

SM/94/27

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To: Members of the Executive Board
From: The Secretary
Subject: Indonesia - Selected Background Issues

This paper provides background information to the staff report on the 1993 Article IV consultation discussions with Indonesia, which was circulated as SM/94/22 on January 25, 1994.

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INDONESIA

Selected Background Issues

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Approved by the Southeast Asia and Pacific Department

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Acronyms and Abbreviations

AFTA	-	ASEAN Free Trade Area
ASEAN	-	Association of South East Asian Nations
BAPEKSTA	-	Duty-Exemption and Drawback Facility
BAPPENAS	-	National Development Planning Board
BI	-	Bank Indonesia
BKPM	-	Investment Coordinating Board
BULOG	-	National Logistics Board
CAP	-	Development Budget Reserves
CAR	-	Capital-Asset Ratio
CEPT	-	Common Effective Preferential Tariff
CGI	-	Consultative Group for Indonesia
COLT	-	Commercial Offshore Loan Team
DMBs	-	Deposit Money Banks
DNI	-	Negative Investment List
HGU	-	Land Title for Business Operation
ICOR	-	Incremental Capital Output Ratio
IGGI	-	Inter-Governmental Group on Indonesia
IPEDA	-	Land Tax
JMO	-	Joint Market Office
JSE	-	Jakarta Stock Exchange
KLBI	-	Bank Indonesia Liquidity Credits
KUK	-	Kredit Usaha Kecil (a credit scheme for small-sized enterprises)
LDR	-	Loan-to-Deposit Ratio
LLL	-	Legal Lending Limit
LNG	-	Liquefied Natural Gas
LPG	-	Liquefied Petroleum Gas
NBFIs	-	Nonbank financial institutions
NTBs	-	Nontariff Trade Barriers
PEs	-	Public Enterprises
PMA	-	Foreign Investment Scheme
PMDN	-	Domestic Investment Scheme
REPELITA VI	-	The Sixth Five-Year Development Plan
SBI	-	Sertifikat Bank Indonesia (BI's own debt certificate)
SBPU	-	Surat Berharapa Pasar Uang (a money market paper)
TASPEN	-	Government Employees' Savings and Insurance Company

I. Introduction 1/

During the past 25 years, Indonesia has achieved an impressive record of economic development. Especially since the mid-1980s, with the help of market-oriented reforms in trade, investment, and the financial system, competition and efficiency have been enhanced, private sector activity has flourished, and the economic structure has been substantially diversified. Together with prudent financial policies, these liberalization efforts have produced tangible economic gains resulting in a broad-based improvement in most social indicators of development. During 1967-92, real income per capita tripled, the economy's dependence on the oil/natural gas sector was reduced to less than 20 percent, and absolute poverty fell from over 60 percent to 15 percent. 2/ Indonesia has, thus, emerged as an economy that is rapidly developing in income and economic maturity from among the poorest countries in the world only some 20 years ago.

Indonesia's economic success has been greatly facilitated by a sound approach to fiscal management, which has been instrumental in preserving financial stability. Under the so-called balanced budget rule, fiscal policy has consistently steered clear of domestic deficit financing, while external borrowing has been managed so as to safeguard access to international credit markets. This has allowed Indonesia to weather the severe losses in its terms of trade following the collapse of oil prices in the mid-1980s, without suffering any sustained deterioration in real economic performance. Chapter II, "Fiscal Adjustment in an Oil-Dependent Economy," provides an overview of fiscal policy since the early 1980s and describes its evolution during the different phases of the oil price cycle. The paper underscores the important role played by fiscal adjustment in the past but argues that a stronger fiscal effort will be required over the medium term to offset the anticipated waning of oil export receipts and net foreign aid inflows. Because the level of external debt remains high, an appropriate medium-term objective would be to reduce the public debt burden to the levels in the early 1980s.

Indonesia's rapid economic growth has also benefitted greatly from its sustained efforts to liberalize trade and investment flows. In the trade area, significant steps have been taken to rationalize the tariff structure and reduce restrictive import licensing requirements. In the reform package announced in October 1993, in particular, nontariff barriers on a large share of steel imports were removed, tariff protection on a wide range of products was lowered, and the duty drawback facility for export industries

1/ It should be noted that the term "country," as used in this report, does not in all cases refer to a territorial entity that is a state as understood by international law and practice. The term also covers some territorial entities that are not states but for which statistical data are maintained and provided internationally on a separate and independent basis.

2/ Refers to the number of people as a percent of total population living in absolute poverty.

was simplified. Chapter III, "Trade Policy and Reforms," reviews progress in trade reforms and discusses the current status of the trade regime. It also discusses recent initiatives to establish the ASEAN Free Trade Area (AFTA) and the implications for Indonesia. 1/ It is argued that, while substantial progress has already been made, much remains to be done to make Indonesia's trade system more transparent and to increase competition and efficiency. In particular, import licensing requirements would need to be further reduced, nontariff barriers should be phased out except where these are required for health, safety, and national security reasons; and upper-level tariff rates (including surcharges) should be substantially lowered.

Foreign direct investment has played an increasingly important role in fostering investment and growth in Indonesia in recent years. During the period 1990-92, foreign direct investment inflows accounted for 4 percent of total capital formation and 1 1/2 percent of GDP. Chapter IV, "Recent Developments in the Foreign Investment Regime," describes the investment liberalization measures that have been introduced since the early 1980s and discusses the major factors that have contributed to strong investment inflows. These have included Indonesia's stable government, its prudent financial policies, and its large and low-cost labor force. To maintain a favorable environment for foreign investment, macroeconomic policies must continue to be conducive to financial stability. At the same time, however, there remains a need to further ease the burden of investment regulations, so as to ensure that Indonesia remains an attractive location for foreign capital.

External debt is high but has been managed successfully to avoid servicing problems. Although the level of debt has risen rapidly since 1980, Indonesia has not faced any cash flow constraint in meeting service obligations. There are two main reasons for this: first, the availability of financial support from official donors at concessional rates has helped keep the debt-service burden relatively low. Second, strong export growth, as a result of a realistic exchange rate policy and structural reforms, has provided adequate earnings to service the debt. These issues, together with challenges that may be faced by the authorities in the period ahead, are examined in Chapter V, "International Debt." It is concluded that, to maintain its exemplary record of debt service, Indonesia must continue to pursue a prudent debt management policy in order to lower the debt-to-export and debt-service ratios to clearly sustainable levels.

1/ The members of the Association of South East Asian Nations (ASEAN) are Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

II. Fiscal Adjustment in an Oil-Dependent Economy 1/

1. Introduction

From the early years of the New Order Government in the late 1960s, the Indonesian authorities have placed primary emphasis on the need to maintain a sound fiscal policy. This was initially necessary to restore financial stability and halt the high rate of inflation that had been fueled by the monetary financing of budget deficits through the mid-1960s. To prevent a recurrence of such problems, a balanced budget rule instituted in 1968 has virtually ruled out government borrowing in the domestic market.

As oil revenues were spurred by the oil price increases of 1973-74 and 1979-80, development expenditure (i.e., public investment) became an increasingly important tool for the achievement of social and economic objectives. Prominent among these was the building of human capital and infrastructure, which could support a sustained improvement in living standards. To alleviate poverty and promote a more equal distribution of income, a large share of development outlays was directed to the less developed rural areas and outer islands. 2/

Following the weakening of oil revenues in the early 1980s, a widening fiscal deficit prompted a reassessment of policy priorities. Initially, the decline in oil tax receipts was partly offset by increasing recourse to external borrowing, and development expenditure remained high. But, in the process, the Government accumulated a growing stock of external debt, which became all the more burdensome as export earnings were compressed by collapsing oil prices. Under these circumstances, a bold adjustment effort was initiated in the mid-1980s. In the fiscal area, development expenditures were sharply reduced and the tax system was reformed, with a view to limiting the Government's dependence on oil revenue. At the same time, trade and investment were deregulated, the exchange rate was devalued, and the financial system was liberalized.

The purpose of this chapter is to draw some of the lessons from Indonesia's adjustment effort to date and to identify the principal challenges for fiscal policy in the period ahead. Section 2 describes the balanced budget rule and explains the ways in which it may have affected policy outturns during the different phases of the oil price cycle. Section 3 discusses key aspects of the policy response to the oil counter-shock of the 1980s. Lessons from the Indonesian experience and future policy challenges are discussed in Section 4.

1/ Prepared by Lazaros E. Molho.

2/ For a detailed description of economic policies until the mid-1980s, see Woo Wing Thyne and Anwar Nasution (1989).

2. Balanced budget rule

The conduct of fiscal policy in Indonesia follows the principle of the so-called dynamic balanced budget. This means that budgeted expenditure for any given fiscal year must be exactly equal to projected revenue as defined in the budget (i.e., including net receipts from foreign loans). If, during the course of the year, revenue is expected to deviate from budgetary projections, actual expenditure must be adjusted so as to balance the budget at a lower or higher level of realized revenue. 1/

The balanced budget rule does not necessarily ensure fiscal discipline. This became evident following the two oil price surges of the 1970s. Although the Government tried to smooth the allocation of oil receipts to the budget, by temporarily depositing some of the windfall in the so-called oil transitory account at Bank Indonesia (the central bank), public expenditure doubled between 1973/74 and 1975/76 and, again, between 1978/79 and 1980/81. 2/ In both instances, inflation surged to more than 30 percent, ultimately leading to large devaluations. It could be argued with the benefit of hindsight that, because the rise in real oil prices was temporary, it would have been appropriate to save a greater fraction of the windfall. But the balanced budget rule did not explicitly allow such intertemporal smoothing, making it difficult to check the increase in public expenditure.

The treatment of foreign financing as revenue, moreover, can provide considerable discretion in the setting of borrowing and expenditure targets. This became especially relevant as Indonesia's creditworthiness was boosted during the years of the oil boom, and year-to-year fluctuations in the Government's net foreign borrowing were wide throughout the 1980s. A more conventional measure of the budget deficit (treating foreign loans as financing) would show substantial year-to-year fluctuations in the overall fiscal balance, with large cumulative effects on the stock of public debt. The ratio of external public debt to GDP indeed rose from less than 20 percent in the early 1980s to 50 percent in 1986/87, before declining gradually thereafter (Chart 1 and Table II-1).

