign debt amortization.
Sources : - Ministry of Finance
- Bank Indonesia calculation

Investment expenditure is budgeted at Rp32.8 trillion or 16.2% from realization of the 1995/96 budget compared with an increase of 2.5% in the previous year. The largest investment expenditure will continue to be prioritized for the economic area, followed by public housing and settlement as well as education. Most of the expenditure in the economic area is allocated primarily for transportation and communication, agriculture and forestry, as well as energy generation. Expenses for public housing and settlement are primarily utilized for regional development and transmigration as well as for the development of public housing and settlement. Meanwhile, expenditure for education is allocated mainly to increase the infrastructure and quality of education as well as for youth and sports activities.

In general, from the operation of government finance in 1996/97, it is devident that the Government is consistently implementing prudent fiscal policies as reflected in the contractionary effects of government finance toward the money supply of around Rp8.9 trillion, higher than in the previous year. Based on expenditure, government finance operation in 1996/97 is estimated to influence aggregate demand in real terms to grow at slightly lower levels compared with its budget realization in 1995/96. Meanwhile, foreign exchange transaction on the whole is estimated to continue to provide net outflow impacts on the balance of payments equivalent to Rp5.8 trillion, primarily because of the high interest/installment payment of foreign debts. Fiscal saving is estimated to continue to rise compared with the previous year, to Rp35.6 trillion. With investment expenditure projected at Rp32.8 trillion, on the whole, government finance operation will have a saving-investment gap of about Rp2.8 trillion.

4. BALANCE OF PAYMENTS

The rapid growth of domestic activities significantly influenced the development of Indonesia's balance of payments in 1995/96. Strong domestic demand for both investment and consumption, which surpassed the capacity of domestic production, has caused the growth of non-oil/gas imports to remain at high levels. As a result, the current account deficit in the reporting year rose steeply, outpacing the previous year's deficit. Nonetheless, the higher current account deficit was balanced by substantial net private capital inflows, particularly in the form of direct investment and portfolio investment; therefore, the overall balance of payments remained in surplus. Foreign exchange reserves rose from $13.3 billion to $16.0 billion or equivalent to 4.7 months of non-oil/gas imports (Table 4.1). It should be noted that the widening current account deficit in the last few years was not only experienced by Indonesia but also by other dynamic economies, especially in Asia, such as Malaysia and Thailand.

As discussed earlier, the widening of the current account deficit was primarily because of accelerating non-oil/gas imports, though it has begun to slow down in the second semester of the reporting year. The value of non-oil/gas imports in the first semester was high and surpassed non-oil/gas export value. As a result, non-oil/gas trade balance, which showed surplus in the last three years, went into deficit in the reporting year (Chart 4.1). In addition,

Table 4.1
Balance of Payments

Item	1993/94	1994/95r	1995/96*
	Billion $		
A. Current Account	**-2.9**	**-3.5**	**-6.9**
1. Goods	7.4	8.0	6.2
a. Exports f.o.b.	36.5	42.1	46.3
i. Non-oil/gas	27.2	31.7	36.1
ii. Oil/gas	9.3	10.4	10.1
- Oil	5.5	6.3	6.1
- LNG	3.5	3.7	3.8
- LPG	0.3	0.4	0.3
b. Imports f.o.b.	-29.1	-34.1	-40.1
i. Non-oil/gas	-25.3	-30.5	-36.5
ii. Oil/gas[1]	-3.9	-3.6	-3.6
- Oil	-3.6	-3.4	-3.3
- LNG	-0.3	-0.3	-0.3
2. Services	-10.3	-11.5	-13.1
a. Non-oil/gas	-7.3	-8.5	-9.9
b. Oil/gas[2]	-3.0	-3.1	-3.2
i. Oil	-1.6	-1.6	-1.6
ii. LNG	-1.4	-1.5	-1.6
B. Capital Account	**5.7**	**4.8**	**11.4**
1. Net Official Capital Inflows	1.1	0.2	-0.2
a. Official inflow	6.2	5.7	5.8
b. Debt repayment	-5.1	-5.5	-6.0
2. Net Private Capital Inflows	4.6	4.6	11.6
a. Foreign direct investment	2.0	2.6	5.3
b. Others	2.6	2.0	6.3
C. Total (A + B)	**2.8**	**1.3**	**4.5**
D. Net Errors & Omissions (C and E)	**-2.1**	**-0.7**	**-1.8**
E. Monetary Movements [3]	**-0.7**	**-0.6**	**-2.7**
Notes :			
F. Official Reserves	**12.7**	**13.3**	**16.0**
Equivalent to non-oil/gas imports (months)	**5.4**	**4.7**	**4.7**
G. Current Account Deficit/GDP (in percent)	**-1.9**	**-2.0**	**-3.3**

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

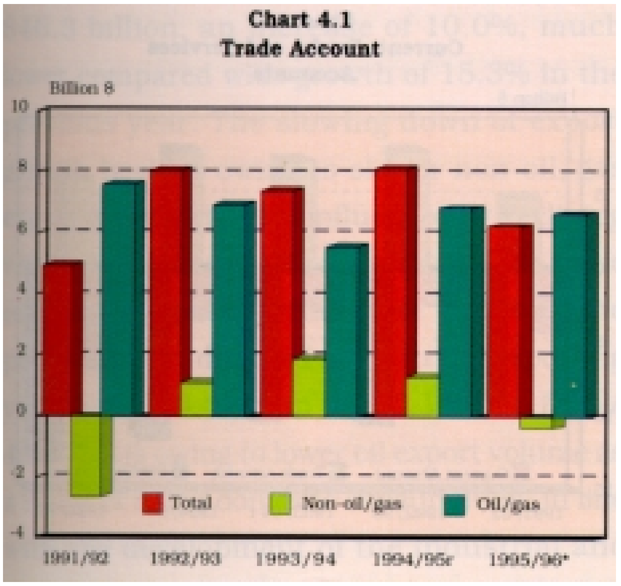


Chart 4.1
Trade Account

the widening current account deficit was also caused by larger services balance deficit. Rising freight and insurance costs of non-oil/gas imports as well as interest payments of foreign debts were major factors driving the increase in the services balance deficit.

Capital flows surplus surged and was marked by higher and more diverse private capital inflows, in line with the growing and more diverse needs of investment financing. This was reflected in the variety of capital inflows which comprised not only foreign direct investment but also portfolio investment and offshore commercial borrowings. A large part of the private capital inflows was for the medium and long term. It is expected that robust capital inflows to finance investment will increase production capacity to stimulate the growth of non-oil/gas exports and reduce reliance on import goods in the future.

Although a large capital account surplus will be able to finance the current account deficit, it must be sustainable and consistent with macroeconomic objectives. To this end, besides adopting prudent monetary and fiscal policies to manage domestic demand, the Government also issued a series of policies to improve efficiency, promote export, create a more conducive investment climate, as well as contain imports. In May 1995, the Government issued a deregulation package covering import duties and surcharges, import trading schemes, export oriented production entrepot and bonded zone, investment, as well as licensing and restructuring.[1)] The deregulation encompassed measures which included the lowering of import duties and surcharges in stages and exemption of import duties on capital goods imported by companies for restructuring purposes.

Besides reflecting Indonesia's commitment to create free trade, the deregulation was also intended to promote export by decreasing production costs to enable Indonesia's exports to be more competitive in world markets. Furthermore, in January 1996, the Government extended deregulation measures encompassing industry, trade, and fiscal incentives.[2)] This deregulation was primarily aimed at increasing export, *inter alia,* by encouraging export oriented industries, opening and broadening business opportunities for foreign companies in export and import trading, including the smooth flow of capital goods and raw materials needed by domestic industries. Moreover, in order to

1) The May 23, 1995 Deregulation Policy Package.
2) The January 26, 1996 Deregulation Policy.

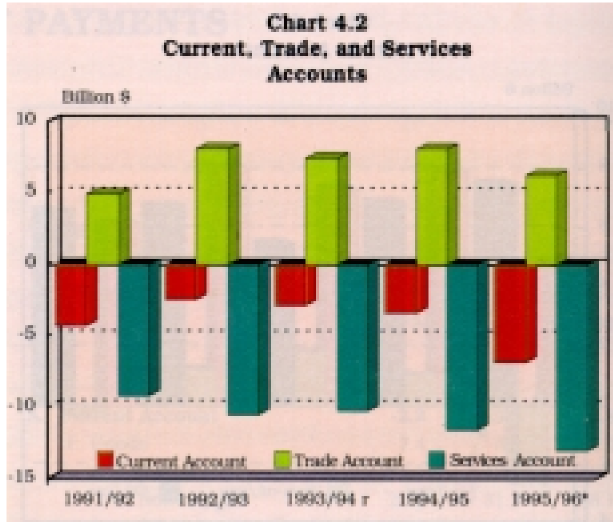
eliminate red tape barriers, the Government improved regulations and procedures in export and import, quality control of exports, as well as eliminated unnecessary levies. Then, in February 1996, the Government formed a team to evaluate government and state enterprise projects with substantial import content.[3] Among others, the team is responsible to study the possibilities of rescheduling such projects.

Current Account

As mentioned earlier, the current account deficit rose steeply in 1995/96. The sluggish non-oil/gas export growth on the one hand and the persistently high non-oil/gas import growth on the other hand were the underlying factors affecting the sharp increase in the current account deficit. Non-oil/gas imports showed rapid growth rates, particularly in the first semester of the reporting year, at 33.5%. Nonetheless, the non-oil/gas import growth rate has begun to decrease in the second semester, particularly since November 1995. This was partly due to a series of policies introduced by the Government in the monetary, fiscal, and real sector. Following this develop meet, non-oil/gas trade balance which was in deficit in the first semester returned to surplus in the second semester, thereby avoiding a larger current account deficit.

The current account deficit in 1995/96 almost doubled, from $3.5 billion to $6.9 billion, and its ratio to the GDP rose from 2.0% to 3.3%.

3) Presidential Decree No. 19 of 1996, dated February 27, 1996.



The increase in the current account deficit was because of a decline in the surplus of trade balance and an increase in the deficit of services balance. Trade balance surplus declined $1.8 billion to $6.2 billion while the services balance deficit increased $1.6 billion to $13.1 billion (Chart 4.2).

Trade Account

Exports

In fiscal year 1995/96, total exports (oil/gas and non-oil/gas) rose from $42.1 billion to $46.3 billion, an increase of 10.0%, much lower compared with growth of 15.3% in the previous year. The slowing down of export growth besides owing to slower non-oil/gas export growth was also influenced by declining value of oil/gas exports (Chart 4.3). The value of oil/gas exports, which rose 11.8% in the previous year, dropped 2.9% in the reporting year, from $10.4 billion to $10.1 billion (Table 4.2). This is owing to lower oil export volume as a result of rising domestic consumption, in line with the development of the industrial and transportation sector. However, gas export, which reached $4.1 billion, consisting of liquefied natural gas (LNG) and liquefied petroleum gas (LPG) exports, did not show significant changes compared with the previous year (Table 4.2). The lower oil/gas exports in the reporting year caused its contribution to total export to fall, from 24.7% to 21.8%. It may be noted that the average export price of Indonesia's oil in the reporting year showed favorable development, reaching $17.2 per barrel, higher than the average price of $16.5 per barrel in the previous year (Chart 4.4). The increase in the price of oil was mainly owing to increase in world demand, especially from the United States and Europe, as well as constrained supply in world markets by oil exporting countries.

Non-oil/gas exports in the reporting year grew 13.9% to $36.1 billion, lower compared with 16.7% in the previous year. The slowing down of non-oil/gas export growth was induced by significant declines in the exports of agricultural commodities as a result of declining prices and export volume of several

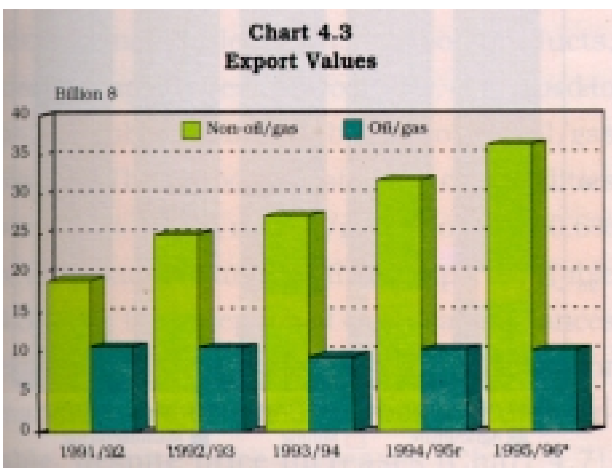


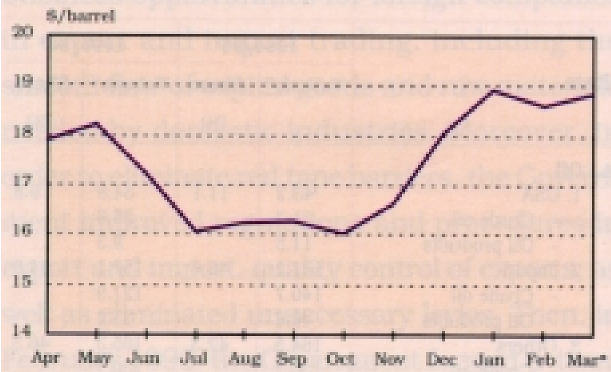
Chart 4.3
Export Values

Table 4.2
Oil/gas Exports by Country of Destination

Item	1994/95r		1995/96*	
	Volume 1)	Share (%)	Volume 1)	Share (%)
A. Oil				
1. USA	43.2	11.1	34.8	9.8
- Crude oil	31.7		25.6	
- Oil products	11.5		9.3	
2. Japan	181.2	46.6	157.1	44.0
- Crude oil	140.7		121.9	
- Oil products	40.6		35.2	
3. Others	164.5	42.3	165.3	46.3
- Crude oil	130.1		130.7	
- Oil products	34.4		34.6	
Total	388.9	100.0	357.2	100.0
- Crude oil	302.5		278.2	
- Oil products	86.4		79.0	
B. Gas				
1. LNG				
1. Japan	1074.9	78.7	938.0	71.0
2. South Korea	205.1	15.0	280.0	21.2
3. Taiwan	86.2	6.3	103.3	7.8
Total	1,366.2	100.0	1,321.3	100.0
2. LPG				
1. Japan	2,327.5	81.2	2,031.3	84.0
2. Singapore	159.4	5.6	3.1	0.1
3. Others	379.5	13.2	382.9	15.8
Total	2,866.4	100.0	2,417.4	100.0
	Value 2)	Share (%)	Value 2)	Share (%)
A. Oil				
1. USA	650.2	10.3	547.7	9.0
- Crude oil	499.1		420.5	
- Oil products	151.0		127.2	
2. Japan	2,890.9	45.8	2,522.5	41.6
- Crude oil	2,386.2		2,082.1	
- Oil products	504.7		440.4	
3. Others	2,771.0	43.9	2,991.2	49.4
- Crude oil	2,114.5		2,302.0	
- Oil products	656.5		689.2	
Total	6,312.0	100.0	6,061.0	100.0
- Crude oil	4,999.8		4,804.2	
- Oil products	1,312.2		1,256.8	
B. Gas				
1. LNG				
1. Japan	2,869.4	76.6	2,606.7	69.4
2. South Korea	633.1	16.9	828.0	22.1
3. Taiwan	243.5	6.5	320.3	8.5
Total	3,746.0	100.0	3,755.0	100.0
2. LPG				
1. Japan	347.1	89.7	309.9	86.3
2. Singapore	17.4	4.5	0.3	0.1
3. Others	22.5	5.8	48.8	13.6
Total	387.0	100.0	359.0	100.0

1) Volume of oil in million barrels, LNG in million MMBTUs, and LPG in thousand tons.
2) F.o.b. value in million $.

Chart 4.4
Oil Prices in 1995/96[1]



1) Sumatran light crude (SLC)/Minas.
Source : Ministry of Mining and Energy

agricultural commodities, in addition to the slow export growth of several major manufactured goods. This development was closely related to external and internal factors. On the external side, the entry of new competitors created intense competition in international markets, especially for key manufactured products, such as textiles, wood products, and footwear. The new competitors are generally capable of producing export products at lower prices with similar quality to Indonesia's products. This hampered export growth, despite persistently robust world trade volume. On the internal side, major exporting industries, such as plywood, textiles, and shoes, still faced various problems, thus reducing their capacity and competitiveness. Furthermore, another factor which impeded export growth was the concentration of exports on intensely competitive manufacturing industries, such as low-skilled labor and natural resource based industries. In addition, the strong domestic demand has also resulted in less favorable impacts on non-oil/gas export growth since it absorbed larger domestic production.

The largest contributor to non-oil/gas exports was manufactured goods constituting 74.9% of total non-oil/gas exports (Chart 4.5), followed by agricultural commodities (15.1%) and mining commodities (10.0%). Based on its growth levels, exports of the group of mining commodities recorded the highest growth rate, at 32.0%, followed by manufactured goods (17.4%), while the exports of agricultural commodities experienced a decline of 8.1% (Chart 4.6). By country of destination, a large part of non-oil/gas exports in the reporting year continued to be for the Asian region, particularly Japan and ASEAN countries, besides the United States and Europe.

Major manufactured commodities, such as textiles and textile products, wood products, electrical appliances, and footwear, continued to provide substantial contribution to non-oil/gas exports. The proportion of these commodities was 45.4% of total non-oil/gas exports or 60.6% of total manufactured products

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

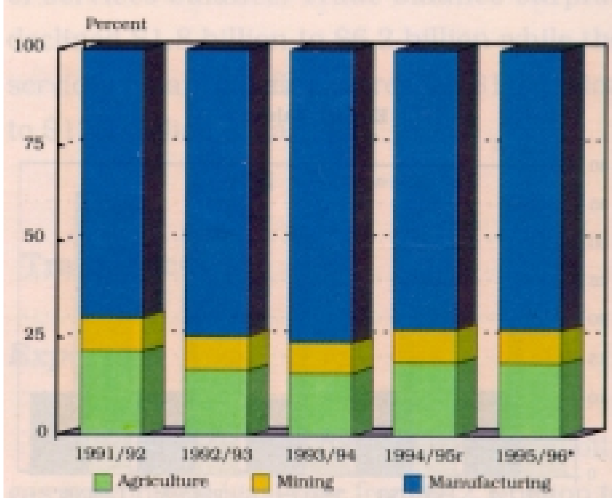
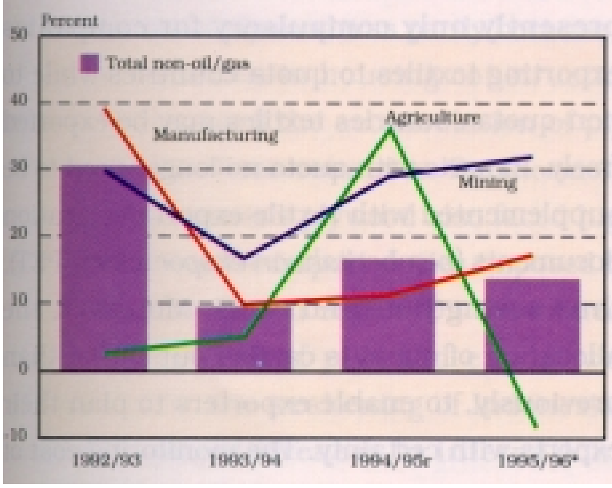


Chart 4.6
Non-oil/gas Export Growth



exported (Table 4.3). With the exception of electrical appliances export, the export performance of other major manufactured commodities was still unfavorable, despite price increases (Chart 4.7).

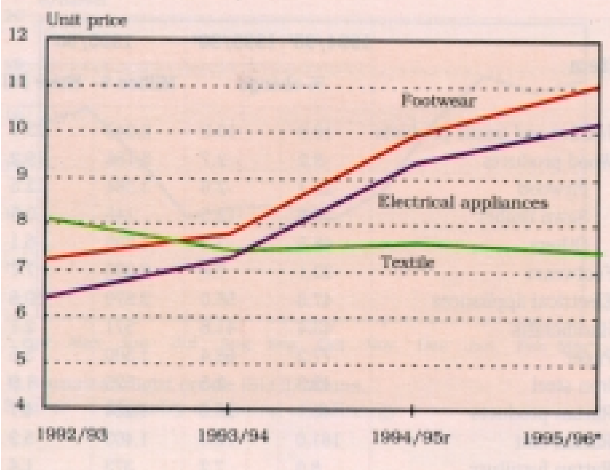
However, in general, exports of manufactured commodities continued to expand significantly as the growth of several manufactured commodities such as chemical products, paper, and machinery, remained high. This was in line with the increase in production capacity of these industries in recent years. On the whole, export value of chemical products, paper, and machinery rose about 69.7% to $3.7 billion, and their contribution to total exports of manufactured products rose from 9.5% to 13.7%. The heartening performance of these products reflected that measures taken to diversify export commodities had successfully reduced excessive reliance on certain major export commodities and this trend is expected to continue.

Table 4.3
Non-oil/gas Export Values of Selected Manufactured Goods

Item	1994/95r	1995/96*	1995/96*	
	% change		Million $	Share (%)
Textiles and textile products	10.9	10.0	6,243	23.1
Wood products	-8.2	-2.7	5,186	19.2
Plywood	-23.4	-2.0	3,384	12.5
Sawn timber	13.6	-12.5	146	0.5
Others	48.5	-3.3	1.656	6.1
Footwears	22.1	7.8	2,090	7.7
Electrical appliances	47.6	58.0	2,870	10.6
Handicrafts	43.4	-41.6	571	2.1
Paper	77.2	68.4	1,500	5.5
Iron steel	12.3	2.5	525	1.9
Rattan products	48.1	38.5	1,284	4.7
Rattan mat	181.0	-10.0	1,403	5.2
Rattan furniture	8.0	7.2	373	1.4
Machines	48.4	151.6	926	3.4
Others	-19.4	27.2	4,091	15.1
Total	**11.4**	**17.4**	**27,062**	**100.0**

Of manufactured goods, textiles and textile products with export share of 23,1% were still the largest foreign exchange contributor. Textiles and textile product exports in the reporting year grew 10.0%, slightly lower compared with 10.9% in the previous year (Table 4.3). The relatively low growth of textile and textile product exports was partly because of various fundamental problems faced by the industry, such as the emergence of new competitors, the low efficiency level, and the slowing down of investment in the textile and textile product industry. Moreover, the textile and textile products industry also faced other challenges, such as allegations by the European Union Commission on the dumping of unbleached cotton fabrics. Various measures, therefore, still have to be taken to achieve the $12.0 billion export target of textiles and textile products by the end of Repelita VI.

Chart 4.7
Export Unit Prices of Selected Manufactured Products



In this respect, the Government has carried out various efforts, among others, by simplifying licensing and quota allocation process, and abolishing several levies.[4] In the case of licensing, registered exporter license is presently only compulsory for companies exporting textiles to quota countries while to non-quota countries textiles may be exported freely. Exports with quota no longer need to be supplemented with textile export declaration documents (*pemberitahun ekspor tekstil*/PET), thus saving time and costs. Moreover, the allocation of quota is carried out earlier than previously, to enable exporters to plan their exports with certainty. The monitoring cost of Rp3.11 per meter square that was imposed on exporters of textiles with quote was abolished. In addition, several Indonesian textiles and textile products exporters have appointed a legal firm in Brussels, Belgium, to represent Indonesian exporters in facing the investigation team of the European Union Commission.

Exports of wood products, such as plywood and sawn timber remained the second largest foreign exchange earner in the group of manufactured goods although their share to the group's total export declined from 24.8% to 19.2% (Table 4.3). Although smaller than the 8.2% decline in the previous year, they still recorded a negative growth of 2.7%. Their lethargic growth was particularly related to the decline of plywood export owing to external as well as internal factors. On the external side, this was associated with substantial plywood stock in countries of export destination, such as Japan, the United States, and Europe. The declining use of plywood was partly because of sluggish activities in housing construction which encouraged the accumulation of plywood stock in those countries. Furthermore, export of Indonesia's plywood also faced high and discriminative import duties imposed by Japan and the United States. On the internal side, the decline of plywood export was influenced by the weakening of Indonesia's plywood competitiveness in international markets, in part as a result of rising production costs owing to the higher price of raw materials. Consequently, in 1995 the export share of Indonesia's wood products in several major export destination countries, such as Japan and the United States, fell from 52.2% and 12.9% respectively to 43.3% and 11.6%. In an effort to overcome this problem, members of the Indonesian Wood Panel Association (Apkindo)

4) - Decree of the Minister of Trade and Industry No. 06/1996 and No. 12/1996, dated 25 January 1996.
- Decree of the Director General of International Trade No. 03/1996, dated January 25, 1996.

cooperated with related government agencies extended efforts to improve their efficiency and productivity. To this end, they continue to diversify their products toward downstream products, which have higher value added and a larger prospective market - for instance, by shifting to medium density fiberboard (MDF) products.

In the group of manufactured commodities, electrical appliances are playing increasingly important role as foreign exchange contributor; rising from the fourth largest to the third. Export of electrical appliances grew 58.0% to $2.9 billion and their share to total export of manufactured goods rose from 7.9% in the previous year to 10.6% (Table 4.3). This substantial growth was closely related to relocation of electrical product industry, particularly companies with well known brands, to Indonesia. In addition, the rising price also encouraged their export growth. The increase in the export of electrical appliances was largely from export of consumer goods, such as color televisions and video cassette recorders, and the rest are products for business purposes and electrical components. Most of them were shipped to countries in Asia Pacific and the European Union.

The export of footwear continued to provide significant contribution to the export of manufactured products although its growth in the reporting year dropped, from 22.1% in the previous year to 7.8%. As a result, its share to total export of manufactured products also decline, from 8.4% to 7.7%, and its position as a major foreign exchange contributor slipped from the third place to the fourth (Table 4.3). The deteriorating growth of this export commodity was primarily because of increasingly intense competition in international markets following the emergence of several new competitors, such as China, Vietnam, and Bangladesh. Moreover, export of shoes from Indonesia also faced dumping allegations from the European Union Commission, namely for certain categories of shoes.

The export of mining commodities recorded the highest growth rate in the reporting year at 32.0%, compared with 29.2% in the previous year (Table 4.4). This growth was stimulated by the relatively high increase in the exports of tin, aluminum, copper, and coal, in conjunction with the increase in world demand. For tin and coal exports in particular, the rising demand was stimulated by the shifting of consumers from substitute products to these commodities which resulted in improved export price (Chart 4.8). Many industries returned to the choice of tin as a raw material for their products because tin is not only recyclable but its price is also competitive with its substitutes. Meanwhile, the rise of coal export was primarily owing to increase in world demand which is reverting to coal to replace depleting oil reserves as an alternative source of energy in the industrial sector as well as the electric power generating industries.

The export value of agricultural commodities, which recorded the highest growth rate in the

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

Item	1994/95r	1995/96*	1995/96*	
	% change		Million $	Share (%)
Tin	45.5	116.8	255	7.1
Copper	78.8	36.4	1,398	38.9
Aluminium	35.9	51.6	355	9.9
Nickel	-2.3	3.5	363	10.1
Gold	-43.0	-46.5	61	1.7
Coal	21.5	16.3	984	27.4
Other mining products	37.9	388.9	179	5.0
Total	**29.2**	**32.0**	**3,595**	**100.0**

preceding year at 36.1%, experienced a decline of 8.1% in the reporting year due to lower export prices and volume of several agricultural commodities in international markets. Based on the contribution to the exports of agricultural commodities, exports of natural rubber, shrimp, and other animal products as well as coffee remained dominant, contributing 79.1% to the total (Table 4.5).

Natural rubber stayed as the largest foreign exchange earner in the group of agricultural commodities. In the reporting year, export growth of natural rubber was 31.8%, lower than growth of 67.8% in the previous year (Table 4.5). The persistently high export growth was primarily induced by higher prices in world markets. This was due to the strong demand for natural rubber, while supply from natural rubber producing countries, such as Malaysia, Thailand, and Indonesia, declined. Declines in the supply of natural rubber from Malaysia and Thailand were caused by disruptions in the production of natural rubber as a result of prolonged rainy seasons in both countries. In Indonesia, declines in natural rubber production were primarily caused by earthquake in Jambi which disrupted land transportation lines in Jambi, one of the largest natural rubber production center.

Shrimp and other animal products remained the second largest foreign exchange earner in the group of agricultural commodities with export share of 31.1% of the group's total export (Table 4.5). Their export growth, however, showed sharp declines, from 18.8% to below 1%, mainly due to poor harvests, which resulted in lower export volumes.

Chart 4.8
Export Unit Prices of Selected Mining Commodities

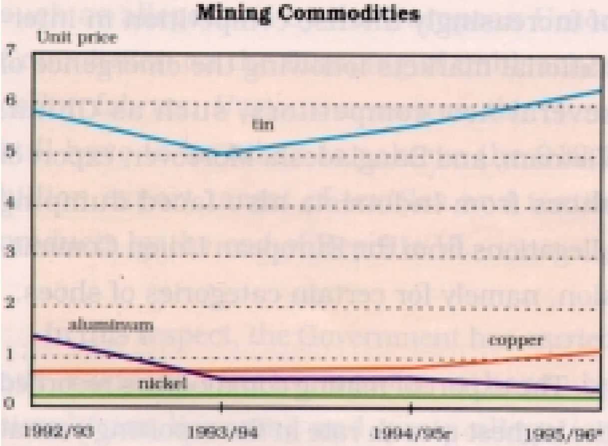
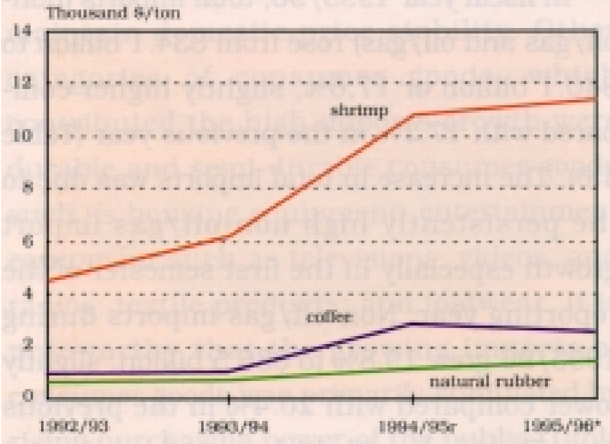


Table 4.5
Non-oil/gas Export Values of Selected Agricultural Commodities

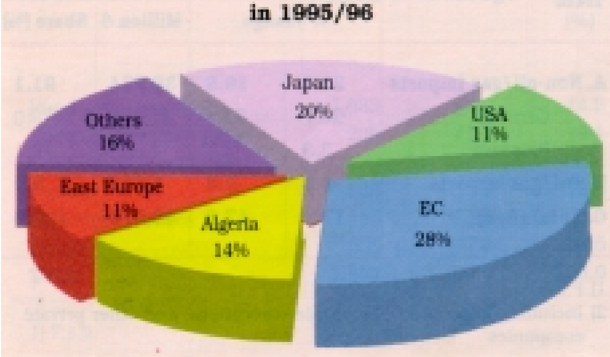
Item	1994/95r	1995/96*	1995/96*	
	% change		Million $	Share (%)
Natural rubber	67.8	31.8	2.001	36.6
Coffee	130.3	-16.0	630	11.5
Shrimp and other animal products	18.8	0.6	1.696	31.1
Shrimp	16.8	-2.1	1.012	18.5
Other animal products	21.9	5.1	684	12.5
T e a	-25.3	-10.7	95	1.7
Others	19.8	-44.7	1.041	19.1
Total	**36.1**	**-8.1**	**5.463**	**100.0**

Chart 4.9
Export Unit Prices of Selected Agricultural Commodities



Coffee export, which rose substantially in the previous year, fell steeply by 16.0% in the reporting year (Table 4.5). Its export deteriorated since its price in international markets declined as a result of over supply of coffee in international markets (Chart 4.9). Concurrently, the quality of coffee export declined because farmers in several major coffee producing countries harvested coffee before its season, partly due to prolonged drought. In addition, the failure of the Association of Coffee Producing Countries to resolve international market conditions in its meeting in Bali was also responsible for the decline in the price of coffee. Based on countries of destination, a large part of Indonesia's coffee was still exported to Japan, Algeria, the United States, and Europe (Chart 4.10).

Chart 4.10
Export of Coffee by Country of Destination in 1995/96



Imports

In fiscal year 1995/96, total imports (non-oil/gas and oil/gas) rose from $34.1 billion to $40.1 billion or 17.6%, slightly higher compared with 17.2% in the previous year (Table 4.6). The increase in total imports was due to the persistently high non-oil/gas import growth especially in the first semester of the reporting year. Non-oil/gas imports during 1995/96 grew 19.8% to $36.5 billion, slightly lower compared with 20.4% in the previous year. The persistently high non-oil/gas import growth is closely related to rising private investment and consumption. Oil/gas imports, comprising imports by oil companies, remained at about $3.6 billion.

A large part of non-oil/gas imports comprised imports of raw/auxiliary materials

Table 4.6
Import Values of Non-oil/gas and Oil/gas[1)]

Item	1994/95	1995/96r	1995/96*	
	% change		Million $	Share (%)
A. Non-oil/gas imports	**20.4**	**19.8**	**36,524**	**91.1**
- General [2)]	20.7	22.7	31,655	79.0
- Program	3.3	3.4	4,869	12.1
B. Oil/gas imports	**-4.5**	**-2.6**	**3,552**	**8.9**
C. Total (A+B)	**17.2**	**17.6**	**40,076**	**100.0**

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

Table 4.7
Non-oil/gas Import Values by Economic Category

Item	1994/95r		1995/96*	
	Share	Changes	Share	Changes
	Percent			
Capital goods	22.9	3.5	21.8	14.4
Raw and auxiliary materials	72.0	18.8	71.8	19.4
Consumer goods	5.1	29.0	6.4	50.6
Total	**100.0**	**20.4**	**100.0**	**19.8**

as well as capital goods with proportion of 71.8% and 21.8% respectively (Table 4.7). The high proportion reflected that the increase in non-oil/gas imports was stimulated by rising production and investment activities.

Imports of raw materials and auxiliary goods rose 19.4 % in the reporting year, slightly higher compared with 18.8% in the preceding year. The growth of raw materials/auxiliary goods was closely related to the robust domestic demand. A large part of imports of raw materials/auxiliary goods comprised semi-finished goods for industries, such as chemical products, steel, and iron, as well as plastic products. Other major imports of raw materials/auxiliary goods were spare parts for capital goods and transportation vehicles (Table 4.8).

Imports of capital goods grew 14.4% in the reporting year, much higher compared with 3.5% in the previous year, primarily due to the higher implementation of new projects, in line with continuously rising PMA and PMDN approvals in the last few year. A large part of capital goods imports comprised machinery, generators, and electrical products, contributing

Table 4.8
Import Values of Raw Materials/Auxiliary Goods 1)

Item	1995/96*		
	Million$	% change	Share (%)
Intermediate materials for industry	13,648	21.3	52.0
Spareparts and equipment for capital goods	4,023	18.2	15.3
Spareparts and equipment for transportation vehicles	3,671	9.5	14.0
Raw material for industry	2,169	20.4	8.3
Fuel and lubrication	625	188.6	2.4
Others	2,101	7.8	8.0
Total	**26,237**	**19.4**	**100.0**

1) F.o.b.

83.5% to total imports of capital goods.

Based on growth, imports of passenger cars, containers, and equipment recorded substantial growth (Table 4.9).

Although imports of consumer goods showed the highest growth rate, at 50.6%, its contribution to total non-oil/gas imports was still low at 6,4%. The high consumer goods import growth was reflected in the rising

Table 4.9
Import Values of Capital Goods1)

Item	1995/96*		
	Million $	% change	Share (%)
Machinery	5,481	15.6	69.0
Generator and electrical appliances	1,152	-0.8	14.5
Handicrafts	34	34.9	0.4
Passenger vehicles	116	325.2	1.5
Cargo vehicles	77	42.5	1.0
Others	1,089	16.3	13.7
Total	**7,949**	**14.4**	**100.0**

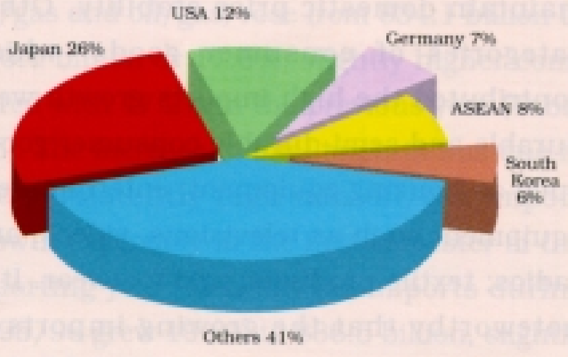
1) F.o.b.

Table 4.10
Import Values of Consumer Goods[1)]

Item	1995/96* Million $	% change	Share (%)
Food and beverages	1,033	97.0	44.2
Durable consumer goods	235	71.7	10.1
Semi-durable consumer goods	288	15.0	12.3
Passenger vehicles	116	325.2	5.0
Others	665	7.1	28.5
Total	**2,337**	**50.6**	**100.0**

1) F.o.b.

Chart 4.11
Non-oil/gas Imports by Country of Origin in 1995/96



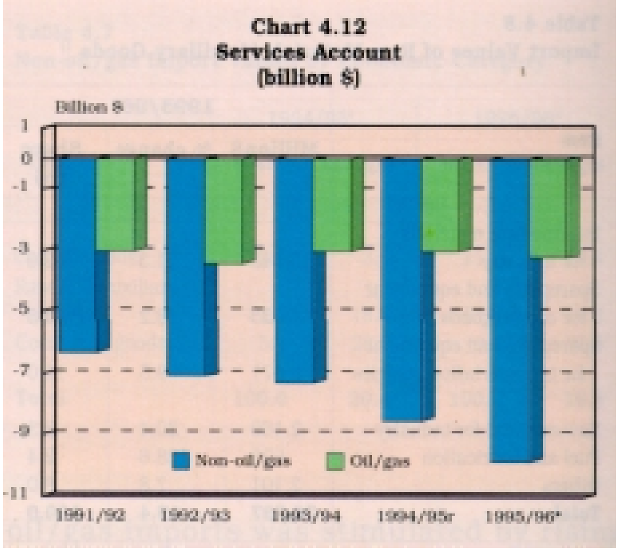
imports of food and beverages for households, including rice and other basic necessities to maintain domestic price stability. Other categories of consumer goods, which contributed the high imports growth were durable and semi-durable consumer goods such as housing equipment; entertainment equipment such as televisions, videos, and radios; textile products; and footwear. It is noteworthy that the growing imports of consumer goods was primarily stimulated by rising purchasing power of the public (Table 4.10).

With contribution of 53.4%, imports from Asian countries continued to dominate non-oil/gas imports while imports from the European and American continents contributed 23.3% and 16.8% respectively of total non-oil/gas imports. A large part of non-oil/ gas imports from Asian countries came from Japan, South Korea, and ASEAN countries, with total contribution of 40%. Imports from other countries were largely from Germany and the United States, with contribution of 19% (Chart 4. 11).

Services Account

In 1995/96, the deficit in services balance rose from $11.5 billion to $13.1 billion, comprising non-oil/gas services of $9.9 billion and oil/gas services of $3.2 billion (Chart 4.12). The widening services balance deficit was primarily because of rising freight and insurance costs of non-oil/gas imports as well as interest payment of foreign loans, constituting $1.3 billion of the $1.6 billion increase in the deficit in the reporting year. On the side of oil/gas services balance, the deficit rose 3.2% to $3.2 billion, mainly owing to the increase in income portion paid to foreign contractors and payment of other services excluding freight and oil/gas import costs.

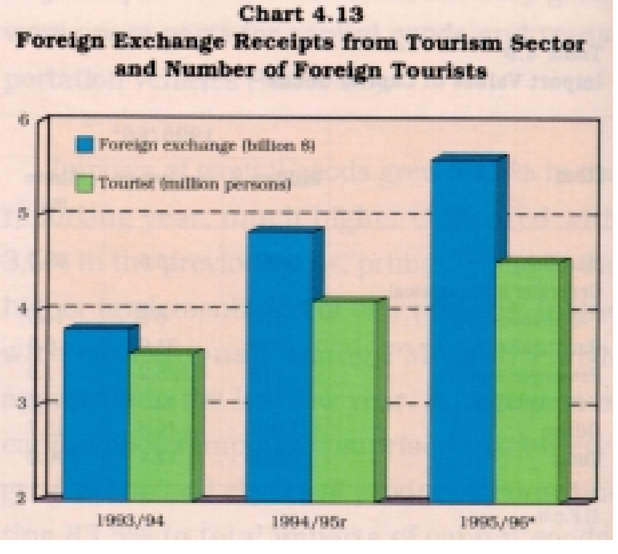
Foreign exchange earnings from tourism and worker remittances contributed the largest foreign exchange earned in the services sector. Foreign exchange receipts from tourism in 1995/96 grew 14.6% to $5.6 billion while total foreign visitors, who came for business, mission,



convention, holiday, and education purposes, grew 12.2% to 4.6 million (Chart 4.13), owing to various efforts by the government to make tourism one of the largest foreign exchange contributor by 2005. Concurrently, foreign exchange earnings from worker remittances grew 40% to $0.7 billion, partly from Indonesians working in the Middle East and Malaysia.