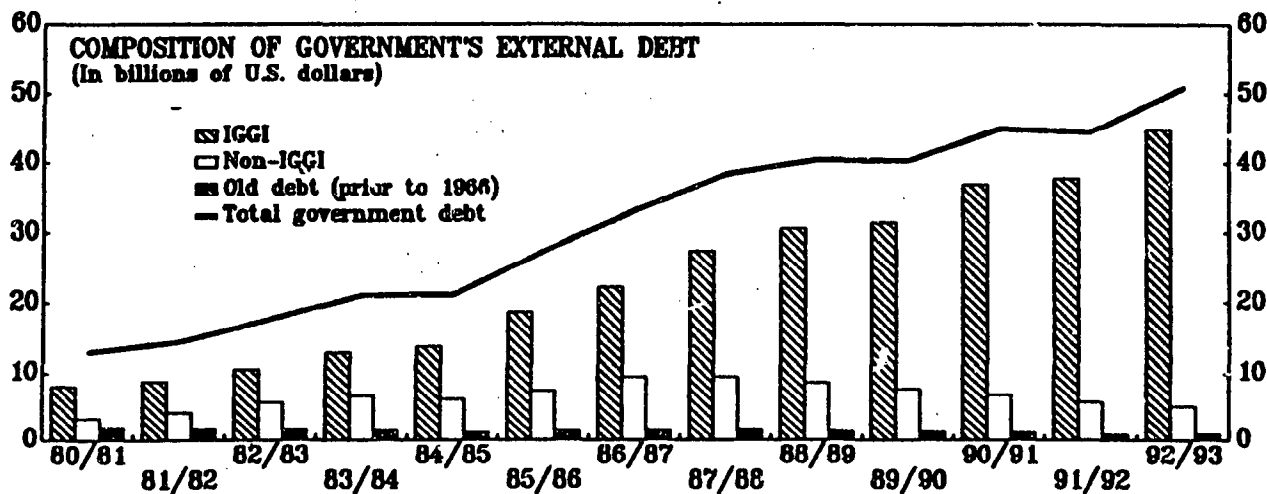
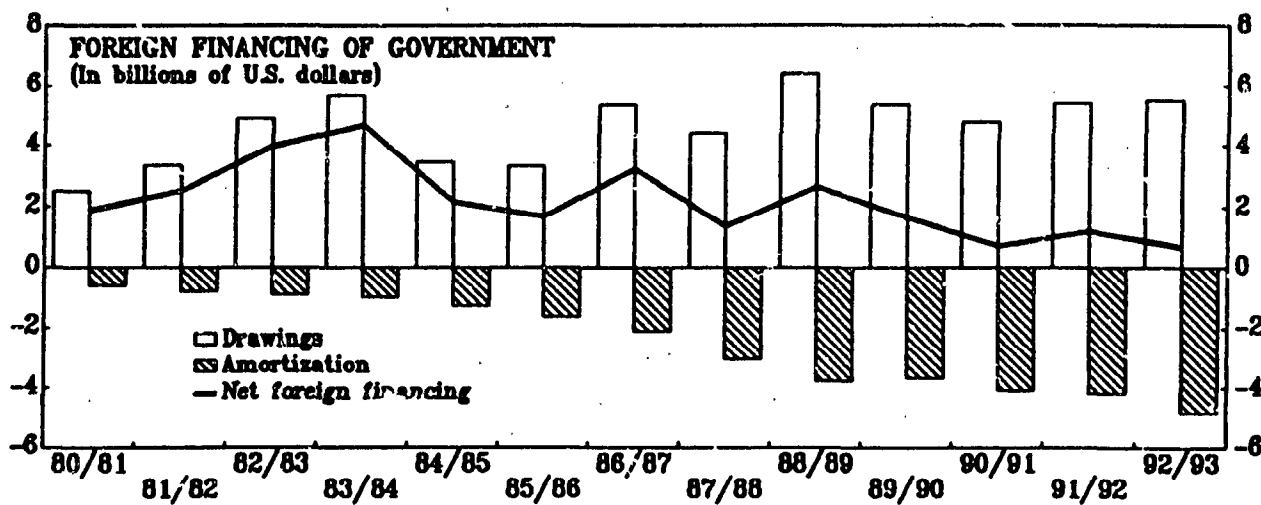
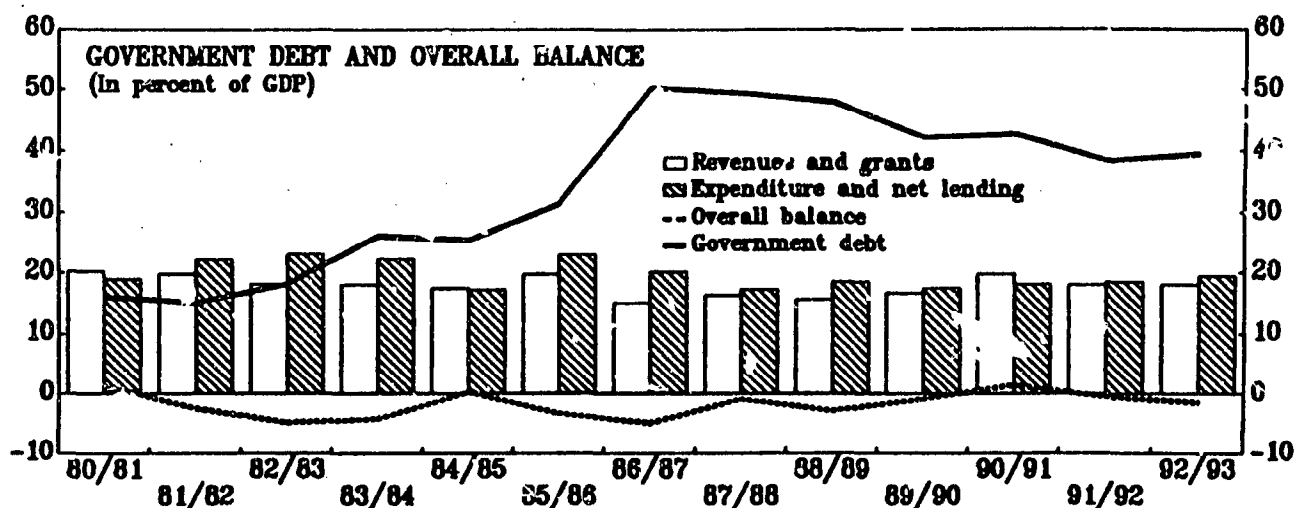
Despite its shortcomings, the balanced budget rule has played an important role in limiting the buildup of public debt. With external borrowing consisting mainly of official funds provided by the Inter-Governmental Group on Indonesia (IGGI), 3/ the rule was probably a binding constraint on public spending until the early 1970s. More recently, the Indonesian authorities have aimed at reducing the foreign debt exposure, especially for commercial debt, and the share of outstanding new loans from the IGGI--largely on concessional terms--rose from 70 percent in 1986/87 to

1/ Directorate General of Budget (1993).

2/ Indonesia's fiscal year begins on April 1.

3/ IGGI was replaced by the Consultative Group for Indonesia (CGI) starting July 1992.

CHART 1
INDONESIA
SUMMARY FISCAL INDICATORS, 1980/81-1992/93



Source: Data provided by Bank Indonesia, Research Department (URIS);
Ministry of Finance, Directorate General of Budget; and staff estimates.

Table II-1. Indonesia. Summary of Central Government Operations, 1980/81-1992/93 1/

	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93 Est.
(In billions of rupiah)													
Tax revenue	1,911	11,876	11,983	13,914	15,210	17,761	13,984	18,826	21,435	26,678	27,751	39,098	44,459
Oil/gas	7,020	8,628	8,170	9,520	10,430	11,145	6,338	10,047	9,527	11,252	17,712	15,039	15,330
Non-oil/gas	2,891	3,248	3,813	4,394	4,780	6,616	7,646	8,779	11,908	15,426	19,719	24,059	29,129
Nontax revenue	316	337	435	519	687	1,492	2,157	1,977	1,569	2,062	2,115	2,487	2,993
Grants	122	118	73	111	72	123	162	272	283	306	422	414	511
Total revenue and grants	10,349	12,331	12,491	14,544	15,977	19,376	16,303	21,075	23,287	29,046	39,969	41,999	47,963
Current expenditure	6,217	7,460	7,308	8,305	9,618	11,419	12,510	14,021	15,035	18,358	23,145	22,933	25,854
Of which:													
Personnel	2,023	2,277	2,418	2,757	3,047	4,018	4,311	4,617	4,998	6,201	7,054	8,103	9,466
Subsidies	1,305	1,687	1,382	1,249	1,239	851	467	1,158	333	384	3,566	1,332	867
Interest on external debt	408	461	620	1,116	1,492	1,764	2,988	3,435	4,403	4,819	5,031	4,562	2,285
Current budget balance	4,133	4,870	5,182	6,239	6,359	7,957	3,793	7,054	8,253	10,688	16,823	19,067	22,161
Development expenditure													
and net lending 2/	3,487	6,377	8,510	9,645	6,144	11,179	9,182	8,247	12,467	12,318	13,902	20,398	25,480
Total expenditure and net lending	9,703	13,838	15,818	17,950	15,762	22,596	21,592	22,268	27,502	30,571	37,047	43,330	51,333
Overall balance	646	-1,507	-3,327	-3,406	215	-3,222	-5,389	-1,193	-4,214	-1,525	2,921	-1,331	-3,319
Financing	-646	1,507	3,327	3,406	-215	3,222	5,389	1,193	4,214	1,525	-2,921	1,331	3,319
Domestic 3/	-1,821	-103	647	-1,185	-2,479	1,342	836	-1,051	-323	-1,440	-4,226	-1,053	2,010
Foreign, net 4/	1,175	1,610	2,680	4,591	2,264	1,880	4,553	2,244	4,538	2,965	1,305	2,383	1,309
Gross drawings	1,561	2,125	3,305	5,583	3,619	3,722	7,556	7,272	10,959	9,553	8,934	10,634	11,207
Amortization	-386	-515	-624	-993	-1,355	-1,842	-3,003	-5,028	-6,422	-6,598	-7,629	-8,251	-9,898
(In percent of GDP)													
Overall balance	1.3	-2.4	-4.8	-4.2	0.2	-3.3	-5.0	-0.9	-2.8	-0.9	1.4	-0.6	-1.4
Excluding oil/gas revenue	-12.4	-16.3	-16.7	-16.0	-11.1	-14.6	-10.2	-8.7	-9.3	-7.3	-7.3	-7.0	-7.2
Current budget balance	8.1	7.8	7.5	7.7	6.9	8.1	3.5	5.5	5.6	6.1	8.3	8.2	8.3
Total revenue and grants	20.2	19.8	18.2	18.0	17.4	19.7	15.1	16.3	15.7	16.7	19.7	18.0	19.0
Oil/gas	13.7	13.8	11.9	11.8	11.4	11.3	5.9	7.8	6.4	6.5	8.7	6.6	5.7
Non-oil/gas taxes	5.6	5.2	5.5	5.4	5.2	6.7	7.1	6.8	8.0	8.9	9.7	10.3	10.9
Nontax revenue	0.6	0.5	0.6	0.6	0.7	1.5	2.0	1.5	1.1	1.2	1.0	1.1	1.1
Grants	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Total expenditure and net lending	18.9	22.2	23.0	22.2	17.2	23.0	20.0	17.2	18.5	17.5	18.2	18.5	19.4
Current	12.1	12.0	10.6	10.3	10.5	11.6	11.6	10.9	10.1	10.5	11.4	9.8	9.7
Of which:													
Interest on external debt	0.8	0.7	0.9	1.4	1.6	1.7	2.8	2.7	3.8	2.8	2.5	2.0	2.0
Development	6.8	10.2	12.4	12.0	6.7	11.4	8.5	6.4	8.4	7.0	6.8	8.7	9.7
External government debt	16.0	15.1	18.2	25.0	25.4	31.3	50.3	49.5	48.0	42.2	42.7	38.4	39.5

Sources: Data provided by the Indonesian authorities; and staff estimates.

1/ The fiscal year begins on April 1.

2/ Derived as the sum of the current budget balance and net financing.

3/ Change in net government deposits with the domestic banking system.

4/ As derived from the balance of payments accounts.

90 percent in 1992/93. By precluding the issuance of domestic debt, the balanced budget rule helped to keep the overall burden of public debt at a manageable level.

The requirement that the budget be always balanced is also likely to have strengthened the ability of policymakers to make decisive cuts in expenditure during times of declining oil revenue, while allowing them some flexibility to smooth short-run fluctuations. Based on the record to date, flexibility was most often used on the side of caution, albeit not always in a transparent fashion. As already noted, this was sometimes done by temporarily placing oil revenues, as well as other nontax receipts, into extra budgetary accounts with Bank Indonesia. Expenditures were also restrained by including in the budget, under development expenditure, periodic deposits to those accounts. The Government could thus sterilize --or, less frequently, supplement--accrued revenue, by relying on negative --or, at times, positive--financing from Bank Indonesia. In the process, the net government balance with Bank Indonesia rose more or less steadily from near zero in the mid-1970s to a peak of almost Rp 20 trillion or the equivalent of 8 1/2 percent of GDP in 1991/92, before declining to Rp 17 1/2 trillion (6 1/2 percent of GDP) in 1992/93.