Capital Account

In fiscal year 1995/96, the balance of



payments was not only characterized by wider current account deficit but was also marked by substantial increase in capital flow surplus, from $4.8 billion to $11.4 billion. The net private capital inflows contributed $11.6 billion to the capital account surplus while official capital flows experienced a deficit of $0.2 billion. The growing needs of investment financing and more attractive interest rate differentials have induced an influx of private capital. Greater access to international financial markets, as a result of the integration of domestic financial markets with world financial markets, has also facilitated the surge of private capital inflows. With regards to official capital flows, the deficit was primarily owing to the government's policy to prepay government foreign debts, particularly high-interest debts.

Total debts service rose 11.4% to $17.6 billion, comprising principal of $11.3 billion and interest payment of $6.3 billion. However, debt service ratio/DSR (the ratio of debt service payment to export of goods and services) remained at 32.6%.

Official Capital Flows

Official capital inflows was $5.8 billion, almost the same as in the previous year, mainly from member countries and international institutions of the Consultative Group for Indonesia (CGI). These CGI loans consisted of soft loans (Official Development Assistance/ODA), and non-ODA loans which were largely in the form of Export Credit Facility (Table 4.11). Other forms of loans were special assistance from the Overseas Economic Cooperation Fund

(OECF) and Exim Bank of Japan to finance small-scale projects. This loan declined from $0.3 billion to $0.2 billion in the reporting year. On the whole, the share of official capital inflows to total capital inflows declined.

Official debt service in 1995/96 rose from $8.6 billion to $9.2 billion, comprising amortization of $6.0 billion and interest payment of $3.2 billion. The amortization included the prepayment of $724.8 million, consisting of $264.7 million to International Bank for Reconstruction and Development (IBRD) loans and $460.1 million to the Asian Development Bank (ADB). This amortization surpassed the disbursement of government loans causing official capital flows to experience a deficit of $0.2 billion in the reporting year. The official DSR, however, declined from 17.7% to 17.0% since the growth of official debt service was still lower than the growth of exports of goods and services.

Table 4.11
Disbursement of Official Foreign Borrowings

Item	1994/95r		1995/96*	
	Million $	Share (%)	Million $	Share (%)
CGI	**5,510**	**97.5**	**5,387**	**93.7**
ODA	3,799	67.2	3,873	102.1
Program aid[1]	-	-	-	-
Project aid	3,799	67.2	3,873	67.3
Non-ODA[2]	1,711	30.3	1,514	26.3
Non-CGI (project aid)	**141**	**2.5**	**365**	**6.3**
ODA	100	1.8	5	0.1
Non-ODA[3]	41	0.7	360	6.3
Total	**5,651**	**100.0**	**5,752**	**100.0**

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

Table 4.12
Outstanding Official Foreign Borrowings

Item	1994/95r	1995/96*	1994/95r	1995/96*
	Outstanding		% change	
	Billion $			
Government debts	**62.6**	**58.2**	**7.6**	**-4.4**
Old debts[1]	0.7	0.5	-0.1	-0.2
New debts	61.9	57.7	7.7	-4.2
CGI	58.8	55.2	8.3	-3.6
ODA[2]	42.5	40.9	5.4	-1.6
Non-ODA[3]	16.3	14.3	2.9	-2.0
Non-CGI	3.1	2.5	-0.6	-0.6
ODA	1.3	1.1	0.0	-0.2
Non-ODA	1.8	1.4	-0.6	-0.4
State enterprises[4]	**5.0**	**4.8**	**0.2**	**-0.2**
Total	**67.6**	**63.0**	**7.8**	**-4.6**

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 borrowings from Exim Bank of Japan
4) Including Pertamina's non-recourse borrowings

Outstanding official foreign debt declined $4.4 billion to $58.2 billion at the end of the reporting year (Table 4.12). Of the total decline, $4.2 billion was owing to the strengthening of the US dollar, especially against the yen since the beginning of the second semester of 1995. A large part of the outstanding official foreign debt originated from CGI loans, consisting of bilateral loans particularly from Japan, and multilateral loans, especially from IBRD and ADB. Non-CGI loans comprised 7.8% of outstanding loans (Table 4.13). All the official foreign debt were medium and long-term loans.

Private Capital Flows

In the reporting year, private capital flows surplus increased steeply from $4.6 billion to $11.6 billion. Private capital inflows was marked by stronger and more varied capital inflows, in

Table 4.13
Outstanding Official Foreign Borrowings by Creditor

Item	Outstanding March 31, 1996*	
	Billion $	Share (%)
Bilateral	**34.7**	**59.6**
USA	2.9	5.0
Japan	22.4	38.5
France	2.5	4.3
Germany	3.6	6.2
United Kingdom	1.0	1.7
Netherlands	1.4	2.4
Austria	0.9	1.5
Multilateral	**19.0**	**32.6**
I B R D	12.6	21.7
I D A	0.8	1.4
A D B	5.6	9.6
Others	**4.5**	**7.8**
Total	**58.2**	**100.0**

conjunction with the growing and more diverse needs of investment financing. Capital inflows through PMA companies continued to record large increases, from $4.0 billion to $7.1 billion, in line with rising implementation of foreign direct investment in recent years. As a result, foreign loans, acquired by banks, state enterprises and other private companies, rose from $4.8 billion to $6.2 billion, comprising primarily of medium and long-term loans. Other forms of private capital inflows were portfolio investments, through the sale of stocks and bonds of Indonesian companies at the Jakarta Stock Exchange (JSX) and abroad. Capital inflows through the JSX rose from $0.8 billion to $ 1.7 billion while capital inflows from abroad declined from $3.0 billion to $2.5 billion. Of this amount, $761 million was from the sales of PT Telkom and PT Tambang Timah stocks abroad.

Private capital outflows comprised primarily amortization of foreign debts, which rose from $4.7 billion to $5.3 billion in the reporting year, in line with the expansion of private loans in recent years. Likewise, interest payment of private debts also increased, from $2.5 billion to $3.1 billion. Consequently, DSR of the private sector rose from 14.9% to 15.6%.

International Reserves and Exchange Rates

Bank Indonesia's international reserves at the end of 1995/96 stood at $16.0 billion, an increase of $2.7 billion from the balance at the end of the previous year. This amount was equivalent to 4.7 months of non-oil/gas imports. To reduce the negative effects of the volatile major world currencies, Bank Indonesia consistently adjusted the composition of its international reserves to the requirement of debt servicing and imports.

As in previous years, the Government maintained a standby loan at about $2 billion to face unfavorable developments and to maintain the stability of the balance of payments. Nominal rupiah depreciation against the US dollar was 5.35% during 1995/96, higher than 3.38% in the previous year. Meanwhile, against the Deutsche mark, rupiah depreciated slightly, by 0.58%. However, rupiah appreciated 13.27% against yen as a result of the weakening of yen against the US dollar, particularly since the beginning of the second quarter of 1995/96. In addition, the rupiah exchange rate in real terms *vis-a-vis* the basket of currencies of Indonesia's major trading partners, appreciated by around 10.24% in the reporting year.

5. BANKS, CAPITAL MARKETS, AND OTHER FINANCIAL INSTITUTIONS

Banks

General

The banking sector progressed significantly in 1995/96 as reflected in the rapid expansion of business activities compared with the preceding year. This was associated with the expanding domestic economy and firmer banking consolidation, accompanied by the improved quality of earning assets. Rapid business development, especially in the form of credit expansion, has improved banking performance. The relatively high credit growth on aggregate as well as in selected sectors, however, may expose banks to greater risks and spur economic overheating. Furthermore, banks were also confronted with rapid innovations of high-risk financial products and intense competition as a result of financial globalization. Following these developments, the Government has carried out efforts to ensure that these problems will not negatively affect the national banking system as well as the macroeconomy.

To encourage banks to manage their risks, Bank Indonesia has extended efforts to establish a self-regulatory system as well as to ensure that banking activities are based on prudential principles and are consistent with macroeconomic policies. In 1995/96, Bank Indonesia continued efforts to prevent the recurrence of problem banks and to systematically as well as intensively speed up the resolution of problem banks in the light of current regulations. Moreover, to prepare for globalization, individual banks are encouraged to become more sound, larger, and more competitive. To this end, in the reporting year Bank Indonesia issued a number of regulations concerning aspects of institutional as well as banking activities (Appendix D). Moreover, to gain synergy in banking and financial company supervision, the Ministry of Finance and Bank Indonesia carried out steps to improve the supervision of financial companies (with the exception of venture capitals), particularly regarding the disbursements of foreign loans, extension of bank loans, and issuance of promissory notes.

Institutional

On the institutional aspect, Bank Indonesia in 1995/96 has carried out efforts to enhance the quality of the national banking system. These efforts were aimed at increasing capacity of banks to face intense competition due to financial globalization as well as increase in funding alternatives offered by non-bank financial institutions. To that end, Bank Indonesia has imposed more stringent criteria for the establishment of new banks, raised the capital requirement of foreign exchange banks, and persuaded banks to merge and/or consolidate.

Table 5.1
New Banks

Item	1993/94	1994/95	1995/96*
Private national commercial banks	14	4	-
Joint venture banks	-	1	1
Rural credit banks converted into commercial banks	-	-	-
Rural credit banks	237	148	98
Total	**251**	**153**	**99**

The strict selection process was designed to ensure better bank quality from inception. In part, this was carried out by enforcing the regulation which determined the criteria of offences or breach of conduct by individuals which may prohibit them from becoming shareholder and/or bank manager. In the reporting year, the number of new commercial banks established was 5, compared with 1 in the previous year (Table 5.1). However, because of a merger, the number of commercial banks at the end of 1995/96 remained at 240 banks. Meanwhile, the number of commercial bank offices continued to rise, to 508 offices compared with 348 offices in the previous year (Table 5.2).

In line with efforts to increase the quality of banks, the terms and conditions to change status to foreign exchange banks were tightened since September 1995. The amount of paid-in capital stipulated under the new regulation was raised to Rp 150 billion while the capital adequacy ratio (CAR) was set at 10%.[1)] To encourage banks to merge or consolidate, however, the regulation also established that a bank which has yet to meet capital requirement terms are allowed to appeal for a foreign exchange status provided it has merged or consolidated with two other commercial banks. Moreover, existing foreign exchange banks,

1) - Decree of the Board of Managing Directors of Bank Indonesia No. 28/64/KEP/DIR, dated September 7, 1995.
- Circular Letter of Bank Indonesia No. 28/4/UPPB, dated September 7, 1995.

Table 5.2
Number of Banks and Bank Offices in Indonesia

Bank	1993	1994	1995	1996 [1)]
A. Commercial Banks				
1. State commercial banks				
Number of banks	7	7	7	7
Number of offices [2)]	1,455	1,490	1,635	1,639
2. Local government banks				
Number of banks	27	27	27	27
Number of offices	639	645	705	706
3. Private national foreign exchange banks				
Number of banks	50	60	75	77
Number of offices	2,699	2,919	3,335	3,433
4. Private national non-foreign exchange banks				
Number of banks	111	106	90	88
Number of offices	902	887	825	818
5. Joint banks				
Number of banks	29	30	31	31
Number of offices	45	50	52	52
6. Foreign banks				
Number of banks	10	10	10	10
Number of offices	98	100	103	102
Sub-total				
Number of banks	234	240	240	240
Number of offices	5,838	6,090	6,655	6,750
B. Rural Credit Banks				
1. New (non-rural)	1,045	1,219	1,296	1,307
2. Petty trader/village (non-rural)	174	164	162	158
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)	1,709	1,873	1,948	1,955
5. Rural financial institutions				
a. Rural fund and credit institutions	1,978	1,978	1,978	1,978
b. Rural credit agencies [3)]	5,345	5,345	5,345	5,345
Total (1+2+3+4+5)	9,032	9,196	9,271	9,278

1) March 31, 1996.
2) Excluding rural unit of BRI.
3) Including 315 rural credit agencies based on Decree of the Central Jawa Governor No. Dsa.G.226/1969/8/2/4, dated September 4, 1969.

including joint venture banks, are also required to raise their paid-in capital and CAR in stages, to a minimum of Rp50 billion and 9% respectively by September 1997, Rp100 billion and 10% respectively by September 1999, and Rp150 billion and 12% respectively by September 2001. It is noteworthy that the number of banks which were promoted to foreign exchange banks in 1995/96 was the same as in the previous year, namely 14 banks which were approved through the foregoing regulation (Table 5.3).

An equally stringent selection process was also imposed on the establishment of rural credit banks (*bank perkreditan rakyat*/BPR), hence, the number of new rural credit banks declined from 148 in the previous year to 98 in the reporting year. Meanwhile, the number of rural credit banks which had their licences revoked rose from 2 banks in the previous year to 28 banks in the reporting year. At the end of the reporting year, the number of rural credit banks was 9,278 banks, or an increase of 70 banks from the previous year.

Meanwhile, the dispersion of commercial banks as well as BPRs remained concentrated on the island of Jawa. The number of bank offices in all the provinces of Jawa, including DKI Jakarta, comprised 71.6% of total bank offices (Table 5.4). Other provinces outside Jawa with considerable bank offices were Bali (4.8%), North Sumatera (4.2%), and South Sulawesi (2.5%).

Table 5.3
Number of Private Non-foreign Exchange Banks Converted to Private Foreign Exchange Banks

Bank	1993/94	1994/95	1995/96*
Banks established before October 1988 Deregulation Package	2	4	3
Banks established after October 1988 Deregulation Package	6	10	11
Total	**8**	**14**	**14**

Table 5.4
Number of Banks by Province[1)]

Province	Commercial banks				
	State and local govt. banks	Private nat. com. banks	Foreign and joint banks	Total	Rural Credit Banks[2)]
- DI Aceh	69	20	-	89	7
- North Sumatera	101	212	6	319	48
- West Sumatera	79	34	-	113	88
- Riau	68	61	2	131	8
- Jambi	30	7	-	37	1
- South Sumatera	80	61	-	141	13
- Bengkulu	21	5	-	26	4
- Lampung	40	72	-	112	22
- West Jawa	293	593	9	895	343
- Central Jawa	255	416	2	673	408
- DI Yogyakarta	58	63	-	121	62
- East Jawa	188	615	16	819	341
- Bali	70	172	-	242	179
- West Nusa Tenggara	32	25	-	57	16
- East Nusa Tenggara	28	5	-	33	3
- East Timor	9	1	-	10	-
- West Kalimantan	53	24	-	77	8
- Central Kalimantan	35	3	-	38	1
- South Kalimantan	46	16	-	62	4
- East Kalimantan	56	36	-	92	8
- North Sulawesi	46	32	-	78	22
- Central Sulawesi	24	7	-	31	2
- Southeast Sulawesi	16	4	-	20	-
- South Sulawesi	109	84	1	194	20
- Maluku	32	11	-	43	1
- Irian Jaya	68	6	-	74	3
- DKI Jakarta	439	1,666	118	2,223	343
- Total	**2,345**	**4,251**	**154**	**6,750**	**1,955**

1) As of March 1996.
2) Excluding rural finance agency.

Business Activity

In 1995/96, bank business activities rose rapidly as reflected in the rising growth of business volume, from 15.6% in the previous year to 30.4% in the reporting year (Table 5.5). This was primarily due to higher fund mobilization and credit disbursements in conjunction with rising economic activity.

Sources of Funds

Bank funds from domestic as well as overseas sources recorded higher growth rates compared with the previous year, in line with higher national income, improved banking performance, and financial product innovation. Offshore funds which was reflected in the foreign liabilities of banks rose 15.4% to Rp27.0 trillion at the end of March 1996 (Table 5.5). Meanwhile, domestic mobilization of funds, especially in the form of private deposits and capital (paid-in capital and retained profits), registered a larger increase compared with foreign liabilities. Bank funds from capital grew 39.1%, partly associated with efforts by banks to comply with the CAR.

Private deposits, consisting of demand, time, and savings deposits grew 28.7%, much higher than 20.2% in the previous year (Table 5.6). The strong growth of private deposits was closely related to the relatively more attractive interest rate, higher per capita income, and more diversified banking products. The growth of funds outpaced bank credit growth since the beginning of the second semester of 1995/96; hence the fund-credit gap tended to narrow again compared with the last two years.

Table 5.5
Balance Sheet of Commercial Banks

Item	1994/95	1995/96*	1995/96*	
	% change		Out-standing (trillion Rp	Share (%)
Assets				
Cash on hand	17.7	16.0	2.9	0.8
Demand deposit with Bank Indonesia	-11.4	311.8	7.0	1.9
Foreign assets	2.6	18.9	15.1	4.2
Claims on government:				
- Central government	-39.0	16.7	0.7	0.2
- Government institutions and enterprises	-5.6	34.4	12.9	3.6
Claims on private enterprises and individuals	23.6	20.9	250.9	69.7
Others	-22.5	26.0	39.1	19.6
Assets = Liabilities	15.6	30.4	328.6	100.0
Liabilities				
Demand deposits	15.4	23.3	31.7	8.8
Time and savings deposits	24.1	33.8	137.8	38.2
Foreign exchange deposits	20.9	23.1	41.5	11.5
Foreign liabilities	11.1	15.4	27.0	7.5
Government account	25.2	11.8	8.5	2.4
Borrowings from Bank Indonesia	-27.6	0.8	11.2	3.1
Guarantee deposits	-17.2	42.9	2.0	0.6
Capital, reserve, and P/L	16.2	39.1	32.0	8.9
Others	11.1	60.4	36.9	19.0

Time deposits, both in rupiah and foreign currencies which comprised the largest component of private deposits (57.4%), grew 31.8%, higher than the previous year (29.6%). The escalating time deposits were related to the rapid growth of rupiah deposits which rose from 35.3% to 38.5%, while deposits in foreign currencies declined moderately from 19.0% to 17.3%. The slower growth of foreign currency deposits was, to some extent, related to the attractive interest rate of rupiah deposits. Of the components constituting time deposits, certificates of deposit recorded the highest

Table 5.6
Mobilization of Funds by Type

Type	1994/95	1995/96*	1995/96 *	
	% change		Outstanding (trillion Rp)	Share (%)
Demand deposits	**11.4**	**24.6**	**44.1**	**19.7**
Rupiah	16.3	22.0	33.8	76.6
Foreign currency	-3.1	33.8	10.3	23.4
Time deposits	**29.6**	**31.8**	**128.4**	**57.4**
Rupiah	35.3	38.5	91.9	71.6
Foreign currency	19.0	17.3	36.5	28.4
Savings	**8.8**	**25.1**	**51.2**	**22.9**
Total	**20.2**	**28.7**	**223.7**	**100.0**
Rupiah	22.2	31.1	176.8	79.0
Foreign currency	13.9	20.6	46.9	21.0

growth, i.e., 199.9% to Rp10.6 trillion at the end of the reporting year.

Private deposits in the form of savings deposits grew 25.1% in the reporting year, much higher compared with 8.8% in the previous year due to a number of factors, such as more attractive and diversified savings products as well as saving promotion which included the National Savings Week (*Pekan Tabungan Nasional*/Kantanas) campaign. Nonetheless, as the growth of savings deposits was slower than that of time deposits, the ratio of savings to total bank funds declined slightly from 23.5% in 1994/95 to 22.9% at the end of the reporting year.

Table 5.7
Bank Funds in Rupiah and Foreign Currency by Ownership

Item	1994/95	1995/96*	1995/96 *	
	% change		Outstanding (trillion Rp)	Share (%)
Residents	**21.1**	**29.7**	**218.6**	**97.7**
Government	23.1	19.5	10.4	4.8
Insurance companies	33.2	18.2	5.2	2.4
State companies	9.5	40.5	11.8	5.4
Private companies	17.1	37.2	39.5	18.1
Social institutions	24.1	14.6	10.2	4.7
Individuals	20.1	24.0	116.6	53.3
Others [1)]	38.7	63.8	24.9	11.3
Non-residents	**-3.4**	**-1.9**	**5.1**	**2.3**
Total	**20.2**	**28.7**	**223.7**	**100.0**

1) Including government agencies/institutions and cooperatives.

Private demand deposits in rupiah as well as foreign currencies grew 24.6% compared with l 1.4% in the previous year. This reflected the rapid growth of economic activity.

By ownership, individual deposits constituted the largest proportion of deposits (53.3%) followed by private companies and state enterprises. The three categories of deposits experienced higher growth compared with the previous year (Table 5.7).

Use of Funds

Credit

Amidst the development of various banking products, funds allocation in the form of credit continued to play the largest role. In this regard, Bank Indonesia has closely monitored the credit plans of banks as it may significantly affect the quality of earning assets, profitability, and other aspects related to prudential principles. Moreover, credit policies are required to be consistent with monetary policies in order to achieve the national development objectives.

To restrain credit expansion from the planning stage, Bank Indonesia has persuaded banks to set their annual working plans based on prudential principles by taking into

Table 5.8
Bank Credits

Item	1994/95	1995/96*	1995/96*	
	% change		Outstanding (trillion Rp)	Share (%)
By type of credit	**24.8**	**23.6**	**242.4**	**100.0**
Investment	18.2	22.2	62.0	25.6
Working capital	23.9	23.0	155.7	64.2
Consumer	56.3	31.5	24.7	10.2
By economic sector	**24.8**	**23.6**	**242.4**	**100.0**
Agriculture	14.9	10.8	15.8	6.5
Mining	45.7	28.3	1.2	0.5
Manufacturing	17.7	16.0	73.0	30.1
Trade	17.6	24.0	56.2	23.2
Services	40.8	32.6	69.5	28.7
Others	36.1	32.0	26.7	11.0
By category of bank	**24.8**	**23.6**	**242.4**	**100.0**
State banks	10.7	17.6	95.6	39.4
Private national banks	39.8	28.2	116.4	48.0
Local government banks	21.2	26.9	5.2	2.1
Foreign and joint banks	29.6	26.5	25.2	10.5
In rupiah and foreign curr.	**24.8**	**23.6**	**242.4**	**100.0**
Rupiah	24.0	23.4	193.9	80.0
Foreign currency	28.0	24.5	48.5	20.0

consideration their internal capacity and macroeconomic policies. In this regard, banks were urged to align their annual credit growth plans to the indicative target that was set at around 19% and 17% in 1995 and 1996 respectively. Moreover, to restrain credit to high risk and consumption-driven sectors, banks were requested to ensure that credit growth for property (excluding low cost housing) and consumer credit in 1996 do not exceed total bank credit growth. To that end, Bank Indonesia regularly monitors the credit performance of banks to ensure that realization of bank credit growth is as planned. As a result, credit growth which accelerated in the first semester of 1995/96 and reached 27.0% at the end of August 1995, gradually declined to 23.6% at the end of the reporting year. Despite the decline, credit growth remained relatively high in the reporting year compared with 24.8% in the previous year (Table 5.8).

Meanwhile, strenuous efforts to resolve non-performing loans in the last three years have begun to show results as reflected in the improved quality of bank credit with the percentage of non-performing loans decreasing from 12.1% in December 1994 to 10.4% in December 1995. Bad debts, particularly, have declined from 4.0% at the end of December 1994 to 3.3% in December 1995. The improved quality of credit was in line with efforts of the special task force (*Satuan Tugas Khusus*/STK) for private banks and the state bank credit supervision team (*Tim Supervisi Kredit Bank Pemerintah*/TSKBP) as well as efforts to raise the effectiveness of legal enforcement through cooperation with other related agencies. These efforts have been intensified and the guidelines on the formulation of bank credit policies (*Pedoman Penyusunan Kebijakan Perkreditan Bank*/PPKPB) as well as standards of bank internal audit function (*Standar Pelaksanaan Fungsi Audit Intern Bank*/SPFAIB) have been enforced since January 1996. Therefore, it is expected that credit quality will continue to improve.

Meanwhile, bank credit growth by type showed that consumer credit, primarily for housing and motor vehicles, recorded the highest growth, at 31.5%, albeit lower compared with 56.3% in the previous year (Table 5.8 and Chart 5.1). Moreover, working capital credit climbed 23.0%, slightly slower compared with 23.9% in the previous year.

By economic sector, the industrial sector remained in the lead as the largest recipient of bank credit, constituting 30.1% of total credit (Table 5.8 and Chart 5.2). Credit to the industrial sector grew 16.0%, slightly lower compared with 17.7% in the previous year. Credit growth in the industrial sector was mainly allocated to the textiles, clothing, and leather industries. Another sector with strong credit growth was services, at 32.6%, albeit lower than growth of 40.8% in the previous year. Credit growth in this sector was particularly due to the extension of real estate credit which surged 39.5%. Substantial credit growth also occurred in the trade sector, by 24.0%, compared with 17.6% in the previous year, which was primarily dominated by credit for domestic trading of goods.

Chart 5.1
Bank Credits by Type

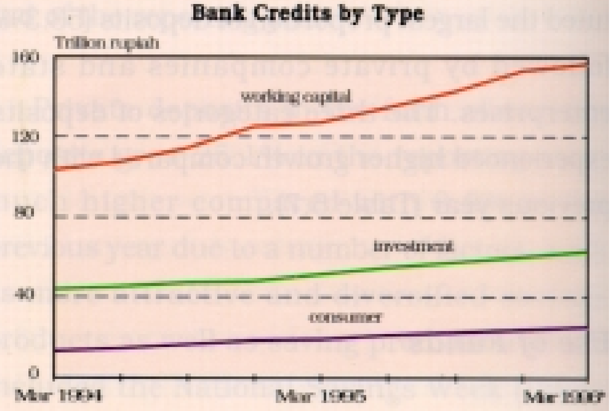
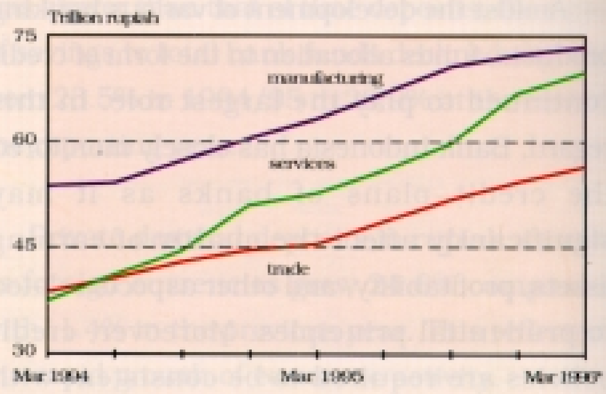


Chart 5.2
Bank Credits by Selected Economic Sector



Based on the group of banks, credit growth of national private banks was the highest, at 28.2%, although smaller compared with 39.8% in the previous year (Table 5.8). Following this development, the contribution of national private commercial banks to total credit rose from 46.3% at the end of 1994/95 to 48.0% at the end of the reporting year. Meanwhile, the proportion of credit extended by state banks declined from 41.5% to 39.4% in the same period.

Export Credit

In 1995/96, export credit grew 20.8% to Rp5.3 trillion. The proportion of export credit extended by joint venture and foreign banks to their total credit also increased significantly, although still below the 50% minimum requirement. By the end of 1995, the amount of export credit extended by the two group of banks was 48.4% of their total credit, compared with 45.8% in the previous year.

Small-scale Business Credit

Small-scale business credit *(Kredit Usaha Kecil - KUK)* in 1995 rose by 19.3%, from Rp35.3 trillion at the end of March 1995 to Rp42.1 trillion at the end of March 1996. The proportion of small-scale business to total credit in the same period reached 24.3%, still above the compulsory ratio of 20%. With respect to the number of accounts, there was an increase of 15.5%, to 6.7 million accounts at the end of March 1996. Of the total accounts, 97% was credit extended with a maximum credit line of Rp50 million reflecting that most of the small scale business credit was received by petty businesses.

The number of banks which complied with the regulation on small-scale business credit was 129 banks of 200 banks, or around 65%, compared with 62% in the previous period. Some of the constraints faced by banks were the inadequate network work of bank offices, lack of skilled human resources as well as limited experience in financing small-scale businesses. Constraints on the side of small-scale business were, *inter alia,* marketing difficulties, production techniques, management and organization, as well as difficulties in fulfilling credit requirements, such as lack of financial administration and license, and inability to prepare business feasibility plans. These constraints resulted in relatively high transaction costs and risks in the extension of small-scale business credit. To overcome these obstacles, Bank Indonesia continued to promote the development of small-scale businesses in 1995/96 by providing technical assistance through the Small-scale Enterprise Development Projects (*Proyek Pengembangan Usaha Kecil*/PPUK), The linking of banks and self-help groups (*Proyek Hubungan Bank dengan Kelompok Swadaya Masyarakat*/PHBK), and Micro-credit Project *(Proyek Kredit Mikro)* to provide small-scale businesses greater access to bank credit (Box: The Role of Bank Indonesia in Developing Small- scale Enterprises). Also, institutional development was carried out by expanding banking network to remote areas, fostering cooperation between banks In extending small-scale business credit, and developing financial institutions in line with the requirement and activities of the low income population, such as BPRs and BPR based on Syariah (non-interest bearing).

Moreover, the banking community was constantly urged to be more concerned and capable in serving small-scale businesses, on the organizational as well as human resource aspects, and to be proactive in overcoming any difficulties and barriers, particularly business risks and transaction costs.

THE ROLE OF BANK INDONESIA IN DEVELOPING SMALL-SCALE ENTERPRISES

Since 1978, Bank Indonesia has provided technical assistance through the Small-scale Enterprise Development Project (*Proyek Pengembangan Usaha Kecil* / PPUK) in several areas. This project is aimed at providing small-scale enterprises greater access to banking services. PPUK serves both banks and local enterprise development units (*Unit Pengembangan Usaha* Kecil / UPUK), such as cooperatives and self-help promotion institutions (*Lembaga Pengembangan Swadaya Masyarakat* / LPSM). Some of the activities of PPUK are identifying small-scale investment opportunities with potential to obtain bank credit and providing training and consultation for bank staff / bank credit officers and UPUK's staff / managers. Projects initiated are conducted through a runway case approach which is partnership between large / medium scale business and small-scale businesses (*Proyek Kemitraan Usaha Kecil Terpadu* / PKUKT). This approach initiates projects from the preparatory stage -- consisting of identifying investment opportunity, preparing project proposal, and linking small-scale businesses to banks or large / medium scale businesses -- to the recommendation for project implementation. The project focuses on the development of the nucleus-plasma partnership scheme, group financing of small-scale businesses, and financing agro-industry / manufacturing industry.

The PPUK has carried out a Baseline Economic Survey (BLS) by province, aimed at gathering information on both economic subsectors as well as potential commodities which may be promoted through small-scale business development scheme. Presently, BLS has covered all of the 27 provinces. In addition, to further focus the development of several potential commodities / subsectors, partly from BLS data, PPUK has conducted researches and presented the results in preliminary feasibility studies (*Laporan Peluang Investasi* / LPI). Until the end of 1995, the project has produced 354 LPIs.

PPUK's activities on training and consultation have generated, among others, bankable proposal (*Laporan Permohonan Kredit* / LPK), which is credit recommendation prepared by UPUK, and bankable proposal appraisal (*Laporan Penilaian Permohonan Kredit* / LP2K) prepared by bank officers. Until March 1996, 1,032 LPKs and 795 LP2Ks were compiled. Meanwhile, 8,060 UPUK staff and 2,320 bank staff / officers responsible for extending credit have been trained under this program. As several large banks have established training centers for their own personnel, the growth of participants joining this program have declined in the last three years. It is noted that from January 1995 to March 1996, based on the joint agreement between the Governor of Bank Indonesia and the Minister of Cooperatives and Small-scale Enterpreneur Development, there were 817 field consultancy workers (*petugas konsultasi lapangan* / PKL) and 299 coordinators/ supervisors of PKL joining this training and consultation program.

Until the end of 1995, 4,022 projects were identified by PPUK as eligible for small-scale enterprise credit (KUK), of which 1,629 projects had been implemented with total credit of Rp894.7 billion, involving 232,600 small-scale entrepreneurs, including cooperatives. Most of these projects were implemented through the nucleus-plasma partnership scheme. From April 1, 1994 to December 31, 1995, PPUK provided technical assistance to 358 nucleus-plasma partnership projects via PKUKT approach. Of these, 133 projects were implemented with total credit amounting to Rp263.9 billion and involving 30,549 plasma. To assist banks in broadening and improving the efficiency of their services to small-scale businesses, Bank Indonesia further intensified the activities of the Banking Communication Forum for Small-scale Enterprise Development (*Forum Komunikasi Perbankan untuk Pengembangan Usaha Kecil* / FKP-PUK). FKP-PUK functions as a cooperation and communication forum for banks in developing small-scale businesses and as a medium for promoting coordination between banks and other institutions or agents involved in the development of small-scale businesses. It is expected that FKP-PUK will encourage and facilitate banks in supporting small-scale business development.

Most of the small-scale entrepreneurs are micro-entrepreneurs including farmers, majority of whom live in rural areas. In order to encourage banks to extend credit to microbusinesses, Bank Indonesia provides technical assistance through the Linking flank and Self-help Group Project (Proyek Hubungan Bank dengan KSM / PHBK). The pilot project of PHBK was launched in 1989 by utilizing funds from the Government or from external sources. Technical assistance was provided to groups, represented by self-help groups (*Kelompok Swadaya Masyarakat* / KSM), and guided either by LPSM or banks. Prior to the training, LPSM and bank staff had to undergo training of trainers (ToT) and training of facilitators (ToF) programs.[1] During the reporting year, 1,761 participants joined ToT, 7.3% higher than in the preceding year, and these participants have then trained 19,107 KSM managers, an increase of 180.4%. Meanwhile, ToF which was just started in early 1995 has provided training to 243 bank staff. In the reporting year, LPSMs joining PHBK rose relatively high to 170 or increased by 63.5%. At the same time, 4,740 KSMs (increase of 110.5%) were served by banks with total credit amounting to Rp33.2 billion (increase of 71.1%), which was

1) ToT is the basic training on organization and mana gement for LPSM officers which will be later extended to KSM managers. ToF is the training for bank staff on group establishment up to bank service mechanism to the group.

allocated to 168,500 customers/group members (increase of 89.3%). The repayment ratio of this scheme was 97.2%. This satisfactory development was because of the sharp increase in the number of participating bank offices from 148 to 323 or 118.2%, along with increased technical assistance.

In line with the Government's poverty alleviation program and the success of PHBK, the Micro- credit Project *(Proyek Kredit Mikro/* PKM) was founded in April 1995. The project is designed to provide micro-businesses greater access to rural credit institutions, such as rural banks and rural credit fund institutions (*lembaga dana kredit pedesaan/* LDKP). PKM focussed its activity on poor/ near-poor community, covering the informal sector, unemployed persons who intend to conduct microbusinesses, agricultural workers, and also women. Areas covered in this project are non-IDT rural areas in West Jawa, Central Jawa, East Jawa, West Nusa Tenggara, and South Kalimantan. PKM provides assistance consisting of financing and technical assistance by utilizing funds from the Government as well as from external sources. The implementation of this project involves 400 BPRs, 700 LDKPs, and 20 LPSMs which will finance 300,000 clients.

Other Earning Assets

Innovations in financial activities have produced increasingly diversified and complex products, along with sophisticated techniques. This development has broadened diversification of bank businesses, but it may also lead to excessive risk exposure. Consequently, Bank Indonesia issued several regulations in 1995/ 96 related to bank business activity which were aimed at encouraging commercial banks to carry out their business activity based on prudential principles while allowing sufficient leeway for banks to adjust themselves to current developments.

Bank investment in other earning assets, comprising securities, equity participation, and interbank placement, grew 17.4% at the end of December 1995, higher compared with 10.6% at the end of December 1994 (Table 5.9). Investment in securities, which constituted the largest bank investment apart from credit, increased 3.1%, compared to a decline of 9.4% in the previous year. The relatively slow growth was primarily due to lower placement in SBIs in the last two years, i.e., 48.8% in 1994 and 32.2% in 1995. Meanwhile, commercial papers

Table 5.9
Other Earning Assets

Item	1994	1995	1995	
	% change		Outstanding (trillion Rp)	Share (%)
Marketable securities	-9.4	3.1	37.5	34.3
Equity participation	2.4	26.0	1.6	1.5
Interbank assets [1]	29.7	26.7	70.2	64.2
Total	**10.6**	**17.4**	**109.3**	**100.0**

1) Including demand deposits.

(CPs) grew rapidly in the reporting year. To reduce bank risks on CP transactions, Bank Indonesia issued regulations covering the terms and conditions regarding the issuance and trading of securities through commercial banks in Indonesia (Box: Provisions on Commercial Paper Trading). Furthermore, Bank Indonesia also passed regulations on securities collectibility, which were partly meant to adjust the criteria of collectibility with regulations on the terms of issuance and trading of commercial papers.[2] Outstanding CPs in rupiah and foreign currencies at the end of March 1996 was Rp1.3 trillion and $1.4 billion, respectively.

2) Circular Letter of Bank Indonesia No. 28/11/UPPB, dated February 26, 1996.

PROVISIONS ON COMMERCIAL PAPER TRADING

In view of the buoyant issuance of commercial papers (CPs) and extensive involvement of the banking system in the issuance as well as trading of CPs and in order to lower the risks borne by banks, Bank Indonesia introduced rules concerning the issuance and trading of CPs through commercial banks in Indonesia. The provisions are stipulated in the Decree of the Board of Managing Directors of Bank Indonesia No. 28/52/KEP/DIR and Circular Letter of Bank Indonesia No. 28/49/UPG, dated August 11, 1995 respectively. The regulations standardize the guidelines for the market and provide protection for investors.

In general, the issuance and trading of CPs can be conducted without involving commercial banks, except when banks are required to act as paying agents. Therefore, CPs could be issued and traded through securities companies as the arranger, issuing agent, and dealer. Nevertheless, with the assignment of commercial bank as a paying agent, the CPs issued and traded must fulfill the regulations.

The main provisions regarding the issuance and trading of CPs through commercial bank in Indonesia are as follows.

1. Some of the requirements regarding the issuance and trading of CPs through commercial banks in Indonesia are:
   a. Maximum term of 270 days
   b. Issued by non-bank Indonesian legal entities
   c. Must obtain investment grade rating by a domestic security rating agency licensed by the Capital Market Supervisory Agency (currently, PT Pefindo)
2. Banks acting as the arranger, issuing agent, paying agent, dealer, or investor of CPs must belong to the sound category of banking soundness and capitalization over the last 12 months.
3. The purchase of CPs by a bank for its own position should be treated as purchases of securities, not as amortization of existing credits to CPs' issuers, either directly or indirectly.

4. Banks are prohibited from acting as the arranger, issuing agent, paying agent, or investor of CPs issued by affiliated companies and/or companies having doubtful credit and/or bad debts with the bank at the planning stage of the CP issuance.
5. Banks are prohibited from acting as the underwriter for the issuance of CPs.

Off Balance Sheet Activities

Bank activities which were recorded in the off-balance sheet indicated slower growth after experiencing substantial growth in the previous year. In 1995/96, these items grew 30.7%, much lower compared with growth of 197.5% recorded in the previous year, albeit still rather high (Table 5.10). The persistently high growth in the last two years reflected that banking activities were increasingly diversified, including fee-based income activities. A large part of off-balance sheet activities was transactions in foreign currencies.

Among the off-balance sheet activities, derivatives transactions recorded the most rapid development in the last few years. Derivatives transactions may provide benefits to participants, but on the other hand, it may also result in substantial loss for banks. Therefore, Bank Indonesia has issued regulations on derivatives transactions in December 1995 (Box: Provisions on Derivatives Transactions, December 29, 1995).

Table 5.10
Off Balance Sheet Accounts

Item	1994/95	1995/96*	1995/96*	
	% change		Outstanding (trillion Rp)	Share (%)
Claims				
Undisbursed credit line from Bank Indonesia and overseas	182.2	-16.3	2.8	0.4
Unearned interest income	102.4	-1.2	17.0	2.6
Outstanding foreign currency bought	248.3	24.2	140.6	21.2
Future, option, and margin trading	900.6	153.1	31.5	4.7
Liabilities				
Undisbursed credit line to customers and other banks	149.9	20.1	106.6	16.1
Outstanding foreign currency sold	243.1	25.4	139.8	21.1
Future, option, and margin trading	2,025.6	27.7	24.7	3.7
Guarantee extended	154.7	20.4	127.6	19.2
Others	115.8	102.2	73.0	11.0
Total	**197.5**	**30.7**	**663.6**	**100.0**

PROVISIONS ON DERIVATIVES TRANSACTIONS DECEMBER 29, 1995

Recently, derivatives transactions have expanded rapidly and are widely used in international financial markets. In line with this development, the types of derivatives transactions have become more complex and varied. This progress was mainly encouraged by advanced technology which enables prompt and timely transfer of information and economic and financial globalization. Moreover, the innovation in quantitative models have enabled market players to make better decisions. These facilities, combined with the relatively small amount of funds required and lower transaction costs, made derivatives transactions more attractive.

In general, derivatives transactions are defined as contracts or agreements on payments of which value is derived from underlying instruments, such as interest rates, exchange rates, commodities, stocks, and indices, with or without fund movements. Derivatives products are numerous but in general they can be classified as forward, future, swap, and option. These various products are created in anticipation of the movement of underlying instruments in the future. Derivatives transactions are used, among others, for hedging assets and liabilities, particularly against exchange rate and interest rate risks, and profit motivated speculation as well as funding. On the other hand, banks conducting these transactions may be exposed to excessive risks, as suffered by several domestic and foreign financial institutions. The loss is mainly caused by weaknesses in internal management, insufficient supervision, and authority abuse. More diverse derivatives transactions and more complex products could, in turn, lead to higher risks for banks .

Following these developments, Bank Indonesia introduced provisions on derivatives transactions through the Decree of the Board of Managing Directors of Bank Indonesia on December 29, 1995. The provisions are designed to provide banks with minimum guidelines to limit the risks that may be incurred from derivatives transactions and to ensure that banks apply prudent principles and sound banking practices.

The key points of the provisions on derivatives transactions are as follows.

1. In principle, banks may conduct only derivatives transactions dealing with foreign exchange and interest rates. Transactions relating to stocks are also allowed, but only on a case-by-case basis with the approval of Bank Indonesia.
2. The bank's managing directors must be responsible for conducting sound derivatives transactions and for actual and potential loss, while the board of commissioners of banks is responsible for supervising derivatives transactions.
3. Derivatives transactions must be based on sound banking practices and in compliance with prudential principles. Furthermore, banks must have written guidelines on derivatives transactions.
4. The cutting loss for derivatives transactions conducted for the bank's own position must not exceed 10% of its capital. For derivatives transactions conducted for the position of the bank's customers without fund movement, the transactions must meet a margin deposit of at least 10% of the transaction ceiling, unless the margin deposit has been specifically set. If the margin deposit has reached 50% of the original balance, the customer must bear the difference.
5. In recording derivatives transactions, banks must comply with the Special Standard for Indonesian Banking Accounting (*Standar Khusus Akuntansi Perbankan Indonesia* /

SKAPI) and Guidelines on Indonesian Banking Accountancy (*Pedoman Akuntansi Perbankan Indonesia* / PAPI).

6. Banks are required to give thorough explanations to their customers, particularly on the possible risks of derivatives transactions. Banks are also obligated to provide a weekly on the outstanding balance of their customers' derivatives transactions and a special report if the balance is considered to be rather hazardous.

7. Banks are required to submit a weekly report on derivatives transactions to Bank Indonesia. The report must cover gains or losses on derivatives transactions, either realized or unrealized, in the interest of the bank or customers.

Business Performance

Total bank profitability, measured by the current profits to total assets ratio, rose from 0.6% in 1994 to 1.8% in 1995, in line with rapid business activity, higher quality of earning assets, and improved condition of several problem banks (Table 5.11). This was experienced by all group of banks except for non-foreign exchange national private banks which registered a decline of profitability from 0.8% to 0.1%.

The higher bank profitability was closely related to improvements in banking efficiency. In 1995, efficiency level as measured by the operating costs to operating income ratio was 92.2%, an improvement compared with 95.3% in the previous year (Table 5.12). Increase in efficiency occurred in most of the group of banks, with the exception of foreign exchange and non-foreign exchange national private banks.

Table 5.11
Commercial Bank's Profitability

Item	1993	1994	1995 *
	Percent		
State banks	0.95	-0.30	1.28
Local government banks	1.87	1.60	3.21
Private national foreign exchange banks	1.17	1.47	1.70
Private national non-foreign exchange banks	0.20	0.80	0.07
Foreign and joint banks	1.49	2.38	4.94
Total	**1.04**	**0.62**	**1.75**

Table 5.12
Commercial Banks' Efficiency Ratio

Item	1993	1994	1995*
	Percent		
State banks	91.6	104.9	96.1
Local government banks	88.1	89.5	84.9
Private national foreign exchange banks	90.7	89.0	92.0
Private national non-foreign exchange banks	96.1	94.2	98.1
Foreign and joint banks	77.0	79.1	78.1
Total	**90.3**	**95.3**	**92.2**

Compliance with Prudential Regulations

Bank efforts to comply with prudential regulations during the reporting year showed improvements. By the end of December 1995, average CAR was 11.9%, higher than the 8.0% ratio stipulated in the May 1993 policy package. The relatively high CAR indicated that commercial banks possess substantial capability to expand their / activities and to cover potential losses. However, compared with CAR of 12.5% at the end of December 1994, it has declined slightly because bank assets grew faster than capital. It is noteworthy that at the end of 1995, only 8.8% commercial banks were unable to meet the CAR requirement, an improvement compared with 9.2% in the previous year.

In December 1995, the average loan to deposit ratio (LDR) of banks was 81.1%, compared with 81.2% in the previous year. This LDR, which was below 110%, indicated that in general, bank liquidity remained sound. Declining LDR was experienced by most banks, with the exception of joint venture banks and foreign banks which recorded relatively small increase.

In the meantime, the percentage of banks which did not comply with the legal lending limit (LLL) regulation declined from 19.2% at the end of 1994 to 13.8% at the end of 1995 due to intensive by bank efforts, especially in lowering credit commitment limit, increasing loan collection, and sharing risk. Furthermore, Bank Indonesia also carried out various measures in the reporting year to encourage banks to comply with the LLL regulation. Banks violating the LLL were required to prepare specific action plans to resolve their credit violation, followed by a time schedule for its resolution. Moreover, violation of the legal lending limit is one of the factors considered in evaluating Bank Annual Work Plan (RKAT) for 1996.

At the end of 1995, the percentage of banks which did not comply with the net open position (NOP) requirement dropped to 7.1%, compared with 17.0% at the end of 1994. Most of the group of banks showed improved compliance with the NOP requirement.

Resolution of Problem Banks

During 1995 / 96, Bank Indonesia continued its efforts to resolve problem banks pursuant to article 37 of Act No.7, 1992 in the frame work of maintaining a sound banking system, including preventing systemic risks which may undermine public as well as international confidence toward Indonesian banks. Efforts to enhance soundness are conducted on a case-by-case basis, suited to the condition and characteristics of each bank. The problem banks were required to prepare an action plan, to be used as guidelines for banks as well as for Bank Indonesia in implementing and evaluating the rescue plans.

In order to enhance the effectiveness of efforts to rescue problem banks, Bank Indonesia issued regulations in the reporting year on the temporary takeover of banks by Bank Indonesia.[3] This regulation enabled Bank

3) - Decree of the Board of Managing Directors of Bank Indonesia No. 28 / 76 / KEP / DIR, dated October 3, 1995.
- Circular Letter of Bank Indonesia No. 28 / 61 / UPPB, dated October 24, 1995.

Indonesia to carry out intensive evaluation on the various problems and divergences. In general, rescue efforts may be carried through restructurization of capital, management substitution or takeover, management assistance, providing possibility of merger, and/ or entry of new investors. In 1995, problems faced by 17 commercial banks and 10 BPRs were resolved. Major crises were averted and the banks gradually recovered to the state of sound and fairly sound.

Capital Market

Similar to the rapid progress experienced by the banking sector, in 1995/96 the capital market showed a bullish trend, as reflected in the growing composite stock price index, the number of listed companies, market capitalization, and share trading. In the meantime, the Government continued efforts to improve the performance and disclosure of capital market activities.

To foster a more conducive climate for the national capital market as well as strengthen the legal foundation for the development of capital markets in the future, the Government passed a new act on the capital market in November 1995 (Box: Act No. 8 of 1995 on Capital Market). Following this act, the Government encouraged the establishment of mutual funds to raise the domestic investor base. Furthermore, in order to facilitate bourse liquidity and as an initial step to ease limitations on foreign ownership, mutual fund companies may now be 100% foreign owned and each investor may own only a maximum limit of 1% of mutual funds.[4)] Foreign ownership of the shares of securities companies was raised to a maximum 85% of paid-in capital.[5)]

To protect investors, the Capital Market Supervisory Agency (*Badan Pengawas Pasar Modal*/Bapepam) issued a regulation stipulating that public companies should avoid speculative derivatives transactions as they may result in material risks and contradict business objectives as stated in their establishment acts.[6)] Meanwhile, to create openness in the buying of shares in capital markets, Bapepam enforced the requirement to offer tender on the purchase of shares by certain parties through the stock exchange which exceeded 20%.[7)] Bapepam also required bond issuing companies to provide adequate disclosure regarding utilization of funds raised from the public.[8)] Previously, this regulation was only effective for companies issuing shares.

4) Decree of the Minister of Finance No. 646/KMK.010/1995, dated December 30, 1995.
5) Decree of the Minister of Finance No. 647/KMK.010/1995, dated December 30, 1995.
6) Circular Letter of the Head of the Capital Market Supervisory Agency No. Kep 1560/PM/1995.
7) Decree of the Head of the Capital Market Supervisory Agency No. Kep 85/PM/1996, dated January 24, 1996.
8) - Decree of the Head of the Capital Market Supervisory Agency No. Kep 81/PM/1996, dated January 17, 1996.

ACT NO. 8 OF 1995
ON THE CAPITAL MARKETS

Act No. 8 concerning the capital market was passed on November 10, 1995 and was enacted on January 1, 1996. It is aimed at supporting capital markets in facing future challenges. This act provides market participants with legal certainties in conducting activities in the capital markets. It also protects investors especially against harmful practices.

Under the act, Bapepam has the authority and responsibilities to regulate and supervise capital market participants. In addition, the act regulates the conduct of supporting institutions and professionals participating in the capital market; issuers and public companies; reporting and information disclosure; fraud market manipulation and insider trading; procedures of examination and investigation in the capital market; and administrative and legal sanctions and violations.

With respect to activities in the capital markets, the act regulates, among others, the requirements and procedures of licensing; approval and registration of institutions and professionals of capital markets covering bourse, clearing and underwriting institutions, and deposit and settlement institutions, mutual fund, securities companies and their representatives, investment advisors and the securities administration bureau, representatives of underwriters, representatives of securities brokers, representatives of investment managers, custodian banks, trustees and supporting professionals of the capital market (accountants, legal advisors, valuators, and notaries).

To implement the act, which consists of 18 chapters and 116 articles, the Government has issued two government regulations, three decrees of the Minister of Finance, each dated December 30, 1995 as follows.

- Government Regulation No. 45 of 1995 concerning the conduct of capital market activities.
- Government Regulation No. 46 of 1995 concerning the procedures of examination in capital markets.
- Decree of the Minister of Finance No. 645/KMK.010/1995 to annul the Decree of the Minister of Finance No. 1548/KMK.013/1990 on the capital market which was amended by the Decree of the Minister of Finance No. 284/KMK.010/1995.
- Decree of the Minister of Finance No. 646/KMK.010/1995 on share ownership or unit share of mutual funds by foreign investors. Decree of the Minister of Finance No. 647/KMK.010/1995 on limitation of foreign ownership of securities companies.

In addition, Bapepam also issued regulations.

Some major points included in those regulations are as follows.

a. Commercial banks may act as custodians and trustees with the approval from Bapepam.
b. Issuers may make public offerings only after they have submitted to Bapepam the statement of registration for public offering or selling of stocks and after the registration statement has been effective. This provision is not valid for the issuances of debt instruments with maturity not exceeding one year, the issuance of certificates of deposit, the issuance of insurance policies, the offering of securities which are issued and guaranteed by the Government of Indonesia, or offering of other securities which are specified by Bapepam.
c. Insiders of the prospective or existing public companies who may have insider information are prohibited from buying or selling securities of those companies. They are also prohibited from buying or selling securities of other companies which carry out transactions with the particular companies.
d. Since securities companies play an important role in capital markets, securities companies which act as underwriters, brokers, and investment managers are prohibited from being managed directly or indirectly by individuals who have committed offences and/or have been punished for violations in the financial sector, especially in the capital market, or by individuals lacking high moral values. Furthermore, securities companies are also obligated to have a certain amount of paid-in capital and net working capital in order to enhance the performance of the capital market.

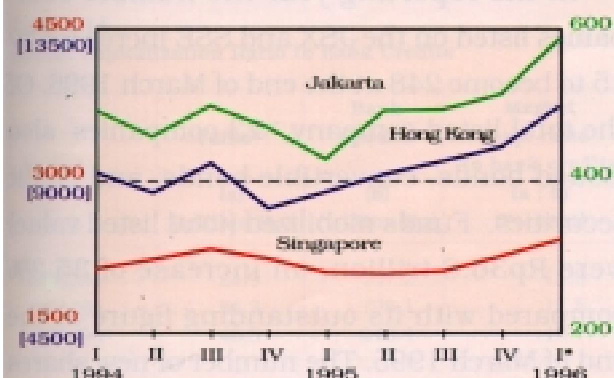
In the reporting year, the capital market showed buoyant activity, in line with improved bourse infrastructure, especially the use of computers to raise transparency and efficiency of trading as well as to increase the comprehensiveness and accuracy of trade information services. Bourse automation began in May 1995 with the commencement of the Jakarta Automated Trading System (JATS). To enhance the effectiveness of bourse information for market participants, share indices were reclassified into 10 sectors (agriculture, mining, property, utilities and infrastructure, finance, trade and services, base industries, miscellaneous industries, consumer goods industries, and manufacturing) with base index of 100 points since January 1996. The new stock indices complemented the existing composite stock indices. Furthermore, as a result of cooperation between Bank Indonesia and the Indonesian Parallel Bourse in April 1995, data from the Parallel Information Bond System (PIBS) was integrated into the money market information center (*Pusat Informasi Pasar Uang*/PIPU) network. Following this integration, commercial banks and money market brokers in particular, may obtain information on bond trading in secondary markets.

The bullish domestic capital market was partly owing to strong macroeconomic fundamentals and the factor of global sentiment. The issuance of a number of blue chip stocks and bonds from the private sector as well as state enterprises, such as, PT Telkom and PT Tambang Timah, has also boosted bourse activity. In particular, the issuance of PT Telkom stocks, which contributed a significant share capitalization value to overall market capitalization, has indirectly influenced the movement of the composite stock price index. In general, the composite stock price index (CSPI) on the Jakarta Stock Exchange (JSX) as well as on the Surabaya Stock Exchange (SSE) increased significantly in the reporting year.

The stock price index of several capital markets in Asia, such as Singapore and Hong Kong, also experienced fluctuations with rising tendencies (Chart 5.3). Some factors contributing to the upward trend were the declining international interest rates, especially in major industrial countries, and strong foreign investor confidence toward the economic prospects of Asia.

Market capitalization and the value of shares traded at the JSX during 1995/96 rose 77.3% and 67.3% respectively to Rp175.2 trillion and Rp40.5 trillion (Table 5.13). Significant increases were also experienced at the SSE, particularly market capitalization which rose 52.1% to Rp 174.8 trillion while the value of shares traded fell 17.1% to Rp3.4 trillion. Substantial increase in market capitalization was related to the increasing number of companies that went public, in particular the issuance of PT Telkom stocks which attained

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



Sources : - Bank Indonesia
- Bapepam

Table 5.13
Capital Market

Item	1994/95	1995/96				
		I	II	III	IV	Total/ End of Position
Stocks						
Number of companies	233	238	243	248	248	248
Issuance						
- Volume (million stocks)	6.7	7.7	8.8	11.1	12.4	12.4
- Value (trillion rupiah)	27.2	28.6	30.9	35.4	36.8	36.8
Market capitalization (trillion rupiah)						
- JSX	98.8	116.3	120.8	152.2	175.2	175.2
- SSE 1)	113.6	115.7	128.6	158.7	174.8	174.8
Transactions						
- JSX						
- Volume (million stocks)	6.1	2.1	2.7	3.6	4.8	13.2
- Value (trillion rupiah)	24.2	7.1	8.9	9.7	14.8	40.5
- SSE 1)						
- Volume (million stocks)	1.1	0.2	0.3	0.5	0.4	1.4
- Value (trillion rupiah)	4.1	0.5	1.1	0.9	0.9	3.4
Composite stock price index						
- JSX	428.6	492.3	493.2	513.8	585.7	585.7
- SSE	328.5	327.3	350.3	366.1	400.1	400.1
Bonds						
Number of companies	46	48	49	50	50	50
Value (trillion rupiah)	7.1	8.1	8.2	8.7	8.7	8.7
Position (trillion rupiah)	5.2	5.8	6.9	7.4	7.4	7.4

1) Including over-the-counter as of October 1995.
Source : Bapepam

19.4% of total JSX market capitalization at the end of March 1996.

Other positive bourse developments was the rise of the JSX as well as SSE composite stock price indices in general. The JSX composite stock price index rose from 428.6 points to 585.7 points, while on the SSE, it climbed from 328.5 points to 400.1 points. This favorable development was closely related to the strengthening of the price of a number of blue chip stocks in the capital market, including PT Telkom and several cigarette and finance industries.

The domestic capital market was also influenced by financial globalization. In part, this phenomenon was reflected in the fluctuation of the composite stock price index at the end of August 1995. Bourse activity weakened, among others, as a result of the strengthening of the USD/yen exchange rate and the weakening of regional bourses. This resulted in selling pressures on foreign investors and stimulated them to shift their portfolios from capital markets to foreign exchange markets.

In December 1995, especially in the second week, there was a release of shares by foreign investors due to weak trading activity as well as to expectations that foreign investment managers will reduce their activities toward the end of the year. This development resulted in a price correction which caused the composite stock price indices to plunge to below the psychological limit of 500 points. This correction was further aggravated by investors' negative reactions toward Bank Indonesia's decision to raise the reserve requirement to 3%. The market was concerned that the higher reserve requirement will result in higher interest rates and reduced credit expansion which will later decrease the profit level. This has caused the shares of banks to experience correction with resultant impacts on the shares of other sectors.

At the end of the first and second week of January 1996, share trading and the CSPI increased. This favorable development was partly because of the Government's commitment to consistently implement prudent monetary policies which received enthusiastic responses from market participants, especially foreign investors who immediately purchased big shares in large amounts, followed by domestic investors.

In the reporting year the number companies listed on the JSX and SSE increased by 15 to become 248 at the end of March 1996. Of the total listed company, 23 companies also issued bonds, convertible bonds, and credit securities. Funds mobilized (total listed value) were Rp36.8 trillion, an increase of 35.3% compared with its outstanding figure at the end of March 1995. The number of new shares was 5.7 billion, bringing the total shares to 12.4 billion at the end of March 1996. Apart from the registration of new shares, the growth in shares was also from an increase of rights issues.

In the reporting year, the number of bond issuing companies rose from 46 to 50 with total value of issuance amounting to Rp8.7 trillion or rising 22.5% compared with its value at the end of the preceding year. Outstanding bonds also increased to Rp7.4 trillion, compared with Rp5.2 trillion at the end of March 1995. However, trading of bonds in secondary market was not very active as institutional investors tended to buy and hold their bonds.

The role of the capital market as an alternative source of financing for businesses grew significantly. This was reflected in the ratio of funds mobilized in capital markets to bank credit, which increased from 17.5% to 18.7% (Table 5. 14).

In general, share trading by foreign investors during the reporting year experienced rising tendencies. Total foreign investor buying reached 8.0 billion shares, worth Rp29.3 trillion while selling transactions attained 6.7 billion shares worth Rp25.3 trillion (Table 5.15). In light of these developments, foreign ownership of shares listed on the JSX increased to 12.5 billion shares valued at Rp46.7 trillion. Since 1992 foreign investor buying has exceeded selling transactions. This reflects strong foreign investor confidence toward Indonesia's capital markets as well as economic prospects.

Table 5.14
Market Capitalization Ratio to Bank Credits

Period	Value[1)] (a) (trillion Rp)	Bank Credits (b) (trillion Rp)	Market cap. ratio to bank credits (a : b) (Percent)
1993/94	24.9	157.2	15.8
1994/95	34.3	196.1	17.5
1995/96*	45.5	242.4	18.7

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

Table 5.15
Outstanding and Transactions of Stocks of Foreign Investors[1)]

Item	1994/95	1995/96				
		I	II	III	IV	Total/ End of period
Outstanding						
- Volume (billion stocks)	7.5	8.0	9.2	11.8	12.5	12.5
- Value (trillion Rp)	29.1	33.7	35.6	42.2	46.7	46.7
Stock trading						
Buying transactions						
- Volume (billion stocks)	3.6	1.4	1.7	2.1	2.8	8.0
- Value (trillion Rp)	17.2	5.5	6.7	6.9	10.2	29.3
Selling transactions						
- Volume (billion stocks)	3.3	1.2	1.5	1.5	2.5	6.7
- Value (trillion Rp)	15.3	4.8	5.8	5.5	9.2	25.3

1) Especially at Jakarta Stock Exchange .
Source : Bapepam

Other Financial Institutions

In the reporting year, other financial institutions which include finance companies, insurance companies, pension funds, and pawnshops, showed favorable development.

This was primarily associated with the rise of investment activities in the country which resulted in the increasingly large requirement for funds.

The Government has continued to encourage the development of these financial institutions to ensure that their business activities are always in line with the achievement of macroeconomic objectives. This effort was carried out, among others, by improving regulations on the administration and supervision of these institutions.

Finance Companies

Strong demand for funds to finance robust economic activity has significantly promoted the role of finance companies whose core business is to supply funds and/or capital goods. In line with this progress, the number of finance companies and their business volume have increased rapidly. To enhance the supervision of finance companies, in December 1995, the Government passed regulations on the supervision of finance companies, covering borrowings, equity investment, and reporting.[9] Supervision will be carried out by the Ministry of Finance in cooperation with Bank Indonesia.[10] Moreover, considering that the number of finance companies presently is adequate for the requirements of the national economy, issuance of licenses for new finance companies has ceased with effect from December 1995.[11]

Based on the new regulation, finance companies are allowed to borrow up to a maximum of 15 times its networth, of which borrowing from overseas is limited to 5 times of its networth after deducted by its equity participation. With respect to subordinated borrowings, each borrowing with minimum maturity of 5 years will be considered as networth up to a maximum limit of 50% of paid-in capital.

Finance companies are permitted to carry out equity participation only in finance companies. Maximum equity participation in any single company may not exceed 25% of the paid-in capital of the finance company, and total equity participation is limited to 40% of its networth. In this respect, finance companies which have carried out equity participation in non-financial companies and/or have carried out equity participation exceeding the maximum limit set, were required to adjust their equity investment to the new regulation within a prescribed time frame.

The new regulation also stipulated that with the exception of venture capital companies, all finance companies will be supervised by the Ministry of Finance with the assistance of Bank Indonesia. The scope of the supervision encompasses withdrawal of offshore borrowings, channelling of bank credit, issuance of promissory notes, quality of earning assets, and the accuracy as well as the completeness of report. With regards to supervision activities, finance companies are required to submit monthly financial statement, semi-annual business report, and annual audited financial statements. With this reporting system, information on the compliance of finance companies toward regulations, their impact on

9) Decree of the Minister of Finance No. 606/KMK.017/1995, dated December 19, 1995.
10) Joint Decree of the Minister of Finance and the Governor of Bank Indonesia No. 607/KMK.017/1995 and No. 28/9/KEP/BI, dated December 19, 1995.
11) Decree of the Minister of Finance No.609/KMK.017/1995, dated December 21, 1995.

monetary and banking developments, as well as development of the relevant company may now be obtained.

In 1995, the number of finance companies increased by 48 to 254 companies, comprising 198 national private companies, 2 state-owned companies, and 54 joint venture companies (Table 5.16). Of the total finance companies, approximately 60 companies carried out single financing activity while the others conducted multi-financing activities, with the most business in leasing.

Total assets and investment value of finance companies rose 23.3% and 21.2% respectively, to Rp23.4 trillion and Rp18.4 trillion. Moreover, business development was also reflected in the financing value which grew 44.6% to attain Rp24.3 trillion in 1995. The large transaction value was mainly associated with the escalating financing value of factoring companies which rose 50.9% to Rp8.0 trillion in December 1995. Meanwhile, the contract value of leasing companies rose 34.7% to Rp8.8 trillion. Consumer and credit card financing also showed significant developments in 1995. The value of consumer financing rose 24.4% to Rp5.5 trillion, while the value of credit card financing rose 67.9% to Rp1.6 trillion.

Table 5.16
Finance Companies[1]

Item	1993	1994	1995*
	(Billion rupiah)		
Number of companies[2]	**176**	**206**	**254**
Business activities			
Leasing (contract value)	4,562.9	5,947.7	8,809.3
Factoring (financing value)	2,238.8	5,335.6	8,003.2
Consumer financing (contract value)	2,209.7	4,475.0	5,546.7
Venture capital (equity)	12.1	106.0	308.1
Credit card (financing value)	79.2	948.8	1,593.1
Financial position			
Total assets	11,866.2	19,008.6	23,437.7
Total equity	1,969.3	3,444.0	4,263.7
Net investment	9,226.7	14,874.0	18,027.3
Outstanding borrowings			
Domestic	3,809.6	7,163.4	11,250.4
Foreign	3,468.0	5,440.4	8,487.2

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

The scale of venture capital business also increased substantially in 1995, albeit still relatively small. This was primarily reflected in the value of venture capital participation which increased 190.7% to Rp0.3 trillion in December 1995.

Sources of funds of finance companies, mainly equity and borrowings, continued to increase in 1995. Equity increased 23.8% from the previous year to Rp4.3 trillion, while borrowings, comprising domestic as well as offshore borrowings, rose 56.6% to Rp19.7 trillion. Of this total, 57% constituted domestic borrowings.

Insurance Companies

In line with growing economic development, insurance companies, whose core business is associated with mobilization of long-term funds to cover various risks, were constantly encouraged to develop. In part, these efforts were carried out through various deregulation policies aimed at enhancing the technical and managerial capability of human resource and to enable insurance companies to operate effectively and efficiently. These efforts were also aimed at reducing the reliance of the national insurance industry on foreign counterparts.

Pursuant to Act No. 2 of 1992 on insurance companies, several policies in the area of insurance were issued, encompassing financial soundness of insurance companies, administration of insurance businesses, and supporting companies of insurance businesses. To strengthen the capability of insurance companies in fulfilling their obligations to policy holders, the Government passed a regulation on the financial soundness of insurance and reinsurance companies, setting the solvency level, eligible investment, and the maximum retention limit of their investment relative to their networth position.

Furthermore, to ensure the solvency of insurance and reinsurance companies, investment carried out should always take into account legal aspects, profit level, risks (security), as well as company liquidity. To that effect, insurance and reinsurance companies are allowed to invest their assets in the form of time deposits, shares/bonds, SBIs, money market securities, promissory notes, equity investment, property, and mortgage as well as loan to policy holder. However, insurance companies are prohibited to conduct derivatives transactions, future trading of commodities and foreign currencies, direct equity participation in insurance supporting companies, and offshore investment, with the exception of direct equity participation in insurance businesses. To avoid over insurance, a maximum retention limit was set relative to the networth of each insurance coverage or for the company as a whole.

Following the implementation of the various regulations, insurance companies registered remarkable growth, as reflected in the increased number of companies, premium revenue, total assets, and investment fund. In 1995 (August 1995), the number of insurance and reinsurance companies was 155, consisting of 50 life insurance companies, 96 indemnity insurance companies, 4 reinsurance companies, and 5 social insurance companies. Meanwhile, the number of insurance supporting companies was 112, consisting of 73 brokerage companies, 21 adjuster companies, and 18 actuarial consultancies. By ownership, there were 28 joint venture insurance companies, comprising 16 indemnity insurance companies, and 12 life insurance companies.

Gross premium revenues in 1994 rose 32.4% to Rp5.8 trillion. The largest gross premium mobilized, contributing 45.9% to the total, was from indemnity insurance and reinsurance, while life insurance and social insurance companies contributed 27.8% and 26.3% respectively. Following this increase, the role of the insurance industry as measured by the ratio of gross premium to the GDP rose from 1.3% in 1993 to 1.5% in 1994. (Table 5.17)

Total assets grew 27.9% in 1994 to Rp14.4 trillion. The largest growth was in social

Table 5.17
Business Activity of Insurance and Reinsurance Companies [1]

Item	1992	1993	1994
	Billion rupiah		
Total Assets			
Life insurance	1,911.5	5,647.3	4,021.6
Social insurance	4,297.0	2,302.8	6,502.1
Indemnity insurance & reinsurance	2,808.8	3,317.1	3,891.7
Total	**9,017.3**	**11,267.2**	**14,415.4**
Gross Premiums			
Life insurance	770.1	1,062.0	1,625.1
Social insurance	756.4	1,324.9	1,539.0
Indemnity insurance & reinsurance	1,773.3	2,032.5	2,687.1
Total	**3,299.9**	**4,419.4**	**5,851.2**
Claims			
Life insurance	564.0	892.8	369.5
Social insurance	360.1	616.4	676.5
Indemnity insurance & reinsurance	706.6	978.1	972.7
Total	**1,630.7**	**2,487.3**	**2,018.7**
Investments			
Life insurance	1,529.2	1,819.5	2,614.9
Social insurance	3,869.8	5,007.6	5,669.4
Indemnity insurance & reinsurance	1,746.2	1,989.8	2,412.3
Total	**7,145.2**	**8,816.9**	**10,696.6**

1) End of period.
Source : Ministry of Finance

insurance companies, i.e., 45.1%, followed by 27.9% from life insurance companies, and 27.0% from indemnity insurance companies and reinsurance companies. Likewise, funds invested by insurance companies in 1994 rose 21.3% to Rp10.7 trillion or constituting 74.3% of total assets owned by insurance companies. Most of the funds was invested in time deposits, amounting to Rp6.3 trillion (59.0%), while the balance was in stocks and bonds of Rp1.6 trillion (15%), and in SBIs, land and building, equity investment, as well as other investment amounting to Rp2.8 trillion (26%).

Notwithstanding its promising development, the capital of national insurance companies is relatively limited. As a consequence, many national insurance companies carried out reinsurance abroad. This is reflected in the growing deficit of net insurance transactions in the balance of payments, from Rp398.7 billion in 1993 to Rp457.0 billion in 1994.

Pension Funds

In line with the increasingly important role of pension funds in mobilizing long term funds, the government continued to encourage their development. This effort was also carried out in view that pension funds are beneficial to their members, promote work motivation and enthusiasm, which will in turn increase national productivity. In part, this is conducted by improving the administration programs of pension funds through a series of regulations as a follow-up to Act No. 11 of 1992 on pension funds. Subsequently, it was determined that pension funds may only be invested in the form of SBPUs issued by legal entities that do not constitute the founder the partners of the relevant pension fund companies, and by legal entities which are not affiliated to the founder or partners of the pension fund companies. Furthermore, pension funds may invest in unlimited amount of shares and bonds in capital markets in Indonesia.

Until the end of 1994, there were 521 companies that had submitted applications for establishing pension funds according to the new act, consisting of 104 state-owned pension funds and 417 private-owned companies. Of the total applications, 141 employer managed pension funds (*Dana Pensiun Pemberi Kerja*/DPPK) and 16 financial institution pension funds (*Dana Pensiun Lembaga Keuangan*/DPLK) were approved.

In the meantime, based on financial reports submitted to the Government, total investment reached Rp8,166.6 billion in 1994. Of total pension fund assets invested, investment in the form of time deposits was the largest, contributing 74.1% of total pension fund assets. Furthermore, pension funds mobilized by PT Taspen, which carried out the payment of civil servant pensions throughout Indonesia, rose from Rp6,073.5 billion in December 1994 to Rp6,749.7 billion in June 1995.

Pawnshops

The state pawnshop, which has changed status to public corporation since 1990, is directed to widen pawn services to the public to cover not only low income customers but also middle-income customers. To that end, the corporation continued efforts to enhance their businesses by broadening lending services coverage and offering innovative products. In 1995, the state pawnshop showed remarkable growth, as reflected in the growing number of products offered, as well as the regions covered.

The Government continued to develop state pawnshop businesses in view of the importance of pawn services in supporting national development, as well as the Government's commitment to provide an alternative financing to the general public. These efforts are reflected in the higher maximum loan, from Rp2.5 million to Rp20 million. Meanwhile, interest rate on loans up to Rp5 million remained the same at, 2.5% per month for loans of Rp5 thousand to Rp40 thousand, and 3.5% per month for loans of Rp40 thousand to Rp5 million. For loans exceeding Rp5 million, interest rate ranged between 3-3.25% per month.

Table 5.18
Business Activity of the State Pawnshop

Item	1993	1994	1995
	Billion rupiah		
Loans extended	777	1,036	1,395
Redemption	746	977	1,311
Outstanding	197	256	332
Number of customers (thousand people)	3,344	4,199	4,758
Number of offices (unit)	558	566	582

Source : State Pawnshop

The state pawnshop has also increasingly broadened its activities. Besides providing custodian services for goods and securities, it also provides appraisal services. Moreover, several branch offices of the state pawnshop have also initiated trading of jewelry and gold bars.

In order to broaden its services coverage, the state pawnshop has opened new offices, bringing the number of pawnshop offices throughout Indonesia to 582 offices in 1995 compared with 566 in 1994 (Table 5.18). Furthermore, the coverage of mobile units has been broadened to include consumers who are located relatively far from pawnshops.

In line with the growing public's demand for funds, loans extended rose 34.6% to Rp1.4 trillion in 1995. This loan was extended to 4.8 million customers, not only for consumption purposes, but also for working capital requirements.

In the framework of developing pawn businesses, the government has set the target of developing the state pawnshop for the next five years. The target covers, among others, an average annual 20% growth in loans extended, the availability of new branch offices in districts or sub-districts, particularly outside Jawa, which are not likely to be serviced by other credit institutions, increasing the number of customers, and raising loan ceiling in stages.

6. DEMAND, SUPPLY, AND PRICES

General Review

In 1995, Indonesia's economic growth accelerated compared with the preceding year. As in 1994, the growth in 1995 was led by robust domestic demand, driven by escalating private investment and consumption (Table 6.1). Nonetheless, the strong domestic demand was not balanced by domestic supply, resulting in a high import growth. On the other hand, exports of goods and services grew slower compared with import growth. Following these developments, the external sector again contributed negatively toward economic growth. On the supply side, the high economic growth originated from the non-oil/gas sector, particularly the manufacturing and services sectors. Meanwhile, the oil/gas sector, which had risen in the previous year, experienced negative growth.

Table 6.1
GDP by Expenditure and Production Sector 1)

Item	1994r	1995*	1995*
	% change		Billion rupiah
Gross Domestic Product	**7.5**	**8.1**	**383,051.2**
By expenditure			
Consumption	5.3	5.9	237,797.8
Private	5.8	6.3	206,321.8
Government	2.3	3.4	31,476.0
Gross domestic fixed capital formation	13.8	12.9	111,281.8
Stock changes	22.2	74.2	48,778.2
Exports of goods and services	9.0	4.3	97,010.5
Imports of goods and services	14.5	24.6	111,817.1
By production sector			
Agriculture	0.5	4.0	61,637.4
Mining and quarrying	5.6	5.7	35,145.3
Manufacturing	12.5	11.1	91,929.0
Services	8.1	8.5	194,339.5

1) At 1993 constant prices.
Source : Central Bureau of Statistics

In addition to pressures on the external balance, continuously high inflationary pressures, partly due to the robust domestic demand, also overshadowed the economy. Disturbances in the production and distribution of food as well as the psychological impact of the regional minimum wage increase announcement also contributed to the high inflationary pressures.

In order to reduce pressures resulting from the rapid growth of domestic demand, the Government has adopted prudent monetary and fiscal policies as described in previous chapters. In line with these policies, the growth of domestic demand showed slowing down tendencies in the third quarter of 1995/96, as reflected, among others, in the slower import growth. However, Indonesia's economy continued to grow rapidly in 1995, to 8.1% (Table 6.1). The slower domestic demand also abated inflationary pressures, containing inflation rate at 8.86%, albeit still above the desired target. Weaker inflationary pressures were also attributable to government efforts to ensure the smooth flow of goods and services, particularly for basic necessities. It is noteworthy that the inflation rate of 8.64% in 1995 was the lowest recorded in the last three calendar years.

To improve the efficiency and capacity of aggregate supply to meet a rising demand, the

Government continued various deregulation policies in the real sector. In May 1995, the Government passed a deregulation policy which, among others, encompassed the elimination of 10 business areas from the negative investment list; simplifying licensing regulations for the establishment as well as expansion of industries; and fiscal incentives in the form of lower import duties for companies conducting business restructurization.[1)] Furthermore, in January 1996, the Government issued a policy including various incentives to encourage investments in export oriented businesses and to raise their efficiency[2)] (Box: Deregulation Policies in the Real Sector, May 23, 1995 and January 26, 1996).

Demand

In 1995, domestic demand accelerated to 13.3%, compared with 8.8% in the previous year (Table 6.2). The strong domestic demand was primarily boosted by the high growth rate of private sector investment due to improved domestic investment climate, in line with deregulation in the real sector enacted by the Government in the last few years. The increase in private investment was also influenced by growing business confidence with respect to Indonesia's bright economic prospects. In line with prudent fiscal policies, government investments recorded a much lower growth compared with private investments.

Table 6.2
Growth and Contribution to GDP Growth by Expenditure [1)]

Item	1994r		1995*	
	Growth	Weighted	Growth	Weighted
	Percent			
Gross Domestic Product	**7.5**	**7.5**	**8.1**	**8.1**
Domestic demand	**8.8**	**8.7**	**13.3**	**13.0**
Consumption	5.3	3.4	5.9	3.7
Private	5.8	3.2	6.3	3.4
Government	2.3	0.2	3.4	0.3
Gross domestic fixed capital formation	13.8	3.6	12.9	3.5
Stock changes	22.2	1.7	74.2	5.8
External demand		**-1.2**		**-5.1**
Exports of goods and services	9.0	2.3	4.3	1.1
IImports of goods and services	14.5	-3.5	24.6	-6.2

1) At 1993 constant prices.
Source : Central Bureau of Statistics

Foreign direct investment (PMA) and domestic investment (PMDN) approvals in the last two years increased remarkably due to rising business confidence and increasingly conducive business climate. In 1995, PMA and PMDN approvals were Rp69.9 trillion and $39.9 billion, an increase of 31.1% and 68.4%, respectively. Most domestic investors preferred to invest in the manufacturing sector, particularly the non-metal mineral, chemical, and textile industries, while most foreign investors favored the chemical industry, transportation, and utilities sector (Table 6.3). In the meantime, investors' interest in the property sector, especially in hotel, began to decline, in terms of investment value as well as the number of projects.

By location, a large part of PMDN approvals were located in West Jawa, DKI Jakarta, and Central Jawa (Table 6.4), while PMA approvals were primarily in West Jawa, East Jawa, and DKI Jakarta. In addition, investor interest in the East Indonesian Region (Kawasan Timur Indonesia/

1) The May 23, 1995 Deregulation Policy Package.
2) The January 26, 1996 Deregulation Policy.

Table 6.3
Attractive Sectors for Investment in 1995 [1]

Sector	Investment	Share
PMDN	**Billion rupiah**	**Percent**
Non-metal mineral	9,088.9	13.0
Chemical	8,740.2	12.5
Textile	7,176.6	10.3
Plantation crops	6,271.3	9.0
Paper	6,032.6	8.6
PMA	**Million $**	**Percent**
Chemical	19,367.7	48.5
Transportation	5,539.5	13.9
Electricity, gas, and water supply	3,549.3	8.9
Paper	2,540.5	6.4
Metal	2,258.1	5.7

1) Approved investment projects.
Sources : - Capital Investment Coordinating Board
- Bank Indonesia calculation

KTI) was somewhat satisfactory, as witnessed in the substantial increase in the value of investment approvals, particularly PMA, in several areas of the region, such as Maluku, East Timor, and Irian Jaya. This indicated the positive response of investors toward government efforts to improve infrastructure and develop the KTI.

Table 6.4
Attractive Regions for Investment in 1995 [1]

Region	Investment value	Share
PMDN	**Billion rupiah**	**Percent**
West Jawa	19,338.0	27.7
DKI Jakarta	11,645.2	16.7
Central Jawa	5,499.0	7.9
East Jawa	5,285.3	7.6
East Kalimantan	5,274.9	7.6
PMA	**Million $**	**Percent**
West Jawa	12,447.4	31.2
East Jawa	10,207.5	25.6
DKI Jakarta	4,030.8	10.1
Irian Jaya	2,322.5	5.8
South Sulawesi	2,114.0	5.3

1) Approved investment projects.
Sources : - Capital Investment Coordinating Board
- Bank Indonesia calculation

Table 6.5
Intended Destination of Japanese Investment in the Manufacturing Sector

Short-term [1]		Long-term [2]	
1994 [3]	1995 [4]	1994 [3]	1995 [4]
1. China	1. China	1. China	1. China
2. Thailand	2. Thailand	2. Vietnam	2. Vietnam
3. US	3. Indonesia	3. Thailand	3. India
4. Indonesia	4. US	4. US	4. US
5. Malaysia	5. Vietnam	5. Indonesia	5. Indonesia
6. Vietnam	6. Malaysia	6. Malaysia	6. Thailand
7. Singapore	7. India	7. India	7. Myanmar
8. Taiwan	8. Philippines	8. Mexico	8. Malaysia
9. UK	9. Singapore	9. Singapore	9. Philippines
10. Philippines	10. UK	10. Taiwan	10. UK

1) Three years to come.
2) Ten years to come.
3) Survey on 238 companies.
4) Survey on 336 companies.
Source : Exim Bank of Japan

The sharp increase in PMA as mentioned in the preceding section indicated the success of Indonesia in attracting foreign capital. However, Indonesia faced increasingly intense competition from other countries, particularly in Asia, such as China, Vietnam, India, and Thailand. In part, this was contained in the results of a survey conducted by the Exim Bank of Japan in November 1995, regarding the most attractive country of destination for Japanese investors in the manufacturing industry (Table 6.5).