The flexible enforcement of the balanced budget rule has become more transparent in recent years. A portion of the budgeted development expenditure (Rp 2 trillion, equivalent to 1 percent of GDP) was explicitly set aside as a development budget reserve (CAP) for the first time in 1990/91 to sterilize some of the windfall from the oil price increase in the wake of the Middle East crisis. Oil revenues declined thereafter, but a buoyant increase in non-oil/gas tax receipts in 1991/92 was again partially sterilized by a further contribution (Rp 1.5 trillion) to the development budget reserves. In 1992/93, there was no explicit contribution and, for the first time since the mid-1980s, there was, instead, a drawdown of net government deposits with Bank Indonesia, which reflected, in part, outlays for the recapitalization of state banks. The flexible management of the balanced budget rule was finally given formal recognition in the "Guidelines of State Policy" issued in March 1993 for the sixth five-year development plan. 1/

1/ According to those guidelines, fiscal policy is to be based again on the principle of a dynamic balanced budget "with the possibility of reserve fund provision when the state receives surplus revenue, and the use of the reserve fund when the revenue is less than expected and thus unable to support the already-planned programs and/or unexpected programs" (The People's Consultative Assembly (1993), p. 116).

2. Fiscal performance since the second oil price surge

a. Overall fiscal balance and the external current account

One convenient way to gauge some of the effects of fiscal policy is in terms of its contribution to the economy-wide, savings-investment gap. That gap, which is basically equal to the external current account balance, reflects the fact that some economies do not generate sufficient savings to finance all profitable domestic investment opportunities. By relying on foreign savings, these economies may enhance GDP growth prospects, while at the same time improving the allocation of world savings. An obvious caveat is that markets sometimes withhold financing from countries whose level of external debt is perceived to jeopardize their capacity to service that debt in the future. This calls for a cautious and disciplined approach toward the use of foreign savings. Overall reliance on foreign savings reflects both the private sector's and the Government's savings and investment decisions, and the final impact of these decisions on the external current account can be captured by the respective sectoral savings-investment balances.

The Government's savings-investment balance, which is equal to the overall fiscal balance (defined as the difference between the current budget balance and public investment), was a key determinant of Indonesia's external performance during the 1980s (Chart 2). In particular, the current account deficits that emerged in 1981/82-1986/87 were associated with the widening of the fiscal deficit. This is not surprising as both government revenues and current receipts are directly affected by developments in oil exports. The close relationship between the overall fiscal balance and the balance of payments of oil-exporting countries is indeed well documented. ^{1/} What is noteworthy about the Indonesian experience is that the widening fiscal deficit initially reflected a sharp increase in public investment. The public savings ratio, by contrast, was broadly stable through the early-1980s, and it dropped sharply only in the mid-1980s as oil prices collapsed. A sustained recovery in government savings, together with a more restrained pace of public investment, contributed to the improved external position thereafter.

With fiscal policy remaining cautious, private sector behavior has in recent years had an increasingly important impact on the external accounts. A declining private savings ratio already contributed to the widening of the current account deficit in the early 1980s. Private savings recovered rapidly thereafter, making it possible to finance a steadily rising investment ratio without much recourse to foreign savings. Nonetheless, private savings leveled off in the early 1990s, while private investment boomed in the wake of deregulation, and the current account deficit widened markedly. To contain demand pressures and check the rapid buildup of external debt, the Indonesian authorities tightened monetary policy and

^{1/} See, for example, Morgan (1979).

imposed administrative controls on project-related offshore borrowing by the public sector.

The ease of financing larger private sector imbalances has given rise to new opportunities and challenges. The upsurge in private sector investment since the mid-1980s has made it possible to support a more rapid rate of economic growth without unduly burdening the development budget. The economy-wide investment ratio indeed rose from an average of about 24 percent of GDP in 1981/82-1986/87 to 27 percent in 1987/88-1992/93, as a sharp increase in private investment more than offset a more modest decline in the public investment ratio (Chart 3). Aside from the obvious benefits for the fiscal accounts, the shifting composition of investment seems to have been accompanied by gains in the productivity of capital, as evidenced by a decline in the incremental capital output ratio (ICOR). At the same time, however, the dynamic growth of private investment has made the private sector imbalance a more likely source of resource strains than in the past. This has posed a new challenge for demand management, as evidenced by the fact that attempts to tighten the monetary stance have been frustrated by increasing capital inflows.

b. Oil-adjusted balance, fiscal stance,
and long-run policy targets

Given the central influence of oil market developments on the overall fiscal balance, it is worth considering alternative indicators of fiscal stance that account for some of the special features of oil revenue. For purposes of demand management, it is important to note that, unlike most other taxes, revenue from oil exports does not withdraw any purchasing power from the domestic economy. In addition, the foreign exchange inflow stemming from oil tax receipts may add to the stock of base money as soon as those receipts are spent. An increase in government expenditure that is financed with oil receipts may thus be highly expansionary. An improvement in the government balance that is due to increased oil exports, by contrast, should have no contractionary effect on domestic demand.

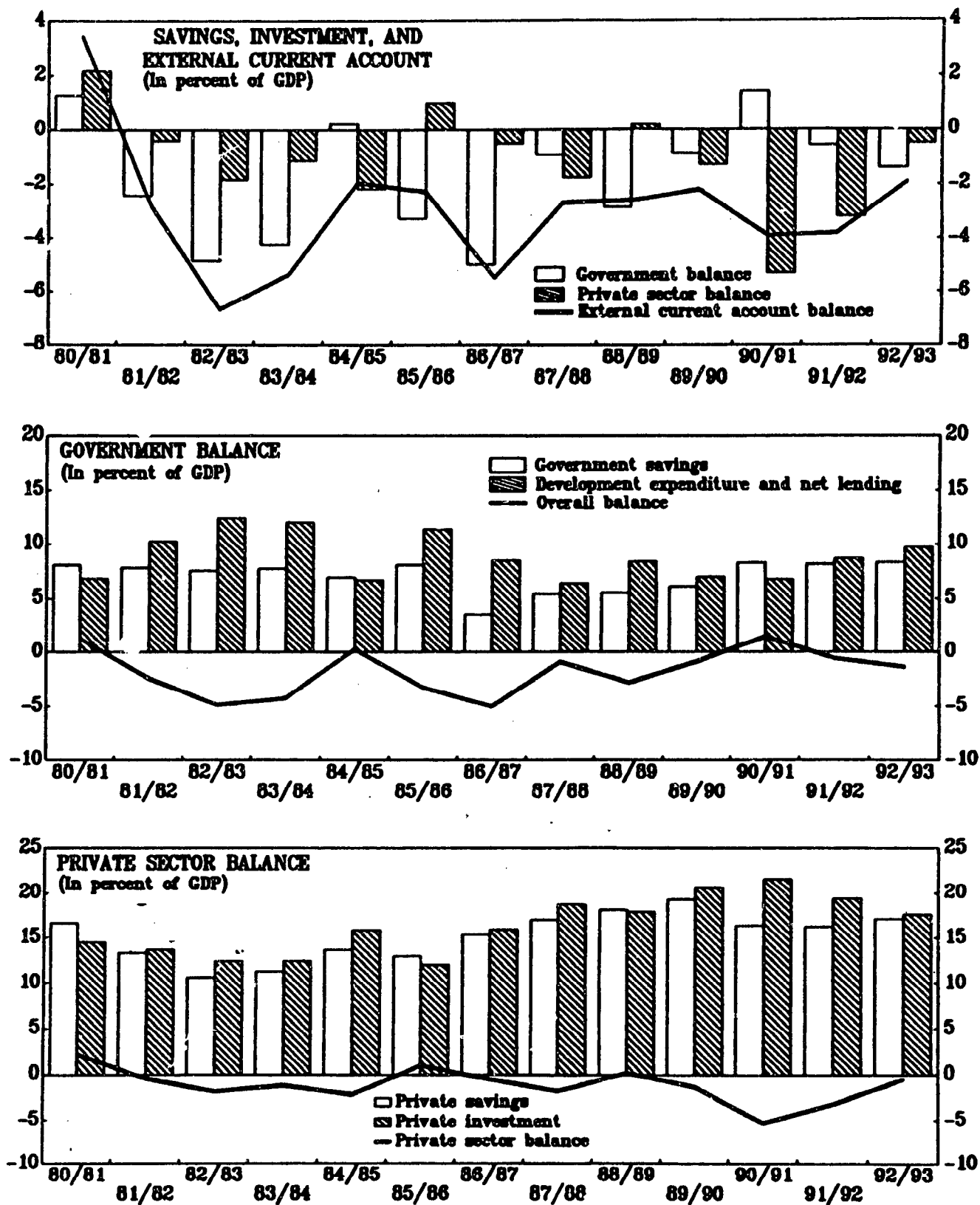
To address these difficulties, one frequently used measure of the fiscal stance is the domestic currency balance. This includes only transactions that have a direct effect on the domestic economy, so as to better capture the impact of government actions on domestic liquidity and inflation. 1/ Government transactions with the rest of the world are excluded, except to the extent that they are accompanied by foreign currency sales to, or purchases from, the domestic private sector. In practice, it is not always easy to identify the import content of government spending. In addition, by excluding foreign-financed government imports, the domestic currency balance misses the important effects of fiscal imbalances on the buildup of external debt.

1/ See, for example, Samii (1982).