Besides being stimulated by the high growth rate of private investment activities, the strong domestic demand was also attributable to the high growth rate of public consumption at 6.3%, higher than growth of 5.8% in the previous year (Table 6.2). Rising private consumption was primarily influenced by the increasingly higher public income as well as lower income tax rates. Income per capita grew significantly as a result of high economic growth, particularly in the last five years. Income of wage earners, for example, rose significantly due to the imposition of higher minimum regional wage, on average by 31.6% in 1994 and 19.2% in 1995 (Table 6.6). Advanced product development and attractive marketing techniques for goods and services, such as sales on credit term, also contributed to the rise in private consumption. Meanwhile, government consumption expenditure grew 3.4% from 2.3% in the previous year. This was primarily related to the additional government expenditure for officers' expenses following the increase of salaries of civil servants and ABRI officers as well as pension allowances.

As in the previous year, the external sector contributed negatively to economic growth in 1995. Among others, this was because of considerable increase in imports of goods and services in real terms, by 24.6%, much higher compared with 14.5% in the previous year. The substantial growth of imports was because domestic demand surpassed aggregate supply. In part, this was associated with the high level of production capacity utilization in several industries as well as structural conditions on the supply side. Import of raw/auxiliary materials and capital goods grew substantially, in line with the surge in the realization of private domestic as well as PMA. Imports of consumer goods also accelerated, particularly import of rice and other basic necessities to meet the growing domestic demand. In addition, negative contribution from the external sector was also influenced by the slower growth of exports of goods and services in real terms at 14.5%, much lower compared with import growth. Export growth was relatively low considering that there were many opportunities to increase exports, in line with persistently high world trade volume. It is noteworthy that in 1995, in contrast to previous years, imports of goods an services exceeded its exports.

Table 6.6
Regional Minimum Wage

Period	% change	Average [1] (rupiah/day)
1990	38.4	1,443
1991	16.4	1,681
1992	13.2	1,903
1993	19.5	2,275
1994	31.6	2,994
1995	19.2	3,569

1) Average of 27 provinces, excluding Batam.
Sources : - Central Bureau of Statistics
- Bank Indonesia calculation

Supply

As in the preceding year, economic growth in 1995 was boosted by substantial growth of the non-oil/gas sector at 9.0%, much higher compared with 7.9% in the previous year, particularly in the manufacturing and services sectors (Table 6.7). Meanwhile, the oil/gas sector experienced negative growth of 0.6%, due to the decline in the value added in the LNG industry (Table 6.8). The share of the non-oil/gas sector to GDP continued to increase, to 92.2% in 1995 compared with 91.2% in the previous year.

The manufacturing sector continued to grow rapidly, to 11.1%, although slightly lower compared with 12.5% in the previous year. Meanwhile, the agriculture sector experienced slower growth (Chart 6.1). As a result, the

Table 6.7
Growth and Contribution to GDP Growth by Sector 1)

Item	1994r		1995*	
	Growth	Weighted growth	Growth	Weighted growth
	Percent			
Gross Domestic Product	**7.5**	**7.5**	**8.1**	**8.1**
Agriculture	0.5	0.1	4.0	0.7
Mining and quarrying	5.6	0.5	5.7	0.5
Manufacturing	12.5	2.8	11.1	2.6
Electricity, gas, and water supply	12.7	0.1	15.5	0.2
Construction	14.9	1.0	12.9	0.9
Trade, hotel, and restaurant	7.3	1.2	7.7	1.3
Transportation and communication	7.8	0.5	8.3	0.6
Financial, rental, and corporate services	10.2	0.9	11.2	1.0
Other services	2.8	0.3	3.3	0.3
Oil/gas	**3.5**	**0.4**	**-0.6**	**-0.1**
Non-oil/gas	**7.9**	**7.1**	**9.0**	**8.1**

1) At 1993 constant prices.
Source : Central Bureau of Statistics

contribution of the manufacturing industry to GDP continued to increase, from 23.5% in 1994 to 24.3%, while the contribution of the agriculture sector declined (Chart 6.2). This reflected the continuous transformation process of the economy.

The increased activities in the manufacturing sector mentioned in the

Table 6.8
Growth of Oil/gas GDP 1)

Item	1994r	1995*
	Percent	
Oil/gas GDP	**3.5**	**-0.6**
Oil/gas mining	2.6	0.0
Manufacturing	5.6	-2.1
Oil refinery	1.5	0.1
LNG	11.0	-4.7

1) At 1993 constant prices.
Sources : - Central Bureau of Statistics
- Bank Indonesia calculation

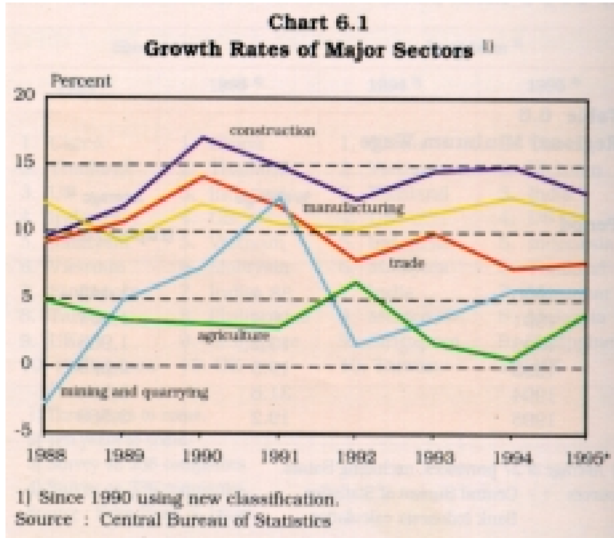


Chart 6.1
Growth Rates of Major Sectors 1)

1) Since 1990 using new classification.
Source : Central Bureau of Statistics

preceding section were fueled by high growth rates of non-oil/gas industries. This was primarily boosted by substantial growth of industries related to household necessities, especially food, beverage, and tobacco industries (Table 6.9). In this subsector, milk, cooking oil, wheat flour, and soft drink industries recorded high production growth. In addition, textiles and textile products and plastic recording product

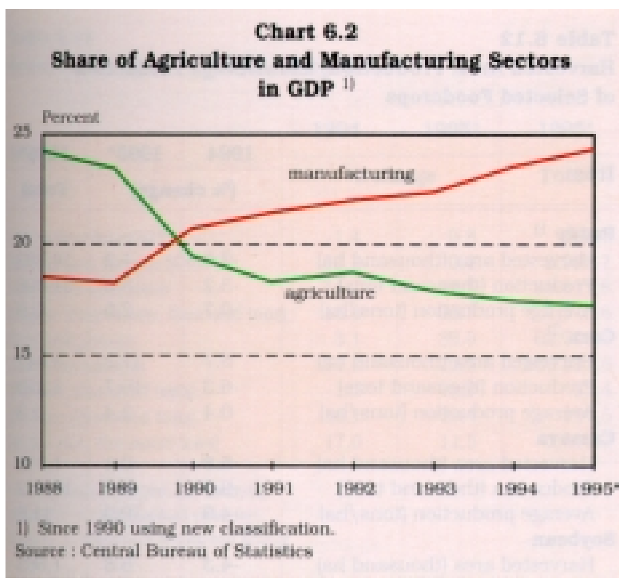


Chart 6.2
Share of Agriculture and Manufacturing Sectors in GDP 1)

1) Since 1990 using new classification.
Source : Central Bureau of Statistics

Table 6.9
Growth and Contribution of Non-oil/gas Manufacturing Subsectors to GDP Growth in 1995 [1)]

Item	Growth	Weighted growth	Value (billion rupiah)
	Percent		
Non-oil/gas manufacturing	**13.0**	**2.7**	**81,798.3**
Food, beverage, and tobacco	16.5	1.5	37,188.0
Textile, leather, and footwears	10.4	0.2	8,044.7
Wood & other forestry products	3.0	0.0	5,697.7
Paper and printing goods	14.4	0.1	3,441.7
Fertilizer, chemical, and rubber	11.3	0.3	10,498.5
Cement and non-metal quarrying goods	20.3	0.1	2,852.8
Base metal, iron, and steel	18.1	0.1	2,915.4
Transportation, machinery, and equipment	7.5	0.2	10,680.6
Others	10.8	0.0	478.9

1) At 1993 constant prices
Source : Central Bureau of Statistics

industries also experienced high growth rates. Other industries which also recorded high production growth rates were shoes, pulp, paper, urea fertilizer, and motorcycle industries. In contrast, the oil/gas industry on the whole experienced a negative growth rate of 2.1% (Table 6.8), in part owing to declining production (Table 6.10).

In the last few years, the services sectors also showed heartening development. In 1995, generally, the value added of the services sector recorded substantial growth, with the exception of other services which only grew 3.3% (Table 6.7). The contribution of trade, hotel, and restaurant sector was primarily from activities in the trade subsector which grew by 7.8%, in line with increasing activities in the manufacturing and agriculture sectors. Meanwhile, contribution from the hotel and restaurant sector declined compared with the previous year, partly because of declining

Table 6.10
Selected Manufacturing Products

Item	1994/95*	1995/96*	1995/96*
	% change		Total
Oil-based fuels (million barrels)[1)]	-1.3	-1.1	206.1
LNG (million MMBTU)[2)]	5.7	-6.2	1,290.2
LPG (thousand tons)	18.9	-7.1	3,097.4
Textiles and textile products			
Fabrics (million meters)	4.1	21.0	9,921.2
Weaving yarn (thousand bales)	5.2	49.3	7,744.4
Garment (million dozens)	4.5	128.0	221.4
Staple fibre (thousand tons) [3)]	11.5	9.3	491.8
Sports shoes (million pairs)	9.5	17.0	560.0
Leather shoes (million pairs)	7.6	10.3	75.0
Pulp (thousand tons)	9.3	71.2	2,250.0
Paper (thousand tons)	9.9	41.7	3,879.6
Cement (thousand tons)	15.4	6.7	23,277.0
Palm cooking oil (thousand tons)	20.1	15.0	1,731.3
Coconut cooking oil (thousand tons)	3.4	6.2	702.2
Wood products			
Plywood (million m^3)	0.6	-6.5	8,778.0
Sawn timber (million m^3)	0.8	1.2	11,010.0
Fertilizer			
Urea (thousand tons)	-4.0	16.7	5,886.7
ZA and TSP (thousand tons)	-5.5	8.1	1,728.0
Motor vehicles			
Automobiles (thousand units)	47.6	10.1	379.5
Motorcycles (thousand units)	71.8	31.4	1,027.0
Tire (thousand units)	13.0	2.5	20,007.3

1) Calendar year.
2) MMBTU: *mille mille British thermal unit.*
3) Consisting of polyester and viscose rayon.

Sources : - Ministry of Mining and Energy
- Ministry of Industry and Trade

Table 6.11
Production of Selected Services

Item	1994	1995*	1995*
	% change		Total
Hotel			
Number of hotels	5.7	4.5	8,661
Tourist			
Foreign (thousand persons)	17.7	7.8	4,319
Communication			
Center of automatic telephones (units)	18.0	4.1	954
Center of manual telephones (units)	-26.0	-64.8	38
Public telephones (units)	40.1	18.5	81,423
Telecommunication stalls (units)	53.4	62.0	2,741

Source : Ministry of Tourism, Post, and Telecommunication

Table 6.12
Harvested Area, Production, and Average Production of Selected Foodcrops

Item	1994	1995*	1995*
	(% change)		Total
Paddy [1]			
Harvested area (thousand ha)	-2.3	1.2	10,883
Production (thousand tons)	-3.2	3.9	31,496
Average production (tons/ha)	-0.7	2.5	2.9
Corn [2]			
Harvested area (thousand ha)	5.7	17.3	3,647
Production (thousand tons)	6.3	19.7	8,223
Average production (tons/ha)	0.4	2.4	2.3
Cassava			
Harvested area (thousand ha)	-5.8	-0.1	1,319
Production (thousand tons)	-9.0	-2.7	15,312
Average production (tons/ha)	-4.9	-0.9	11.6
Soybean			
Harvested area (thousand ha)	-4.3	6.8	1,503
Production (thousand tons)	-8.4	7.9	1,689
Average production (tons/ha)	-4.1	1.1	1.1

1) Equivalent to rice.
2) Kernels.
Sources : - Ministry of Agriculture
- Central Bureau of Statistics

growth in the number of foreign tourists (Table 6.11). Moreover, the financial, rental, and corporate services sector also contributed substantially, especially from increasing activities in the banking subsector. In line with property developments, the construction sector also contributed significantly, albeit less than in the preceding year.

Table 6.13
Production of Selected Cash Crops

Item	1994	1995*	1995*
	% change		(thousand tons)
Rubber	1.6	2.4	1,535
Copra	1.7	1.5	2,690
Palm oil	17.2	8.5	4,350
Coffee	1.6	3.1	455
T e a	-15.8	12.2	156

Sources: - Ministry of Agriculture
- Central Bureau of Statistics

In 1995, the value added in the agriculture sector experienced significant growth, at 4.0% compared with 0.5% in the previous year. This was primarily related to the improved performance of the foodcrop subsector which grew 4.5% in 1995 compared with -2.1% in the previous period. This was in line with rising production of rice, at 3.9%. Other production such as vegetables, fruits, and secondary estate crops remained strong (Tables 6.12 and 6.13). Meanwhile, the forestry sector remained relatively stagnant due to weak export demand and supply problems.

Value added in the mining and quarrying sector grew 5.7%, relatively the same as in the previous year. Growth in this sector was primarily stimulated by growth of the non-oil/gas mining subsector which accelerated to 20.1%. This was related to increased production of several types of minerals, such as tin, copper, gold, silver, and coal (Table 6.14). In contrast, the oil/gas mining subsector was stagnant, in line with the poor oil and gas production.

Table 6.14
Selected Mining and Quarrying Outputs

Item	1994	1995*	1995*
	% change		Total
Oil (million barrels) [1]	-1.4	-0.8	586.7
Natural gas (million MSCF) [2]	19.3	0.4	2,998.7
Coal (thousand tons)	14.1	17.5	38,311.8
Copper (concentrate, thousand tons)	15.6	36.7	1,516.6
Gold (kilograms)	3.1	39.0	62,908.8
Silver (kilograms)	71.8	70.5	260,517.6
Tin (ore, thousand tons)	-1.3	18.0	35.4
Bauxite (thousand tons)	-16.1	-19.4	904.5
Nickel (ore, thousand tons)	17.0	11.5	2,513.3

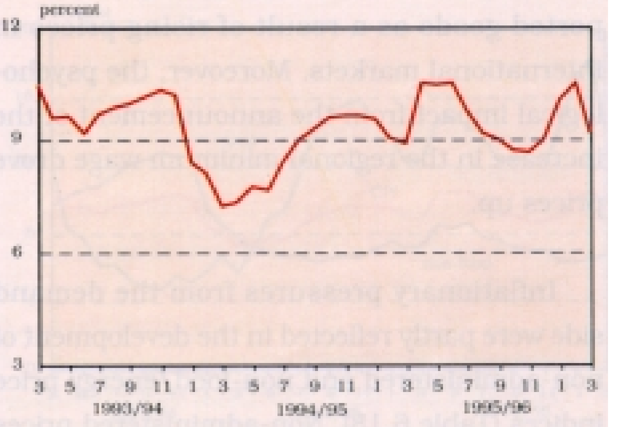
1) Fiscal years 1994/95 and 1995/96.
2) MSCF = *mille* standard cubic feet.
Source : Ministry of Mining and Energy

Prices

In 1995/96, inflationary pressures remained high and the inflation rate as measured by the consumer price index (CPI) was 8.86%, slightly higher than in the previous year (Table 6.15). The average inflation rate during the first two years of Repelita VI (FY 1994-1995) was 8.72%, above the desired target. The high inflation rate in 1995/96 was primarily attributed to the accelerating inflation rate in the first and fourth quarters (Chart 6.3), while the inflation rate in 1995 was 8.64%, lower than in 1994 (Table 6.15).

Strong inflationary pressures overshadowing the Indonesian economy originated from both the demand and supply sides. Demand pressures were associated with the accelerating domestic demand. Disturbances in the production and distribution of foodstuffs, particularly red and chili pepper, were the major factor causing the strong inflationary pressures from the supply side (Tables 6.16 and 6.17). Other factors which also caused high inflationary pressures on the supply side were various market impediments and also external factors, such as higher price of imported goods as a result of rising prices in international markets. Moreover, the psychological impact from the announcement of the increase in the regional minimum wage drove prices up.

Chart 6.3
Inflation in 1993/94 - 1995/96



Sources : - Central Bureau of Statistics
- Bank Indonesia calculation

Inflationary pressures from the demand side were partly reflected in the development of non-administered and non-food/energy price indices (Table 6.18). Non-administered prices recorded sizable increase in the reporting year (10.80%), higher than in the previous year, with

Table 6.15
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
1995	8.64	1995/96	8.86

Source: Central Bureau of Statistics

Tabel 6.16
Inflation in 1995 and 1995/96 by Goods and Services

Item	1995		1995/96	
	Price changes	Share	Price changes	Share
	Percent			
Foodstuffs	13.32	4.51	13.17	4.63
Housing	5.67	1.72	6.15	1.83
Clothing	6.50	0.67	6.61	0.68
Miscellaneous	7.00	1.74	7.12	1.72
General	**8.64**	**8.64**	**8.86**	**8.86**

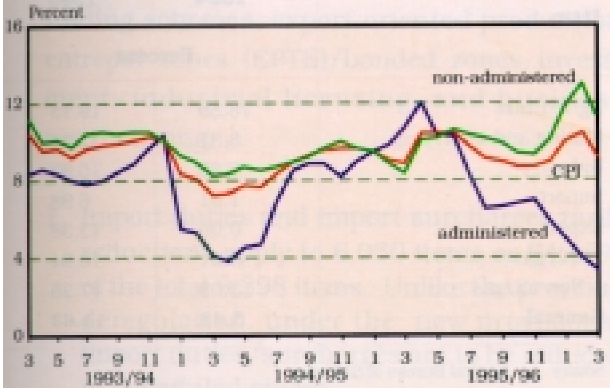
Source : Central Bureau of Statistics

Table 6.17
Ten Largest Contributors to the Inflation in 1995 and 1995/96 [1]

Goods	Weight (%)	Cumulative price changes (%)	Share to inflation (%)
		1995	
Rice	7.27	14.21	1.03
School fee	4.36	12.24	0.53
Red onion	0.45	83.69	0.38
Non-supervisor labor	2.71	11.75	0.32
Beef	1.69	16.87	0.28
Daily newspaper	0.71	32.84	0.23
Coconut	0.43	48.30	0.21
Cake	1.18	14.99	0.18
Wage for cooks	1.69	10.11	0.17
Red pepper	0.59	28.46	0.17
Total 10 goods/services	**21.08**		**3.50**
		1995/96	
Red pepper	0.59	156.64	0.92
School fee	4.36	11.68	0.51
Rice	7.27	4.57	0.33
Chili pepper	0.12	234.42	0.28
Red onion	0.45	61.28	0.27
Non-supervisor labor	2.71	9.52	0.26
Daily newspaper	0.71	33.12	0.23
Wage for cooks	1.69	10.65	0.18
Cigarettes	1.91	9.41	0.18
Meatballs and noodles	1.05	16.66	0.17
Total 10 goods/services	**20.86**		**3.33**

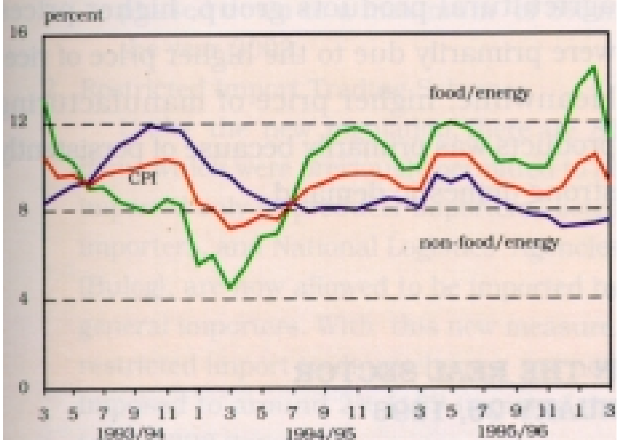
1) Monthly cumulative calculation.
Sources : - Central Bureau of Statistics
- Bank Indonesia calculation

Chart 6.4
Inflation Rate and Changes of Administered and Non-administered Price Indices in 1993/94-1995/96



Sources : - Central Bureau of Statistics
- Bank Indonesia calculation

Chart 6.5
Inflation Rate and Changes of Food/energy and Non-food/energy Price Indices in 1993/94-1995/96



Sources : - Central Bureau of Statistics
- Bank Indonesia calculation

inflation contribution of 8.00% (Chart 6.4). Non-food/energy prices also continued to experience considerable increase, at 7.33%, with inflation contribution of 4.02% (Chart 6.5).

Upward pressures on prices from the supply side may be seen from the substantial increase in the price of food/energy and traded goods (Table 6.18). Throughout 1995/96, the price index of food/energy rose substantially to 10.78% at the end of the year, and its contribution to inflation was 4.84%. This increase was primarily attributed to the prices of food which grew 13.17%, with inflation contribution of 4.63% (Chart 6.6). Meanwhile, price index of traded goods -- the group of goods/services that is susceptible to international markets, which may be used as an indicator of the effect of external factors on inflation -- also rose substantially, by 9.29%, higher than 8.17% in the previous year, with inflation contribution of 6.34% (Chart 6.7).

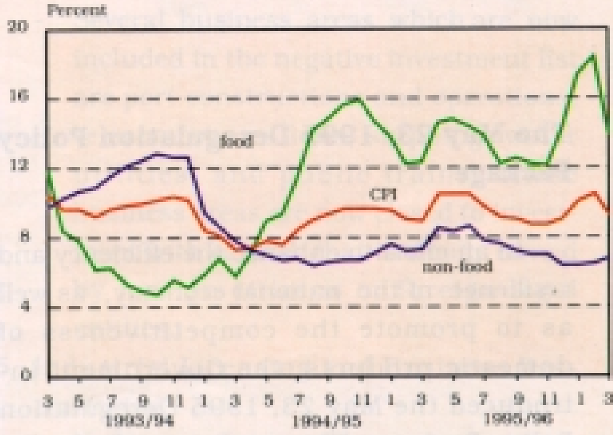
Table 6.18
Inflation in 1995 and 1995/96 by Some Categories[1)]

Item	1995		1995/96	
	Price increase	Share on changes	Price increase	Share on changes
	Percent			
Administered	5.65	1.49	3.28	0.86
Non-administered	9.70	7.15	10.80	8.00
Food/energy	10.70	4.81	10.78	4.84
Non-food/energy	7.03	3.83	7.33	4.02
Food	13.32	4.51	13.17	4.63
Non-food	6.23	4.13	6.57	4.23
Traded	9.07	6.19	9.29	6.34
Non-traded	7.80	2.45	8.01	2.52
General	**8.64**	**8.64**	**8.86**	**8.86**

1) Monthly cumulative calculation.
Sources : - Central Bureau of Statistics
- Bank Indonesia calculation

In line with price development at the consumer level, prices at the wholesale level as measured by the wholesale price index, recorded a substantial increase in 1995, by 11,63%, much higher compared with the previous year (Table 6.19). Increases in the price of export goods occurred primarily in

Chart 6.6
Inflation Rate and Changes of Food and Non-food Price Indices in 1993/94-1995/96



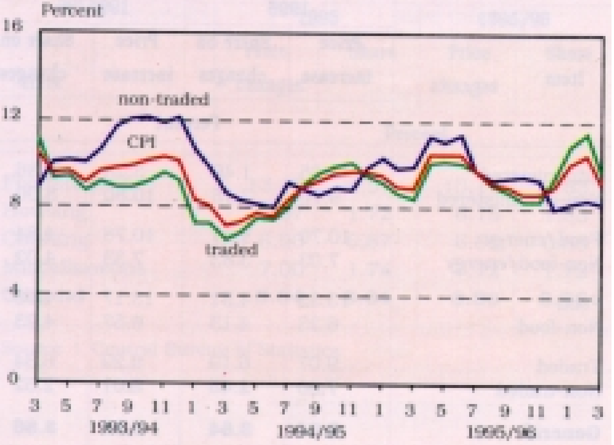
Sources : - Central Bureau of Statistics
- Bank Indonesia calculation

Table 6.19
Changes in Wholesale Price Index

Item	1994	1995
	Percent	
Agriculture	18.59	19.13
Mining and quarrying	8.87	12.24
Industry	6.36	10.82
Import	1.61	6.98
Export	0.05	13.38
Oil/gas	-6.21	10.94
Non-oil/gas	13.03	17.25
General	**5.43**	**11.63**

Source : Central Bureau of Statistics

Chart 6.7
Inflation Rate and Changes of Traded and Non-traded Price Indices in 1993/94-1995/96



Sources : - Central Bureau of Statistics
- Bank Indonesia calculation

non-oil/gas exports as a result of higher prices of primary commodities in international markets, such as non-oil/gas mining products and rubber, owing to rising demand. In the agricultural products group, higher prices were primarily due to the higher price of rice. Meanwhile, higher price of manufacturing products was primarily because of persistently strong domestic demand.

DEREGULATION POLICIES IN THE REAL SECTOR
MAY 23, 1995 AND JANUARY 26, 1996

The May 23, 1995 Deregulation Policy Package

In an effort to enhance the efficiency and resilience of the national economy, as well as to promote the competitiveness of domestic products, the Government introduced the May 23, 1995 Deregulation Policy Package. This package reflects the Government's determination to eliminate unnecessary cost by lowering import duty rates and encouraging Indonesian exporters to be more competitive in world trade. The deregulation is also a follow up to Indonesia's commitment toward the implementation of free trade, in accordance with AFTA, the Uruguay round in the framework of GATT/WTO, and APEC.

The deregulation package covers import duties, import surcharges, restricted import trading schemes, export oriented production entrepot zones (EPTE)/bonded zones, investment, industrial licensing, and business restructuring.

1. Import duties and import surcharges tariff reductions apply to 6,030 items or 64.16% of the total 9,398 items. Unlike the previous deregulation, under the new provisions, import duties/surcharges are to be reduced in scheduled stages.
   a. Import duty and import surcharge rate of 20% or less are to be phased down to a maximum of 5% in the year 2000.
   b. Import duty and import surcharge rates which are higher than 20% are to be phased down to a maximum of 5% in the year 2003.
2. Restricted Import Trading Schemes

   Under the new regulation, there are 81 items which were previously permitted to be imported only by producer importers, listed importers, and National Logistics Agencies (Bulog), are now allowed to be imported by general importers. With this new measure, restricted import trading schemes are now imposed to around 2% (189 items) of the total 9,398 items.
3. Export Oriented Production Entrepot Zones/ Bonded Zones

   This measure is designed to promote investment in EPTE/bonded zones, as well as to save foreign exchange required for the procurement of raw materials/import components. The package stipulates the increase in the total value of goods, produced by EPTE or manufacturing companies in bonded zones (PPDKB), which are allowed to be brought into other custom areas in Indonesia. Under the new measure, the value of goods becomes 25% of exports and/or shipment of goods to other EPTE/PPDKB. Under the old measure, the calculation was based on 25% of exports only.

4. Investment
   - The Government renewed the negative investment list, while continuing to protect small-scale businesses.
   - Under the deregulation, 10 business areas were eliminated from the negative investment list, namely the cooking oil, automotive , finished/ semi-finished rattan, machine-made cigarette, and patented drug industries. This will provide wider opportunities to the business sector, increase supply for domestic as well as export markets, enhance value added creation and transfer of technology.
   - To implement a more environmental conscious development, five additional business areas are entirely closed to new investment. These are the manufacturing of finished/semi-finished mangrove, pulp industry with sulfide processing, and chlorine alkali industry with mercury processing.
   - Several business areas which are now included in the negative investment list are port constructions and operations, telecommunications, shipping, water utilities, and public trains. These business areas are now closed to investment with capital that is wholly owned by foreign citizens or foreign legal entities.
5. Industrial Licensing and Business Restructuring
   - New provisions on licensing are introduced to relax licensing regulation for industrial operations and expansions. According to the new regulation, industries located in industrial areas, including bonded zones, with environmentally conscious production processes may directly obtain Industrial Business License (*Izin Usaha Industri*) without necessarily securing initial approval.
   - The term Permanent License is replaced with Industrial Business License. Registration certificates (*Tanda Daftar Usaha*) are given to small-scale industries and are treated as Industrial Business License. Meanwhile, to obtain Industrial Business Expansion License, a company is only required to submit its plan.
   - Incentives in the form of import duty/ surcharge reductions are given to companies, excluding the automotive amounting to at least 30% of the value of their original investment in machinery and equipment included in the first Permanent License/License for Industrial Business.

The January 26,1996 Deregulation Policy

In 1996, the Government issued deregulation measures in stages, with the aim of providing the business sector an earlier opportunity to benefit from the implementation of this deregulation. The first deregulation phase was launched on January 26, 1996, covering industries, trade, and finance.

The main objectives of the January 26, 1996 Deregulation Policy are as follows.

- To enhance the effectiveness of the previous policy
- To create a more attractive business climate for export promotion
- To enhance export efficiency and competitiveness
- To lower import duties of capital goods and raw materials which are directly related to exports
- To eliminate levies which could disrupt export activities

1. Industry and Trade

The key points of deregulation in industry and trade are as follows.

a. Encouraging export oriented industries

To encourage the development of export oriented industries, the Government adopted the following measures.

- Allowing shipment of goods and machinery or factory equipment to/from EPTE/bonded zones or interEPTE/bonded zones. Previously, this facility was only applicable to shipment of goods from EPTE/bonded zones to industrial areas in other customs areas in Indonesia.
- Providing import duty/surcharge exemption for automotive industries, owned either by PMA/PMDN or nonPMA/PMDN companies for restructuring purposes by importing machinery and equipment (excluding raw materials). Previously, this facility was given only to non-automotive industries.
- Allowing companies acquiring facilities from the Agency for Export Facilities Service and Financial Data Processing (*Bapeksta Keuangan*) to sell their products to EPTE/bonded zones as indirect exports. Previously, this facility was given only to companies which carried out direct exports.
- Reviewing the provisions on export restrictions for some commodities which were previously subjected to export tax and providing import duty exemption on import of capital goods and raw materials for industries which are directly related to export.

b. Reducing export and import barriers

To reduce red tape and levies on export and import, the Government adopted, among others, the following measures.

- Reviewing various general provisions on export and import which are no longer appropriate to the current situation and which disrupt export activities.
- Reviewing provisions on quality control of export products, such as standardization, certification, and accreditation.

c. Opening and expanding business opportunities for PMAs to carry out export and import activities

- Allowing companies which are wholly owned by foreign investors to conduct business on export trading. Previously, this area was opened only to joins venture companies.

- Allowing PMA companies to import raw materials, auxiliary materials, factory equipment, and components for manufacturing industries in EPTE and bonded zones on condition that the entire product/imported materials are to be processed further for export purposes (based on an order contract between PMA companies and companies in EPTE/bonded zones).

d. To promote the continuity of capital goods and raw material procurement for domestic industries.

The Government allows entrepreneurs to import selected capital goods and raw materials which are directly related to their own export, with lower import duty and reduced trade restrictions.

2. Finance

The deregulation on finance covers the expansion of customs and taxation facilities, and providing greater opportunities for the private sector.

a. Reduction of import duty (Table: Changes in the Structure of Import Duty Tariff).

b. Broadening taxation facilities

Some of the measures adopted are:

- Providing equal treatment of indirect exports, such as sending taxable goods by producers in other customs areas to EPTE and bonded zones. Previously, this facility was only provided to direct exports.
- The Government bears value added tax (VAT) imposed on import of various types of ships. In addition, the Government also provides VAT incentives on taxable services in shipping.

c. Widening opportunities for the private sector

The Government adopted the following measures to widen business opportunities for the private sector.

- Offering private businesses the opportunity to establish auction institution. Previously, auction activities were only conducted by the State Auction Office.
- Allowing private companies to run bonded zones in an effort to promote export. Previously, bonded zones are operated only by state owned companies.

Changes in the Structure of Import Duty Tariffs

Tariff	Formerly		By January 26, 1996	
	Item	%	Item	%
0%	1,053	14.5	1,149	15.8
5%	2,247	30.8	2,235	30.7
10%	541	7.4	636	8.7
15%	847	11.6	742	10.2
20%	281	3.9	284	3.9
25%	1,409	19.3	1,347	18.5
30%	809	11.1	794	10.9
35%	2	--	8	0.1
40%	14	0.2	8	0.1
Above 40%	81	1.1	81	1.1
Total	7,248	100	7,248	100

Source : Press release of the Ministry of Finance and the Ministry of Industry and Trade, January 26, 1996

7. WORLD ECONOMY AND INTERNATIONAL COOPERATION

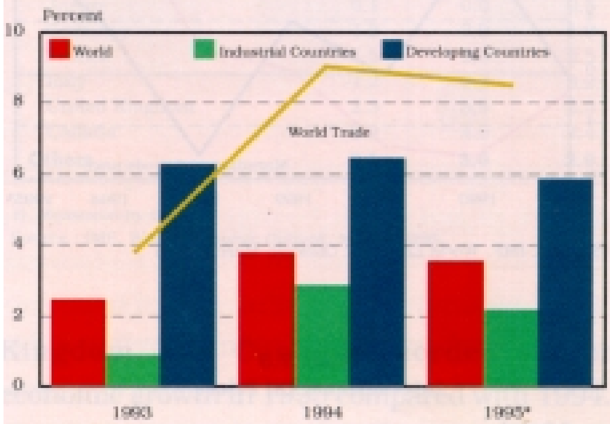
World Economy

General Conditions

World economic growth in 1995 slowed from 3.7% in 1994 to 3.5%, owing to declining economic activity in industrial and developing countries, though economies of countries-intransition improved (Table 7.1). It is noteworthy that in the midst of declining economic performance of developing countries, ASEAN countries continued to record rising economic growth in 1995.

In line with sluggish economic growth, world trade volume also slowed, to 8.5%, albeit still buoyant (Chart 7.1). Several factors, such as greater openness of several developing countries as well as countries-in-transition, and growing trade between industrial countries and developing countries, supported this development. Moreover, accords to create free trade through the formation of the World Trade Organization (WTO), which aimed to eliminate international trade barriers, also created a conducive climate in spearheading convergence toward freer world trade. The continuously high international trade volume was also followed by higher average price of non-fuel primary commodities by 8.6%, although not as high as in the previous year (Chart 7.2). World average price of oil also increased, from $16.1 per barrel in 1994 to $16.7 in 1995, in response to rising demand and constrained supply, partly related to the commitment of OPEC members to agreed quotas (Chart 7.3).

Chart 7.1
World Economic and Trade Growth



Source: IMF. *World Economic Outlook*, March 1996

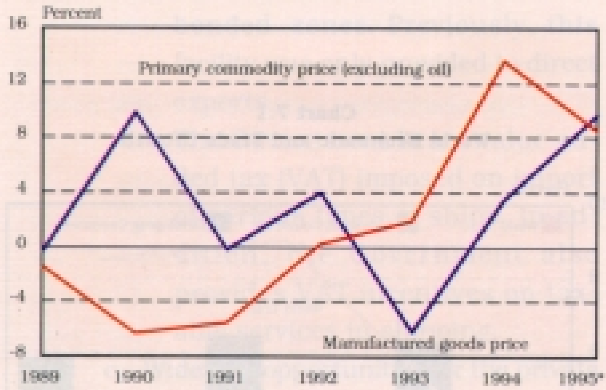
Table 7.1
World Economic Growth

Item	1993r	1994r	1995*
	Percent		
World	**2.4**	**3.7**	**3.5**
Industrial Countries	0.8	2.8	2.1
Seven major countries	1.0	2.8	1.9
Developing Countries	6.2	6.4	5.8
Asia	8.9	8.8	8.4
Latin America	3.1	4.7	1.1
Africa	0.7	2.4	3.2
Middle East and Europe	3.7	0.6	3.2
Countries-in-transition	-8.5	-8.8	-1.4

Source : IMF. *World Economic Outlook*, March 1996

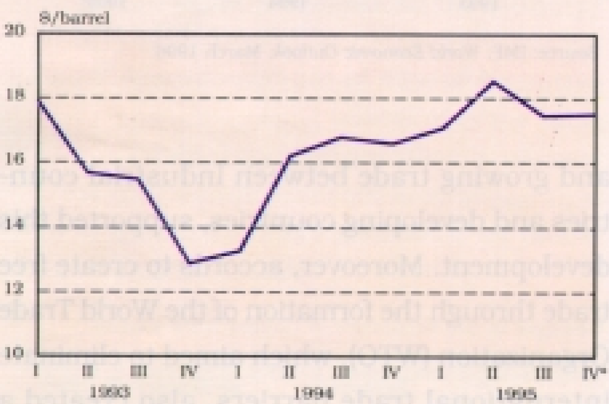
On the international monetary front, declining interest rates, persistently strong capital inflows to developing countries, and the strengthening of the US dollar characterized developments in 1995. It should be noted that sluggish economic growth in

Chart 7.2
Price Changes of Manufactured Goods and Primary Commodities



Source : IMF. *World Economic Outlook*, March 1996

Chart 7.3
International Oil Prices [1]



1) Average oil prices of Arabian heavy, Brent, Bonny, and West Texas Intermediate (WTI).
Source : IMF. *World Economic Outlook*, March 1996

industrial countries, particularly in the first semester of 1995, was due to impacts of monetary policy to curb inflationary pressures accompanying high economic growth in the previous year. To stimulate economic activity, several central banks carried out easier monetary policies by lowering interest rates in 1995. Since July 1995, the Federal Reserves has cut federal funds rate several times, to 6.0% at the end of 1995. The Bundesbank adopted the policy of reducing interest rates in stages since March 1995, so that the discount rate and Lombard rate at the end of 1995 was 3% and 5%, respectively. In view that the Japanese economy has yet to recover, the Bank of Japan has taken several steps to lower interest rates since April 1995. The lower interest rates in major industrial countries have encouraged the decline of interest rates in international markets.

At the same time, several developing countries, particularly emerging markets which faced the threat of economic overheating, continued to maintain a relatively high interest rate policy, thus widening the interest rate differentials between emerging markets and industrial countries. Higher interest rate differentials and strong investor confidence have stimulated foreign capital inflows to emerging markets.

With respect to exchange rates, until mid-1995, the US dollar weakened, particularly against the yen as a result of chronic unbalanced current transactions between the United States and Japan as well as trade disputes between the two countries. However, in line with the successful resolution of the trade disputes which was accompanied by the Japanese government's policy to lower interest rates and implement coordinated intervention with other G-7 countries in foreign exchange markets, the dollar began to strengthen since mid-1995.

In the area of international cooperation, efforts to increase cooperation during 1995 progressed, as was partly reflected in the accord achieved among APEC countries in Osaka, Japan, in the form of Initial Action submitted to realize free and open trade and investment areas in the next 25 years. Furthermore, in South-east Asia, ASEAN leaders in a meeting in Bangkok agreed to implement AFTA at the latest by 2003. In this accord, the scope of AFTA was broadened to cover trade in services, including financial services. Moreover, an Asian-European Meeting (ASEM) was held for the first time in Bangkok in the reporting year with the purpose of enhancing the economic ties between Asian and European countries.

Industrial Economies

Economic expansions in industrial countries weakened somewhat in 1995, particularly in the first semester. Economic growth of the seven major industrial countries slowed from 2.8% in 1994 to 1.9% in 1995 (Table 7.2). Of the seven major industrial countries, the United States, Germany, France, United Kingdom, and Canada recorded slower economic growth in 1995 compared with 1994. Japan experienced the same growth rate as in the previous year while Italy achieved higher growth. It is noteworthy that the five countries which experienced slower growth recorded relatively high growth levels in the previous year. The slowdown in North America was partly caused by weakening domestic demand, associated with monetary tightening to reduce the risk of economic overheating, and the slowing down of exports, partly as a result of the Mexico crisis. In Japan, the Kobe earthquake and sharp yen appreciation in the first semester of 1995 like wise weakened economic performance. Meanwhile, unemployment levels in major industrial countries, except Japan and Italy, declined (Table 7.3).

Inflation rates in industrial economies in 1995 stabilized at around 2.4% (Table 7.4). The

Table 7.2
Economic Growth in OECD Countries

Item	1993r	1994r	1995*
	Percent		
Overall OECD[1]	**0.8**	**2.8**	**2.1**
Seven major countries	**1.0**	**2.8**	**1.9**
United States	2.2	3.5	2.1
Japan	0.1	0.5	0.5
Germany	-1.2	2.9	1.9
France	-1.5	2.9	2.5
Italy	-1.2	2.2	3.2
United Kingdom	2.3	3.9	2.5
Canada	2.2	4.6	2.4
Others	**0.1**	**3.0**	**2.9**

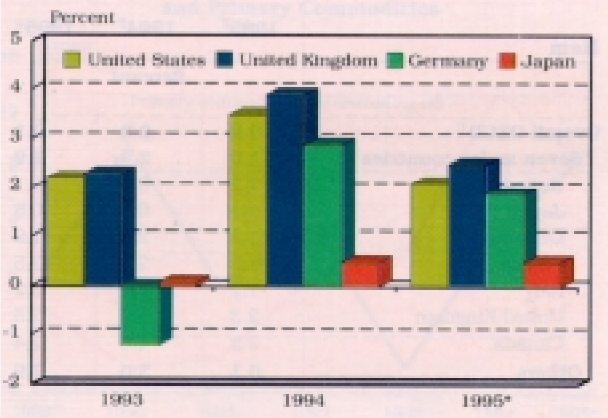
1) Measured by GDP.
Source : IMF. *World Economic Outlook*, March 1996

Table 7.3
Unemployment Rates in OECD Countries

Item	1993r	1994r	1995*
	Percent		
Overall OECD	**8.1**	**8.1**	**7.7**
Seven major countries	**7.3**	**7.2**	**6.9**
United States	6.8	6.1	5.6
Japan	2.5	2.9	3.1
Germany	8.8	9.6	9.4
France	11.6	12.4	11.6
Italy	10.4	11.3	12.0
United Kingdom	10.3	9.3	8.2
Canada	11.2	10.4	9.5
Others	**12.3**	**12.7**	**11.9**

Source : IMF. *World Economic Outlook*, March 1996

Chart 7.4
Economic Growth in Several Major Industrial Countries



Source : IMF. *World Economic Outlook*, March 1996

Table 7.5
Current Account Balances in OECD and Developing Countries

Item	1993r	1994r	1995*
	Billion $		
Overall OECD	**29.5**	**-8.8**	**3.7**
Seven Major Countries	-2.4	-38.8	-43.8
United States	-99.9	-151.2	-160.6
Japan	131.4	129.1	110.4
Germany	-15.6	-21.1	-18.0
France	9.2	8.1	18.6
Italy	11.3	15.5	27.0
United Kingdom	-16.6	-2.8	-10.2
Canada	-22.3	-16.3	-11.0
Others	31.9	30.0	47.5
Developing Countries[1]	**-101.2**	**-66.9**	**-77.4**
Oil exporting	-29.6	-7.3	-7.4
Non-oil exporting	-71.6	-59.6	-69.9
Newly industrializing economies Asia (NIEs)	20.7	16.9	9.6
China	-12.2	7.7	18.2

1) Excluding countries-in-transition.
Source : IMF. *World Economic Outlook*, March 1996

success of monetary authorities to cool down economic overheating brought inflation rates under control. In contrast to the previous year, OECD countries in overall experienced current account surplus (Table 7.5 and Chart 7.5).

After advancing briskly in 1994, the United States' economy began to slow down in 1995. This was primarily attributed to declining activities in the motor vehicle and housing sectors in response to rising stocks induced by higher interest rates. Trade account deficit widened ,because of weak export, associated with sluggish economic activity of several major trading partners of the United States, including Mexico, while import growth was.

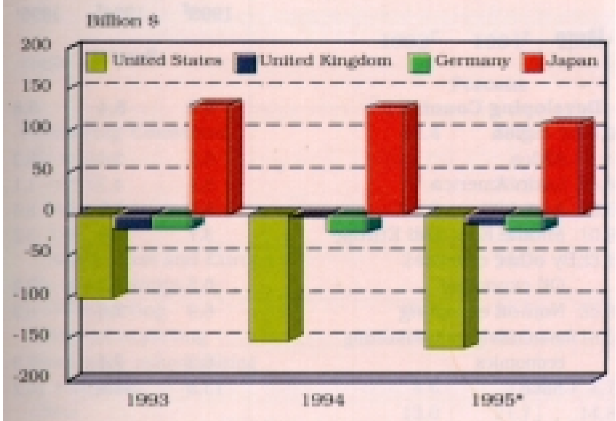
Table 7.4
Changes in Consumer Price Indices in OECD Countries

Item	1993r	1994r	1995*
	Percent		
Overall OECD	**2.9**	**2.3**	**2.4**
Seven major countries	**2.8**	**2.2**	**2.3**
United States	3.0	2.6	2.8
Japan	1.3	0.7	-0.1
Germany	4.5	2.7	1.8
France	2.1	1.7	1.8
Italy	4.2	3.9	5.4
United Kingdom	3.0	2.4	2.8
Canada	1.8	0.2	2.0
Others	**3.7**	**3.1**	**3.1**

Source : IMF. *World Economic Outlook*, March 1996

In order to stimulate the sluggish economic activity, the Federal Reserves eased monetary policies by lowering federal funds rate in July and December 1995, by 0.25% in both cases, to 6.0% at the end of the year. Easier monetary policies, supported by rising consumer confidence, have stimulated consumption expenditure, particularly for durable goods since the third quarter of 1995. Investment activity has also increased since the third quarter, a positive impact that likewise contributed to declining unemployment. However, the trade account deficit continued rising in 1995 as import continued to accelerate. Nonetheless, this development did not cause the current account

Chart 7.5
Current Account Balance
in Several Major Industrial Countries



Source: IMF, *World Economic Outlook*, March 1996

deficit to widen excessively due to rising surplus in services account, in line with improved dividend income from the United States' investment abroad (Table 7.5).

After showing signs of recovery in 1994, economic activity in Japan began to weaken again as a result of the yen's sharp appreciation through mid-1995 and the Kobe earthquake. The yen appreciation weakened exports and stimulated imports resulting in the current account surplus in 1995 to fall from $129.1 billion to $110.4 billion. Moreover, the decline in both public works spending and housing investment also contributed to the slow growth. In line with the weaker economic performance, the unemployment rate reached 3.1% in 1995. On the side of prices, Japan which had a record of low inflation in the last few years experienced deflation in 1995. Meanwhile, in the financial sector, Japan continued to face large non-performing loans which will slow down the economic recovery process, if not overcome immediately.

In view of the unfavorable economic prospects, the Bank of Japan continued to ease monetary policy aimed at stimulating economic activity. Official discount rate was cut by 0.75% in April 1995 and a further 0.5% in early September 1995, to 0.5% at the end of 1995, resulting in the overall decline of short-term interest rates. As a result, the prime lending rate fell to only 1.5%. To strengthen efforts in stimulating economic activity, the Japanese Government attempted to increase public sector investment in the fiscal year as announced in June, followed by a fiscal stimulus package in September 1995 of ¥14.2 trillion (3% of GDP).

The economic growth of Germany in 1995 was 1.9%, lower than in the previous year. This was attributable to deteriorating investment growth, in line with eroding business confidence. Nonetheless, domestic demand rose slightly, remedied by the strengthening of both private as well as public consumption. Private consumption rose steeply, following wage increase which raised the disposable income of households. Government consumption, particularly health expenditure, also accelerated. The wage increase was accompanied by rising employment opportunities as reflected in the declining unemployment rate. On the other hand, the inflation rate declined gradually, to 1.8% in 1995. The low inflation rate was also influenced by appreciation of the German mark in the first quarter of 1995 which caused the price of imported goods to fall. In line with weak economic activity, Germany's current account deficit decreased.

Developing Economies

Economic performance of developing countries was relatively stable in 1995 (Table 7.6). Despite experiencing temporary capital flight in early 1995, in the aftermath of the Mexican financial crisis, most developing countries were able to successfully overcome it. Capital inflows in 1995 were still substantial and economic growth was sustained at relatively high levels. The African region as well as the Middle East and European region recorded higher growth rate, while growth in the Asian and Latin American regions slowed. At the same time, the economic condition of countries-in-transition improved moderately.

The strong economic performance of developing countries was associated with sustained market confidence in response to the consistency of stabilization and economic reforms carried out in the last few years. The success of these efforts have provided greater room for developing countries in the world economic arena, besides raising their access to international financial sources to further stimulate investment and growth.

Table 7.6
Economic Growth in Developing Countries

Item	1993r	1994r	1995*
	Percent		
Developing Countries[1]	**6.2**	**6.4**	**5.8**
By region			
Africa	0.7	2.4	3.2
Latin America	3.1	4.7	1.1
Asia	8.9	8.8	8.4
Middle East and Europe	3.7	0.6	3.2
By other criteria			
Oil exporting	0.5	0.2	2.2
Non-oil exporting	6.9	7.0	6.2
Asian newly industrializing economies	6.3	7.4	7.9
China	13.5	11.8	10.2
Countries-in-transition[2]	**-8.5**	**-8.8**	**-1.4**
Central and Eastern Europe	-5.0	-2.9	1.4
Russia	-12.0	-15.0	-4.0
Transcaucasus and Central Asia	-10.5	-14.3	-6.5

1) Measured by GDP, excluding countries-in-transition.
2) Mostly measured in NMP (Net Material Product).
Source : IMF, *World Economic Outlook*, March 1996

Inflation rate of developing countries fell from 48.0% in 1994 to 19.9% in 1995 (Table 7.7). The declining inflation rate occurred throughout the region; nonetheless, the most spectacular was the success of Latin American countries in containing skyrocketing inflation. Meanwhile, current account deficit of developing countries was $77.4 billion in 1995, higher than the previous year's $66.9 billion (Table 7.5).

Asian economies continued to record the highest growth rate, at 8.4% in 1995. Economic performance of China, newly industrializing economies (NIEs), and ASEAN countries contributed the most to the high growth rate. Persistently high growth has increased the risk of economic overheating and its symptoms were beginning to be felt in several countries since 1994. To prevent economic overheating, several countries have implemented prudent macroeconomic policies and carried out structural reforms. In part, these efforts have caused the inflation rate to decline to 10.9% in 1995 compared with 13.5% in the preceding year.

In 1995, China, which is an important developing economy in Asia, recorded economic growth of 10.2%, a significant growth rate

Table 7.7
Changes in Consumer Price Indices in Developing Countries

Item	1993ʳ	1994ʳ	1995*
	Percent		
Developing Countries	**42.4**	**48.0**	**19.9**
By region			
Africa	27.4	33.9	25.8
Latin America	208.0	223.7	38.0
Asia	9.5	13.5	10.9
Middle East and Europe	24.0	32.0	33.1
By other criteria			
Oil exporting	24.5	31.5	35.3
Non-oil exporting	44.5	49.9	18.5
Asian newly industrializing economies	4.6	5.6	4.7
China	13.0	21.7	14.8
Countries-in-transition	**614.3**	**264.8**	**128.0**
Central and Eastern Europe	364.8	152.9	75.3
Russia	896.0	302.0	190.2
Transcaucasus and Central Asia	1,243.3	1,610.6	261.1

Source : IMF. *World Economic Outlook*, March 1996

though it was the lowest since 1991. This was associated with strict control policies toward credit and prices aimed at cooling down the economy. In the first nine months of 1995, investment expenditures grew 16%, much lower compared with 30% in the corresponding period last year. Nonetheless, exports rose 40%, leading the relatively high economic growth. In line with the rising export, foreign exchange reserves surged from $50 billion at the end of 1994 to $73.5 billion at the end of 1995. In the meantime, continuous structural reform, supported by efforts to control domestic demand, gradually contained the inflation rate from 21.7% to 14.8%.

As in the previous year, economic growth of NIEs, except Hong Kong, remained robust in 1995. The strong growth in general was fueled by foreign trade and investment. There were, however, signs of weakening during the second semester of 1995. This was associated with inadequate infrastructure and labor shortage which triggered the increase in the import of capital goods, as well as rising labor costs. Moreover, the NIEs also faced the problem of currency appreciation *vis-a-vis* yen which weakened export growth. Taiwan and Hong Kong were also affected by weakening economic growth in China and the negative impacts of falling property prices. Overall, GDP growth of NIEs rose in 1995, while current account surplus decreased. Meanwhile, the inflation rates of NIEs, except Hong Kong, declined compared with the previous year. This was associated with rising competition in the retail trade sector, weakening sentiment in the property and stock markets, as well as decreasing unit production costs.

The economic performance of countries in-transition was varied. Some countries experiencing high inflation rates, such as Russia and countries in the Transcaucasus and Central Asia region, continued to experience deteriorating production. Economic policies highlighting the containment of inflation were

Table 7.8
Economic Growth in Countries-in-transition

Item	1993	1994	1995*
	Percent		
Albania	9.6	9.4	8.6
Czech Republic	-0.9	2.6	5.0
Hungary	-0.8	2.9	1.9
Lithuania	-24.2	1.7	5.3
Poland	3.8	6.0	6.5
Romania	1.3	3.9	6.9
Slovak Republic	-4.7	4.8	7.0
Slovenia	1.3	5.3	4.8

Source: IMF, *World Economic Outlook*, March 1996 unable to support efforts to increase production. In contrast, countries in advanced stages of transition, such as Poland, the Czech Republic, and Romania, have begun to show some progress as reflected in their higher economic growth (Table 7.8), improved allocation of economic resources, increased investment, and rapid export and import growth. Nonetheless, almost all countries-in transition were still beset by a fundamental weakness, i.e. a fragile banking system. The main challenge for the group of countries was, therefore, to prevent the occurrence of banking crisis and to settle such problems immediately should they occur.

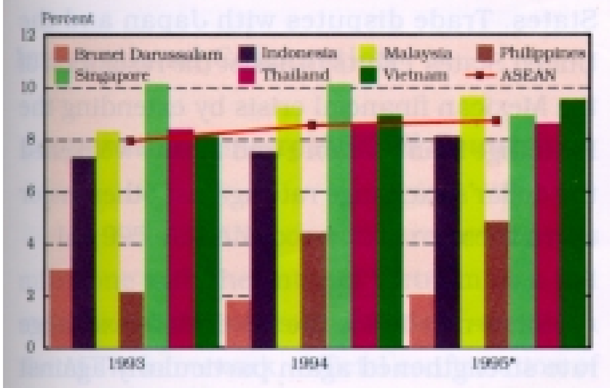
Table 7.9
Gross Domestic Product Growth Rates, Changes in Consumer Price Indices, and Current Account Balances in ASEAN Countries

Item	1993r	1994r	1995*
	Percent		
Real GDP Growth Rates			
ASEAN	7.9	8.5	8.7
Brunei Darussalam	0.5	1.8	2.0
Indonesia	7.3	7.5	8.1
Malaysia	8.3	9.2	9.6
Philippines	2.1	4.4	4.8
Singapore	10.1	10.1	8.9
Thailand	8.4	8.6	8.6
Vietnam	8.1	8.9	9.5
Changes in Consumer Price Indices			
ASEAN	6.1	7.2	6.9
Brunei Darussalam	4.3	2.4	6.0
Indonesia	9.8	9.2	8.6
Malaysia	3.6	3.7	3.4
Philippines	7.6	9.1	8.1
Singapore	2.2	3.1	1.7
Thailand	3.3	5.0	5.8
Vietnam	5.2	14.5	13.1
	Billion $		
Current Account Balances			
ASEAN	-10.9	-5.1	-14.0
Brunei Darussalam	2.6	3.0	2.9
Indonesia	-2.3	-3.0	7.2
Malaysia	-2.1	-4.2	-7.0
Philippines	-3.3	-3.5	-3.9
Singapore	2.0	11.9	15.5
Thailand	-6.7	-8.5	-13.2
Vietnam	-1.1	-0.8	-1.1

Source : Various publications

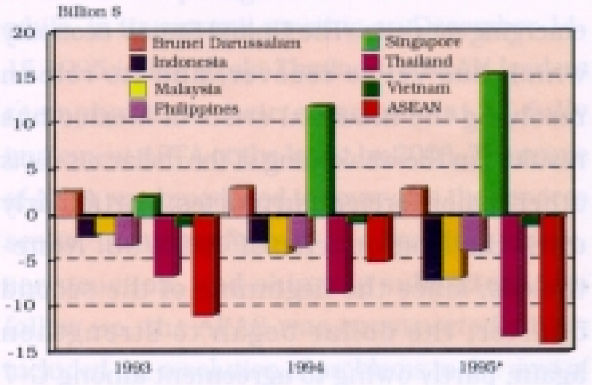
In 1995, economic performance of ASEAN countries remained strong. The inclusion of Vietnam as a new member enhanced the dynamism in this area. The expansion of ASEAN economies in 1995 was primarily driven by strong domestic demand. Economic growth in 1995 was 8.7%, higher compared with 1994 (Table 7.9 and Chart 7.6). Economic growth of Malaysia rose, supported by strong growth in the manufacturing, services, and construction sectors. The Philippines economic growth accelerated, reflecting continuing economic recovery. The main impetus of this growth was the industrial sector which was supported by rising government investment in infrastructure development. Singapore, whose economy is concentrated on foreign trade with the United States as the key market, continued to record high growth rates albeit slower, in line with the weakening of economic activity in the United States, and rising wages in the country. The Thai economy which was supported by strong fundamental factors, continued to show robust performance with domestic demand, both

Chart 7.6
Economic Growth Rates in ASEAN Countries



Sources : Various publications

Chart 7.7
Current Account Balance in ASEAN Countries



Sources : Various publications

investment and consumption, playing a major role. Vietnam recorded high GDP growth, which was supported by investment and higher absorption of foreign aid.

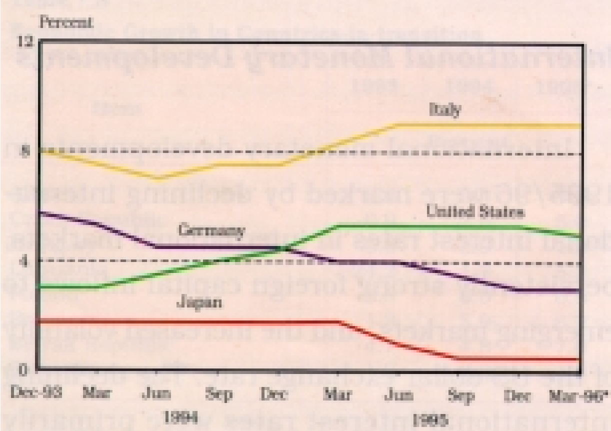
The strong performance of ASEAN economies as indicated by the high economic growth rate was overshadowed by the threat of economic overheating. Inflationary pressures remained substantial, at 6.9%. The current account deficit rose from $5.1 billion to $14.0 billion, owing to the surge in imports, primarily capital goods and raw materials, in line with growing investment activity. Furthermore, rising income has stimulated consumption. These two factors have resulted in pressures on the balance of payments and prices.

International Monetary Developments

International monetary developments in 1995/96 were marked by declining international interest rates in international markets, persistently strong foreign capital inflows to emerging markets, and the increased volatility of the US dollar exchange rate. The declining international interest rates were primarily encouraged by easier monetary policies in major industrial countries which, in turn, resulted in the rise of foreign capital inflows to emerging markets. The United States' economy which has yet to recover, and its role in resolving the financial crisis of Mexico has resulted in the weakening of the dollar *vis-a-vis* other major foreign currencies, particularly until the first quarter of 1995/96. Nonetheless, since the beginning of the second quarter, the dollar began to strengthen again, partly owing to agreement among G-7 countries to recover the dollar, and the emergence of financial crisis in some of the largest financial institutions in Japan, as well as the sluggish economic growth of Japan.

In 1995/96, in general, interest rates of major currencies in international markets declined as a result of policies to lower interest rates in several advanced industrial countries (Chart 7.8). These policies reflected

Chart 7.8
Discount Rates in Several Industrial Countries

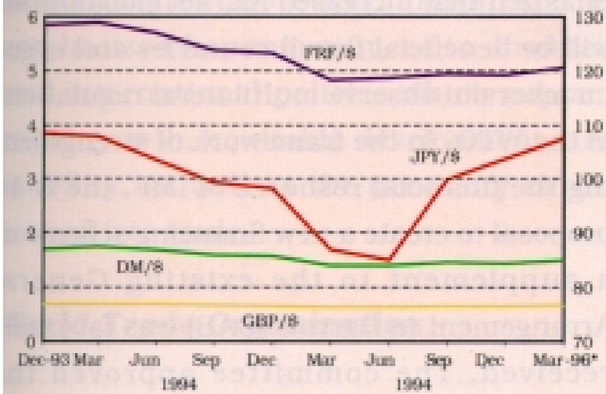


Source : IMF. *World Economic Outlook*, March 1996 efforts carried out by the US, Japan, Germany, as well as the United Kingdom to boost economic performance. Market interest rates, such as the 3- month and 6-month LIBOR fell respectively from 6.3% and 6.5% at the end of 1994/95 to 5.5% and 5.5% at the end of 1995/96. Likewise, rates of 3-month and 6-month SIBOR fell from 6.3% and 6.5% respectively, to 5.4% and 5.5%. The lower interest rates of various currencies in international markets resulted in higher interest rate differentials between rates in emerging markets and industrial countries which, in turn, stimulated foreign capital inflows to emerging markets, including Indonesia. Moreover, the recovery of market confidence in local currencies and in the economic condition of emerging markets in the wake of the Mexico financial crisis, also boosted foreign capital inflows.

Until the first quarter of 1995/96, the dollar continued to weaken *vis-a-vis* other major currencies, and reached its lowest level against the Japanese yen at around ¥80. The weakening dollar was closely related to the declining economic growth and persistently high current account deficit of the United States. Trade disputes with Japan and the United States' efforts to assist the resolution of the Mexican financial crisis by extending the Exchange Stabilization Fund facility weakened the dollar's exchange rate against other major currencies.

Since mid-1995, the US dollar's exchange rate strengthened again particularly against the

Chart 7.9
The United States Dollar's Exchange Rate against Other Major Currencies



Source : IMF. *World Economic Outlook*, March 1996

Japanese yen, reaching its peak at around ¥107 in March 1996. As mentioned earlier, the dollar strengthened partly because of accord by G-7 countries to intervene as a group to recover the dollar, particularly against yen. This accord has also stimulated market sentiment which tended to strengthen the dollar. Moreover, financial crisis faced by two financial institutions in Japan, Kizu Shinyo Kumiai and Hyogo Bank Ltd., which ended in the liquidation of the two institutions, and the persistently slow economic growth in Japan, encouraged the strengthening of the dollar against the Japanese yen (Chart 7.9).

International Cooperation

Cooperation among ASEAN Countries

In 1995, ASEAN cooperation recorded a new milestone with the entry of Vietnam as a full member and the inclusion of trade in services in the AFTA framework. Official confirmation of Vietnam as a full member was carried out in the annual meeting of ASEAN Foreign Ministers on July 28, 1995 in Brunei Darussalam. Meanwhile, in its summit meeting on December 1415, 1995 in Bangkok, Thailand, ASEAN leaders reemphasized their commitment to fully implement AFTA at the latest by 2003. The scope of AFTA was broadened to cover also the services sector, including finance and banking, airline, construction, and shipping subsector. As a follow up, the AFAS was constructed which included the resolution of problems in the area of trade in services. The inaugural AFAS meeting which was held in Bandung in January 1996 produced, among others, a working procedure of the coordinating committee, sectoral coverage, and negotiation time frame as well as the support of the ASEAN Secretariat.

Asia-Pacific Economic Cooperation

In the third APEC Economic Leaders Meeting on November 11, 1995 in Osaka, Japan, the Osaka declaration was constructed which included trade and investment liberalization principles in the next 25 years. Moreover, each country submitted Initial Action as a concrete step to speed up trade and investment liberalization in the area. The initial action submitted by Indonesia was based on the May 1995 deregulation policy package which included reduction of import duties in stages. This development is simultaneously an opportunity and a challenge for Indonesia in moving toward the globalization of trade and investment. To that effect, businesses must increase efforts to take advantage of greater opportunities.

Bilateral Cooperation

As a follow-up to the cooperation with central banks in Asia, Bank Indonesia has held meetings with several central banks in Asia to raise more definite cooperation. As a result of these meetings, Bank Indonesia concluded repurchase agreements in fiscal year 1995/96 with the monetary authorities of Malaysia, Singapore, Hong Kong, Thailand, the Philippines, and Australia. Under these agreements, monetary authorities of a signing country may obtain liquidity assistance from other monetary authorities to overcome attacks in foreign exchange markets. This cooperation also includes commitment to carry out information exchanges and increase cooperation in monetary and exchange rate management in each of the country.

International Institutions

International Monetary Fund and World Bank

The Board of Governors of the International Monetary Fund (IMF) and the World Bank held the 50th Annual Meeting on October 10-12, 1995 in Washington, D.C., United States. Concurrently, IMF Interim Committee Meeting and the World Bank Development Committee Meeting were also held.

At the 45th IMF Interim Committee Meeting on October 8, 1995, developments in member countries were discussed, particularly regarding problems currently faced and progress achieved. The committee emphasized that increased market globalization will be beneficial for all countries and urged members to observe multilateral regulations of the WTO. In the framework of strengthening the financial resource of IMF, the G-10 proposal to create a new financing scheme as a supplement to the existing General Arrangement to Borrow (GAB) was favorably received. The committee approved the Emergency Financing Mechanism (EFM) which will enable IMF to provide immediate aid in the event of a serious financial crisis; the terms for the use of the Currency Stabilization Funds (CSF) to support exchange rate policies in abating inflation; and the broadening of the scope of IMF's involvement in post-conflict situations which will enable IMF to prepare emergency aid.

At the World Bank Development Committee Meeting on 9 October 1995, several resolutions were reached, including support for poverty alleviation through cooperation with governments, supply of credit and basic infrastructure for the economically deprived group; efforts to further strengthen the role of the International Development Association (IDA); and the reduction of the burden of heavily indebted countries to sustainable levels using available multilateral assistance.

In all the meetings, Indonesia stressed the necessity of serious efforts to reduce the debt burdens of low-income countries. It is hoped that this reduction will not only be in the form of rescheduling but the possibility of debt relief. Moreover, Indonesia reemphasized her commitment to domestic and international policies which support rapid growth, equitable development, and stability, as well as the necessity to aim toward free trade.

World Trade Organization

Since January 1995, WTO has carried out its function as an organizer and supervisor of multilateral trade. Nonetheless, the existence of the WTO is still challenged by the reluctance pressures of protectionism in several countries. Moreover, it continued to face unilateral actions, such as anti-dumping and regional trade accord which may lead to trade diversions.

At the last meeting on financial services held on July 28, 1995 in Geneva, Switzerland, an interim agreement on financial services was resolved, to be effective until December 31, 1997. The key issue in this agreement was that each participating country will implement its maximum commitment until December 31, 1997. After 1997, each of the participating country is free to decide if it will maintain the interim agreement, withdraw, or maintain and broaden the agreement. It may be noted that this interim agreement only includes industrial countries other than the United States, and several developing countries including Indonesia.

Asian Development Bank

From May 3-5, 1995, the Asian Development Bank (ADB) held the 28th Annual Meeting of the Board of Governors in Auckland, New Zealand. At this meeting, various issues were discussed, including economic development, poverty, the environment, increased loans, and replenishment of the Asian Development Fund (ADF). Of these issues, two constituted the major agenda, i.e. replenishment of the ADF, and extension of broader discussion on various problems in Asia. In this discussion, delegates hoped that the ADB will play a more active role as a catalyst of investment in Asia. Nonetheless, the issue on the replenishment of ADF was not resolved. The United States and donor countries from Europe were unwilling to add funds to the ADF. They proposed that more affluent countries in Asia, such as the NIEs, play a larger role. Moreover, the donors also proposed the mobilization of private funds to meet the need for infrastructure development.

Islamic Development Bank

At the 20th Annual Meeting of the Board of Governors of the Islamic Development Bank (IDB) in Jakarta, from November 29-30, 1995, several resolutions were concluded, including acceptance of the Republic of Mozambique as the 49th member, the Republic of Kazakstan as the 50th member as well as election of a new IDB President for the next 5 years. Furthermore, the schedule for the Chairman and Deputy Chairman of the Board of Governors for the 1995-96 period was also resolved. Apart from the meeting, Indonesia and IDB have signed several loan agreements to finance electricity projects, hospitals, and Islamic schools. Until 1995, Indonesia has received $169.2 million in loans from the IDB.

Consultative Group for Indonesia

The fourth meeting of the Consultative Group for Indonesia (CGI) was held in Paris, from July 18-19, 1995. The aim of the meeting was to determine the amount of aid needed, and was preceded by discussions on several issues, particularly on the economic development of Indonesia and progress of projects financed. On the whole, delegates were satisfied with the progress achieved by Indonesia. However, they also pointed out several matters which may impede continuation of development, such as the income gap, inefficiency, high cost economy, and domination of several companies leading toward monopolies and cartels. They also hoped that institutions which are the instruments of foreign debt management, such as the PKLN team, will continue to be maintained.

At the CGI meeting it was resolved to increase aid to $5,360 million, compared with $5,203 million in the previous reporting year. Of this amount, $2,565 million was from bilateral loans. Japan committed $2,140 million, while the World Bank and ADB committed $1,200 million each. In contrast to the previous year, whereby project aid was mostly absorbed by large infrastructure projects such as electricity generation and telecommunications, the latest project aid was focused on human resource development, agriculture and poverty alleviation.

APPENDICES

APPENDIX A

BANK INDONESIA CONDENSED BALANCE SHEET [1)]
as of March 31, 1994, 1995, and 1996
(Billion Rupiah)

ASSETS	1994	1995	1996
1. Gold and foreign assets	39,621	37,554	47,594
a. Gold and foreign exchange	39,060	37,122	47,295
b. Other foreign assets	561	432	299
2. Claims on public sector	5,027	1,038	3,325
a. Central government	5,013	1,030	3,322
b. Official entities	14	8	3
3. Claims on deposit money banks	12,568	12,581	17,756
4. Money market securities	3,147	4,337	2,599
5. Claims on private sectors	1,125	1,640	909
6. Other assets	3,888	3,236	3,978
Total	**65,376**	**60,386**	**76,161**

LIABILITIES	1994	1995	1996
1. Monetary liabilities	18,995	23,175	31,052
a. Currency in circulation	17,419	21,367	24,003
b. DMB's demand deposits	1,211	1,439	6,670
c. Private sector demand deposit	365	369	379
2. Foreign exchange	1,115	1,266	2,380
a. Foreign exchange bank's demand deposits	1,102	1,236	2,364
b. Other demand deposits in foreign currency	13	30	16
3. Foreign liabilities	1,133	1,415	1,290
a. Foreign exchange liabilities	398	798	945
b. Other foreign liabilities	735	617	345
4. Government deposits	16,782	13,570	20,237
a. Current account	15,441	11,805	18,559
b. Blocked account	--	--	--
c. Counterpart funds	865	1.084	1.273
d. Import guarantee deposits	476	681	405
e. Others	--	--	--
5. Bank Indonesia Certificates	19,772	11,183	10.823
6. Capital account	1,781	1,969	2,070
7. Other liabilities	5,798	7,808	8,310
Total	**65,376**	**60,386**	**76,161**

1) Unaudited.

APPENDIX B

MANAGEMENT OF BANK INDONESIA
as of March 31, 1996

GOVERNMENT COMMISSIONER

Sofjan Djajawinata

BOARD OF DIRECTORS

Governor

J. Soedradjad Djiwandono

Managing Directors

Hendrobudiyanto
Boediono
Heru Soepraptomo
Mansjurdin Nurdin
Haryono
Paul Soetopo Tjokronegoro
Mukhlis Rasyid

APPENDIX C

ORGANIZATION AND PERSONNEL

In the reporting year Bank Indonesia's organization structure did not change, consisting 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 1996 was 7,698 persons; 4,145 of them were placed at the head office, 3,483 at the branches, and 70 at the representatives.

NUMBER OF PERSONNEL

No.	Year	Offices			Total
		Head	Branches	Representatives[1)]	
1.	1993/94	4,218	3,424	56	7,698
2.	1994/95	4,199	3,521	56	7,776
3.	1995/96	4,145	3,483	70	7,698

1) Including those studying abroad.

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	:	Santo Silaban
Cooperative and Small-scale Credit Department	:	Abdul Salam
Currency Circulation Department	:	Gusti Made Setat
Economics and Statistics Department	:	Subarjo Joyosumarto
Foreign Exchange Department	:	Bambang Trianto
General Credit Department	:	Abdullah Hasibuan
Human Resources Department	:	Achwan
Internal Control Department	:	Sjahrial Hamid
Internal Resources Research and Development Department	:	Aulia Pohan
International Department	:	Sumitro
Legal and Secretariat Department	:	B. Setijoprodjo
Logistics Department	:	Imam Sukarno
Money Market and Clearing Department	:	C. Harinowo
Rural Credit Bank Supervision Department	:	J.B. Murtiwijono

REPRESENTATIVES

Kuala Lumpur	:	Harisman
London	:	Bartholomeus Sugiharto
New York	:	Sulastinah Tirtonegoro, Ms.
Singapore	:	Siswanto DJ.
Tokyo	:	Koesworodjati

BRANCH MANAGERS

Category I

Bandung	:	Warsono Santoso
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	:	Abubakar Karim
Palembang	:	Azis Sanuri
Ujung Pandang	:	Wiwiek Sudibyo
Yogyakarta	:	Adji Mulawarman H.

Category III

Ambon	:	I Gusti Made Darmawa
Balikpapan	:	O. Momon Suparta Saputra
Banda Aceh	:	Ahmad Lastawan Ramly
Cirebon	:	K. Koeswara
Jambi	:	M. Thobroni
Jayapura	:	Moeljono
Jember	:	Prihono Bagio
Kediri	:	Kokrosono Sadhan
Kupang	:	Imr[illegible]ndani
Malang	:	Langka Ardimudinar
Mataram	:	Fathoni Ahmad
Palu	:	Anang Atje
Pekanbaru	:	Dedy Rohendy
Pontianak	:	Warjoto
Samarinda	:	Muhammad Ali Tarmizi
Solo	:	Sri Sularmo

Category IV

Batam	:	Pramono H.
Bengkulu	:	Djatiwalujo
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	:	Iman Achmad Kusrochjono
Tasikmalaya	:	Suwondo
Tegal	:	Budhi Santoso
Ternate	:	Suyanto

APPENDIX D

PROVISIONS ON MONETARY AND BANKING ACTIVITIES ISSUED BY BANK INDONESIA IN 1995/96

Date	Number	Subject
1995		
July 4	DBMD 28/32/KEP/DIR CL 28/32/UPG	*Bilyet giro* (amendment of CL of Bank Indonesia No. 4/670/UPPB/PbB, dated January 14, 1972)
July 14	DBMD 28/38/KEP/DIR CL 28/5/UD	Swap transaction procedures between Bank Indonesia and banks
August 14	DBMD 28/52/KEP/DIR	Requirements for commercial paper issuance and trade through commercial banks in Indonesia
September 6	DBMD 28/63/KEP/DIR CL 28/3/UPPB	Credit limit for public companies
September 7	DBMD 28/64/KEP/DIR CL 28/4/UPPB	Requirements for non-foreign exchange commercial bank to become foreign exchange commercial bank
	CL 28/5/UPPB	Improvement on financial reporting for publication
October 3 October 24	DBMD 28/76/KEP/DIR CL 28/6/UPPB	Temporary take-over on bank management by Bank Indonesia
October 13	DBMD 28/84/KEP/DIR CL No. 28/83/UPG	Issuance and trade procedures of Bank Indonesia Certificate
December 14	DBMD 28/113/KEP/DIR CL 28/10/UPPB	Statutory reserves of commercial bank with Bank Indonesia in rupiah and foreign currency
December 19	JD of Min. of Finance and Gov. of Bank Indonesia 607/KMK.017/1995 28/9/KEP/GBI	Supervision on finance companies by Bank Indonesia
December 29	DBMD 28/119/KEP/DIR CL 28/13/UD	Derivatives transactions

Note

DBMD : Decree of the Board of Managing Directors; CL : Circular Letter; JD : Joint Decree

Date	Number	Subject
1996		
January 5	DBMD 28/122/KEP/DIR CL 28/137/UPG	Not sufficient fund check/*bilyet giro*
February 8	CL 28/15/UD	Arrangement on derivatives transactions (explanation on DBMD of Bank Indonesia No. 28/119/KEP/DIR, dated December 29, 1995)
February 26	CL 28/11/UPPB	Collectibility of commercial papers (adjustment on collectibility as stipulated in CL of Bank Indonesia No. 26/4/BPPP, dated May 29, 1993)
March 5	BDMB 28/160/KEP/DIR CL 28/169/UPG	Revision on clearing schedule and settlement

Table 1
Gross Domestic Product by Expenditure
(billion rupiah)

Type of expenditure	1992	1993	1993	1994r	1995*
	1983 prices		1993 prices		
Consumption	81,303.5	85,305.9	213,287.2	224,627.8	237,797.8
Private	68,484.5	72,476.2	183,530.5	194,185.2	206,321.8
Government	12,819.0	12,829.7	29,756.7	30,442.6	31,476.0
Gross domestic fixed capital formation	36,589.3	38,671.2	86,667.3	98,589.0	111,281.8
Change in stock 1)	2,314.2	3,403.7	22,908.1	27,995.9	48,778.2
Exports of goods and services	39,674.8	42,296.8	85,296.2	92,981.2	97,010.5
less Imports of goods and services	28,697.0	29,970.5	78,383.0	89,751.6	111,817.1
Gross Domestic Product	**131,184.8**	**139,707.1**	**329,775.8**	**354,442.0**	**383,051.2**
Net factor income from abroad	-4,955.7	-6,154.1	-12,552.6	-12,965.1	-16,756.2
Gross National Product	**126,229.1**	**133,553.0**	**317,223.2**	**341,476.9**	**366,295.0**
less Net indirect taxes	8,945.6	9,621.0	21,171.1	23,105.9	23,638.8
less Depreciation	6,557.8	6,981.4	16,488.8	17,722.2	19,152.6
National Income	**110,725.7**	**116,950.6**	**279,563.3**	**300,648.8**	**323,503.6**
	Current market prices				
Consumption	160,611.6	188,099.4	213,287.2	244,270.5	285,945.3
Private	135,880.3	158,342.7	183,530.5	213,256.5	249,369.7
Government	24,731.3	29,756.7	29,756.7	31,014.0	36,575.6
Gross domestic fixed capital formation	70,820.2	78,243.2	86,667.3	105,380.6	128,105.3
Change in stock 1)	22,404.9	28,285.6	22,908.1	24,587.5	40,262.6
Exports of goods and services	76,384.4	85,454.3	85,296.2	96,847.0	113,356.9
less Imports of goods and services	70,336.6	78,064.7	78,383.0	91,873.8	122,269.5
Gross Domestic Product	**259,884.5**	**302,017.8**	**329,775.8**	**379,211.8**	**445,400.6**
Net factor income from abroad	-12,446.8	-16,168.8	-12,552.6	-14,278.6	-19,582.6
Gross National Product	**247,437.7**	**285,849.0**	**317,223.2**	**364,933.2**	**425,818.0**
less Net indirect taxes	17,794.6	20,543.8	21,171.1	24,720.6	27,486.5
less Depreciation	13,044.7	14,907.4	16,488.8	18,960.6	22,270.0
National Income	**216,598.4**	**250,397.8**	**279,563.3**	**321,252.0**	**376,061.5**
Memorandum item:					
Per capita Gross Domestic Product					
in thousands of rupiah	1,389.2	1,610.0	1,758.0	1,988.8	2,298.8
in $	684.4	711.4	842.3	920.0	1,023.0
Per capita Gross National Product					
in thousands of rupiah	1,322.7	1,523.8	1,691.1	1,913.9	2,197.8
in $	651.6	730.1	810.3	886.0	978.0
Per capita National Income					
in thousands of rupiah	1,157.4	1,334.8	1,490.3	1,684.8	1,941.0
in $	570.4	639.6	714.1	779.3	863.8

1) Residual.
Source : Central Bureau of Statistics

Table 2
Expenditure's Growth and Its Share in GDP Growth
(percent)

Type of expenditure	**1992**	**1993**	**1993**	**1994[r]**	**1995***
	1983 prices		**1993 prices**		
	Weighted growth				
Consumption	2.11	3.05	3.55	3.44	3.72
Private	1.54	3.04	3.54	3.23	3.42
Government	0.57	0.01	0.01	0.21	0.29
Gross domestic fixed capital formation	1.40	1.58	1.74	3.62	3.58
Change in stock [1)]	0.26	0.84	2.21	1.54	5.86
Exports of goods and services	4.12	2.00	0.88	2.33	1.14
less Imports of goods and services	1.44	0.97	1.13	3.45	6.23
Gross Domestic Product	**6.45**	**6.50**	**7.25**	**7.48**	**8.07**
	Share in GDP growth				
Consumption	32.7	46.9	49.0	46.0	46.0
Private	23.9	46.8	48.8	43.2	42.4
Government	8.8	0.1	0.2	2.8	3.6
Gross domestic fixed capital formation	21.7	24.3	24.1	48.3	44.4
Change in stock [1)]	4.0	12.9	30.4	20.6	72.6
Exports of goods and services	63.9	30.8	12.1	31.2	14.1
less Imports of goods and services	22.3	14.9	15.6	46.1	77.1
Gross Domestic Product	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

1) Residual.
Source : Central Bureau of Statistics

Table 3
Gross Domestic Product Growth by Expenditure
(percent)