CHART 2

INDONESIA

SAVINGS-INVESTMENT BALANCES, 1980/81-1992/93

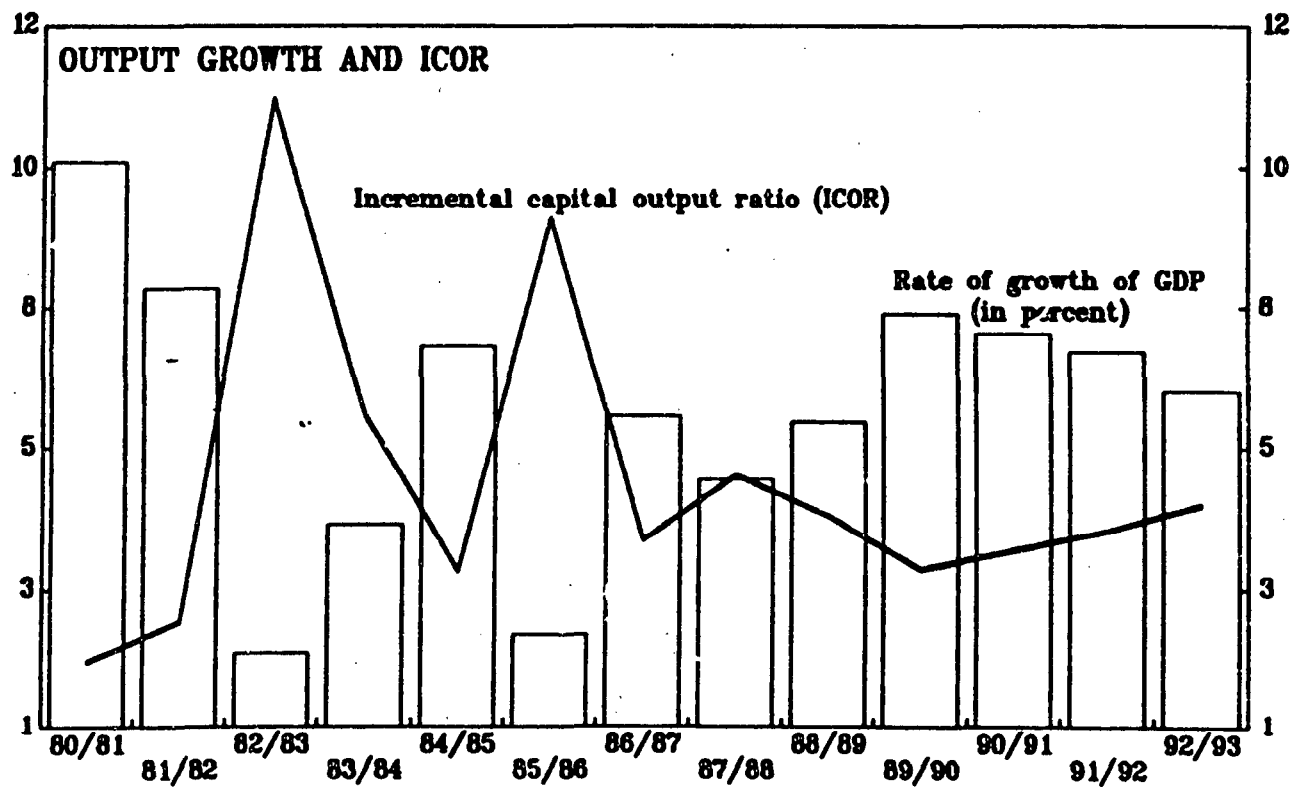
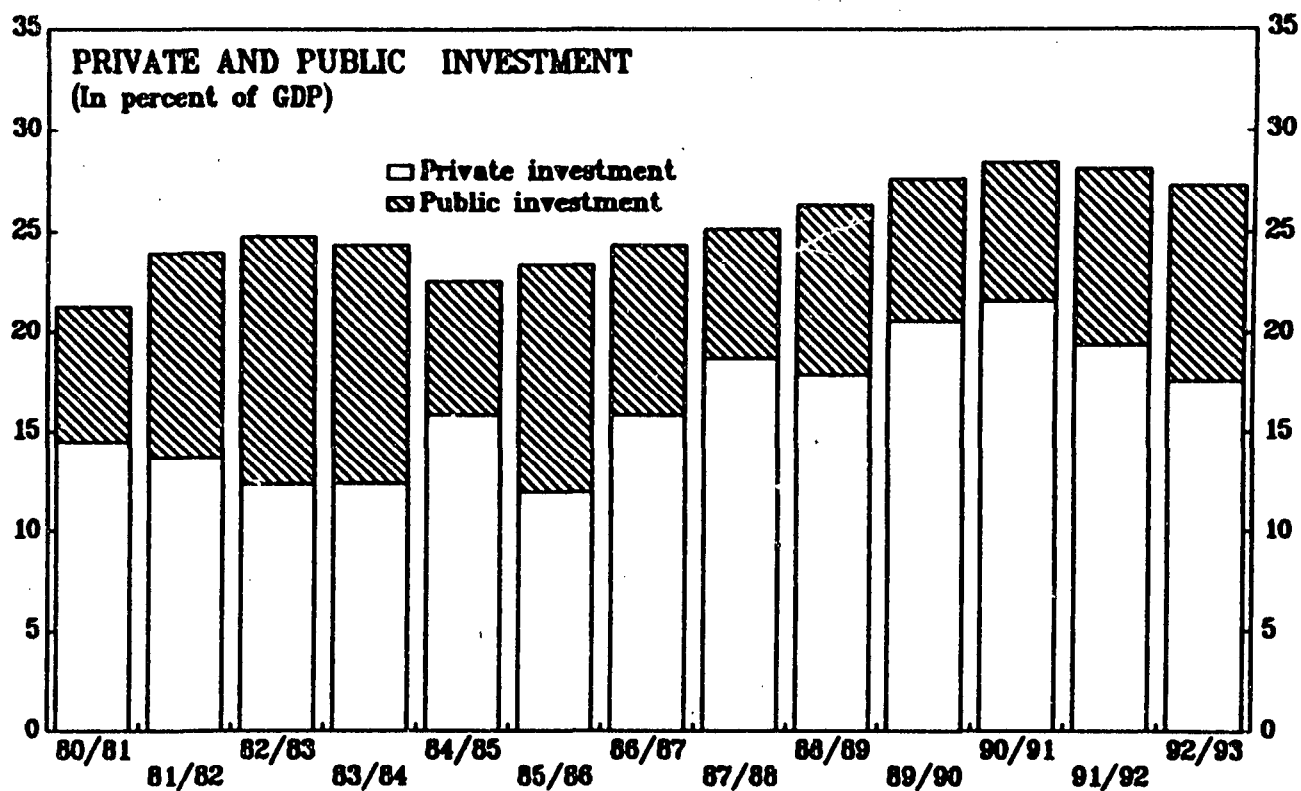


Sources: Data provided by Bank Indonesia, Research Department (URES); Ministry of Finance, Directorate General of Budget; and staff estimates.

CHART 3

INDONESIA

GROWTH AND INVESTMENT, 1980/81-1992/93



Sources: Data provided by Bank Indonesia, Research Department (URIS); Ministry of Finance, Directorate General of Budget; and staff estimates.

A simpler alternative is the oil-adjusted overall balance (i.e., the balance excluding oil revenue). Like the domestic currency balance, the oil-adjusted balance reflects the true effects of oil-related budgetary developments on domestic demand, as it captures changes in oil revenue that are compensated by equal changes in expenditure, while disregarding uncompensated changes in oil revenue. The oil-adjusted balance is also a more reliable measure of discretionary fiscal policy than the unadjusted balance, which is subject to oil revenue instability that is most often unrelated to policy factors. A comparison of these balances for Indonesia indeed shows that adjusting for oil eliminates much of the year-to-year variability in the fiscal balance, making it easier to assess fiscal policy trends (Charts 2 and 4).

The evolution of the Government's oil-adjusted balance suggests that the fiscal adjustment effort became progressively stronger through most of the 1980s, but leveled off in the early 1990s. The Government's oil-adjusted savings balance rose from a deficit of 6 percent of GDP in 1981/82 to near balance in 1989/90. As already noted, a more restrained pace of development expenditure also contributed to the adjustment effort during the latter part of that period. Since then, however, the fiscal policy stance appears to have been broadly neutral. With a continuing improvement in the savings balance offset by a recovery in the public investment ratio, the burden of stabilization has consequently fallen mostly on monetary policy. 1/

From a longer-run perspective, the oil-adjusted balance serves to account for the fact that oil is an exhaustible resource. Assuming that the Government is the sole owner of oil wealth, oil-related receipts could be viewed as revenues from the sale of an asset. The conventional measure of the fiscal balance would, accordingly, overstate government saving until all oil wealth is depleted, and it would therefore provide a misleading picture of the sustainability of fiscal policy. 2/ The simplest way to account for oil as an asset is by treating oil revenue as a financing item, which reduces the fiscal position to the oil-adjusted balance.

In this light, the oil-adjusted balance provides a useful benchmark for the setting of sustainable, longer-run policy objectives. Even if there is no explicit-stabilization mechanism to guarantee a flow of permanent income from oil wealth, the Government can set its fiscal targets so as to prepare for the eventual depletion of oil. A first approximation of the long-run effort required to smooth the path of public investment is provided by the

1/ Aside from oil-related effects, revenue performance is also known to depend on cyclical factors. In interpreting the stance of fiscal policy, another useful exercise would be to calculate the cyclically adjusted balance.

2/ The shortcomings of conventionally measured fiscal deficits and the case for a more comprehensive accounting of changes in public sector net worth are discussed in Buiter (1983).

oil-adjusted overall balance. In Indonesia, that balance recorded a deficit equivalent to about 7 percent of GDP in 1992/93. Public savings would accordingly need to be increased by some 7 percentage points of GDP over the next 15-20 years, if the goal is to maintain a balanced budget and a steady pace of capital expenditure following the depletion of oil reserves.

c. Trade liberalization, tax reform, and the revenue effort

As in the case of the overall balance, oil market developments have tended to conceal the effectiveness of Indonesia's revenue effort. Overall revenue performance has been lackluster since the early 1980s, with the revenue ratio declining more or less steadily between 1980/81 and 1986/87, and recovering only partially thereafter (Chart 5). However, the weakening performance during the early part of that period was more than accounted for by the gradual erosion and, subsequently, sharp fall in oil tax receipts. Oil revenues recovered somewhat in the late 1980s as international oil prices rebounded. But the greatest strides were made in the taxation of the non-oil/gas sector, which had been neglected in the years of plentiful oil revenues. Following far-reaching reforms in the trade and tax systems, non-oil/gas taxes rose steadily from 5 1/2 percent of GDP in the first half of the 1980s to 11 percent of GDP by 1992/93 (Table II-2).

The taxation of international trade was directly affected by the reform measures initiated in the mid-1980s. As was already noted, to promote the development of competitive export-oriented industries, there were two major devaluations of the rupiah--by 28 percent vis-à-vis the U.S. dollar in 1983 and by another 31 percent in 1986--coupled with a wide-ranging liberalization of trade regulations. The real effective exchange rate depreciated by about 50 percent between 1980 and 1987. This moderated the effect of declining oil prices on rupiah tax receipts, while also helping enlarge the import tax base in relation to GDP. ^{1/} Beginning in 1985, import tariffs were progressively lowered, with the ad valorem tariff ceiling declining from 225 percent to 60 percent; the number of tariff categories was reduced from 25 to 11; and many nontariff barriers were removed. On the export side, licenses were abolished for most products, and a duty exemption/duty drawback scheme for imported inputs was introduced (see also Chapter III below).

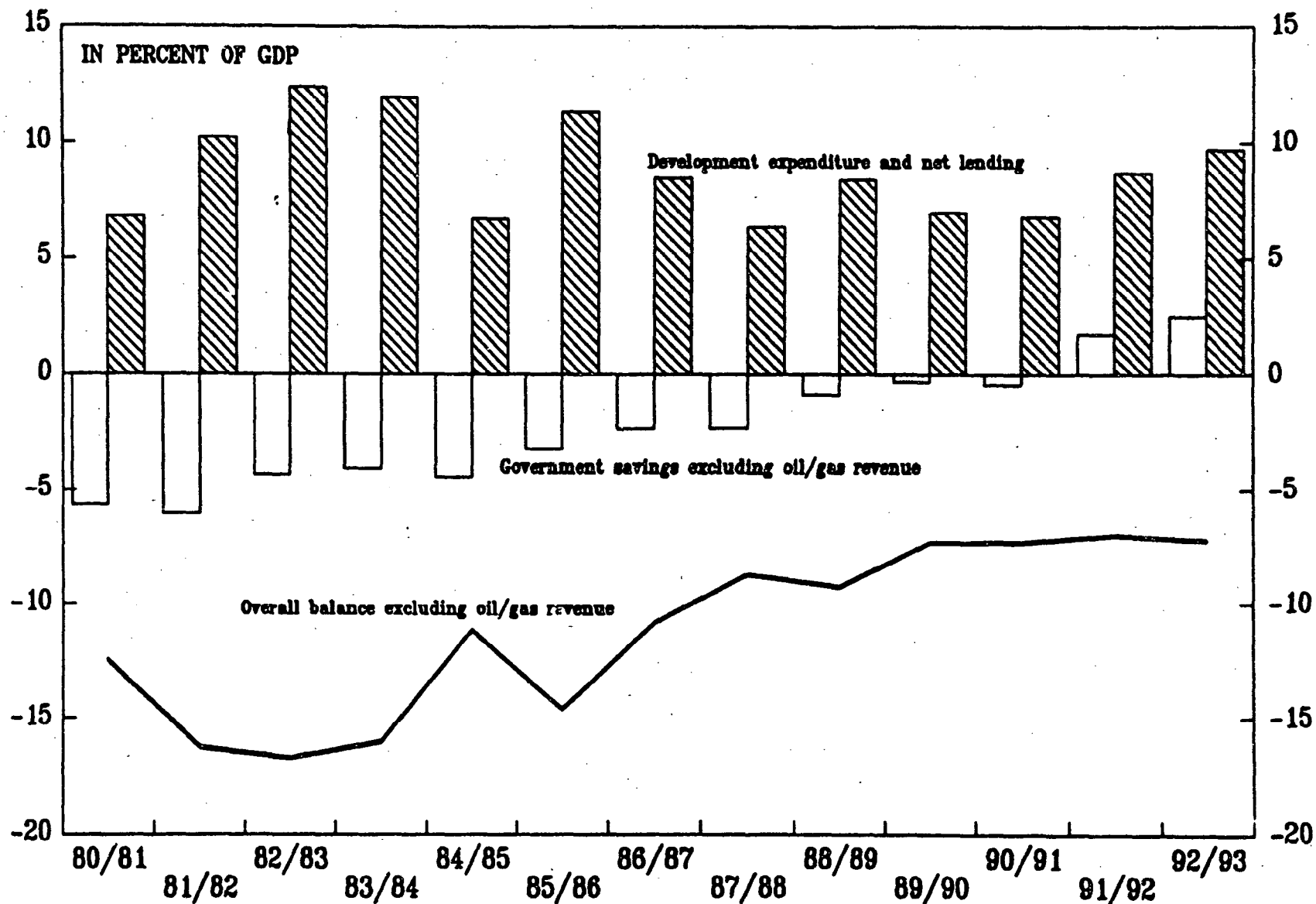
Import duty receipts, which had stagnated until the mid-1980s, rose rapidly following the liberalization measures (Table II-3). Although the decline in tariffs led to a marked reduction in the average duty rate on dutiable imports, this was more than offset by sharp increases in the ratio of imports to GDP and in the share of dutiable imports in total imports. Underlying these developments were the combination of a competitive exchange