Type of expenditure	1992	1993	1993	1994r	1995*
	1983 prices		1993 prices		
Consumption	3.3	4.9	5.4	5.3	5.9
Private	2.9	5.8	6.3	5.8	6.3
Government	5.8	0.1	0.2	2.3	3.4
Gross domestic fixed capital formation	4.9	5.7	6.6	13.8	12.9
Change in stock 1)	16.3	47.1	42.1	22.2	74.2
Exports of goods and services	14.7	6.6	3.3	9.0	4.3
less Imports of goods and services	6.6	4.4	4.7	14.5	24.6
Gross Domestic Product	**6.5**	**6.5**	**7.3**	**7.5**	**8.1**
Net factor income from abroad	11.7	24.2	-6.0	-1.1	29.2
Gross National Product	**6.3**	**5.8**	**7.9**	**7.8**	**7.3**
less Net indirect taxes	10.1	7.6	8.0	9.1	2.3
less Depreciation	6.4	6.5	7.3	7.5	8.1
National Income	**6.0**	**5.6**	**7.9**	**7.7**	**7.6**
	Current market prices				
Consumption	10.1	17.1	16.8	14.5	17.1
Private	8.7	16.5	16.2	16.2	16.9
Government	19.0	20.3	20.3	4.2	17.9
Gross domestic fixed capital formation	10.8	10.5	19.1	21.6	21.6
Change in stock 1)	33.0	26.2	22.3	7.3	63.8
Exports of goods and services	22.7	11.9	8.4	13.5	17.0
less Imports of goods and services	14.6	11.0	11.2	17.2	33.1
Gross Domestic Product	**14.3**	**16.2**	**16.8**	**15.0**	**17.5**
Net factor income from abroad	14.2	29.9	0.1	13.8	37.1
Gross National Product	**14.3**	**15.5**	**17.6**	**15.0**	**16.7**
less Net indirect taxes	18.6	15.4	17.5	16.8	11.2
less Depreciation	14.6	14.3	16.8	15.0	17.5
National Income	**13.9**	**15.6**	**17.6**	**14.9**	**17.1**

1) Residual.
Source : Central Bureau of Statistics

Table 4
Percentage Distribution of GDP by Expenditure

Type of expenditure	1992	1993	1993	1994[r]	1995*
	1983 prices		1993 prices		
Consumption	62.0	61.1	64.7	63.4	62.1
Private	52.2	51.9	55.6	54.8	53.9
Government	9.8	9.2	9.0	8.6	8.2
Gross domestic fixed capital formation	27.9	27.7	26.3	27.8	29.1
Change in stock [1)]	1.8	2.4	7.0	7.9	12.7
Exports of goods and services	30.2	30.3	25.9	26.2	25.3
less Imports of goods and services	21.9	21.5	23.8	25.3	29.2
Gross Domestic Product	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Net factor income from abroad	–3.8	–4.4	-3.8	-3.7	-4.4
Gross National Product	**96.2**	**95.6**	**96.2**	**96.3**	**95.6**
less Net indirect taxes	6.8	6.9	6.4	6.5	6.2
less Depreciation	5.0	5.0	5.0	5.0	5.0
National Income	**84.4**	**83.7**	**84.8**	**84.8**	**84.5**
	Current market prices				
Consumption	61.8	62.2	64.7	64.4	64.2
Private	52.3	52.4	55.7	56.2	56.0
Government	9.5	9.8	9.0	8.2	8.2
Gross domestic fixed capital formation	27.3	25.9	26.3	27.8	28.8
Change in stock [1)]	8.6	9.4	6.9	6.5	9.0
Exports of goods and services	29.4	28.3	25.9	25.5	25.5
less Imports of goods and services	27.1	25.8	23.8	24.2	27.5
Gross Domestic Product	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Net factor income from abroad	–4.8	–5.4	-3.8	-3.8	-4.4
Gross National Product	**95.2**	**94.6**	**96.2**	**96.2**	**95.6**
less Net indirect taxes	6.8	6.8	6.4	6.5	6.2
less Depreciation	5.0	4.9	5.0	5.0	5.0
National Income	**83.4**	**82.9**	**84.8**	**84.7**	**84.4**

1) Residual.
Source : Central Bureau of Statistics

Table 5
Gross Domestic Product by Sector
(billion rupiah)

Sector	1983 prices		1993 prices			Current Market price				
						Old Series		New Series		
	1992	1993	1993	1994r	1995*	1992	1993	1993	1994r	1995*
Agriculture, livestock, forestry, and fishery	**24,225.5**	**24,569.3**	**58,963.4**	**59,287.4**	**61,637.4**	**50,733.1**	**55,745.5**	**58,963.4**	**65,992.4**	**76,556.6**
Foodcrops	14,526.7	14,355.9	32,093.4	31,405.3	32,804.9	29,443.0	31,403.5	32,093.4	34,938.3	41,173.1
Non foodcrops	4,111.2	4,350.7	9,014.8	9,495.9	9,935.6	8,717.1	9,422.0	9,014.8	10,152.1	11,460.5
Livestock and products	2,664.5	2,813.5	6,202.7	6,451.4	6,719.8	6,040.7	7,025.9	6,202.7	7,139.7	8,205.1
Forestry	980.4	996.6	6,267.6	6,295.9	6,299.0	2,179.6	2,514.1	6,267.6	7,388.5	8,136.4
Fishery	1,942.7	2,052.6	5,384.9	5,638.9	5,878.1	4,352.7	5,325.7	5,384.9	6,373.8	7,581.5
Mining and quarrying	**18,957.7**	**19,370.3**	**31,497.3**	**33,261.6**	**35,145.3**	**29,907.2**	**30,749.5**	**31,497.3**	**33,507.1**	**37,631.2**
Oil and natural gas	16,719.2	16,666.5	23,120.8	23,719.6	23,720.4	23,383.9	23,168.5	23,120.8	23,070.0	24,608.0
Others	2,238.5	2,703.8	8,376.5	9,542.0	11,424.9	6,523.3	7,581.0	8,376.5	10,437.1	13,023.2
Manufacturing Industry	**26,963.6**	**29,484.3**	**73,556.3**	**82,725.7**	**91,929.0**	**56,541.5**	**67,441.4**	**73,556.3**	**88,991.9**	**108,164.1**
Oil/gas	5,865.0	5,940.0	9,793.8	10,345.5	10,130.7	8,705.1	9,464.0	9,793.8	10,190.1	10,354.2
Petroleum oil refinery	1,202.3	1,186.8	5,540.5	5,624.6	5,629.4	4,321.5	5,210.7	5,540.5	5,606.1	5,804.3
LNG	4,662.7	4,753.2	4,253.3	4,720.9	4,501.3	4,383.6	5,253.3	4,253.3	4,584.0	4,549.9
Non-oil/gas	21,098.6	23,544.3	63,762.5	72,380.2	81,798.3	47,386.4	57,977.4	63,762.5	78,801.6	97,809.9
Electricity, gas, and water supply	**928.2**	**1,022.3**	**3,290.2**	**3,707.4**	**4,280.9**	**2,147.7**	**2,714.3**	**3,290.2**	**3,912.8**	**4,809.0**
Construction	**8,223.6**	**9,222.5**	**22,512.9**	**25,857.7**	**29,190.7**	**15,305.2**	**18,139.9**	**22,512.9**	**28,016.9**	**34,338.9**
Trade, hotel, and restaurant	**21,009.1**	**22,850.1**	**55,297.6**	**59,350.5**	**63,945.4**	**42,731.5**	**49,789.4**	**55,297.6**	**62,207.3**	**73,126.3**
Wholesale and retail trade	17,405.8	18,968.8	44,604.8	47,528.9	51,227.2	35,645.3	41,496.1	44,604.8	49,397.3	58,088.9
Hotel and restaurant	3,603.3	3,881.3	10,692.8	11,821.6	12,718.2	7,086.2	8,293.3	10,692.8	12,810.0	15,037.4
Transportation and communication	**7,554.9**	**8,302.2**	**23,248.9**	**25,065.8**	**27,147.8**	**17,099.3**	**20,728.2**	**23,248.9**	**26,988.6**	**30,201.7**
Transportation	6,601.3	7,192.1	20,101.2	21,255.9	22,562.4	15,133.2	18,183.1	20,101.2	23,048.4	25,186.6
Communication	953.6	1,110.1	3,147.7	3,809.9	4,585.4	1,966.1	2,545.1	3,147.7	3,940.2	5,015.1
Financial, ownership, and business services	**9,505.0**	**10,480.7**	**28,047.8**	**30,901.0**	**34,369.0**	**22,867.2**	**19,095.6**	**28,047.8**	**34,505.6**	**39,890.9**
Bank [1]	6,255.7	7,069.6	14,005.3	15,944.6	18,164.5	12,499.7	15,256.6	14,005.3	17,817.5	21,232.8
Rental and corporate services	3,249.3 [2]	3,411.1 [2]	14,042.5	14,956.4	16,204.5	6,595.9 [2]	7,610.6 [2]	14,042.5	16,688.1	18,658.1
Services	**13,817.2**	**14,405.3**	**33,361.4**	**34,285.1**	**35,405.9**	**26,323.3**	**33,842.4**	**33,361.4**	**35,089.4**	**40,681.9**
Public administration	9,320.0	9,508.8	22,458.0	22,752.0	23,045.9	17,309.4	22,458.0	22,458.0	22,754.9	26,555.2
Private	4,497.2 [3]	4,896.5 [3]	10,903.4	11,533.1	12,359.8	9,013.9 [3]	11,384.4 [3]	10,903.4	12,334.5	14,126.7
GROSS DOMESTIC PRODUCT	**131,184.8**	**139,707.0**	**329,775.8**	**354,442.0**	**383,051.2**	**259,884.5**	**302,017.8**	**329,775.8**	**379,211.8**	**445,400.6**
Non-oil/gas	**108,600.6**	**117,100.5**	**296,861.2**	**320,376.9**	**349,200.1**	**227,795.5**	**269,385.3**	**296,861.2**	**345,951.7**	**410,438.4**
Oil/gas	**22,584.2**	**22,606.5**	**32,914.6**	**34,065.1**	**33,851.1**	**32,089.0**	**32,632.5**	**32,914.6**	**33,260.1**	**34,962.2**

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

Table 6
Share of Each Sector's Growth in GDP Growth
(percent)

Sector	Weighted growth					Share in GDP growth				
	1983 prices		1993 prices			1983 prices		1993 prices		
	1992	1993	1993	1994*	1995*	1992	1993	1993	1994*	1995*
Agriculture, livestock, forestry, and fishery	**1.23**	**0.26**	**0.31**	**0.10**	**0.66**	**19.0**	**4.0**	**4.3**	**1.3**	**8.2**
Foodcrops	0.85	-0.13	-0.07	-0.21	0.39	13.1	-2.0	-0.9	-2.8	4.9
Non foodcrops	0.15	0.18	0.17	0.14	0.12	2.4	2.8	2.4	1.9	1.5
Livestock and products	0.16	0.11	0.09	0.08	0.08	2.5	1.7	1.3	1.0	0.9
Forestry	-0.02	0.01	0.03	0.01	0.00	-0.3	0.2	0.4	0.1	0.0
Fishery	0.09	0.09	0.09	0.08	0.07	1.3	1.3	1.2	1.0	0.8
Mining and quarrying	**-0.29**	**0.32**	**0.34**	**0.53**	**0.53**	**-4.5**	**4.9**	**4.6**	**7.1**	**6.6**
Oil and natural gas	-0.64	-0.04	0.01	0.18	0.00	-10.0	-0.6	0.1	2.4	0.0
Others	0.35	0.36	0.33	0.35	0.53	5.5	5.5	4.5	4.7	6.6
Manufacturing Industry	**1.93**	**1.92**	**2.44**	**2.78**	**2.60**	**29.9**	**29.6**	**33.7**	**37.2**	**32.0**
Oil/gas	0.24	0.06	0.03	0.17	-0.06	3.7	0.9	0.4	2.2	-0.8
Petroleum oil refinery	0.05	-0.01	0.00	0.03	0.00	0.8	-0.2	0.0	0.3	0.0
LNG	0.19	0.07	0.03	0.14	-0.06	2.9	1.1	0.4	1.9	-0.8
Non-oil/gas	1.69	1.86	2.41	2.61	2.66	26.2	28.7	33.3	35.0	32.8
Electricity, gas, and water supply	**0.07**	**0.07**	**0.11**	**0.13**	**0.16**	**1.1**	**1.1**	**1.5**	**1.7**	**2.0**
Construction	**0.65**	**0.76**	**0.93**	**1.02**	**0.94**	**10.0**	**11.7**	**12.8**	**13.6**	**11.7**
Trade, hotel, and restaurant	**1.16**	**1.40**	**1.61**	**1.23**	**1.30**	**18.0**	**21.6**	**22.2**	**16.4**	**16.1**
Wholesale and retail trade	0.96	1.19	1.27	0.89	1.05	15.0	18.3	17.5	11.8	12.9
Hotel and restaurant	0.20	0.21	0.34	0.34	0.25	3.0	3.3	4.7	4.6	3.2
Transportation and communication	**0.56**	**0.57**	**0.53**	**0.55**	**0.59**	**8 .6**	**8.7**	**7.3**	**7.4**	**7.3**
Transportation	0.49	0.45	0.36	0.35	0.37	7.5	6.9	5.0	4.7	4.6
Communication	0.07	0.12	0.17	0.20	0.22	1.1	1.8	2.3	2.7	2.7
Financial, Ownership , and business services	**0.69**	**0.74**	**0.61**	**0.86**	**0.98**	**10.7**	**11.5**	**8.5**	**11.6**	**12.2**
Bank [1]	0.58	0.62	0.41	0.58	0.63	9.1	9.6	5.8	7.9	7.8
Rental and corporate services	0.11 [2]	0.12 [2]	0.20	0.28	0.35	1.6 [2]	1.9 [2]	2.7	3.7	4.4
Services	**0.47**	**0.45**	**0.37**	**0.28**	**0.32**	**7.2**	**6.9**	**5.1**	**3.7**	**3.9**
Public administration	0.22	0.14	0.14	0.09	0.08	3.3	2.2	2.0	1.2	1.0
Private	0.25 [3]	0.31 [3]	0.23	0.19	0.24	3.9 [3]	4.7 [3]	3.1	2.5	2.9
GROSS DOMESTIC PRODUCT	**6.45**	**6.50**	**7.25**	**7.48**	**8.07**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non-oil/gas	6.9	6.5	7.22	7.13	8.13	106.3	99.7	99.5	95.3	100.7
Oil/gas	-0.4	--	0.03	0.35	-0.06	-6.3	0.3	0.5	4.7	-0.7

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

Table 7
Gross Domestic Product Growth by Sector of Origin

Sector	1983 prices		1993 prices			Current market prices				
						Old series		New series		
	1992	1993	1993	1994*	1995*	1992	1993	1993	1994*	1995*
Agriculture, livestock, forestry, and fishery	**6.7**	**1.4**	**1.7**	**0.6**	**4.0**	**13.4**	**9.9**	**11.8**	**11.9**	**16.0**
Foodcrops	7.7	- 1.2	-0.7	-2.1	4.5	12.6	6.7	8.0	8.9	17.8
Non foodcrops	4.8	5.8	6.3	5.3	4.6	14.6	8.1	8.6	12.6	12.9
Livestock and products	7.9	5.6	4.7	4.0	4.2	8.0	16.3	16.2	15.1	14.9
Forestry	- 2.2	1.7	1.3	0.4	0.1	8.0	16.6	25.5	17.9	10.1
Fishery	5.8	5.7	5.3	4.7	4.2	23.0	23.0	22.3	18.4	18.9
Mining and quarrying	**- 1.9**	**2.2**	**3.4**	**5.6**	**5.7**	**- 4.8**	**2.8**	**3.0**	**6.4**	**12.3**
Oil and natural gas	- 4.5	- 0.3	0.1	2.6	0.0	- 10.5	- 0.9	- 1.3	-0.2	6.7
Others	24.1	20.8	13.7	13.9	19.7	23.6	16.2	17.0	24.6	13.9
Manufacturing Industry	**9.7**	**9.3**	**11.4**	**12.5**	**11.1**	**18.6**	**19.3**	**18.6**	**21.0**	**21.5**
Oil/gas	5.3	1.3	0.9	5.6	-2.1	2.2	8.7	7.6	4.1	1.6
Petroleum oil refinery	5.8	- 1.3	0.1	1.5	0.1	13.5	20.6	17.4	1.2	0.5
LNG	5.2	1.9	1.9	11.0	-4.7	- 7.0	-3.0	-3.0	7.8	-0.7
Non-oil/gas	11.0	11.6	13.2	13.5	13.0	22.2	21.2	20.5	23.6	24.1
Electricity, gas, and water supply	**10.1**	**10.1**	**11.1**	**12.7**	**15.5**	**22.7**	**26.4**	**33.1**	**18.9**	**22.9**
Construction	**10.8**	**12.1**	**14.5**	**14.9**	**13.0**	**18.6**	**18.5**	**33.4**	**24.4**	**22.6**
Trade, hotel, and restaurant	**7.3**	**8.8**	**9.8**	**7.3**	**7.7**	**15.6**	**16.5**	**17.3**	**12.5**	**17.6**
Wholesale and retail trade	7.4	9.0	9.6	6.6	7.8	15.8	16.4	15.9	10.7	17.6
Hotel and restaurant	7.2	7.7	10.9	10.6	7.0	14.6	17.0	23.5	19.8	17.4
Transportation and communication	**10.0**	**9.9**	**7.5**	**7.8**	**8.3**	**22.9**	**21.2**	**17.9**	**16.1**	**11.9**
Transportation	10.0	8.9	5.9	5.7	6.2	22.8	20.2	16.5	14.7	9.3
Communication	10.0	16.4	19.5	21.0	20.4	24.4	29.4	27.9	25.2	27.3
Financial, ownership and business services	**9.8**	**10.3**	**7.2**	**10.2**	**11.2**	**18.7**	**19.8**	**16.9**	**23.0**	**15.6**
Bank 1)	13.0	13.0	10.0	13.8	13.0	23.1	22.1	18.4	27.2	19.2
Rental and corporate services	4.2 2)	5.0 2)	4.6	6.5	9.9	11.3 2)	15.4 2)	15.4	18.8	11.8
Services	**4.3**	**4.3**	**3.5**	**2.8**	**3.3**	**19.3**	**28.6**	**24.3**	**5.2**	**15.9**
Public administration	3.0	2.0	2.0	1.3	1.3	18.4	29.7	29.1	1.3	16.7
Private	7.3 3)	8.9 3)	6.8	5.8	7.2	21.3 3)	26.3 3)	14.4	13.1	14.5
GROSS DOMESTIC PRODUCT	**6.5**	**6.5**	**7.3**	**7.5**	**8.1**	**14.3**	**16.2**	**18.8**	**15.0**	**17.5**
Non-oil/gas	8.4	7.8	8.1	7.9	9.0	18.1	18.3	18.8	16.5	18.6
Oil/gas	- 2.2	0.1	0.3	3.5	-0.6	-7.4	1.7	1.2	1.0	5.1

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

Table 8
Percentage Distribution of GDP by Sector
(at current market prices)

Sector	Old series		New series		
	1992	1993	1993	1994 *	1995 *
Agriculture, livestock, forestry, and fishery	**19.5**	**18.5**	**17.9**	**17.4**	**17.2**
Foodcrops	11.3	10.4	9.7	9.2	9.2
Non foodcrops	3.4	3.1	2.7	2.7	2.6
Livestock and products	2.3	2.3	1.9	1.9	1.8
Forestry	0.8	0.9	1.9	1.9	1.8
Fishery	1.7	1.8	1.7	1.7	1.7
Mining and quarrying	**11.5**	**10.2**	**10.0**	**8.8**	**8.5**
Oil and natural gas	9.0	7.7	7.0	6.1	5.5
Others	2.5	2.5	2.5	2.8	2.9
Manufacturing Industry	**21.8**	**22.3**	**22.3**	**23.5**	**24.3**
Oil/gas	3.4	3.1	3.0	2.7	2.3
Petroleum oil refinery	1.7	1.7	1.7	1.5	1.3
LNG	1.7	1.4	1.3	1.2	1.0
Non-oil/gas	18.4	19.2	19.3	20.8	22.0
Electricity, gas, and water supply	**0.8**	**0.9**	**1.0**	**1.0**	**1.1**
Construction	**5.9**	**6.0**	**6.8**	**7.4**	**7.7**
Trade, hotel, and restaurant	**16.4**	**16.4**	**16.8**	**16.4**	**16.4**
Wholesale and retail trade	13.7	13.7	13.5	13.0	13.0
Hotel and restaurant	2.7	2.7	3.3	3.4	3.4
Transportation and communication	**6.6**	**6.9**	**7.1**	**7.1**	**6.8**
Transportation	5.8	6.0	6.1	6.1	5.7
Communication	0.8	0.9	1.0	1.0	1.1
Financial, ownership, and business services	**7.3**	**7.6**	**8.5**	**9.1**	**9.0**
Bank [1]	4.8	5.1	4.2	4.7	4.8
Rental and corporate services	2.5[2]	2.5[2]	4.3	4.4	4.2
Services	**10.2**	**11.2**	**10.1**	**9.3**	**9.1**
Public administration	6.7	7.4	6.8	6.0	6.0
Private	3.5[3]	3.8[3]	3.3	3.3	3.1
GROSS DOMESTIC PRODUCT	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non-oil/gas	**87.7**	**89.2**	**90.0**	**91.2**	**92.2**
Oil/gas	**12.3**	**10.8**	**10.0**	**8.8**	**7.8**

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
(billion rupiah)

Item	1992	1993	1993	1994*	1995*
	1983 prices		1993 prices		
1. Exports of goods and services					
at current market prices	76,384.4	85,454.3	85,296.2	96,847.0	113,365.9
2. Exports of goods and services					
at constant prices	39,674.8	42,296.8	85,296.5	92,981.2	97,010.5
3. Export deflator [(1:2)x100]	192.5	202.0	100.0	104.2	116.9
4. Imports of goods and services					
at current market prices	70,336.6	78,064.7	78,383.0	91,873.3	122,269.5
5. Imports of goods and services					
at constant prices	28,697.0	29,970.5	78,383.0	89,751.6	111,817.1
6. Import deflator [(4:5)x100]	245.1	260.5	100.0	102.4	109.3
7. Terms of trade index [(3:6)x100]	78.5	77.5	100.0	101.8	106.9
8. Changes of terms of trade index (%)	–0.5	–1.3	-	1.8	5.0
9. Import capacity (1:6) x 100	31,164.6	32,804.0	85,296.2	94,609.9	103,674.6
10. Terms of trade effect (9-2)	–8,510.2	–9,492.8	0	1,628.7	6,664.1
11. Changes of terms of trade effect (%)	16.9	11.5	-	-	309.2
12. GDP at 1983/1993 market prices	131,184.8	139,707.1	329,775.8	354,442.0	383,051.2
13. Changes of GDP at constant prices (%)	6.5	6.5	7.3	7.5	8.1
14. GDY (10+12)	122,674.6	130,214.3	329,775.8	356,070.7	389,715.3
15. Changes of GDY (%)	5.8	6.1	-	8.0	9.4

Source : Central Bureau of Statistics

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

Sector	1991	1992	1993	1994	1995	Total [1)] 1968 - 1995 Value	Total [1)] 1968 - 1995 Projects
Agriculture, forestry, and fishery	**3,774.4**	**2,485.3**	**3,092.5**	**7,401.0**	**10,097.0**	**48,464.0**	**1,494**
Agriculture	3,289.3	1,769.4	2,735.0	4,544.8	7,127.8	37,460.8	859
Forestry	309.5	533.7	257.5	261.5	1,476.4	3,662.1	299
Fishery	178.6	182.2	100.0	2,594.7	1,429.7	7,341.1	336
Mining	**182.2**	**236.3**	**69.2**	**112.4**	**205.1**	**2,895.2**	**154**
Manufacturing	**27,623.9**	**19,079.2**	**24,032.1**	**31,921.7**	**43,341.8**	**249,112.7**	**6,006**
Food	1,341.0	1,487.1	2,073.1	4,044.8	5,160.1	21,428.8	917
Textile	3,645.9	2,538.9	3,539.0	5,518.3	7,176.6	45,480.8	1,281
Wood	1,565.9	637.7	1,373.6	1,171.2	2,009.8	14,482.9	788
Paper	6,804.6	5,323.2	2,208.7	3,749.3	6,032.6	39,015.7	364
Chemical and pharmaceutical	8,530.2	3,355.2	7,767.1	5,377.8	9,021.6	58,671.0	1,206
Non-metal mineral	4,053.7	3,441.2	5,399.2	8,546.9	9,088.9	41,133.3	379
Basic metal	858.3	1,320.9	186.7	1,663.9	2,380.5	14,415.9	195
Metal products	784.5	904.6	1,460.8	1,783.5	2,338.5	13,914.2	779
Others	39.8	70.4	23.9	66.0	133.3	570.1	97
Construction	**275.1**	**215.4**	**186.6**	**731.1**	**847.7**	**3,107.3**	**116**
Hotel	**3,895.1**	**3,114.7**	**3,051.3**	**4,341.9**	**3,792.5**	**26,833.8**	**658**
Transportation	**906.5**	**860.1**	**3,827.4**	**3,119.8**	**3,965.9**	**13,339.4**	**765**
Real estate and office building	**3,502.0**	**1,746.2**	**4,392.9**	**3,803.8**	**5,337.2**	**24,147.7**	**315**
Other services	**915.6**	**1,604.5**	**798.4**	**1,857.4**	**2,265.8**	**9,478.6**	**226**
Total	**41,077.9**	**29,341.7**	**39,450.4**	**53,289.1**	**69,853.0**	**377,378.7**	**9,734**

1) From July 1968 to December 1995, 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)

Province	1991	1992	1993	1994	1995	Total [1] 1968 - 1995 Value	Projects
Jawa & Madura	**25,005.7**	**16,437.2**	**27,278.0**	**36,466.0**	**41,807.1**	**239,497.9**	**6,477**
DKI Jakarta	3,604.4	4,001.9	8,828.9	5,968.3	11,645.2	42,412.6	1,513
West Jawa	13,505.6	7,876.1	11,681.8	15,863.0	19,338.0	127,139.7	3,045
Central Jawa	3,634.4	1,507.2	2,768.1	5,766.9	5,499.0	28,142.1	681
DI Yogyakarta	334.3	116.9	220.6	422.9	39.6	1,812.3	120
East Jawa	3,908.2	2,935.1	3,778.6	8,444.9	5,285.3	39,991.2	1,118
Sumatera	**6,451.8**	**5,695.8**	**4,473.7**	**8,518.6**	**13,074.9**	**66,400.9**	**1,517**
DI Aceh	151.4	1,450.1	304.9	127.6	280.6	3,998.7	109
North Sumatera	824.9	1,935.6	1,491.8	804.7	1,703.8	10,181.0	394
West Sumatera	157.4	42.9	15.9	573.3	716.4	3,341.3	127
Riau	3,255.7	1,175.2	961.4	3,682.5	4,309.9	24,472.1	349
Jambi	1,061.1	55.3	279.3	1,066.5	737.7	4,529.7	76
South Sumatera	554.9	519.6	854.0	360.5	3,628.2	10,656.0	246
Bengkulu	20.2	161.9	57.5	192.9	1,167.2	2,905.2	52
Lampung	426.2	355.2	508.9	1,710.6	531.2	6,316.9	164
Kalimantan	**4,390.2**	**3,257.2**	**3,377.5**	**4,113.7**	**8,378.9**	**24,386.1**	**700**
West Kalimantan	2,420.9	322.3	540.2	932.0	1,051.0	9,306.0	204
Central Kalimantan	192.3	2.3	2.8	873.2	1,857.9	3,378.6	117
South Kalimantan	549.1	1,157.7	1,107.8	366.1	195.2	4,448.9	134
East Kalimantan	1,228.2	1,774.9	1,726.7	1,942.4	5,274.9	17,252.6	245
Sulawesi	**1,214.0**	**699.9**	**1,138.9**	**1,656.8**	**2,710.9**	**12,197.6**	**420**
North Sulawesi	386.1	188.3	275.4	583.6	1,062.9	3,664.7	95
Central Sulawesi	451.9	33.2	122.5	30.9	1,219.5	2,526.5	72
South Sulawesi	323.8	178.4	679.4	673.0	376.5	4,484.1	226
Southeast Sulawesi	52.2	300.0	61.6	369.3	51.9	1,522.3	27
Nusa Tenggara	**390.9**	**939.3**	**116.5**	**69.2**	**205.1**	**2,781.7**	**122**
West Nusa Tenggara	372.0	596.0	98.0	46.9	183.7	1,858.1	73
East Nusa Tenggara	18.9	343.3	18.5	22.3	21.4	923.6	49
Bali	**1,331.3**	**676.7**	**444.6**	**1,716.3**	**1,320.8**	**8,909.6**	**294**
East Timor	**0.0**	**202.9**	**0.0**	**55.1**	**2.0**	**285.7**	**10**
Maluku	**126.6**	**107.0**	**2,192.0**	**51.4**	**1,750.6**	**6,288.2**	**123**
Irian Jaya	**2,167.1**	**1,325.7**	**429.2**	**642.0**	**602.7**	**6,631.1**	**71**
T o t a l	**41,077.9**	**29,341.7**	**39,450.4**	**53,289.1**	**69,853.0**	**377,378.8**	**9,734**

1) From July 1968 to December 1995, after taking into account 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 $)

Sector	1991	1992	1993	1994	1995	Total [1] 1967 - 1995 Value	Projects
Agriculture, forestry, and fishery	**26.0**	**231.4**	**160.1**	**729.9**	**1,384.3**	**4,402.8**	**203**
Agriculture	14.3	65.9	138.2	690.4	1,153.1	3,324.6	108
Forestry	0.7	137.6	0.0	0.0	0.0	510.2	27
Fishery	11.9	27.9	21.9	39.5	231.2	568.0	68
Mining	**0.0**	**2,312.0**	**0.0**	**0.0**	**0.0**	**5,070.3**	**119**
Manufacturing	**3,970.4**	**5,669.5**	**3,422.8**	**18,738.8**	**26,891.9**	**97,606.5**	**2,504**
Food	381.9	212.8	141.1	1,234.8	1,331.8	4,645.7	197
Textile	532.4	591.3	419.4	396.4	471.1	5,900.7	468
Wood	62.2	33.5	50.2	68.1	262.9	1,170.7	172
Paper	822.0	686.4	201.6	5,120.1	2,540.5	19,543.8	73
Chemical and pharmaceutical	920.8	2,342.6	1,182.8	7,743.2	19,404.4	43,914.8	580
Non-metal mineral	133.4	841.2	97.8	631.9	289.3	4,048.5	97
Basic metal	184.9	46.6	185.9	2,081.6	291.7	7,024.2	86
Metal products	868.4	862.8	1,114.0	1,423.1	2,258.0	10,932.1	736
Others	64.4	52.3	30.0	39.6	42.2	426.1	95
Construction	**26.4**	**41.2**	**96.9**	**76.5**	**205.8**	**1,038.5**	**186**
Hotel	**4,019.0**	**919.2**	**394.4**	**343.6**	**998.8**	**8,866.4**	**163**
Transportation	**166.9**	**14.2**	**85.4**	**145.1**	**5,539.5**	**7,183.8**	**98**
Real estate and office building	**402.7**	**715.8**	**598.0**	**1,027.8**	**1,192.0**	**5,998.2**	**123**
Other services	**166.7**	**419.9**	**3,386.6**	**2,622.6**	**3,702.3**	**11,358.3**	**543**
T o t a l	**8,778.0**	**10,323.2**	**8,144.2**	**23,724.3**	**39,914.7**	**141,524.8**	**3,939**

1) From June 1967 to December 1994, after taking into account 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 $)

Province	1991	1992	1993	1994	1995	Total [1] 1967 - 1995 Value	Projects
Jawa & Madura	**7,186.9**	**6,001.9**	**6,566.3**	**14,356.3**	**27,491.9**	**90,551.5**	**3,013**
DKI Jakarta	4,216.6	1,131.4	1,669.1	1,832.3	4,030.8	20,579.5	1,101
West Jawa	2,376.2	4,497.8	2,508.0	4,446.3	12,474.4	41,153.0	1,454
Central Jawa	130.6	42.5	50.3	1,830.2	726.7	4,997.3	107
DI Yogyakarta	37.0	48.4	56.3	0.2	79.5	195.8	14
East Jawa	426.5	281.8	2,282.6	6,247.3	10,207.5	23,625.9	337
Sumatera	**995.0**	**2,452.4**	**1,368.0**	**5,515.0**	**5,464.0**	**31,262.3**	**477**
DI Aceh	0.0	0.3	528.6	1,050.2	1,624.8	3,748.7	23
North Sumatera	35.9	657.8	78.0	225.3	658.1	5,411.9	90
West Sumatera	0.0	3.2	65.7	97.7	118.4	384.7	24
Riau	950.8	1,734.4	609.4	3,964.3	598.8	9,980.2	264
Jambi	0.0	0.0	0.3	39.3	24.1	7,048.9	5
South Sumatera	5.0	5.6	0.0	82.9	1,968.3	3,351.7	35
Bengkulu	0.0	0.0	34.0	8.6	19.7	117.3	12
Lampung	3.3	51.1	52.0	46.7	451.8	1,218.8	24
Kalimantan	**24.0**	**441.2**	**12.8**	**2,058.3**	**1,649.2**	**6,519.7**	**145**
West Kalimantan	12.8	0.0	2.0	7.7	175.3	284.4	32
Central Kalimantan	2.7	6.0	0.0	0.0.	73.4	341.2	32
South Kalimantan	4.5	361.4	9.8	1,951.0	84.9	2,879.9	32
East Kalimantan	4.0	73.8	1.0	99.6	1,315.6	3,014.2	49
Sulawesi	**13.0**	**91.4**	**40.2**	**1,448.4**	**2,394.4**	**5,833.0**	**86**
North Sulawesi	7.2	25.6	32.0	40.5	164.3	734.9	33
Central Sulawesi	2.0	2.0	0.0	6.3	105.6	151.4	13
South Sulawesi	1.6	3.2	8.2	1,395.3	2,114.0	4,871.0	30
Southeast Sulawesi	2.2	60.6	0.0	6.3	0.5	75.7	10
Nusa Tenggara	**6.8**	**44.9**	**3.7**	**7.3**	**99.9**	**200.8**	**30**
West Nusa Tenggara	6.8	42.0	1.2	2.3	61.9	143.8	17
East Nusa Tenggara	0.0	2.9	2.5	5.0	38.0	57.0	13
Bali	**550.0**	**476.0**	**47.8**	**29.2**	**228.7**	**2,373.5**	**140**
East Timor	**0.0**	**0.0**	**0.0**	**0.0**	**29.2**	**29.2**	**0**
Maluku	**2.5**	**0.9**	**0.0**	**0.0**	**244.7**	**361.0**	**14**
Irian Jaya	**0.0**	**814.4**	**105.4**	**309.9**	**2,322.5**	**4,029.8**	**34**
T o t a l	**8,778.0**	**10,323.2**	**8,144.2**	**23,724.4**	**39,914.7**	**141,524.8**	**3,939**

1) From June 1967 to December 1994, after taking into account 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 $)

Country of origin	1991	1992	1993	1994	1995	Total [1] 1967 - 1995 Value	Projects
Europe	**1,186.5**	**1,364.6**	**929.8**	**3,385.4**	**8,951.6**	**22,587.8**	**594**
Netherland	183.6	96.2	311.4	165.7	360.1	3,154.7	135
Belgium	23.0	21.7	9.9	0.0	9.3	284.4	25
United Kingdom	535.7	978.2	301.1	2,957.1	6,322.1	12,204.7	178
Germany	59.9	36.7	120.6	113.1	1,344.6	3,475.6	85
France	25.8	19.9	158.0	37.1	498.4	966.2	49
Switzerland	307.8	11.5	17.9	70.8	44.9	688.3	50
Others	60.7	200.4	10.9	41.6	372.2	1,813.4	72
America	**446.7**	**942.2**	**526.5**	**1,027.0**	**2,795.2**	**8,060.3**	**269**
United States	275.6	922.5	444.5	977.0	2,770.6	7,233.7	211
Canada	10.0	0.1	46.5	39.0	10.5	135.3	26
Others	161.8	19.6	35.5	11.0	14.1	691.3	32
Asia	**2,952.5**	**4,300.9**	**3,658.3**	**14,168.8**	**9,234.7**	**62,944.4**	**2,564**
Hong Kong	277.7	1,020.9	384.1	6,041.7	1,763.3	13,392.5	330
Japan	929.3	1,510.6	836.1	1,562.5	3,792.0	19,802.9	788
South Korea	301.3	618.3	661.4	1,849.1	674.7	6,369.1	376
Malaysia	29.5	15.7	36.7	421.8	877.0	1,514.6	103
Philippines	8.0	0.3	0.0	35.9	31.2	83.3	11
Singapore	346.4	465.1	1,460.2	1,664.4	1,468.5	13,185.5	466
Taiwan	1,057.3	563.3	131.4	2,487.6	567.4	7,852.7	398
Thailand	1.0	55.8	2.8	11.7	34.5	145.3	26
Others	2.0	50.9	145.6	94.1	26.1	598.5	66
Australia	**48.4**	**84.9**	**158.0**	**53.3**	**3,712.4**	**5,454.3**	**199**
Africa	**5.8**	**4.4**	**384.0**	**6.4**	**0.0**	**866.3**	**16**
Joint countries	**4,138.1**	**3,626.2**	**2,487.6**	**5,083.5**	**15,221.0**	**41,611.7**	**297**
T o t a l	**8,778.0**	**10,323.2**	**8,144.2**	**23,724.4**	**39,914.7**	**141,524.8**	**3,939**

1) From June 1967 to December 1995, after taking into account cancellation and shifting of projects from foreign to domestic investment.
Source : Capital Investment Coordinating Board

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

End of period	Foodstuffs	Housing	Clothing	Miscella-neous	General Index	Changes in the General Index (%) [1]
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	149.02	165.06	143.55	155.77	154.41	+7.04
1994/95						+8.57
April - June	149.48	167.80	144.05	156.92	155.78	+0.88
July - September	154.40	173.37	145.55	160.23	160.17	+2.79
October - December	156.97	178.57	147.53	161.69	163.17	+1.86
January - March	167.29	180.76	151.70	163.48	168.18	+3.04
1995/96						+8.86
April	169.53	184.94	152.92	166.22	171.02	+1.69
May	171.65	184.91	153.09	166.55	171.86	+0.49
June	170.92	185.13	153.31	168.11	172.14	+0.16
July	172.77	186.01	154.20	169.13	173.36	+0.71
August	172.89	186.32	154.48	170.48	173.91	+0.32
September	173.69	187.18	155.35	170.92	174.57	+0.38
October	174.67	187.78	156.27	172.95	175.69	+0.64
November	176.08	188.31	156.55	173.24	176.43	+0.42
December	179.14	188.93	157.42	173.33	177.83	+0.79
January	187.17	190.38	160.18	175.20	181.67	+2.16
February	194.71	191.38	161.98	175.40	184.77	+1.71
March	190.39	192.15	162.05	175.45	183.65	-0.61

1) 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)

Group	1991/92	1992/93	1993/94	1994/95	1995	
					Indices	Change (%)
Agriculture	211	225	260	313	355	19.17
Mining and quarrying	191	202	222	244	266	11.98
Manufacturing	198	206	220	237	256	10.69
Imports	203	208	212	218	230	7.01
Exports	151	159	154	165	178	13.04
Oil/gas	134	143	131	135	142	10.98
Non-oil/gas	206	212	231	268	299	16.98
General Index	189	197	205	222	240	11.39

1) Average figures in the year.
Source : Central Bureau of Statistics

Table 17
Money Supply
(billion rupiah)

End of period	M1 [1)] Outstanding	M1 Share (%)	Quasi money [2)] Outstanding	Quasi money Share (%)	M2 [3)] Outstanding	M2 Changes (%) Annual	M2 Changes (%) Quarterly
1982/83	7,379	60.3	4,868 [4)]	39.7	12,247	20.6	
1983	7,569	51.6	7,094	48.4	14,668	32.4	
1983/84	8,055	51.1	7,703	48.9	15,758	28.7	
1984	8,581	47.8	9,356	52.2	17,937	22.3	
1984/85	8,988	46.2	10,459	53.8	19,447	23.4	
1985	10,104	43.6	13,049	56.4	23,153	29.1	
1985/86	10,475	43.3	13,693	56.7	24,168	24.3	
1986	11,678	42.2	15,983	57.8	27,661	19.5	
1986/87	11,500	40.4	16,991 [5)]	59.6	28,491	17.9	
1987	12,685	37.4	21,200	62.6	33,885	22.5	
1987/88	12,626	35.4	23,034	64.6	35,660	25.2	
1988	14,392	34.3	27,606	65.7	41,998	23.9	
1988/89	15,009	34.0	29,158	66.0	44,167	23.9	
1989	20,114	34.3	38,591	65,7	58,705	39.8	
1989/90	22,155	34.4	42,212	65.6	64,367	45.7	
1990	23,819	28.1	60,811	71.9	84,630	44.2	10.0
1990/91	23,570	29.1	57,554	70.9	81,124	26.0	–4.1
1991	26,342	26.6	72,717	73.4	99,059	24.2	1.8
1991/92	27,318	27.1	73,478	72.9	100,796	24.2	1.8
1992/93							
June	26,845	25.1	80,077	74.9	106,922	21.8	6.1
September	27,626	24.3	85,861	75.7	113,487	21.6	6.1
December	28,779	24.2	90,274	75.8	119,053	20.2	3.2
March	30,592	24.8	92,568	75.2	123,160	22.2	3.5
1993/94							
June	31,342	25.2	93,198	74.8	124,540	16.5	1.1
September	34,802	25.5	101,585	74.5	136,387	20.2	9.5
December	36,805	25.3	108,397	74.7	145,202	22.0	6.5
March	37,908	25.5	110,921	74.5	148,829	20.8	2.5
1994/95							
June	39,886	26.1	112,912	73.9	152,798	22.7	2.7
September	42,195	25.9	120,705	74.1	162,900	19.4	6.6
December	45,374	26.0	129,138	74.0	174,512	20.2	7.1
March	44,908	24.7	136,793	75.3	181,701	22.1	4.1
1995/96							
June	47,046	24.5	145,081	75.5	192,127	25.7	5.7
September	48,981	23.8	157,098	76.2	206,079	26.5	7.3
December	52,677	23.7	169,961	76.3	222,638	27.6	8.0
March	53,162	22.9	179,331	77.1	232,493	28.0	4.4

1) Consisting of currency and demand deposits.
2) Consisting of time and savings deposits, in rupiah and foreign currency, and demand deposits in foreign currency held by the domestic private sector.
3) Consisting of M1 and quasi money.
4) Including valuation adjustments of foreign currency deposits amounting to Rp620 billion.
5) Including valuation adjustments of foreign currency deposits amounting to Rp1,447 billion.