^{1/} For a discussion of the channels through which devaluation can improve fiscal revenue performance, see Nashashibi and Bazzoni (1993).

CHART 4

INDONESIA

ADJUSTED GOVERNMENT SAVINGS AND INVESTMENT, 1980/81-1992/93

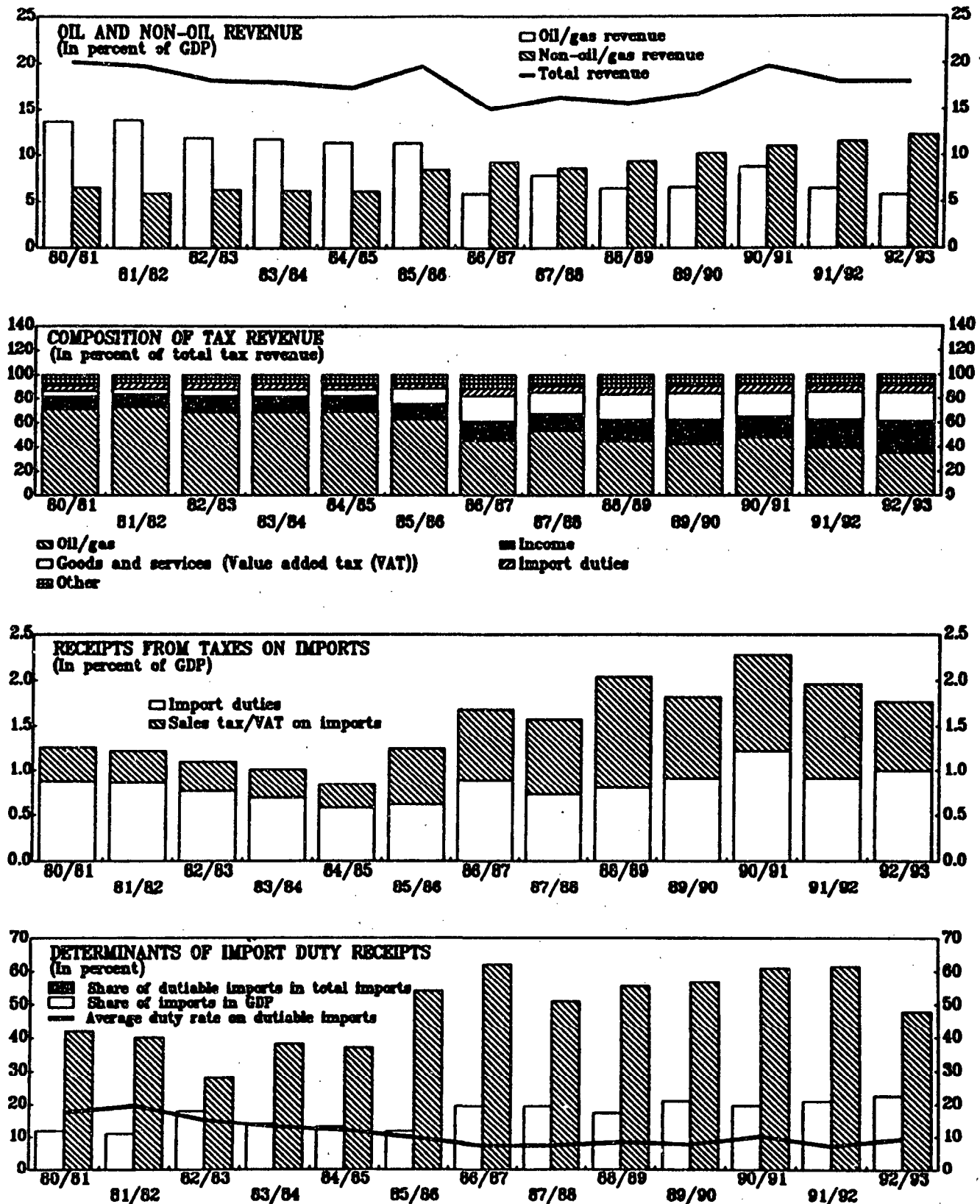


Sources: Data provided by Bank Indonesia, Research Department (URES);
Ministry of Finance, Directorate General of Budget; and staff estimates.

CHART 5

INDONESIA

DEVELOPMENTS IN FISCAL REVENUE, 1980/81-1992/93



Sources: Data provided by Bank Indonesia, Research Department (URES); Ministry of Finance, Directorate General of Budget; and staff estimates.

Table II-2. Indonesia: Central Government Revenue, 1980/81-1992/93

	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
(In billions of rupiah)													
Tax revenue	9,911	11,876	11,983	13,914	15,218	17,761	13,984	18,826	21,435	26,678	37,431	39,098	44,459
Taxes on income and profits	8,132	9,995	9,877	11,452	12,551	13,458	8,609	12,710	13,476	16,740	24,467	24,619	27,243
Oil/gas	7,020	8,628	8,170	9,520	10,430	11,145	6,338	10,047	9,527	11,252	17,712	15,039	15,330
Non-oil/gas	1,112	1,367	1,707	1,932	2,121	2,313	2,271	2,663	3,949	5,488	6,755	9,580	11,913
Individuals	164	207	289	399	451	675	699	757	1,158	1,671	1,541	2,577	3,406
Companies	881	1,072	1,316	1,386	1,449	1,387	1,303	1,610	2,349	2,667	3,493	5,099	5,544
Interest, dividends, and royalties	67	88	102	147	221	251	269	296	442	1,150	1,721	1,904	2,963
Property taxes	87	94	112	145	180	224	190	275	424	590	811	875	1,101
Taxes on goods and services (VAT)	461	534	708	831	878	2,327	2,900	3,390	4,505	5,837	7,463	8,926	10,714
Excise taxes	438	544	620	773	873	944	1,056	1,106	1,390	1,477	1,917	2,223	2,381
Taxes on international trade	753	665	604	661	621	658	1,039	1,122	1,348	1,758	2,530	2,152	2,660
Import duties	448	536	522	557	530	607	960	938	1,192	1,587	2,486	2,133	2,652
Export duties	305	129	82	104	91	51	79	184	156	171	44	19	8
Other	40	44	62	52	115	150	190	223	292	276	243	303	360
Nontax revenue	316	337	435	519	687	1,492	2,157	1,977	1,569	2,062	2,115	2,487	2,993
Profit receipts 1/	70	97	154	171	266	619	563	933	636	842	1,147	1,301	1,000
Other	246	240	281	348	421	873	584	1,044	933	1,217	968	1,186	1,993
Domestic oil operations balance	--	--	--	--	--	--	1,010	--	--	--	--	--	--
Total revenue	10,227	12,213	12,418	14,433	15,905	19,253	16,141	20,803	23,004	28,740	39,546	41,585	47,452
(In percent of GDP)													
Non-oil/gas revenue	6.3	5.7	6.2	6.1	6.0	8.2	9.1	8.3	9.1	10.0	10.7	11.4	12.0
Non-oil/gas taxes	5.6	5.2	5.3	5.4	5.2	6.7	7.1	6.8	8.0	8.9	9.7	10.3	10.9
Oil/gas revenue	13.7	13.8	11.9	11.8	11.4	11.3	5.9	7.8	6.4	6.5	8.7	6.4	5.7
Total revenue	20.0	19.6	18.1	17.9	17.4	19.6	14.9	16.1	15.5	16.5	19.5	17.8	17.8

Table II-2. Indonesia: Central Government Revenue, 1980/81-1992/93 (concluded)

	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
(Buoyancy with respect to GDP)													
Tax revenue	...	0.91	0.09	0.93	0.69	2.27	-2.14	1.79	0.93	1.40	2.43	0.30	0.96
Taxes on income and profits	...	1.05	-0.11	0.92	0.71	0.98	-3.62	2.46	0.40	1.39	2.78	0.04	0.75
Oil/gas	...	1.05	-0.52	0.95	0.70	0.93	-4.33	3.03	-0.35	1.04	3.46	-1.61	0.14
Non-oil/gas	...	1.06	2.42	0.76	0.72	1.23	-0.18	0.89	3.24	2.33	1.39	2.79	1.71
Individuals	...	1.21	3.86	2.19	0.96	6.74	0.36	0.43	3.56	2.54	-0.47	4.49	2.26
Companies	...	1.00	2.22	0.31	0.33	-0.58	-0.61	1.22	3.08	0.78	1.87	3.07	0.61
Interest, dividends, and royalties	...	1.44	1.55	2.54	3.70	1.84	0.72	0.52	3.31	9.17	2.99	0.71	3.91
Property taxes	...	0.37	1.86	1.70	1.77	3.32	-1.52	2.31	3.64	2.24	2.26	0.53	1.82
Taxes on goods and services (VAT)	...	0.73	3.17	1.00	0.42	22.39	2.47	0.67	2.21	1.69	1.68	1.31	1.41
Excise taxes	...	1.11	1.36	1.42	0.95	1.10	1.19	0.24	1.72	0.36	1.80	1.07	0.50
Taxes on international trade	...	-0.54	-0.89	0.54	-0.44	0.81	5.82	0.41	1.35	1.74	2.65	-1.00	1.66
Import duties	...	0.90	-0.25	0.39	-0.36	1.97	5.84	-0.12	1.82	1.90	3.42	-0.95	1.71
Export duties	...	-2.66	-3.55	1.55	-0.92	-5.96	5.51	6.87	-1.02	0.55	-4.48	-3.79	-4.07
Other	...	0.46	3.98	-0.93	8.91	4.13	2.68	0.90	2.08	-0.31	-0.72	1.65	1.32
Nontax revenue	...	0.31	2.83	1.11	2.38	15.90	4.48	-0.43	-1.39	1.80	0.15	1.17	1.43
Profit receipts	...	1.78	5.72	0.64	4.08	18.01	-0.91	3.40	-2.14	1.88	2.15	0.90	-1.62

Sources: Data provided by the Indonesian authorities; and staff estimates.

1/ Profits of public enterprises; includes Bank Indonesia.

Table II-3. Indonesia: Import and Export Taxation of Non-Oil/Gas Trade, 1980/81-1992/93

	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93 Est.
Imports and import duties													
Total imports (customs data) 1/													
U.S. dollars (millions)	9,662.8	10,894.2	10,984.6	11,307.0	11,469.0	10,297.0	14,296.0	15,369.0	15,215.0	20,515.0	21,558.0	25,034.0	29,286.0
Rupiah (billions)	6,039.3	6,808.9	12,340.0	11,421.0	11,922.0	11,522.0	21,070.0	25,282.0	25,866.0	36,522.0	40,119.0	49,166.0	59,743.0
Dutiable imports													
U.S. dollars (millions)	4,056.9	4,377.2	5,305.7	4,303.0	4,253.0	5,587.0	8,897.0	7,843.0	8,445.0	11,667.0	13,166.0	15,409.0	14,022.0
Rupiah (billions)	2,535.6	2,735.8	3,448.7	4,260.0	4,421.0	6,252.0	13,324.0	12,901.0	14,357.0	20,773.0	24,591.0	30,263.0	28,605.0
Levies on imports (Rp billion)	643.1	759.5	752.9	812.0	771.0	1,224.0	1,819.0	2,033.0	3,026.0	3,169.0	4,651.0	4,598.0	4,695.0
Import duties	448.0	536.0	522.0	557.0	530.0	607.0	960.0	938.0	1,192.0	1,587.0	2,486.0	2,133.0	2,652.0
Sales tax/VAT on imports	195.1	223.5	230.9	255.0	241.0	617.0	859.0	1,095.0	1,834.0	1,582.0	2,165.0	2,465.0	2,043.0
Exports and export duties													
Total exports 1/													
U.S. dollars (millions)	5,587.0	4,170.0	3,928.0	5,367.0	5,907.0	6,175.0	6,241.0	9,200.0	12,184.0	14,493.0	15,380.0	20,674.0	19,980.0
Rupiah (billions)	3,491.9	2,406.0	2,553.0	5,313.0	6,135.0	6,910.0	10,299.0	15,132.0	20,792.0	25,805.0	28,622.0	40,603.0	40,758.0
Export duties	305.0	129.0	82.0	104.0	91.0	51.0	79.0	184.0	156.0	171.0	44.0	19.0	8.0
(In percent)													
Levies on imports													
in percent of GDP	1.3	1.2	1.1	1.0	0.8	1.2	1.7	1.6	2.0	1.8	2.3	2.0	1.8
Of which:													
Import duties	0.9	0.9	0.8	0.7	0.6	0.6	0.9	0.7	0.8	0.9	1.2	0.9	1.0
Sales tax/VAT on imports	0.4	0.4	0.3	0.3	0.3	0.6	0.8	0.8	1.2	0.9	1.1	1.1	0.8
Total imports in percent of GDP	11.8	10.9	17.9	14.2	13.0	11.7	19.5	19.6	17.4	21.0	19.7	21.0	22.4
Share of dutiable imports													
in total imports	42.0	40.2	27.9	38.1	37.1	54.3	62.2	51.0	55.5	56.9	61.1	61.6	47.9
Average levy rate on imports	10.6	11.2	6.1	7.1	6.5	10.6	8.6	8.0	11.7	8.7	11.6	9.4	7.9
Average levy rate on dutiable imports	25.4	27.8	21.8	19.1	17.4	19.6	13.7	15.8	21.1	15.3	18.9	15.2	16.4
Average import duty rate	7.4	7.9	4.2	4.9	4.4	5.3	4.6	3.7	4.6	4.3	6.2	4.3	4.4
Average duty rate on dutiable imports	17.7	19.6	15.1	13.1	12.0	9.7	7.2	7.3	8.3	7.6	10.1	7.0	9.3
Average sales tax/VAT rate on imports	3.2	3.3	1.9	2.2	2.0	5.4	4.1	4.3	7.1	4.3	5.4	5.0	3.4
Average export duty rate	8.7	5.0	3.2	2.0	1.5	0.7	0.8	1.2	0.8	0.7	0.2	--	--

Sources: Data provided by the Indonesian authorities; and staff estimates.

1/ As published by the Directorate of Customs and Excises.

rate, reduced incentives to evade duties, and better enforcement of customs regulations. 1/, 2/

Additional reforms were aimed at broadening the domestic revenue base. The personal and corporate income taxes were revised with effect from 1984. 3/ A complicated and steeply progressive income tax structure was replaced by a simpler system, with three rates--15 percent, 25 percent, and 35 percent--applied to both personal and corporate taxpayers. In addition, more reliance was made on withholding as a means of collecting personal income taxes, and the number of registered taxpayers was increased through improved enforcement.

In April 1985, a sales tax with seven different rates was replaced by a flat value-added tax (VAT) of 10 percent, coupled with a special sales tax of 10 percent or 20 percent on specified luxury goods. The VAT was initially imposed on a relatively narrow base, at the manufacturer-importer level. Small firms, with turnover of less than Rp 60,000,000 per month (Rp 30,000,000 for service firms), were exempt from taxation and exports and capital goods were zero rated. As in the case of the income tax, the number of registered VAT taxpayers increased sharply following the reform.

In January 1986, finally, a new property tax law consolidated IPEDA, a tax paid mainly by landowners in rural areas, with six other property taxes. The new tax had only one rate (0.5 percent of the market value of the property), compared with 12 different rates under the old system, and it was imposed on a narrower base of real estate only. This excluded financial assets and other movable properties that were subject to the old wealth tax, so as to facilitate tax administration and improve tax compliance. 4/ Buildings with a sales value of Rp 3.5 million or less were not subject to the property tax, effectively exempting most rural housing and a substantial share of low-income urban housing.

The tax reform led to a dramatic transformation of the structure of government revenues. Non-oil/gas income taxes and the VAT accounted for the

1/ Since the mid-1980s, improvements in customs administration have been achieved with the assistance of SGS (Société Générale de Surveillance), a foreign company with expertise in this area.

2/ Combined receipts from import duties and from the VAT on imports more than doubled in relation to GDP between 1984/85 and 1990/91, but they edged down thereafter despite a continuing increase in the import ratio. The most recent developments reflect a decline in the share of dutiable imports in total imports, which may be attributable to a changing composition of imports in favor of duty-exempt inputs for the dynamic export sector and, possibly also, to a waning of the improvement in customs administration.

3/ For a more detailed description of Indonesia's tax reforms, see Asher and Booth (1992).

4/ For a more detailed description of the pre-reform tax system, see Woo and Nasution (1989).

bulk of the revenue effort, raising their combined share in total taxes from about 20 percent before the reforms to more than 50 percent in 1992/93. The share of oil revenue was virtually halved over the same period--from 68 1/2 percent in 1983/84 to 34 1/2 percent by 1992/93--drastically reducing the budget's vulnerability to oil price declines.

Tax receipts continued to rise much faster than income well after the initial reforms had been completed, reflecting a highly effective mix of further measures to broaden the tax base and strengthen tax administration. Between 1987/88 and 1992/93, the buoyancy of non-oil/gas income taxes and property taxes with respect to GDP averaged 2.0, while the buoyancy of the VAT averaged 1.5 (see Table II-2). Among the new measures introduced during this period were a withholding tax on deposit interest at a flat rate of 15 percent (November 1988); the extension of the VAT to telecommunications and domestic airline services (January 1989); increases in luxury tax rates and coverage including the introduction of a higher bracket (January 1989 and, again, January 1992); and the extension of the VAT to the wholesale level and most other services (April 1989). Other new measures included the extension of the VAT to large firms at the retail level (January 1992); the taxation of interest income earned by companies at a progressive corporate rate of up to 35 percent rather than the flat withholding tax rate (January 1992); and the extension of the requirement to withhold taxes on rents paid by professionals. Further enhancing the effectiveness of these measures were the ongoing efforts by the tax administration authority to strengthen enforcement, by improving and modernizing its auditing and cross-checking capabilities.

Notwithstanding these gains, there is substantial scope for a stronger revenue effort in the period ahead. As of 1992/93, Indonesia's non-oil/gas tax revenue amounted to 11 percent of GDP or about 6 percentage points of GDP below the average non-oil tax ratio in other ASEAN members. Indonesia's relative capacity to levy taxes may have, in the past, been hampered by certain structural characteristics of the economy, including the low levels of per capita GDP and nonexport income, the large share of economic activity in the agricultural sector, and the relatively low level of international trade in relation to GDP. 1/ As income growth continues and labor continues to shift from agriculture to more profitable industries, it should be possible to continue increasing the revenue effort over the medium term even without an increase in tax rates.

d. Expenditure and the debt-service burden

Given the impact of the oil countershock, revenue measures alone could not have brought about a timely fiscal adjustment in the absence of a determined effort to curb expenditure. After peaking at 23 percent of GDP

1/ For a formal estimation of how such factors may account for cross-country differences in apparent tax efforts, see Tait, Grätz, and Eichengreen (1979).

in 1985/86, total expenditure was slashed by 3 percentage points of GDP in 1986/87 (Chart 6 and Table II-4). Even so, the overall deficit widened to 5 percent of GDP. Unlike in previous years, a large portion of the deficit had to be financed through nonproject foreign borrowing, including program borrowing and credit from commercial banks. The public debt ratio surged to 50 percent of GDP in 1986/87, spurred also by the real depreciation of the rupiah. In these circumstances, expenditure was cut by another 3 percentage points of GDP in 1987/88. This, together with a partial recovery of oil prices, helped contain the deficit and stabilize the debt-to-GDP ratio. Expenditure was allowed to edge up thereafter, but the buoyant expansion of revenue helped keep the overall deficit in check.

Development expenditure and net lending, which had been a principal contributor to the deficits of the early 1980s, bore the initial brunt of the adjustment effort, declining from 11 1/2 percent of GDP in 1985/86 to 6 1/2 percent of GDP in 1987/88. Strict criteria were applied for the implementation of most projects, with priority given to the completion of those that were already at an advanced stage, and disbursements for many projects were stretched out. Project implementation was speeded up in 1988/89, but oil revenues again declined, leading to renewed restraint in development expenditure. The fiscal position strengthened thereafter, setting the stage for a partial recovery of development spending from about 7 percent of GDP in 1990/91 to 9 1/2 percent of GDP in 1992/93.

Noninterest current expenditure also made a lasting contribution to the adjustment effort, declining from 10 percent of GDP in 1985/86 to less than 8 percent of GDP by 1992/93. Public sector wages were frozen between 1985 and 1988, and the Government's salary bill was allowed to increase only as needed to cover wage drift and a small increase in employment. Thereafter, real civil service wages were allowed to reverse most of the earlier losses, but a rapid rate of economic growth helped keep the Government's wage bill more or less stable in relation to GDP. ^{1/} Other expenditure categories that were compressed included expenditure on goods and services, transfers to regions, and subsidies.