Table 18
Narrow Money (M1)
(billion rupiah)

End of period	Currency		Demand deposits		M1		
	Outstanding	Share (%)	Outstanding	Share (%)	Outstanding	Changes (%)	
						Annual	Quarterly
1982/83	3,001	40.7	4,378	59.3	7,379	8.9	
1983	3,330	44.0	4,236	56.0	7,569	5.6	
1983/84	3,554	44.1	4,501	55.9	8,055	9.2	
1984	3,712	43.3	4,869	56.7	8,581	13.4	
1984/85	3,785	42.1	5,203	57.9	8,988	11.6	
1985	4,441	43.9	5,663	56.0	10,104	17.7	
1985/86	5,044	48.1	5,431	51.9	10,475	16.5	
1986	5,339	45.7	6,339	54.3	11,678	15.6	
1986/87	5,673	49.3	5,827	50.7	11,500	9.8	
1987	5,782	45.6	6,903	54.4	12,685	8.6	
1987/88	5,873	46.5	6,753	53.5	12,626	9.8	
1988	6,246	43.4	8,146	56.6	14,392	13.5	
1988/89	6,559	43.7	8,450	56.3	15,009	18.9	
1989	7,426	36.9	12,688	63.1	20,114	39.8	
1989/90	7,780	35.1	14,375	64.9	22,155	47.6	
1990	9,094	38.2	14,725	61.8	23,819	18.4	
1990/91	9,026	38.3	14,544	61.7	23,570	6.4	
1991	9,346	35.5	16,996	64.5	26,342	10.6	
1991/92	11,025	40.4	16,293	59.6	27,318	15.9	
1992/93							
June	9,945	37.0	16,900	63.0	26,845	9.1	-1.7
September	10,440	37.8	17,186	62.2	27,626	7.1	2.9
December	11,478	39.9	17,301	60.1	28,779	9.3	4.2
March	12,324	40.3	18,268	59.7	30,592	12.0	6.3
1993/94							
June	12,386	39.5	18,956	60.5	31,342	16.8	2.5
September	13,106	37.7	21,706	62.4	34,802	26.0	11.0
December	14,431	39.2	22,374	60.8	36,805	27.9	5.8
March	15,340	40.5	22,568	59.5	37,908	23.9	3.0
1994/95							
June	15,825	39.7	24,061	60.3	39,886	27.3	5.2
September	17,555	41.6	24,640	58.4	42,195	21.2	5.8
December	18,634	41.1	26,740	58.9	45,374	23.3	7.5
March	18,902	42.1	26,006	57.9	44,908	18.5	-1.0
1995/96							
June	19,186	40.8	27,860	59.2	47,046	18.0	4.8
September	19,564	39.9	29,417	60.1	48,891	16.1	4.1
December	20,807	39.5	31,870	60.5	52,667	16.1	7.5
March	21,121	39.7	32,041	60.2	53,162	18.3	0.9

Table 19
Total and Index of Money Supply

End of period	M2 (billion rupiah)	M1 (billion rupiah)	Price index [1] (Apr 1988-Mar 1989=100)	M2 in real terms (billion rupiah)	M1 in real terms (billion rupiah)	Index of M2 (Mar 1979=100)	Index of M1 (Mar 1979=100)
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 [2]	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	64,367	22,155	108.02	54,346	18,621	510.53	259.57
1990	84,630	23,819	116.98	55,024	18,939	551.42	281.62
1990/91	81,124	23,570	118.26	71,563	20,141	669.48	279.61
1991	99,059	26,342	128.60	63,082	18,328	634.80	273.69
1991/92	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	124,540	31,342	144.72	86,056	21,657	796.37	297.40
September	136,387	34,802	146.56	93,059	23,746	861.18	326.09
December	145,202	36,805	148.83	97,562	24,730	902.85	339.60
March	148,829	37,908	154.41	96,386	24,550	891.96	337.14
1994/95							
June	152,798	39,886	157.90	96,769	25,260	895.51	346.89
September	162,900	42,195	160.17	101,704	26,344	941.18	361.77
December	174,512	45,374	163.17	106,951	27,808	989.74	381.87
March	181,701	44,908	168.18	108,040	26,702	999.81	366.69
1995/96							
June	192,127	47,046	172.14	111,611	27,330	1,032.86	375.31
September	206,079	48,981	174.57	118,049	28,058	1,092.44	375.31
December	222,368	52,677	177.83	125,197	29,622	1,158.59	406.79
March	232,495	53,164	183.65	126,597	28,949	1,171.54	397.54

1) Based on Consumer Price Index ; April 1979 to March 1990 using Consumer Price Index (17 cities) based on April 1977 – March 1978 = 100 ; since April 1990 using Consumer Price Index (27 cities) based on April 1988 – March 1989 = 100.
2) Including valuation adjustments of foreign currency deposits amounting to Rp1,447 billion.

Table 20
Factors Affecting Money Supply
(billion rupiah)

Item	1993	1993/94	1994	1994/95	1995 I	1995 II	1995 III	1995 IV	1996 I	1995/96
Changes of broad money (M2)	**26,149**	**25,669**	**29,310**	**32,872**	**7,189**	**10,426**	**13,952**	**16,559**	**9,875**	**50,792**
Narrow money (M1)	8,026	7,316	8,569	7,000	-466	2,138	1,935	3,696	487	8,254
Currency	2,953	3,016	4,203	3,562	268	284	378	1,243	316	2,219
Demand deposits	5,073	4,300	4,366	3,438	-734	1,854	1,557	2,453	171	6,035
Quasi money [1]	18,123	18,353	20,741	25,872	7,655	8,288	12,017	12,863	9,370	42,538
Affecting factors										
Foreign assets (net)	–934	-3,196	–4,428	–3,976	902	5,582	1,456	-585	2,649	9,102
Claims on central government	–731	–1,937	–4,686	–2,709	–690	–4,117	–972	–1,693	1,580	–5,202
Claims on entities/ enterprises and individuals	31,735	35,344	37,360	39,485	7,657	13,047	15,571	12,534	5,442	46,574
Claims on official entities/ public enterprises	1505	1,331	-485	-574	89	-809	1,498	657	276	1,622
Claims on private enterprises and individuals	30,230	34,013	37,845	40,059	7,658	13,856	14,073	11,877	5,146	44,952
Net other items	–5,383	4,542	1,064	72	-680	-4,086	-2,103	6,303	204	318

1) Consisting of time and savings deposits in rupiah and foreign currency and demand deposits in foreign currency held by residents.

Table 21
Government Revenues
(billion rupiah)

Item	1991/92 1)	1992/93 1)	1993/94 1)	1994/95	1995/96 Budget	1995/96 Actuals	1996/97 Budget
Oil/gas and non-oil/gas revenues	**42,582**	**48,863**	**56,113**	**61,370**	**66,265**	**71,558**	**78,202**
Oil and gas receipts	15,070	15,331	12,503	13,399	13,275	14,849	14,120
Oil	12,481	12,095	9,472	9,880	9,812	10,977	10,315
Gas	2,589	3,236	3,031	3,519	3,463	3,872	3,805
Non-oil/gas receipts	27,512	33,532	43,610	47,971	52,990	56,709	64,082
Income tax	9,727	12,516	14,759	18,350	19,239	20,520	23,708
Value-added tax on goods and services and sales tax on luxury goods	9,146	10,742	13,943	14,087	16,655	18,350	21,788
Import duties	2,871	3,223	3,555	3,218	3,543	3,248	3,450
Excise duties	1,915	2,242	2,626	3,001	3,299	3,668	4,033
Export duties	17	9	14	120	44	201	160
Land and building tax	944	1,107	1,485	1,632	1,923	1,924	2,277
Others	299	253	283	303	320	510	570
Non-tax and net oil receipt	2,593	3,440	6,945	7,260	7,967	8,288	8,096
Net other revenues 2)	**2,003**	**279**	**3,846**	**2,701**	**0**	**4,104**	**3,100**
Total of Domestic Revenues	**44,585**	**49,142**	**59,959**	**64,071**	**66,265**	**75,662**	**81,302**

1) Audited.
2) Errors and omissions.
Sources : - Ministry of Finance
- Bank Indonesia

Table 22
Government Expenditures
(billion rupiah)

Item	1991/92 [1]	1992/93 [1]	1993/94 [1]	1994/95	1995/96		1996/97
					Budget	Actuals	Budget
Operational expenditures	**21,886**	**26,114**	**30,553**	**33,043**	**38,175**	**41,633**	**45,666**
Personnel expenditures	8,171	9,554	11,145	13,069	15,347	15,372	18,281
Rice allowance	930	891	834	1,038	1,140	1,134	1,194
Salaries and pensions	6,352	7,595	9,145	10,490	12,416	12,351	14,763
Food allowance	397	479	493	801	835	866	1,122
Other domestic personnel expenditures	281	315	418	396	511	572	710
Overseas personnel expenditures	211	274	255	344	445	449	492
Material expenditures	2,328	2,928	3,032	4,296	4,745	5,274	6,588
Domestic	2,217	2,681	2,848	4,071	4,457	4,969	6,257
Overseas	111	247	184	225	288	305	331
Subsidies to autonomous regions	4,376	5,383	6,909	7,188	8,409	8,344	10,012
Irian Jaya/non-personnel expenditures	285	387	334	432	477	481	516
Other autonomous regions/ personnel expenditures	4,091	4,996	6,575	6,756	7,932	7,863	9,496
Interest payments	4,593	6,060	6,278	6,674	7,690	7,450	8,111
Domestic debt	240	275	121	204	319	251	291
Foreign debt	4,353	5,785	6,157	6,470	7,371	7,199	7,820
Food stock expenditures	- -	- -	- -	--	- -	--	--
Subsidies to fertilizer	300	175	175	457	143	212	137
Others including national defence and security	2,098	2,014	3,014	1,359	1,841	4,981	2,537
Investment expenditures	**22,016**	**25,933**	**27,280**	**27,552**	**29,324**	**28,264**	**32,834**
Ministries/institutions	6,725	9,235	9,943	8,323	10,285	9,093	11,190
Regional development	4,113	5,035	5,516	7,136	7,321	7,319	8,461
Subsidies to villages	249	326	392	432	426	426	459
Subsidies to regencies	583	802	916	2,554	2,525	2,518	2,905
East Timor	- -	- -	- -	- -	- -	- -	- -
Subsidies to provinces	582	700	741	1,318	1,277	1,277	1,424
Land and building tax	859	983	1,334	1,485	1,750	1,751	2,072
Construction of primary schools	515	645	595	538	499	498	595
Subsidies for construction/ reconstruction of markets	5	2	3	- -	- -	- -	- -
Public health services	267	316	340	412	370	364	526
Subsidies for afforestation and reforestation	74	96	111	- -	- -	- -	- -
Presidential instruction on road infrastructures	979	1,165	1,084	- -	- -	- -	- -
Presidential instruction on underdeveloped villages	- -	- -	- -	397	474	485	480
Other expenditures	2,588	1,082	1,068	1,110	651	682	769
Government equity participation	988	138	380	205	50	80	55
Others	1,600	944	688	905	601	602	714
Development budget reserves	- -	- -	- -	- -	- -	--	--
Project aid	8,590	10,581	10,753	10,983	11,067	11,170	12,414
Total	**43,882**	**52,047**	**57,833**	**60,595**	**67,499**	**69,897**	**78,500**

1) Audited.
Sources : - Ministry of Finance
- Bank Indonesia calculation

Table 23
Development Expenditures by Area
(billion rupiah)

Area	1991/92 1)	1992/93 1)	1993/94 1)	1994/95	1995/96 Budget	1995/96 Actuals	1996/97 Budget
General government	**866**	**867**	**1,100**	**1,297**	**1,562**	**1,541**	**1,953**
Finance	0	0	0	132	129	110	125
Science, technology, and research	331	392	535	502	711	614	805
State apparatus and control	483	400	486	551	664	676	818
Law	52	75	79	106	139	126	173
Politics and international relation	0	0	0	6	9	14	32
Education	**2,161**	**2,608**	**2,718**	**3,021**	**3,304**	**2,925**	**3,902**
Education	2,161	2,608	2,718	2,992	3,267	2,892	3,856
Youth and sports	0	0	0	29	37	33	46
Health	**725**	**966**	**1,084**	**1,255**	**1,249**	**1,062**	**1,421**
Population and family welfare	170	235	275	273	300	237	328
Health	555	731	809	982	948	825	1,093
Social security and welfare	**52**	**70**	**75**	**78**	**104**	**91**	**272**
Social welfare	52	70	75	71	89	77	186
Women's role, children, and youth	0	0	0	7	15	14	86
Housing and settlement	**3,884**	**4,765**	**5,324**	**6,606**	**7,241**	**7,034**	**7,834**
Transmigration area development	3,042	3,896	4,370	5,677	6,139	5,866	6,509
Mass housing and settlement	842	869	954	929	1,102	1,168	1,325
Recreation and religion services	**169**	**534**	**457**	**332**	**381**	**307**	**474**
National culture and belief in One Supreme God	29	37	44	47	55	51	69
Religion	47	67	77	131	183	142	254
Information, communication, and mass media	93	430	336	154	143	114	151
Economy	**14,159**	**16,123**	**16,522**	**14,963**	**15,393**	**15,304**	**16,978**
Energy	2,452	4,640	3,983	3,806	3,800	4,619	3,996
Agriculture and forestry 2)	2,112	2,383	2,855	2,812	3,520	2,843	4,091
Mining and industry	1,061	1,244	968	540	592	533	611
Transportation and communications	5,651	6,648	7,193	6,349	6,863	6,704	7,763
Other economic services	2,883	1,208	1,523	1,456	618	605	517
T o t a l	**22,061**	**25,933**	**27,280**	**27,552**	**29,324**	**28,264**	**32,834**

1) Audited.
2) Excluding subsidies on fertilizer.
Sources : - Ministry of Finance
- Bank Indonesia calculation

Table 24
Balance of Payments [1)]
(million $)

Item	1991/92	1992/93	1993/94	1994/95^r	1995/96*
A. Balance of goods and services	**–4,352**	**–2,561**	**–2,940**	**-3,488**	**-6,850**
1. Merchandise, exports f.o.b.	29,714	35,303	36,504	42,161	46,296
imports f.o.b.	–24,803	–27,317	–29,127	-34,122	-40,076
2. Freight and insurance on imports	–2,719	–2,995	–3,194	-3,751	-4,413
3. Other transportation	–672	–903	–981	-929	-942
4. Travel	1,579	1,904	2,174	2,892	3,374
5. Investment income	–5,579	–5,887	–5,872	-7,064	-7,869
5.1. Oil and LNG sector	–2,023	–2,355	–1,987	-1,942	-2,074
5.2. Direct investment and others	–3,556	–3,532	–3,885	-5,122	-5,717
6. Government, not included elsewhere	–205	–214	–153	-164	-189
7. Other services	–1,667	–2,452	–2,291	-2,511	-3,109
Balance of goods (1)	**4,911**	**7,986**	**7,377**	**8,039**	**6,220**
Balance of services (2 through 7)	**–9,263**	**–10,547**	**–10,317**	**-11,527**	**-13,070**
B. Grants	**210**	**250**	**200**	**240**	**230**
8. Private	—	—	—	- -	- -
9. Government	210	250	200	240	230
C. Current account (A + B)	**–4,142**	**–2,311**	**–2,740**	**-3,248**	**-6,620**
D. Capital movements	**4,360**	**3,510**	**4,784**	**3,894**	**8,505**
D.1. Other than reserves	5,341	4,949	5,511	4,510	11,156
10. Direct investment and other long-term capital movements	5,267	4,815	5,213	4,259	11,083
10.1. Direct investment	1,531	1,705	1,917	2,566	5,358
10.2. Bonds	– –	– –	– –	0	0
a. Official	– –	– –	– –	0	0
b. Private	—	—	—	0	0
10.3. Other long-term capital movements	3,736	3,110	3,242	1,693	5,725
a. Official	1,208	665	863	-135	-454
b. Private	2,528	2,445	2,379	1,828	6,179
11. Short-term capital movements	74	134	298	251	73
11.1. Official	—	—	—	0	0
11.2. Private	74	134	298	251	73
D.2. Reserves	–981	–1,439	–727	-616	-2,651
12. Monetary gold	62	52	–148	9	-43
13. Special Drawing Rights	—	2	—	0	-7
14. Reserves position in the Fund	2	–169	6	-27	15
15. Foreign exchange	–1,046	–1,324	–585	-598	-2,615
16. Others	1	—	—	0	-1
E. Errors and Omissions (between C and D) [2)]	**–218**	**–1,199**	**–2,044**	**-646**	**-1,885**

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

Table 25
Export Value [1]
(million $)

Item	1991/92	1992/93	1993/94	1994/95 r	1995/96 *
Non-oil/gas	**19,008**	**24,825**	**27,170**	**31,716**	**36,121**
Wood and wood products	3,732	4,343	5.859	5,389	5,255
Log	10	13	53	59	69
Plywood	2,868	3,270	4,507	3,452	3,384
Sawn timber	90	93	147	167	146
Others	764	967	1.152	1,711	1,656
Rubber	932	1,054	905	1,518	2,001
Coffee	362	264	326	750	630
Palm oil	349	495	555	1,560	1,403
Shrimp and other animal products	1,150	1,266	1,419	1,685	1,696
Shrimp	810	745	885	1,034	1,012
Other animal product	340	521	534	651	684
T e a	145	143	142	106	95
Foodstuffs	502	579	596	746	828
Tapioca	99	119	74	52	76
Others	403	460	522	694	752
Pepper	69	55	23	81	160
Tobacco	65	79	63	65	89
Copra cakes	51	63	66	81	71
Hides	43	43	42	49	46
Cacao	120	202	187	233	235
Rattan [2]	295	298	346	348	373
Textile and textile products	4,011	5,876	5,121	5,678	6,243
Handicrafts	489	605	681	977	571
Electrical appliances	544	1,100	1,231	1,816	2,870
Urea fertilizer	291	147	168	202	273
Cement	68	104	55	30	10
Iron steel	380	395	456	512	525
Paper	330	405	503	891	1,500
Glasswares	124	137	163	162	215
Footwears	1,028	1,355	1,588	1,938	2,090
Mining products	1,692	2,195	2,109	2,725	3,596
T i n	146	145	81	118	255
Copper	528	719	574	1,025	1,398
Aluminum	159	199	172	234	355
Nickel	289	283	359	351	363
Gold	141	170	200	114	61
Others [3]	429	679	723	883	1,164
Others	2,236	3,622	4.566	4,174	5,346
O i l [4]	**6,869**	**6,363**	**5,512**	**6,312**	**6,061**
G a s	**3,837**	**4,117**	**3,822**	**4,133**	**4,114**
LNG	3,510	3,764	3,507	3,746	3,755
LPG	327	353	315	387	359
T o t a l	**29,714**	**35,305**	**36,504**	**42,161**	**42,296**

1. Commodity classification system changed from CCCN to HS in 1991/92, shifting the grouping of some export commodities.
2. Including rattan mat, rattan furniture, and others.
3. Including natural sands from 1991/92 to 1995/96 amounting to $8.5 million, $19.5 million, $24.6 million, $20.7 million, and $36.6 million.
4. Consisting of crude oil and oil products.

Table 26
Export Volume 1)
(thousand tons)

Item	1991/92	1992/93	1993/94	1994/95r	1995/96 *
Non-oil/gas	**50,996**	**80,343**	**109,618**	**105,710**	**155,588**
Wood and wood products	8,165	9,224	8,317	6,411	6,429
Log	432	262	214	726	755
Plywood	5,727	5,701	5,993	4,820	4,802
Sawn timber	163	248	172	169	158
Others	1,843	3,013	1,937	696	714
Rubber	1,473	1,529	1,253	1,337	1,361
Coffee	343	270	331	269	260
Palm oil	1,163	1,033	1,563	2,169	1,669
Shrimp and other animal products	512	410	527	499	494
Shrimp	226	159	136	95	88
Other animal product	286	251	391	404	406
T e a	119	127	120	87	82
Foodstuffs	1,774	1,536	2,253	1,683	1,324
Tapioca	589	521	813	483	577
Others	1,185	1,051	1,439	1,200	747
Pepper	65	50	30	34	60
Tobacco	27	35	35	32	25
Copra cakes	465	486	492	910	757
Hides	3	3	3	2	2
Cacao	144	158	184	215	211
Rattan 2)	117	126	114	106	100
Textiles and textile products	596	728	762	750	840
Handicrafts	292	312	115	118	119
Electrical appliances	115	171	175	192	276
Urea fertilizer	1,736	715	1,453	1,503	1,390
Cement	1,436	1,873	872	603	156
Iron steel	884	652	984	959	771
Paper	581	652	872	1,228	1,757
Glasswares	281	267	337	321	413
Footwears	163	186	211	178	187
Mining products	27,336	56,064	83,412	80,937	130,735
T i n	32	25	17	22	39
Copper	630	1,010	1,022	1,217	1,324
Aluminum	106	143	297	483	960
Nickel	1,576	1,660	1,613	1,560	1,676
Gold (kg)	17,742	48,462	43,834	25,875	12,727
Others 3)	24,992	53,226	80,463	77,629	126,723
Others	3,206	3,736	5,204	5,167	6,170
O i l (million barrels) 4)	**383**	**348**	**352**	**389**	**357**
G a s	**3,535**	**3,732**	**3,823**	**3,898**	**3,738**
LNG (million MMBTU) 5)	1,157	1,240	1,277	1,368	1,321
LPG	2,378	2,492	2,546	2,530	2,417

1) Commodity classification system changed from CCCN to HS in 1991/92, shifting the grouping of some export commodities.
2) Including rattan, rattan mat, rattan furniture, and others.
3) Including natural sands from 1991/92 to 1995/96 amounting to 9,035 thousand tons, 37,100 thousand tons, 54,170 thousand tons, 46,212 thousand tons, and 76,728 thousand tons, respectively.
4) Consisting of crude oil and oil products.
5) MMBTU : *mille mille British thermal unit.*

Table 27
Non-oil/gas Export Value by Country of Destination
(million $)

Continent/country	1991/92	(%)	1992/93	(%)	1993/94[r]	(%)	1994/95[r]	(%)	1995/96*	(%)
Africa	**337.9**	**1.8**	**541.0**	**2.2**	**477.2**	**1.8**	**608.8**	**1.9**	**675.8**	**1.9**
America	**3,321.2**	**17.5**	**4,713.9**	**19.0**	**5,352.5**	**19.7**	**6,346.9**	**20.0**	**7,141.1**	**19.8**
United States	2,911.8	15.3	4,005.8	16.1	4,577.9	16.8	5,391.4	17.0	5,941.3	16.4
Canada	203.1	1.1	279.9	1.1	411.7	1.5	332.4	1.0	376.6	1.0
Others	206.3	1.1	428.2	1.7	362.9	1.3	623.1	2.0	823.2	2.3
Asia	**11,120.0**	**58.5**	**14,086.2**	**56.7**	**15,369.2**	**56.6**	**17,617.1**	**55.5**	**20,326.8**	**56.3**
ASEAN	3,212.6	16.9	4,784.2	19.3	4,062.2	15.0	4,832.6	15.2	5,533.4	15.3
Brunei Darussalam	12.0	0.1	31.9	0.1	30.2	0.1	46.9	0.1	25.8	0.1
Malaysia	392.3	2.1	521.9	2.1	571.8	2.1	766.8	2.4	1,084.7	3.0
Philippines	160.1	0.8	179.7	0.7	251.6	0.9	383.4	1.2	577.9	1.6
Singapore	2,417.8	12.7	3,623.6	14.6	3,726.4	13.7	3,203.0	10.1	3,227.3	8.9
Thailand	230.4	1.2	427.1	1.7	367.0	1.4	430.3	1.4	619.8	1.7
Hong Kong	770.8	4.1	950.4	3.8	1,001.3	3.7	1,423.6	4.5	1,620.6	4.5
South Korea	691.0	3.6	719.8	2.9	1,022.0	3.8	1,112.5	3.5	1,396.8	3.9
Taiwan	561.0	3.0	788.5	3.2	1,011.6	3.7	1,159.4	3.7	1,101.9	3.1
China	627.0	3.3	763.5	3.1	655.0	2.4	825.0	2.6	993.3	2.7
India	43.1	0.2	68.6	0.3	95.7	0.4	265.1	0.8	340.1	0.9
Pakistan	59.4	0.3	108.9	0.4	112.3	0.4	143.8	0.5	124.8	0.3
Japan	3,717.7	19.6	4,140.8	16.7	5,545.9	20.4	5,983.8	18.9	6,800.0	18.8
Middle East	1,012.1	5.3	1,171.4	4.7	547.9	2.0	467.0	1.5	543.4	1.5
Iraq	5.1	0.0	3.4	0.0	5.2	0.0	9.2	0.0	9.7	0.0
Iran	93.4	0.5	27.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Saudi Arabia	539.2	2.8	638.3	2.6	508.4	1.9	422.2	1.3	464.9	1.3
Kuwait	22.3	0.1	50.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Jordan	29.8	0.2	32.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Arab Emirates	292.0	1.5	391.7	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Others	29.9	0.2	28.1	0.1	34.3	0.1	35.7	0.1	68.9	0.2
Others	425.4	2.2	589.1	2.4	1,315.3	4.8	1,404.3	4.4	1,872.5	**5.2**
Europe	**3,930.7**	**20.7**	**5,046.3**	**20.3**	**5,499.1**	**20.2**	**6,579.4**	**20.7**	**7,357.4**	**20.4**
European Community	3,639.7	19.1	4,716.3	19.0	5,046.5	18.6	6,025.7	19.0	6,729.0	18.6
Netherlands	798.9	4.2	1,009.8	4.1	1,120.8	4.1	1,389.9	4.4	1,463.5	4.1
Belgium – Luxemburg	246.4	1.3	391.3	1.6	368.1	1.4	421.2	1.3	548.8	1.5
United Kingdom	661.0	3.5	848.6	3.4	987.7	3.6	1,067.7	3.4	1,171.9	3.2
Italy	393.0	2.1	486.5	2.0	474.1	1.7	580.2	1.8	674.7	1.9
Germany	855.8	4.5	1,051.2	4.2	1,155.1	4.3	1,324.6	4.2	1,464.6	4.1
France	377.0	2.0	465.3	1.9	451.2	1.7	450.7	1.4	534.8	1.5
Others	307.6	1.6	463.7	1.9	507.4	1.9	791.3	2.5	870.6	2.4
Former Soviet Union	42.9	0.2	69.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Other Eastern Europe	82.9	0.4	105.3	0.4	112.3	0.4	202.9	0.6	223.8	0.6
Others	165.2	0.9	155.5	0.6	322.3	1.2	350.8	1.1	404.6	1.1
Australia & Oceania	**292.3**	**1.5**	**430.9**	**1.7**	**472.0**	**1.7**	**563.9**	**1.8**	**619.8**	**1.7**
Others	**5.9**	--	**3.0**	--	--	--	--	--	--	--
Total	**19,008**	**100.0**	**24,823.0**	**100.0**	**27,170.0**	**100.0**	**31,716.0**	**100.0**	**36,121.0**	**100.0**

1) New method of recording was used starting 1993/94

Table 28
Non-oil/gas Import Value by Country of Origin
(million $)

Continent/country	1991/92	(%)	1992/93	(%)	1993/94	(%)	1994/95[r]	(%)	1995/96*	(%)
Africa	**147**	**0.7**	**176**	**0.7**	**72**	**0.3**	**296**	**1.0**	**374**	**1.0**
America	**3,581**	**16.5**	**4,352**	**18.3**	**3,536**	**14.0**	**4,973**	**16.3**	**6,119**	**16.8**
United States	2,849	13.1	3,518	14.8	2,527	10.0	3,810	12.5	4,175	11.7
Latin America	359	1.7	395	1.7	540	2.1	727	2.4	981	2.7
Canada	323	1.5	390	1.6	398	1.6	403	1.3	729	2.0
Others	50	0.2	49	0.2	72	0.3	42	0.1	135	0.4
Asia	**11,696**	**54.0**	**11,855**	**49.9**	**13,743**	**54.3**	**16,562**	**54.4**	**19,516**	**53.4**
ASEAN	1,301	6.0	1,694	7.1	1,557	6.2	1,966	6.5	2,934	8.0
Brunei Darussalam	1	--	1	0.0	0	0.0	1	0.0	2	0.0
Malaysia	207	1.0	323	1.4	414	1.6	433	1.4	620	1.7
Philippines	35	0.2	49	0.2	42	0.2	60	0.2	78	0.2
Singapore	753	3.5	1,073	4.5	900	3.6	1,051	3.5	1,515	4.1
Thailand	305	1.4	248	1.0	201	0.8	422	1.4	718	2.0
Hong Kong	193	0.9	205	0.9	215	0.8	190	0.6	256	0.7
India	231	1.1	167	0.7	350	1.4	254	0.8	416	1.1
Iraq	1	--	0	0.0	0	0.0	0	0.0	4	0.0
Japan	6,498	30.0	5,673	23.9	7,144	28.2	8,457	27.8	9,553	26.2
South Korea	1,282	5.9	1,817	7.7	1,830	7.2	2,074	6.8	2,297	6.3
Myanmar	5	—	7	0.0	16	0.1	55	0.2	130	0.4
Pakistan	48	0.2	90	0.4	42	0.2	24	0.1	59	0.2
China	659	3.0	657	2.8	839	3.3	1,573	5.2	1,339	3.7
Saudi Arabia	149	0.7	163	0.7	324	1.3	233	0.8	320	0.4
Taiwan	1,042	4.8	1,123	4.7	1,217	4.8	1,391	4.6	1,709	4.7
Others	288	1.4	260	1.1	209	0.8	373	1.1	499	1.4
Australia & Oceania	**1,173**	**5.4**	**1,201**	**5.1**	**1,152**	**4.5**	**1,432**	**4.7**	**1,990**	**5.4**
Europe	**5,063**	**23.4**	**6,167**	**26.0**	**6,809**	**26.9**	**7,162**	**23.5**	**8,524**	**23.3**
European Community	4,198	19.4	5,166	21.8	5,506	26.8	5,653	18.6	7,895	21.6
Netherlands	423	1.9	600	2.5	521	2.1	454	1.5	645	1.8
Belgium – Luxemburg	236	1.1	269	1.1	332	1.3	281	0.9	353	1.0
United Kingdom	516	2.4	628	2.6	659	2.6	567	1.9	872	2.4
Italy	436	2.0	677	2.9	804	3.2	939	3.1	674	1.8
Germany	1,816	8.4	1,901	8.0	2,170	8.6	2,298	7.6	2,629	7.2
France	603	2.8	733	3.1	690	2.7	694	2.3	1,062	2.9
Others	168	0.8	358	1.5	331	1.3	420	1.1	1,661	4.5
Former Soviet Union	33	0.2	46	0.2	106	0.4	276	0.9	430	1.2
Other Eastern Europe[1)]	113	0.5	67	0.3	118	0.5	264	0.9	126	0.3
Others	719	3.3	888	3.7	1,079	4.3	984	3.2	74	0.2
Total	**21,660**	**100.0**	**23,751**	**100.0**	**25,311**	**100.0**	**30,476**	**100.0**	**36,524**	**100.0**

1) Comprising Czech, Slovak, East Germany (up to 1991/92), Hungary, Poland, Romania, Bulgaria, and former Yugoslavia.

Table 29
Funds Mobilized by Commercial Banks [1]
(billion rupiah)

End of period	Demand deposits: Rupiah	Demand deposits: Foreign currency	Demand deposits: Sub-total	Time deposits: Rupiah [2]	Time deposits: Foreign currency	Time deposits: Sub-total	Savings deposits	Total
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	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	20,204	7,788	27,992	43,729	22,720	66,449	29,175	123,616
September	23,839	8,579	32,418	47,748	24,075	71,823	32,125	136,366
December	24,639	7,722	32,361	50,854	23,856	74,710	35,608	142,679
1994								
March	23,834	7,968	31,802	49,004	26,179	75,183	37,613	144,598
June	26,086	8,355	34,441	50,091	26,624	76,715	37,244	148,400
September	27,070	9,087	36,157	55,315	28,302	83,617	38,303	158,077
December	29,750	9,347	39,097	62,382	28,608	90,990	40,319	170,406
1995								
January	29,467	8,667	38,134	63,266	29,790	93,056	39,766	170,956
February	29,358	8,111	37,469	64,148	29,845	93,993	39,795	171,257
March	27,710	7,724	37,469	66,311	31,156	97,467	40,921	173,822
April	27,958	8,106	36,064	66,712	32,228	98,940	40,922	175,926
May	28,871	7,825	36,696	69,091	31,764	100,855	40,925	178,476
June	30,600	7,980	38,580	72,836	32,097	104,933	41,398	184,911
July	31,014	7,517	38,531	78,058	31,952	110,010	41,858	190,399
August	32,062	7,899	39,961	81,569	31,194	112,763	42,741	195,465
September	32,055	8,089	40,144	83,392	31,910	115,302	43,485	198,931
October	33,519	8,531	42,050	85,157	32,367	117,524	44,568	204,142
November	33,726	9,284	43,010	86,443	33,489	119,932	45,811	208,753
December	34,529	9,579	44,108	88,894	34,538	123,432	47,224	214,764
1996								
January	35,900	10,587	46,487	87,193	34,747	121,940	48,057	216,484
February	36,114	9,912	46,025	88,970	36,014	124,984	49,711	220,721
March	33,814	10,330	44,144	91,867	36,547	128,414	51,170	223,728

1) Including funds held by the central government and non-residents.
2) Including certificates of deposit.

Table 30
Demand Deposits in Rupiah and Foreign Currency by Group of Banks
(billion rupiah)

End of period	State banks			Private national banks			Local government 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
1983	2,960	1,301	4,261	766	49	815	415	0	415	223	317	540	4,364	1,667	6,031
1984	3,641	1,355	4,996	824	29	853	587	0	587	227	303	530	5,279	1,687	6,966
1985	4,353	580	4,933	1,177	44	1,221	655	0	655	271	348	619	6,456	972	7,428
1986	4,562	768	5,330	1,354	129	1,483	564	0	564	273	506	779	6,753	1,403	8,156
1987	4,735	751	5,486	1,725	113	1,838	671	0	671	311	491	802	7,442	1,355	8,797
1988	5,456	814	6,270	2,192	155	2,347	945	0	945	327	461	788	8,920	1,430	10,350
1989	7,686	1,073	8,759	3,673	397	4,070	1,153	0	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	0	1,728	674	1,252	1,926	15,124	4,130	19,254
1991	9,502	1,397	10,899	5,779	1,424	7,203	2,002	0	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	0	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	0	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	0	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	0	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	0	1,652	1,096	1,455	2,551	20,074	5,003	25,077
June	9,048	2,183	11,231	7,992	4,136	12,128	2,096	0	2,096	1,069	1,468	2,537	20,205	7,787	27,992
September	11,463	2,361	13,824	8,885	4,502	13,387	2,281	0	2,281	1,209	1,716	2,925	23,838	8,579	32,417
December	11,009	1,716	12,725	9,952	4,279	14,231	2,406	0	2,406	1,271	1,728	2,999	24,638	7,723	32,361
1994															
March	9,836	1,951	11,787	10,441	4,273	14,714	2,054	0	2,054	1,503	1,744	3,247	23,834	7,968	31,802
June	11,201	2,045	13,246	10,821	4,489	15,310	2,478	1	2,479	1,586	1,821	3,407	26,086	8,356	34,442
September	11,124	1,998	13,122	11,488	5,098	16,586	2,787	1	2,788	1,671	1,990	3,661	27,070	9,087	36,157
December	12,364	2,142	14,506	12,124	5,088	17,212	3,452	0	3,452	1,811	2,116	3,927	29,751	9,346	39,097
1995															
January	11,885	2,205	14,090	12,329	4,166	16,495	3,533	1	3,534	1,720	2,296	4,016	29,467	8,668	38,135
February	11,678	1,993	13,671	12,422	3,897	16,319	3,532	1	3,533	1,726	2,220	3,946	29,358	8,111	37,469
March	11,696	1,197	13,693	11,460	3,332	14,792	2,912	1	2,913	1,642	2,393	4,035	27,710	7,723	35,433
April	11,737	2,175	13,912	11,852	3,304	15,156	2,754	1	2,755	1,614	2,626	4,240	27,957	8,106	36,063
May	11,678	1,877	13,555	12,089	3,259	15,348	3,305	1	3,306	1,798	2,688	4,486	28,870	7,825	36,695
June	12,221	1,834	14,055	12,507	3,071	15,578	3,697	1	3,698	2,174	3,074	5,248	30,599	7,980	38,579
July	12,264	1,860	14,124	13,209	2,957	16,166	3,809	1	3,810	1,733	2,699	4,432	31,015	7,517	38,532
August	13,303	1,908	15,511	12,934	3,074	16,008	4,089	2	4,091	1,735	2,916	4,651	32,061	7,900	39,961
September	12,623	1,857	14,480	13,475	3,389	16,864	4,194	3	4,197	1,763	2,840	4,603	32,055	8,089	40,144
October	13,105	1,946	15,051	14,199	3,633	17,862	4,332	2	4,334	1,882	2,920	4,802	33,518	8,531	42,049
November	13,595	2,063	15,658	13,704	3,724	17,428	4,488	2	4,490	1,940	3,494	5,434	33,727	9,283	43,010
December	13,659	2,739	16,038	14,335	4,140	18,475	4,610	1	4,611	1,925	3,058	4,983	34,529	9,578	44,107
1996															
January	13,755	3,025	16,780	15,035	4,286	19,321	4,743	5	4,748	2,366	3,272	5,638	35,899	10,588	46,487
February	13,646	2,533	16,179	15,384	4,211	19,594	4,440	2	4,442	2,644	3,167	5,811	36,114	9,912	46,025
March	12,705	2,276	14,981	15,274	4,525	19,799	3,556	2	3,558	2,279	3,527	5,806	33,814	10,330	44,144

Table 31
Time Deposits in Rupiah of Commercial Banks by Owner
(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		
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
1990/91	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	2,206	876	--	2,306	4,768	10,153	5,515	139	20,284	4,247	50,494	360	50,854
1993/94	2,370	633	--	2,547	3,626	9,551	5,772	134	20,386	3,628	48,647	357	49,004
1994													
January	2,138	793	--	2,456	4,673	9,734	5,958	136	20,683	4,088	50,659	382	51,041
February	2,397	715	--	2,481	4,427	9,812	5,695	156	20,555	3,858	50,096	379	50,475
March	2,370	633	--	2,547	3,626	9,551	5,772	134	20,386	3,628	48,647	357	49,004
April	2,307	685	--	2,667	3,843	9,250	5,729	152	19,839	3,648	48,120	323	48,443
May	2,257	877	--	2,732	3,982	8,966	5,768	209	19,694	3,759	48,244	319	48,563
June	2,139	884	--	2,894	4,075	9,815	5,709	219	20,391	3,628	49,754	337	50,091
July	2,282	944	--	3,074	3,804	10,383	6,095	180	20,728	3,478	50,968	365	51,333
August	2,140	1,021	--	3,321	3,791	10,965	6,841	167	21,481	3,453	52,730	387	53,117
September	2,312	1,112	--	3,315	3,953	11,473	6,603	170	22,166	3,725	54,899	416	55,315
October	2,651	1,159	--	3,329	4,235	11,551	6,730	182	22,635	3,811	56,283	405	56,688
November	2,368	1,219	--	3,375	4,478	12,130	6,939	221	23,176	3,794	57,700	386	58,086
December	2,820	1,135	--	3,482	3,993	14,014	7,040	256	24,995	4,248	61,983	399	62,382
1995													
January	2,580	1,230	--	3,426	4,057	13,679	7,412	227	25,936	4,331	62,878	388	63,266
February	2,741	1,278	--	3,301	3,953	13,048	7,394	201	27,302	4,449	63,667	481	64,148
March	2,701	1,388	--	3,463	3,874	12,606	7,375	224	28,280	5,739	65,830	481	66,311
April	2,879	1,336	--	3,573	3,973	12,680	7,476	239	29,075	5,128	66,359	353	66,712
May	3,144	1,515	--	3,672	4,509	13,222	7,587	219	29,713	5,191	68,772	319	69,091
June	3,044	1,310	--	3,692	4,275	14,061	8,072	188	31,071	6,804	72,517	319	72,836
July	3,250	1,339	--	3,906	4,509	14,913	8,158	218	32,624	8,742	77,659	399	78,058
August	3,347	1,403	--	3,816	4,532	15,799	8,433	284	33,784	9,734	81,132	437	81,569
September	3,399	1,768	--	3,388	4,568	16,415	8,704	255	34,283	9,656	82,936	456	83,392
October	3,596	1,801	--	3,708	5,111	16,419	8,800	260	34,966	10,035	84,696	461	85,157
November	3,656	1,660	--	3,972	5,942	16,410	8,451	267	35,126	10,533	86,017	427	86,444
December	3,549	1,658	--	4,113	6,143	17,329	8,512	281	36,150	10,751	88,486	408	88,894
1996													
January	3,393	1,680	--	4,064	5,913	16,319	8,463	234	37,214	9,618	86,898	295	87,193
February	3,708	1,554	--	3,989	5,780	16,956	8,270	241	36,993	11,348	88,839	131	88,970
March	3,790	1,821	--	4,084	5,851	17,251	8,419	241	37,627	12,658	91,742	125	91,867

Table 32
Time Deposits in Rupiah and Foreign Currency of Commercial Banks by Maturity
(billion rupiah)

End of period	24 months	12 months	6 months	3 months	1 month[1)]	Others	Total
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	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	13,294	15,218	15,882	17,686	3,853	66,449
September	569	15,147	18,773	15,679	17,795	3,860	71,823
December	585	15,393	19,592	15,718	18,883	4,539	74,710
1994							
March	617	15,670	19,198	17,321	18,520	3,858	75,184
June	648	15,026	18,681	17,144	20,411	4,804	76,714
September	608	13,569	20,137	20,204	22,996	6,103	83,617
December	533	13,407	20,753	20,380	28,276	7,641	90,990
1995							
January	530	13,657	21,118	21,303	29,417	7,031	93,056
February	536	13,669	21,983	21,720	29,880	6,205	93,993
March	591	14,044	23,234	21,714	31,132	6,752	97,467
April	505	14,099	23,294	21,759	31,268	7,385	98,940
May	508	14,229	24,535	22,164	32,505	6,914	100,855
June	548	15,377	24,982	22,116	34,163	7,747	104,933
July	547	15,948	26,687	24,026	35,066	7,736	110,010
August	571	17,090	27,944	24,658	34,441	8,059	112,763
September	475	17,682	28,794	25,986	34,942	7,873	115,302
October	718	18,014	29,520	26,237	35,584	7,451	117,524
November	1,020	18,677	29,076	26,823	35,331	8,376	119,933
December	1,374	19,231	29,548	26,931	36,870	9,478	123,432
1996							
January	1,419	19,233	29,096	27,059	37,431	7,702	121,940
February	1,375	19,748	29,287	27,209	39,326	8,129	124,984
March	1,318	20,393	29,777	27,813	40,560	8,553	128,414

1) Including mature time deposits.