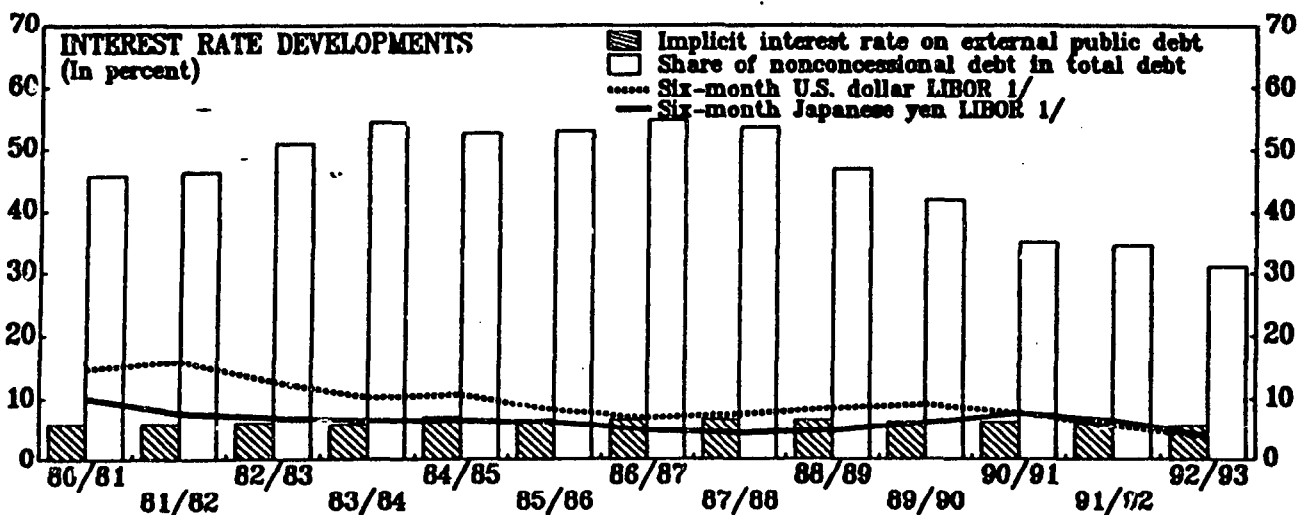
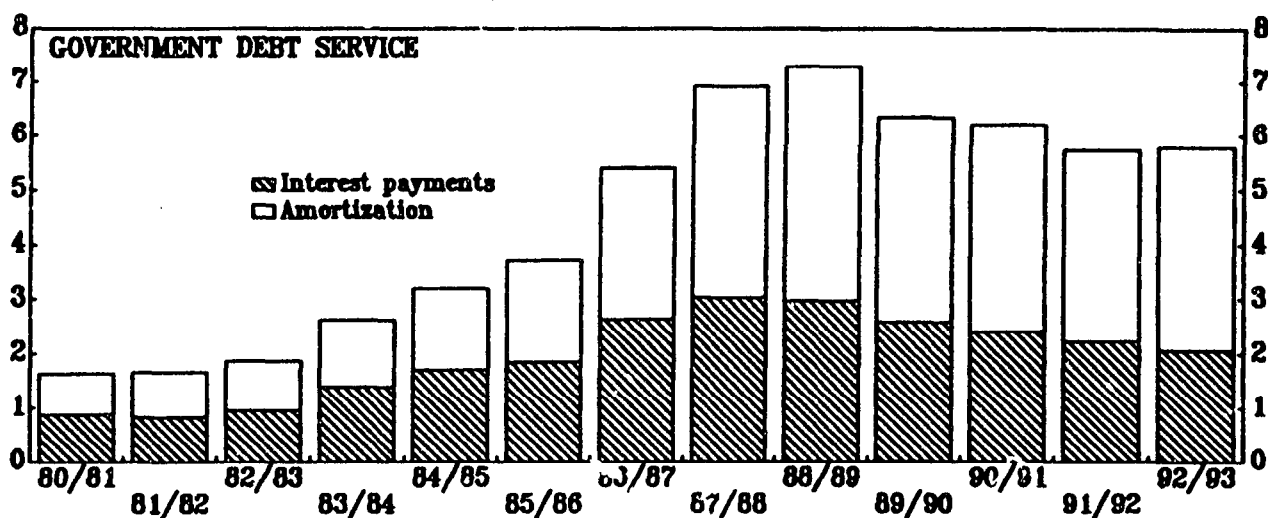
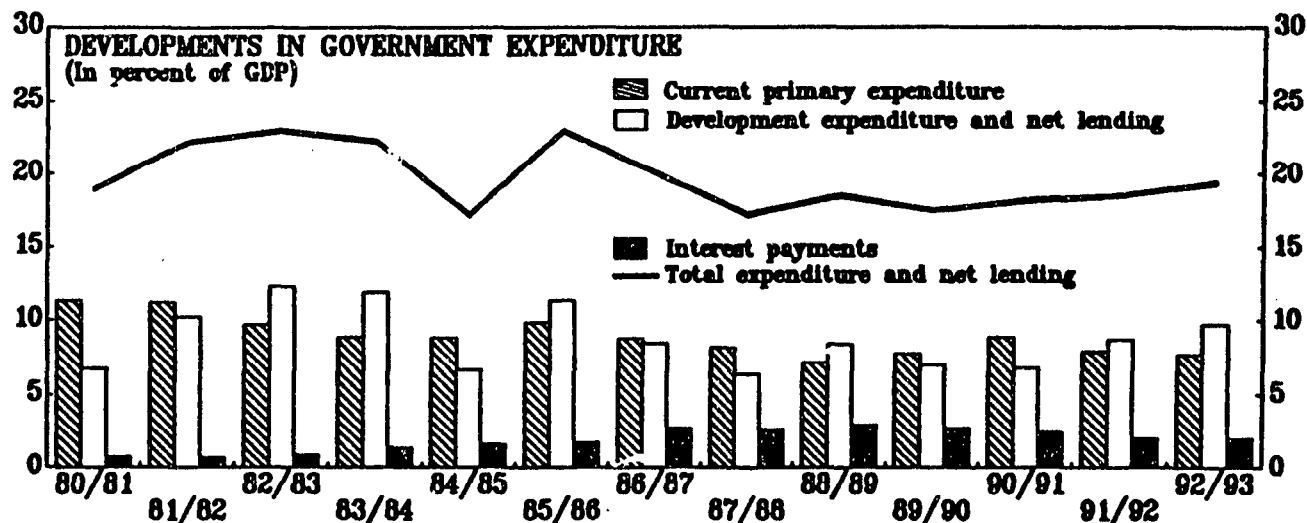
Petroleum subsidies, in particular, had declined from 2 percent of GDP in the early 1980s to zero by 1986/87, but they resurfaced as oil prices recovered, rising to 1 1/2 percent of GDP in 1990/91. Following three successive adjustments--in May 1990, July 1991, and January 1993--retail prices of most domestic oil products were raised by a cumulative 68 percent to 90 percent. As a result, real domestic oil prices have increased by a cumulative 20-36 percent since March 1990. The higher oil prices were

^{1/} Public sector wages were raised by 15 percent in 1989, 10 percent in 1990, 15 percent in 1991, and 12-18 percent in 1993 (no increase was granted in 1992, except for an increase in spouse allowances from 5 percent to 10 percent of basic salary). By comparison, the rate of inflation was 6.4 percent in 1989, 8.1 percent in 1990, 9.4 percent in 1991, 7.6 percent in 1992, and an estimated 9.5 percent in 1993.

CHART 6

INDONESIA

GOVERNMENT EXPENDITURE AND DEBT-SERVICE BURDEN, 1980/81-1992/93



Sources: Data provided by Bank Indonesia, Research Department (URES); Ministry of Finance, Directorate General of Budget; and staff estimates.

1/ London interbank offered rate.

Table II-4. Indonesia: Central Government Expenditure, 1980/81-1992/93

	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93 Est.
(In billions of rupiah)													
Total expenditure and net lending	9,703	13,838	15,818	17,930	15,762	22,598	21,692	22,268	27,502	30,571	37,047	43,330	51,823
Current expenditure	6,217	7,460	7,308	8,303	9,618	11,419	12,320	14,021	15,035	18,358	23,145	22,933	25,854
Personnel	2,023	2,277	2,418	2,757	3,047	4,018	4,311	4,617	4,998	6,201	7,054	8,103	9,466
Of which: Pensions	430	454	478	501	546	923	888	1,339	1,085	1,565	1,761	2,707	2,698
Material	671	923	1,041	1,057	1,183	1,367	1,366	1,329	1,492	1,702	1,830	2,373	2,870
Armed forces 1/	479	566	477	526	702	590	554	514	555	720	996	1,023	1,204
Transfers to regions	976	1,209	1,315	1,547	1,883	2,489	2,650	2,816	3,038	3,566	4,236	4,834	5,283
Interest on foreign debt	408	461	670	1,116	1,472	1,704	2,988	3,435	4,403	4,819	5,031	4,562	5,385
Subsidies	1,305	1,687	1,382	1,249	1,239	831	467	1,158	333	984	3,566	1,332	867
Petroleum	1,021	1,316	962	925	507	374	--	402	133	706	3,301	1,030	692
Fertilizer	284	371	420	324	732	477	467	756	200	278	265	302	175
Other	355	338	55	53	72	400	174	153	215	366	432	706	779
Development expenditure and net lending 2/	3,487	6,377	8,510	9,645	6,144	11,179	9,182	8,247	12,467	12,213	13,902	20,398	25,970
(In percent of GDP)													
Total expenditure and net lending	18.9	22.2	23.0	22.2	17.2	23.0	20.0	17.2	18.5	17.5	18.2	18.5	19.4
Current expenditure	12.1	12.0	10.4	10.3	10.5	11.6	11.6	10.9	10.1	10.5	11.4	9.8	9.7
Personnel	3.9	3.7	3.5	3.4	3.3	4.1	4.0	3.6	3.4	3.6	3.5	3.5	3.5
Of which: Pensions	0.8	0.7	0.7	0.6	0.6	0.9	0.8	1.0	0.7	0.9	0.9	1.2	1.0
Material	1.3	1.5	1.5	1.3	1.3	1.4	1.3	1.0	1.0	1.0	0.9	1.0	1.1
Armed forces 1/	0.9	0.9	0.7	0.7	0.8	0.6	0.5	0.4	0.4	0.4	0.5	0.4	0.5
Transfers to regions	1.9	1.9	1.9	1.9	2.1	2.5	2.4	2.2	2.0	2.0	2.1	2.1	2.0
Interest on foreign debt	0.8	0.7	0.9	1.4	1.6	1.7	2.8	2.7	3.0	2.8	2.5	2.0	2.0
Subsidies	2.5	2.7	2.0	1.5	1.4	0.9	0.4	0.9	0.2	0.6	1.8	0.6	0.3
Petroleum	2.0	2.1	1.4	1.1	0.6	0.4	--	0.3	0.1	0.4	1.6	0.4	0.3
Fertilizer	0.6	0.6	0.6	0.4	0.8	0.5	0.4	0.6	0.1	0.2	0.1	0.1	0.1
Other	0.7	0.5	0.1	0.1	0.1	0.4	0.2	0.1	0.1	0.2	0.2	0.3	0.3
Development expenditure and net lending 2/	6.8	10.2	12.4	12.0	6.7	11.4	8.5	6.4	8.4	7.0	6.8	8.7	9.7
Memorandum item:													
Total primary expenditure (excluding interest)	18.1	21.5	22.1	20.9	15.6	21.2	17.3	14.6	15.6	14.8	15.8	16.6	17.4
Of which:													
Current expenditure	11.3	11.2	9.7	8.9	8.9	9.9	8.8	8.2	7.2	7.8	8.9	7.9	7.7

Sources: Data provided by the Indonesian authorities; and staff estimates.

1/ Recurrent spending on goods and services only.

2/ Derived as the sum of the current budget surplus and net financing from the banking system and from abroad.

accompanied by substantial upward adjustments in electricity tariffs and transportation fares, leading to temporary spurts in the rate of inflation. Nevertheless, the longer-run effects of these adjustments are likely to have moderated demand pressures. Indeed, for the first time since 1986/87, the 1993/94 budget is expected to show a surplus on domestic oil operations.