Table 33
Savings Deposits with State Banks

End of period	Savings deposits withdrawable anytime		Savings Deposits		Other Savings Deposits		Total	
	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)
1995								
July	22,921	16,582	19	12	6,154	1,977	29,094	18,571
August	23,541	16,845	6	10	6,488	2,061	30,036	18,916
September	24,186	16,777	10	41	25,925	2,098	30,122	18,916
October	24,513	17,031	13	63	6,981	2,254	31,507	19,348
November	26,623	17,599	14	70	7,907	2,169	34,544	19,838
December	24,198	18,117	6	6	6,582	2,182	30,786	20,305
1996								
January	24,824	18,268	5	5	9,720	2,196	34,549	20,469
February	35,354	18,672	6	8	6,456	2,162	41,816	20,842
March	25,052	19,213	6	8	6,938	2,464	31,996	21,685

Table 34
Savings Deposits with Private National Banks

End of period	Savings deposits withdrawable anytime		Savings Deposits		Other Savings Deposits		Total	
	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)
1995								
July	7,354	19,186	81	47	5,171	2,234	12,606	21,467
August	7,281	19,740	87	49	5,417	2,245	12,785	22,034
September	7,437	20,442	97	62	5,478	2,292	13,013	22,796
October	7,398	21,043	110	53	5,694	2,313	13,202	23,409
November	7,418	21,766	140	69	5,765	2,280	13,323	24,115
December	8,354	22,682	145	64	5,575	2,280	14,074	25,026
1996								
January	7,374	23,235	151	66	5,951	2,364	13,476	25,665
February	7,416	24,366	155	62	5,855	2,467	13,426	26,895
March	7,508	24,779	166	73	5,927	2,475	13,601	27,327

Table 35
Savings Deposits with Local Government Development Banks

End of period	Savings deposits withdrawable anytime		Savings Deposits		Other Savings Deposits		Total	
	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)
1995								
July	1,951	1,500	1	1	1,480	219	3,432	1,720
August	1,964	1,500	1	1	1,496	232	3,461	1,733
September	1,966	1,488	1	1	1,500	225	3,497	1,714
October	2,210	1,528	1	1	1,497	220	3,707	1,749
November	1,197	1,554	1	2	1,726	236	3,724	1,792
December	2,025	1,592	1	2	1,377	231	3,403	1,825
1996								
January	2,014	1,599	1	1	1,564	257	3,578	1,857
February	2,023	1,649	0	0	1,578	258	3,601	1,907
March	2,014	1,819	0	0	1,577	272	3,591	2,091

Table 36
Savings Deposits with Foreign and Joint Banks

End of period	Savings deposits withdrawable anytime		Savings Deposits		Other Savings Deposits		Total	
	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)
1995								
July	7	97	--	--	1	3	8	100
August	7	56	--	--	1	2	8	58
September	7	56	--	--	1	3	7	59
October	7	58	--	--	1	4	8	62
November	7	62	--	--	1	4	8	66
December	7	64	--	--	1	4	8	68
1996								
January	7	62	--	--	1	4	8	66
February	7	61	--	--	1	6	8	67
March	8	63	--	-	1	4	9	67

Table 37
Savings Deposits with All Commercial Banks

End of period	Savings deposits withdrawable anytime		Savings Deposits		Other Savings Deposits		Total	
	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)	Accounts (thousand)	Outstanding (billion rupiah)
1995								
July	32,233	37,365	100	60	12,806	4,433	45,139	41,858
August	32,793	38,141	94	60	13,402	4,540	46,289	42,741
September	33,627	38,763	108	104	12,904	4,618	46,639	43,485
October	34,128	39,660	124	117	14,172	4,791	48,424	44,568
November	36,045	40,981	155	141	15,398	4,689	51,599	45,811
December	34,584	42,455	152	72	13,535	4,697	48,271	47,224
1996								
January	34,219	43,164	157	72	17,236	4,821	51,612	48,057
February	44,800	44,748	161	70	13,890	4,893	58,851	49,711
March	34,582	45,874	172	81	14,443	5,215	49,197	51,170

Table 38
Bank Credits in Rupiah and Foreign Currency by Economic Sector 1)
(billion rupiah)

Item	March 31 1991	March 31 1992	March 31 1993	March 31 1994	March 31 1995	Jun 30 1995	Sep 30 1995	Dec 31 1995	Mar 31 1996
Credits in rupiah	**87,391**	**96,451**	**100,996**	**126,753**	**157,206**	**167,254**	**178,244**	**188,876**	**193,951**
Agriculture	7,308	8,372	9,262	10,646	12,399	12,776	13,116	13,661	13,955
Mining	603	594	540	292	338	358	379	434	533
Manufacturing	25,341	25,515	30,965	37,609	43,130	45,907	48,204	48,476	48,817
Trade	26,966	28,039	27,510	32,130	37,326	39,178	42,035	43,608	44,668
Services	14,327	18,161	22,282	31,246	43,829	47,051	50,846	57,432	59,336
Others	12,846	15,770	10,437	14,830	20,184	21,984	23,664	25,265	26,642
Credits in foreign currency	**12,298**	**19,288**	**23,171**	**30,417**	**38,943**	**40,508**	**42,615**	**45,735**	**48,472**
Agriculture	321	527	865	1,790	1,892	1,714	1,709	1,864	1,874
Mining	42	136	184	363	616	285	496	479	691
Manufacturing	5,972	9,896	12,508	15,874	19,837	20,634	22,102	23,612	24,206
Trade	2,624	3,868	5,024	6,433	8,038	9,213	9,613	10,616	11,565
Services	2,787	3,586	3,592	5,945	8,549	8,649	8,677	9,152	10,117
Others	552	1,275	998	12	11	13	18	12	19
Total	**99,689**	**115,739**	**124,167**	**157,170**	**196,149**	**207,762**	**220,859**	**234,611**	**242,423**
Agriculture	7,629	8,899	10,127	12,436	14,291	14,490	14,825	15,525	15,829
Mining	645	730	724	655	954	643	875	913	1,224
Manufacturing	31,313	35,411	43,473	53,483	62,967	66,541	70,306	72,088	73,023
Trade	29,590	31,907	32,534	38,563	45,364	48,391	51,648	54,224	56,233
Services	17,114	21,747	25,874	37,191	52,378	55,700	59,523	66,584	69,453
Others	13,398	17,045	11,435	14,842	20,195	21,997	23,682	25,277	26,661

1) Excluding interbank credits, credits to the Central Government and non-residents, and foreign currency components of project aid.

Table 39
Bank Credits in Rupiah and Foreign Currency by Type of Credit and Economic Sector [1)]
(billion rupiah)

Item	March 31 1991	March 31 1992	March 31 1993	March 31 1994	March 31 1995	Jun 30 1995	Sep 30 1995	Dec 31 1995	Mar 31 1996
Working capital credits	**78,125**	**88,349**	**87,484**	**114,218**	**145,388**	**154,126**	**163,853**	**175,337**	**180,411**
Agriculture	2,903	3,035	2,958	3,543	4,076	4,403	4,534	4,961	4,960
Mining	254	287	288	466	739	440	675	657	953
Manufacturing	22,106	23,627	26,984	35,386	45,520	44,581	46,762	48,929	49,074
Trade	27,398	28,996	28,349	31,612	38,829	41,173	43,938	45,756	47,434
Services	12,541	16,335	18,658	28,369	39,029	41,532	44,262	49,757	51,329
Others	12,923	16,069	10,247	14,842	20,195	21,997	23,682	25,277	26,661
Investment credits	**21,564**	**27,390**	**36,683**	**42,952**	**50,761**	**53,636**	**57,006**	**59,274**	**62,012**
Agriculture	4,726	5,864	7,169	8,893	10,215	10,087	10,291	10,564	10,869
Mining	391	443	436	189	215	203	200	256	271
Manufacturing	9,207	11,784	16,489	18,097	20,447	21,960	23,544	23,159	23,949
Trade	2,192	2,911	4,185	6,951	6,535	7,218	7,710	8,468	8,798
Services	4,573	5,412	7,216	8,822	13,349	14,168	15,261	16,827	18,125
Others	475	976	1,188	--	--	--	--	--	--
Total	**99,689**	**115,739**	**124,167**	**157,170**	**196,149**	**207,762**	**220,859**	**234,611**	**242,423**
Agriculture	7,629	8,899	10,127	12,436	14,291	14,490	14,825	15,525	15,829
Mining	645	730	724	655	954	643	875	913	1,224
Manufacturing	31,313	35,411	43,473	53,483	62,967	66,541	70,306	72,088	73,023
Trade	29,590	31,907	32,534	38,563	45,364	48,391	51,648	54,224	56,232
Services	17,114	21,747	25,874	37,191	52,378	55,700	59,523	66,584	69,454
Others	13,398	17,045	11,435	14,842	20,195	21,997	23,682	25,277	26,661

1) Excluding interbank credits, credits to the Central Government and non-residents, and foreign currency components of project aid.

Table 40
Outstanding Bank Credits in Rupiah and Foreign Currency by Group of Banks and Economic Sector [1]
(billion rupiah)

Group of banks	March 31 1991	March 31 1992	March 31 1993	March 31 1994	March 31 1995	Jun 30 1995	Sep 30 1995	Dec 31 1995	Mar 31 1996
1. State banks	**54,699**	**61,751**	**69,066**	**73,443**	**81,333**	**86,422**	**91,431**	**93,480**	**95,619**
Agriculture	6,450	7,744	8,559	9,989	11,026	10,948	11,079	11,272	11,657
Mining	580	568	498	214	534	279	450	340	612
Manufacturing	21,544	22,420	27,615	28,452	30,059	31,776	33,193	32,792	32,846
Trade	14,086	15,319	15,759	15,798	16,385	17,734	19,088	19,291	19,900
Services	7,110	8,402	11,249	10,987	14,489	15,928	17,042	18,696	19,181
Others	4,929	7,298	5,386	8,003	8,840	9,757	10,579	11,089	11,423
2. Private national banks	**35,641**	**42,300**	**42,465**	**64,967**	**90,792**	**95,358**	**101,688**	**111,644**	**116,401**
Agriculture	982	923	1,261	1,959	2,722	3,021	3,188	3,703	3,582
Mining	49	63	96	185	226	230	244	343	352
Manufacturing	6,526	8,315	10,064	15,427	20,633	21,216	22,392	23,856	24,560
Trade	13,351	13,959	14,021	19,437	24,850	26,428	28,212	30,329	31,662
Services	7,994	11,448	12,863	23,072	33,418	34,916	37,498	42,419	44,382
Others	6,739	7,592	4,160	4,887	8,943	9,547	10,154	10,994	11,863
3. Local government development banks	**2,512**	**2,628**	**2,941**	**3,383**	**4,099**	**4,517**	**4,971**	**5,242**	**5,201**
Agriculture	92	99	128	147	168	182	193	197	211
Mining	3	4	5	9	8	8	9	8	10
Manufacturing	180	158	261	269	321	360	374	355	370
Trade	747	836	850	844	904	981	1,034	1,037	1,053
Services	679	888	1,011	1,015	1,194	1,312	1,561	1,734	1,534
Others	811	643	686	1,099	1,504	1,674	1,800	1,911	2,023
4. Foreign and joint banks	**6,837**	**9,060**	**9,695**	**15,377**	**19,925**	**21,465**	**22,769**	**24,245**	**25,202**
Agriculture	105	133	179	341	375	339	365	353	379
Mining	13	95	125	247	186	126	172	222	250
Manufacturing	3,063	4,518	5,533	9,335	11,954	13,189	14,347	15,085	15,247
Trade	1,406	1,793	1,904	2,484	3,225	3,248	3,314	3,567	3,617
Services	1,331	1,009	751	2,117	3,277	3,544	3,422	3,735	4,357
Others	919	1,512	1,203	853	908	1,019	1,149	1,283	1,352
5. Sub-total (1 through 4)	**99,689**	**115,739**	**124,167**	**157,710**	**196,149**	**207,762**	**220,859**	**234,611**	**242,423**
Agriculture	7,629	8,899	10,127	12,436	14,291	14,490	14,825	15,525	15,829
Mining	645	730	724	655	954	643	875	913	1,224
Manufacturing	31,313	35,411	43,473	53,483	62,967	66,541	70,306	72,088	73,023
Trade	29,590	31,907	32,534	38,563	45,364	48,391	51,648	54,224	56,233
Services	17,114	21,747	25,874	37,191	52,378	55,700	59,523	66,584	69,453
Others	13,398	17,045	11,435	14,842	20,195	21,997	23,682	25,277	26,661
6. Bank Indonesia	**724**	**820**	**755**	**154**	**105**	**99**	**98**	**71**	**56**
7. Total (5 + 6)	**100,413**	**116,559**	**124,922**	**157,324**	**196,254**	**207,861**	**220,957**	**234,682**	**242,479**

1) Excluding interbank credits, credits to the Central Government and non-resident, and foreign currency components of project aid.

Table 41
Interest Rates on Time Deposits in Rupiah and Foreign Currency
(percent per annum)

Maturity	March 1994		March 1995		March 1996	
	Rupiah	Foreign currency	Rupiah	Foreign currency	Rupiah	Foreign currency
State banks						
1 month	7.50– 8.00	4.00–5.00	13.00-14.00	6.00-6.50	14.00-15.50	6.00-6.50
3 months	8.00– 9.00	4.00–5.50	14.00-14.00	6.50-6.63	14.00-15.50	6.00-6.50
6 months	10.00–11.00	4.25–5.75	15.00-15.00	7.00-7.50	15.00-16.50	6.25-7.50
12 months	11.00–11.00	4.50–6.00	14.50-15.00	7.00-7.81	15.00-16.50	6.25-7.50
24 months	11.00–12.00	–	15.00-15.00	–	15.00-16.50	–
Private national banks						
1 month	8.00–13.50	4.00–6.50	12.50-16.50	6.00-8.75	14.00-17.50	6.25-8.00
3 months	9.00–14.50	4.06–6.75	13.00-17.00	6.00-9.00	14.50-18.00	6.50-8.50
6 months	10.50–15.00	4.13–6.75	13.50-18.00	6.25-9.00	15.50-19.00	6.50-8.50
12 months	10.50–15.00	4.13–6.75	14.50-18.00	6.25-9.00	15.00-19.00	6.50-8.00
24 months	10.50–10.50	–	16.00-16.00	–	16.00-16.00	–
Foreign and joint banks						
1 month	7.25–10.00	1.25–4.25	9.50-13.50	2.00-6.00	10.50-14.50	3.00-6.00
3 months	7.25–10.50	1.75–4.38	9.75-13.50	2.50-6.25	10.75-15.00	3.00-6.25
6 months	7.50–10.50	2.00–4.50	9.50-14.50	3.00-6.75	11.00-16.00	3.00-6.75
12 months	7.50–11.00	2.25–4.63	10.00-14.50	3.50-7.25	12.00-16.00	3.00-6.75

Table 42
Interbank Call Money in Jakarta

End of period		Value of transaction (billion rupiah)	Weighted average interest rate (percent per annum)
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	11,367	18.32
1991 :	January – 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 – March	25,616	7.44
	April–June	27,535	9.31
	July–September	27,579	10.75
	October–December	30,261	11.64
1995 :	January	12,143	11.79
	February	11,216	13.45
	March	10,092	13.13
	January – March	33,451	12.75
	April	11,679	15.29
	May	11,770	15.33
	June	16,827	14.80
	April–June	40,276	15.10
	July	18,749	13.46
	August	19,668	11.77
	September	18,880	13.93
	July–September	57,297	13.03
	October	21,171	13.98
	November	19,169	12.96
	December	17,893	14.03
	October–December	58,233	13.66
1996 :	January	23,296	12.82
	February	19,253	13.30
	March	20,010	12.40
	January–March	62,559	12.83

Table 43
Certificates of Deposit
(billion rupiah)

End of period		State banks	Private banks [1]	Total
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		121	236	357
1991 :	March	103	331	434
	June	171	958	1,129
	September	150	3,339	3,489
	December	193	3,744	3,937
1992 :	March	165	2,635	2,800
	June	301	2,169	2,470
	September	404	1,958	2,362
	December	456	1,722	2,178
1993 :	March	507	1,375	1,882
	June	599	1,611	2,210
	September	821	1,647	2,468
	December	686	1,705	2,391
1994 :	March	468	1,494	1,962
	June	337	1,540	1,877
	September	226	1,518	1,744
	December	329	2,122	2,451
1995 :	January	291	2,235	2,526
	February	289	2,429	2,718
	March	802	2,717	3,519
	April	739	2,542	3,281
	May	872	2,795	3,667
	June	1,792	3,485	5,277
	July	2,555	4,578	7,133
	August	2,758	5,217	7,975
	September	2,815	5,123	7,938
	October	2,994	4,226	8,220
	November	3,313	5,100	8,413
	December	2,938	4,827	7,765
1996 :	January	3,001	4,489	7,490
	February	3,918	5,314	9,232
	March	3,805	6,749	10,554

1) Prior to March 1985 representing outstanding certificates of deposit of foreign banks while since March 1985 also including outstanding certificates of deposit of private national commercial banks.

Table 44
Discount Rates on Certificates of Deposit
(percent per annum)

Maturity	1995				1996
	March	June	September	December	March
1 month	9.25-15.50	9.25-17.00	10.25-16.50	10.25-16.00	10.25-16.50
3 months	9.50-16.00	9.50-17.75	10.50-17.25	10.50-16.75	10.50-17.00
6 months	9.50-16.50	9.50-17.75	10.50-17.50	10.50-17.00	10.50-17.00
12 months	10.00-16.50	10.00-17.50	11.00-17.50	11.00-17.00	11.00-17.00

Table 45
Issuance, Repayment, and Outstanding of Bank Indonesia Certificates (SBIs)
(billion rupiah)

Period	Issuance	Cumulative	Repayment	Cumulative	Outstanding
1987/88	27,874	43,343	27,267	42,575	768
1988/89	35,629	78,972	34,027	76,602	2,370
1989/90	49,478	128,450	49,632	126,234	2,216
1990/91	32,299	160,749	25,101	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	**75,850**	**298,327**	**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	427,976	19,771
1994/95	**78,240**	**525,807**	**86,836**	**514,632**	**11,175**
April–June	16,759	464,326	21,292	449,088	15,238
July–September	16,992	481,318	18,139	467,227	14,091
October–December	24,487	505,805	23,524	490,751	15,054
January–March	20,002	525,807	23,881	514,632	11,175
1995/96	**106,882**	**632,689**	**111,023**	**625,655**	**7,034**
April	3,805	529,612	4,117	518,749	10,863
May	10,720	540,332	11,219	529,968	10,364
June	6,646	546,978	6,002	535,970	11,008
July	9,564	556,542	8,145	544,115	12,427
August	11,513	568,055	12,554	556,669	11,386
September	6,408	574,463	7,281	563,950	10,513
October	5,957	580,420	6,132	570,082	10,338
November	11,694	592,114	13,640	583,722	8,392
December	8,397	600,511	8,936	592,658	7,853
January	9,364	609,875	10,308	602,966	6,909
February	9,755	619,630	9,403	612,369	7,261
March	13,059	632,689	13,286	625,655	7,034

Note :
SBI was introduced in February 1984; the 7 day SBI started to be auctioned in July 1987; the 180 day SBI was first issued in October 1988; and the 360 day SBI started to be issued on February 23, 1991.

Table 46
Discount Rates on Bank Indonesia Certificates
(percent per annum)

Period	7 days	14 days	28 days	90 days	180 days	360 days
1989/90	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	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– 9.30	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–June	9.50– 8.12	10.00– 8.62	10.00– 9.00	11.75–10.50	12.00–10.75	–
July–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–December	11.50–11.00	12.00–11.00	12.75–11.75	12.67–12.67	13.00–13.00	–
January–March	13.25-10.50	13.50-13.13	14.25-13.75	14.50-14.49	14.75-14.50	
1995/96						
April	13.50-12.00	13.75-13.50	14.50-13.75	–	–	–
May	13.50-12.75	14.00-13.63	14.75-14.00	14.50-14.38	14.63-14.63	14.75-14.75
June	13.50-12.00	14.00-13.63	14.75-14.25	14.25-14.38	–	–
July	13.50-12.50	14.00-13.50	14.75-14.25	14.75-14.25	14.50-14.50	14.75-14.75
August	13.38- 8.50	13.75-12.50	14.75-13.63	14.00-14.00	14.25-14.25	14.50-14.50
September	12.75- 9.50	13.00-12.50	14.13-13.25	14.00-13.75	–	14.50-14.50
October	13.00-11.50	13.25-12.75	14.25-13.25	14.75-14.00	–	14.50-14.50
November	13.00-10.00	13.25-12.88	14.00-13.00	14.50-14.25	–	14.50-14.50
December	13.00-11.00	13.25-12.88	14.25-13.50	14.25-14.00	–	–
January	13.00-10.00	13.25-12.00	14.00-13.25	14.25-14.25	–	14.50-14.50
February	13.00- 8.50	13.25-12.00	14.00-13.00	14.25-14.25	14.38-14.38	14.50-14.50
March	13.00-12.69	13.25-13.13	14.00-13.50	–	–	–

Table 47
Transaction of Money Market Securities (SBPU)
(billion rupiah)

Period	Buying	Selling	Outstanding
1987/88	**1,266**	**1,266**	**–**
1988/89	**1,302**	**1,049**	**253**
1990/91	**10,315**	**3,786**	**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	**24,521**	**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–June	16,739	16,132	3,340
July–September	22,578	22,540	3,371
October–December	19,627	19,158	3,839
January–March	36,542	36,247	4,137
1995/96	**124,996**	**126,553**	**2,580**
April	18,805	17,431	5,513
May	16,932	17,421	5,023
June	13,558	14,452	4,128
July	8,144	9,198	3,076
August	11,149	12,609	1,615
September	6,121	5,571	2,165
October	8,237	8,040	2,362
November	9,265	9,076	2,551
December	11,421	9,766	4,205
January	6,244	8,383	2,066
February	8,701	9,495	1,272
March	6,419	5,111	2,580

Table 48
Selected Manufacturing Products

Product	Unit	1991/92	1992/93	1993/94	1994/95	1995/96*
Oil-based fuels [1]	million barrels	**200.5**	**211.8**	**211.0**	**208.3**	**206.1**
LNG	million MMBTUs	**1,196.5**	**1,247.8**	**1,301.2**	**1,375.1**	**1,290.2**
LPG	thousand tons	**2,743.7**	**2,825.0**	**2,805.4**	**3,334.6**	**3,097.4**
Plywood and sawn timber						
Plywood	thousand m3	8,500.0	9,200.0	9,330.0	9,387.5	8,778.0
Sawn timber	thousand m3	10,500.0	10,600.0	10,800.0	10,881.0	11,010.0
Fertilizer						
Urea fertlizer	thousand tons	4,881.2	5,026.4	5,253.6	5,043.1	5,886.7
ZA and TSP fertilizer	thousand tons	1,687.0	1,550.8	1,690.6	1,597.9	1,725.0
Cement	thousand tons	**16,153,4**	**17,279.8**	**18,990.0**	**21,907.3**	**23,377.0**
Pulp [2]	thousand tons	**444.0**	**1,340.5**	**1,202.0**	**1,314.3**	**2,250.0**
Paper	thousand tons	**1,644.0**	**2,222.6**	**2,489.3**	**2,736.9**	**3,879.6**
Textile and weaving yarn						
Textile	million meters	5,341.7	6,710.0	7,878.5	8,202.3	9,921.2
Weaving yarn	thousand bales	4,140.2	4,101.4	4,933.7	5,188.2	7,744.4
Garment	million dozen	66.0	77.2	92.9	97.1	221.4
Staple fiber	thousand tons	216.2	333.2	403.5	449.9	491.8
Motor vehicle tires						
Automobile tires	thousand units	8,209.1	8,772.0	9,654.9	11,483.9	11,911.2
Motorcycle tires	thousand units	7,682.3	7,923.4	7,615.3	8,027.0	8,096.1
Basic metal						
Sponge iron	thousand tons	1,355.0	1,298.6	1,428.6	1,332.0	1,663.7
Steel ingot	thousand tons	2,091.1	2,267.3	2,737.8	2,051.9	2,371.8
Concrete steel bar	thousand tons	1,310.6	1,297.9	1,459.6	1,503.4	2,118.4
Wire rod	thousand tons	445.5	522.1	526.0	671.6	696.3
Steel wire	thousand tons	170.5	187.5	198.0	152.5	176.9
Steel pipe	thousand tons	301.1	453.3	509.2	445.9	547.1
Galvanized iron sheet	thousand tons	48.6	285.6	309.1	368.0	458.0
Aluminum plate	thousand tons	40.7	42.9	44.1	46.5	50.5
Transportation means						
Automobiles	thousand units [3]	260.5	174.7	233.4	344.6	379.5
Motorcycles	thousand units	435.6	457.3	454.8	781.4	1,027.0
Aircrafts	units	9.0	7.0	9.0	9.0	n.a.
Helicopters	units	9.0	27.0	7.0	7.0	n,a
Steel vessels	thousand BRT	44.9	50.8	57.5	102.4	110.6
Others						
Clove cigarettes	billion pieces	125.0	134.2	135.5	152.3	153.6
White cigarettes	billion pieces	52.8	39.9	44.3	45.4	46.7
Refined coconut oil	thousand tons	540.3	586.6	639.4	661.4	702.2
Olein	thousand tons	980.5	1162.4	1249.6	1,505.5	1,731.3
Laundry soap	thousand tons	219.9	243.7	275.4	265.3	361.6
Detergent	thousand tons	233.9	243.9	261.0	282.9	339.0
Electric/telecommunication cords	thousand tons	82.0	93.9	107.3	105.2	173.1
Light bulbs/TL bulbs	million units	223.3	301.8	374.9	313.1	524.6
Radio and radio cassette recorders	thousand units	3,788.0	5,293.0	5,660.0	5,943.0	9,230.9
Car radio cassette recorders	thousand units	1,467.4	1,650.0	1,700.0	1,985.0	1,950.0
Television set	thousand units	1,581.1	1,856.0	1,476.0	1,549.8	2,455.5
Refrigerators	thousand units	213.3	237.0	279.6	248.9	404.5
Sewing machines	thousand units	28.8	25.1	53.2	53.4	69.8
Storage batteries	thousand units	9,500.0	10,300.0	11,600.0	12,180.0	14,300.0
Dry batteries	million units	1,224.1	1,380.6	1,463.4	1,536.5	2,154.8
Pesticide sprayers	thousand units	335.3	365.2	381.6	390.4	400.0
Hand tractors	units	10,000.0	9,350.0	9,350.0	9,817.5	10,189.0
Diesel engines	thousand units	51.8	71.0	71.0	74.5	78.2
Hullers	units	2,000.0	1,511.0	1,511.0	1,586.5	1,697.0
Sports shoes	million pairs	185.2	259.4	437.1	478.5	560.0
Leather shoes	million pairs	31.8	80.2	63.2	68.0	75.0

1) End of calendar year.
2) Including integrated pulp industry.
3) For 1993/94 using Gaikindo's data.
Sources : – Supplement to the President's Report to Parliament, Agustus 16, 1995
– Ministry of Industry and Trade
– Ministry of Mining and Energy

Table 49
Selected Agricultural Products
(thousand tons)

Product	1991	1992	1993	1994	1995*
Foodstuffs					
Rice	29,048	31,357	31,318	30,313	31,496
Corn	6256	7,996	6,460	6,869	8,223
Cassava	15,954	16,516	17,285	15,729	15,312
Sweet potatoes	2,039	2,171	2,088	1,845	2,138
Peanuts	652	739	639	632	758
Soybeans	1,555	1,870	1,709	1,565	1,689
Mung beans	237	326	322	284	321
Cash crops					
Rubber	1,284	1,398	1,475	1,499	1,535
Smallholder	919	1,030	1,102	1,139	1,156
Estate	365	368	372	360	379
Copra	2,337	2,455	2,606	2,649	2,690
Palm oil	2,658	3,266	3,421	4,008	4,350
Palm kernels	551	559	602	786	816
Sugar cane	2,253	2,306	2,330	2,352	2,807
T e a	159	154	165	139	156
Smallholder	32	32	37	30	35
Estate	127	122	122	109	121
Coffee	419	437	439	450	455
Smallholder	390	409	410	422	427
Estate	29	28	29	28	28
Tobacco	161	112	121	130	132
Smallholder	157	110	119	128	130
Estate	4	2	2	2	2
Pepper	69	65	66	54	54
Nutmeg	17	17	21	19	20
Cloves	84	73	67	78	77
Cacao	161	112	258	270	274
Forestry					
L o g [1)] (thousand cubic meters)	23,810	27,460	26,846	22,821	23,892
Livestocks					
M e a t	1,099	1,239	1,378	1,469	1,604
E g g	510	572	573	580	614
M i l k (million liters)	360	367	387	389	402
Fishery					
S e a	2,538	2,692	2,886	3,056	3,214
Inland	812	851	909	962	1,045

1) Fiscal year

Sources :
- Supplement to the President's Report to Parliament, Agustus 16, 1995
- Ministry of Agriculture
- Central Bureau of Statistics

Table 50
Output, Harvested Area, and Average Yield of Paddy and Secondary Crops

Crop	1991	1992	1993	1994	1995*
Output (thousand tons)					
Paddy [1)]	29,048	31,357	31,318	30,313	31,496
Corn (kernel)	6,256	7,996	6,460	6,869	8,223
Cassava	15,954	16,516	17,285	15,729	15,312
Sweet potatoes	2,039	2,171	2,088	1,845	2,138
Peanuts	652	739	639	632	758
Soybeans	1,556	1,870	1,709	1,565	1,689
Mung beans	237	326	322	284	321
Harvested area (thousand hectares)					
Paddy [1)]	10,282	11,103	11,013	10,735	10,883
Corn (kernel)	2,909	3,629	2,940	3,109	3,647
Cassava	1,319	1,351	1,402	1,330	1,319
Sweet potatoes	214	230	224	197	226
Peanuts	628	720	624	643	738
Soybeans	1,368	1,666	1,470	1,407	1,503
Mung beans	301	393	374	292	358
Average yield (quintals per hectare)					
Paddy [1)]	28.3	28.3	28.4	28.1	28.9
Corn (kernel)	21.5	22.0	22.0	22.1	22.6
Cassava	121.0	122.3	123.0	117.0	116.0
Sweet potatoes	95.3	94.4	93.2	94.0	95.0
Peanuts	10.4	10.3	10.2	9.83	10.2
Soybeans	11.4	11.2	11.2	11.1	11.2
Mung beans	7.9	8.3	8.6	9.7	9.0

1) Equivalent to rice.
Sources : – Supplement to the President's Report to Parliament, Agustus 16, 1995
– Ministry of Agriculture

Table 51
Selected Mining and Quarrying Outputs

Output	Units	1991/92	1992/93	1993/94	1994/95	1995/96 [1)]
O i l	million barrels	573.5	550.4	599.9	591.6	586.7
Crude oil	million barrels	507.0	483.4	493.7	527.7	524.9
Condensate	million barrels	66.2	64.7	64.4	63.9	61.8
Natural gas	billion cubic feet	2,495.4	2,614.1	2,502.0	2,985.7	2,998.7
T i n	thousand tons	30.5	29.3	30.4	30.0	35.4
C o a l	thousand tons	16,551.8	23,684.4	28,559.5	32,599.5	38,311.8
Copper (concentrate)	thousand tons	720.8	905.6	960.0	1,109.3	1,516.6
Nickel						
Nickel ore	thousand tons	2,459.1	2,378.4	1,926.5	2,253.3	2,513.3
Ferro-nickel [2)]	thousand tons	5.9	5.4	5.3	7.0	10.7
Nickel matte [2)]	thousand tons	37.8	41.0	40.6	47.9	49.1
Bauxite	thousand tons	1,268.6	868.0	1,338.7	1,122.5	904.5
Gold	kilograms	19,657.3	40,325.4	43,908.8	45,272.1	62,908.8
Silver	kilograms	82,407.0	98,720.9	88,902.6	152,767.5	260,517.6

1) in calendar year.
2) Indicating the amount of nickel content.
Sources : – Supplement to the President's Report to Parliament, Agustus 16, 1995
– Ministry of Mining and Energy

Table 52
Transportation Means and Outputs

Item	Unit	1991/92	1992/93	1993/94	1994/95r	1995/96*
Land transportation						
Road transportation 1)						
Buses	thousand units	447	542	610	652	706
Cargo vehicles	thousand units	1,338	1,405	1,462	1,521	2,243
Passenger vehicles	thousand units	1,701	1,729	1,864	2,010	4,243
Motorcycles	thousand units	8,637	8,714	9,120	9,546	9,835
Railway transportation						
Passengers	thousand persons	60,300	72,800	95,360	220,000	106,000
Passengers-km	thousand persons x km	9,617,300	1,0510,190	12,244,250	14,027,000	11,721,000
Cargo	thousand tons	13,800	14,980	15,680	16,655	17,656
Cargo-ton-km	thousand tons x km	3,464,300	3,780,510	3,955,720	3,952,000	3,109,000
River, lake, and ferry transportation						
Passengers	thousand persons	46,637	56,490	59,035	62,992	67,223
Cargo	thousand tons	12,903	19,340	26,156	21,607	32,770
Vehicles	thousand units	5,055	5,146	5,735	6,284	9,135
Sea transportation						
Ocean						
Vessels	units	27	27	25	25	24
Capacity	thousand DWT	347	347	322	322	314
Cargo	thousand tons	18,200	23,831	27,016	39,798	44,268
Interisland shipping						
Vessels	units	344	344	525	526	579
Capacity	thousand DWT	844	844	933	936	1,017
Cargo	thousand tons	10,632	14,762	15,233	15,135	16,512
Local shipping						
Vessels	units	1,119	1,119	453	453	292
Capacity	thousand DWT	180	180	117	117	107
Cargo	thousand tons	3,939	4,282	3,434	3,318	3,193
Traditional shipping						
Vessels	units	3,974	3,974	2,747	3,974	4,037
Capacity	thousand DWT	209	209	146	109	211
Cargo	thousand tons	3,174	6,105	6,410	3,341	3,426
Pioneer sailing services						
Vessels	units	26	26	30	30	31
Capacity	thousand DWT	15	16	31	27	29
Cargo	thousand tons	83	124	101	26,900	33,615
Air transportation						
Fleet	units	223	249	253	237	248
Outputs						
Passengers	thousand persons	10,069	11,049	12,268	13,546	14,279
Domestic flights	thousand persons	7,831	8,458	9,439	10,101	10,700
Overseas flights	thousand persons	2,238	2,591	2,829	3,445	3,579
Cargo	thousand tons	178	174	186	2,346	2,894
Domestic flights	thousand tons	99	92	96	2,229	2,762
Overseas flights	thousand tons	79	82	90	117	132

1) Figures at end of period
Source : – Supplement to the President's Report to Parliament, Agustus 16, 1995
– Ministry of Communication

Table 53
Selected Indicators of Tourism

Item	Unit	1991	1992	1993	1994	1995*
Foreign tourists	**thousand persons**	**2,570**	**3,064**	**3,403**	**4,006**	**4,319**
Ports of entry						
Airports	areas	13	13	23	23	23
Seaports	areas	11	11	11	11	11
Tourist points of interest	areas	**23**	**23**	**23**	**23**	**23**
Facilities						
Star-rated hotel	units	458	496	564	624	697
Number of rooms	units	43,472	47,290	53,134	59,091	66,357
Occupation rate	percent	54	51	51	52	52
Non-star-rated hotel [1]	units	6,659	6,998	7,274	7,663	7,964
Travel agencies[2]	units	**1,197**	**1,341**	**1,539**	**1,760**	**2,209**

1) Having more than 10 rooms.
2) Including branch offices and agents.
Source : Ministry of Tourism, Post, and Telecommunication. *Monthly Report,* January 1995

Table 54
Selected Indicators of Telecommunication

Item	Unit	1991	1992	1993	1994	1995
Telephone						
Central						
Automatic	units	536	681	776	916	954
Manual	units	293	182	146	108	38
Capacity						
Automatic	line units	1,514,760	1,959,815	2,892,151	3,806,336	4,135,666
Manual	line units	49,691	25,793	19,430	11,840	6,580
Capacity utilization						
Automatic	percent	79.8	75.8	62.0	62.4	70.2
Manual	percent	74.0	68.4	75.6	60.8	61.8
Public telephone	line units	24,563	38,659	49,077	68,734	81,432
Motor-vehicle telephone networks						
Capacity	line units	21,000	31,000	64,550	. . .	. . .
Subscription	line units	4,336	17,100	32,476	55,733	64,831
International direct dialing coverage						
Cities of origin	cities	115	115	115	. . .	. . .
Countries of destination	countries	190	196	204	219	229
Telecommunication stalls	**units**	**800**	**1,011**	**1,103**	**1,692**	**2,741**
Earth stations for supporting domestic satellite telecommunication	**units**	**230**	**237**	**237**	–	–
Telex						
Central	units	40	39	43	43	26
Capacity	line units	29,477	31,644	30,220	34,430	29,174
Subscription	line units	16,486	16,517	16,430	15,672	16,246
General telex offices	offices	1,111	1,382	1,572	2,146	2,525
Package data communication networks						
Central	units	7	16	16	16	16
Capacity	line units	704	984	984	984	984
Subscription	line units	585	607	650	592	770

Source : Ministry of Tourism, Post, and Telecommunication. *Monthly Report,* January 1996

Table 55
PLN Electric Power Installed Capacity
(MW)

Year	Electric generators: Water powered	Steam powered	Gas and steam powered	Diesel powered	Gas powered	Geothermal powered	Total
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[1]	2,178	4,755	3,942	2,164	982	305	14,327
1995/96[1]	2,180	4,821	4,413	2,218	1,020	308	14,970

1) calendar year.
Source : State Electric Company (PLN)

Table 56
Electric Power Production
(million KWH) [1]

Year	PLN	Non-PLN	Total
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	52,075	1,304	53,379
1995/96[2]	49,820	1,052	50,872

1) Only those distributed by PLN to general public.
2) Up to January 1996.
Source : State Electric Company (PLN)

Table 57
Monthly Average Wages by Economic Sector
(thousand rupiah)

Economic sector	Average minimum wage			Average maximum wage		
	1993	1994	1995*	1993	1994	1995*
Plantation	170	240	272	1,835	1,835	1,927
Mining	414	487	506	3,998	4,669	4,906
Manufacturing	196	207	238	2,920	3,112	3,453
Construction	290	296	327	2,656	2,777	3,047
Electricity	155	173	267	2,644	2,744	3,552
Trade/bank & insurance	305	326	368	3,733	4,506	4,904
Transportation	223	467	494	2,805	4,311	4,399
Services	235	235	281	2,271	2,509	2,780

Source : Ministry of Manpower