As public debt surged, the attendant increase in the interest burden initially complicated expenditure control, but that burden was quickly contained once the adjustment process was under way. With the public debt ratio soaring, interest payments more than tripled from less than 1 percent of GDP in the early 1980s to 3 percent of GDP in 1987/88. Also contributing to the rise in interest payments was an increase in the implicit interest rate on the public debt of 1/2-1 percentage point between the early and mid-1980s. This was despite a steady decrease in market interest rates for both the U.S. dollar and the Japanese yen, which are the two principal currency denominations of Indonesia's external public debt, and reflected primarily the Government's increasing reliance on nonconcessional financing in the face of a limited supply of concessional funds. The Government's interest bill leveled off in 1988/89 and fell thereafter, as the public debt ratio began to decline and reliance on nonconcessional financing was curtailed. By 1992/93, interest payments had declined by 1 percentage point of GDP from the 1988/89 peak.

The interest burden is a good indicator of the legacy of past fiscal policy. In the case of Indonesia, the legacy of the past decade's fiscal imbalances is an increase in the Government's interest bill by 1 percentage point of GDP. Without this added burden, the tax ratio could now be correspondingly lower for any given level of expenditure, thereby alleviating tax-induced distortions. Given the size of the oil counter-shock and of the adjustment effort already undertaken, it appears reasonable to accept the temporary shifting of some of the burden of adjustment from the 1980s to the 1990s. By the same token, however, it would seem that the process of adjustment still has some way to go. Even abstracting from the depletion of oil wealth, it would be necessary to extend the effort to lower the public debt ratio at least over the medium term in order to revert to the Government's financial position of the early 1980s.

4. Lessons from past experience and future policy challenges

a. Medium-term objectives

The Indonesian experience suggests that to seek to stabilize the public debt ratio over the medium term may be insufficiently ambitious. A stable debt ratio would, in principle, ensure that the fiscal position is sustainable. But in the real world, that ratio is hardly ever stable. The speed with which debt can surge in times of adverse developments would indicate the need for rapid declines in more prosperous times. Alternatively, there is a risk that the debt burden will ratchet up to ever higher levels.

For the period ahead, a prudent medium-term objective for Indonesia would be to scale back the public debt burdens to levels closer to those of the early 1980s. This would require a marked strengthening of the fiscal position, which would also serve to ensure external balance as the role of private investment continues to expand. Given the continued needs for public investment in human and physical capital, and the limited scope for further saving in current expenditure, a good part of the adjustment would have to come from increased revenue. A timely revenue effort would also help to improve confidence in the viability of the fiscal position, as oil wealth is depleted.

b. Tax policy

The sustained expansion of non-oil/gas tax receipts, which is perhaps the most conspicuous success of Indonesia's fiscal effort, points to some of the elements of successful tax reform. Low tax rates, with limited dispersion, help contain tax-induced distortions, while simultaneously fostering improved tax compliance. The credibility and effectiveness of tax administration is also enhanced by starting small, with a narrowly defined and easy-to-locate tax base. This allows the authorities to ensure that enforcement remains manageable. The tax base can be subsequently expanded in line with administrative and enforcement capabilities. Although this may make tax reform an extended process, the end result is likely to be a more effective, broader, and better-enforced tax system.

In the period ahead, efforts to improve tax enforcement and compliance should be intensified, so as to tap a growing share of the potential tax base. As real incomes continue to rise and manufacturing continues to attract labor from the rural sector, there is also scope for a continuing expansion of the potential tax base over the medium term. Sustaining the pace of deregulation of trade and maintaining a competitive exchange rate, together with renewed efforts to strengthen customs administration, could also help consolidate earlier gains in the taxation of international trade. These efforts should make it possible for Indonesia to narrow and, ultimately, eliminate the gap between its non-oil/gas tax ratio and those of other ASEAN members.

c. Expenditure control

The Indonesian experience shows that government expenditure can be effectively controlled without permanently undermining essential public investment. Development expenditure did suffer sharp cuts in times of urgent adjustment, but it was allowed to recover as other revenue-enhancing and expenditure-reducing measures registered success. Although development expenditure has yet to return to the elevated levels of the mid-1980s, booming private investment has, in recent years, helped support rapid economic growth.

The progress to date in curbing current expenditure, together with the continuing needs for investment in the areas of infrastructure and

education, may make it hard to further compress the aggregate expenditure ratio over the medium term. The adjustment effort could still be supported, however, by discipline in public wages and civil service employment, additional cuts in subsidies and, as the public debt ratio declines, saving on interest payments. But the greatest risks for expenditure growth are probably in the field of development expenditure, an area in which demands and aspirations may be highest.

d. Public debt management

Indonesia stands out among countries with a similar burden of external debt for its exemplary debt-servicing record. A successful mix of prudent macroeconomic policies and market-oriented reforms is undoubtedly a key factor behind this achievement. Also important, however, has been a debt management policy that has generally emphasized borrowing primarily through official channels, at concessional rates, and with long repayment periods (see also Chapter V below). As a result, most commercial creditors have tended to remain within their exposure limits for Indonesia and the Government's interest burden has been restrained.

In the period ahead, given the increasing weight of external borrowing by the private sector, it would be prudent to follow a cautious public debt management policy. The Government's amortization payments have increased steadily in recent years, while new official flows and commitments secured through the Indonesia Consultative Group of donors have levelled off. Indeed, it would probably be unrealistic to expect any substantial increase in aid flows to Indonesia at a time of increasing needs in poorer emerging economies. It would be prudent to target no net inflow of external loans to the Government in the short run and a gradual reduction in the stock of external public debt over the medium term.

e. Rules versus discretion

The operation of the balanced budget rule highlights some of the limitations and merits of policy rules. A rule that is devised to deal with a particular challenge may not be strictly appropriate in changed circumstances, but it may help steer discretionary actions in the right direction. Although the balanced budget rule was not conducive to fiscal discipline during Indonesia's oil boom, it nevertheless helped create a policy environment in which prudence usually prevailed. The recent shift toward a more transparent use of discretionary policy is welcome. Given the large stock of government deposits with Bank Indonesia, however, the scope for domestic financing of the budget deficit is more extensive now that the right to tap development reserves is officially acknowledged.

In the period ahead, to adhere to the spirit of a balanced budget, all financing operations would need to be kept under strict control. To this end, the policy of minimal reliance on nonofficial external loans would need to be coupled with avoidance of drawdowns of government deposits with Bank Indonesia. To consolidate the recent improvement in transparency, such

drawdowns would, in any case, need to be explicitly accounted for in the budget as domestically financed expenditures.

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III. Trade Policy and Reforms 1/

1. Introduction

Indonesia's trade system has undergone significant changes since the early 1980s. At the beginning of that decade, the trade regime was inward oriented, with domestic industries protected by numerous trade barriers and high tariffs. While liberalization efforts had been initiated in earlier years, they were intensified only after 1986, when Indonesia's oil export earnings, as well as economic performance, were adversely affected by the collapse of world oil prices. To diversify the economic structure, the Government has, since then, implemented a series of market-oriented reforms. The primary focus of trade reforms has been to move away from a regime largely based upon nontariff barriers (NTBs) and toward a less distorted system based on import taxes. At the same time, import tariffs have been reduced progressively. The number of products subject to NTBs fell from a high of 1,700 in 1985 to 292 by October 1993, while the average tariff rate was lowered from 37 percent to about 20 percent.

This chapter provides an overview of the changes in the trade regime that have taken place since the early 1980s and assesses the scope for further reforms. Section 2 reviews recent progress in trade reforms and describes the current trade system. Section 3 discusses the initiative to create the AFTA and its implications for Indonesia. The final section outlines an agenda for reforms over the medium term.

2. Trade reforms and the current trade regime

a. Trade reforms during the 1980s

Indonesia's trade system was characterized by highly restrictive NTBs, together with a high and disparate tariff structure, until the mid-1980s. Beginning in 1981-82, the steady weakening of commodity prices, coupled with the leveling off of oil exports, undermined Indonesia's fiscal and external position. While the Government implemented appropriate adjustment policies to stabilize the economy, the trade system initially remained inward looking. In the face of sluggish domestic activity and excess production capacity, high tariff rates were supplemented by a proliferation of restrictive import licenses. By 1985, more than 1,700 import items were subject to licensing requirements, accounting for over 40 percent of total import value. Moreover, export restrictions in the form of outright bans, taxes, and quotas, particularly for agricultural products, were significantly increased.

In the wake of further declines in oil prices, the first major efforts to liberalize the trade system were undertaken in 1985. The aim of the reform was to lower the average tariff rate in order to expose the economy

1/ Prepared by Jian-Hai Lin.

to more foreign competition. The maximum tariff rate was slashed from 225 percent to 60 percent for most categories of imports, ^{1/} and the number of tariff rates was lowered from 25 to 11. The reform also raised the percentage of items with tariffs below 30 percent, from about 59 percent to 82 percent. While these measures resulted in a significant rationalization of the tariff structure, their effect was, nevertheless, mitigated by the widespread application of restrictive import licensing.

To further reduce trade distortions and encourage non-oil exports, additional reform measures were put in place in 1986. As a first step, 197 items were removed from licensing requirements and a duty-exemption and drawback facility (BAPEKSTA) was established to give exporters access to imported inputs at world market prices. Thereafter, several reform packages were implemented, with each of them focusing on reducing the incidence of NTBs in particular sectors. By end-1992, the number of import items subject to NTBs had been reduced to 464, while the share of production protected by NTBs had been lowered to 22 percent (Table III-1). Progress was particularly noteworthy in the manufacturing sector, where the share of protected production fell by more than half, from 68 percent in 1986 to 31 percent by 1992. At the same time, import tariff rates continued to be rationalized, and the average tariff rate was reduced to 20 percent from 37 percent in 1985 (Table III-2).

b. October 1993 reform package

The most recent reform package was announced by the Government on October 23, 1993. The main objectives were to further ease foreign investment requirements, reduce import protection, and streamline the duty drawback scheme for exporters. In the trade area, the most significant move was a liberalization of the steel sector, with the removal of NTBs on 77 steel products that had hitherto accounted for 6 percent of steel production and 39 percent of steel imports. Moreover, import surcharges were eliminated on 58 steel products, accounting for 35 percent of steel imports. As a result, the average tariff plus surcharge in the sector has fallen from 12.1 percent to 8.6 percent, while the production coverage of NTBs has been reduced to zero.

Aside from the steel sector, tariffs and surcharges were lowered on 72 glass products, 19 chemical products (including 15 pharmaceutical products), 5 copper products, and some machine tools. The package also completely removed tariffs and surcharges on inputs for the electronic components industry and eased regulations governing the import of used

^{1/} There were some exceptions to this tariff ceiling, most notably motor automobiles/motorcycles, some spare parts, and a range of products with specific duties.

Table III-1. Indonesia: Coverage of Nontariff Barriers, 1986-92
(In percent)

	After reform packages of:						
	1986	1987	1988	1989	1990	1991	1992
Production coverage 1/							
Gross production	41	38	29	28	25	22	22
Manufacturing	68	58	45	38	33	32	31
Food and beverages	...	...	...	63	61	60	59
Paper products	...	...	...	38	38	38	35
Engineering	...	...	...	49	36	34	34
Agriculture	54	53	41	40	39	30	30
Food crops	...	...	...	65	65	56	56
Estate and other crops	...	...	...	26	26	14	14
Import coverage							
Import value	43	25	21	17	15	13	13

Source: World Bank, Indonesia: Sustaining Development, May 1993, page 65.

1/ Production coverage estimates for 1986 are based on 1985 production weights. Estimates for subsequent years are based on 1987 weights.

Table III-2. Indonesia: Changes in the Tariff Schedule 1/
(In percent)

	Pre-1985	1985	1988	1989	1990	1991	1992
Average tariff rate							
Unweighted	37	27	24	27	22	20	20
Weighted							
By import value	22	13	15	12	11	10	9
By domestic production	29	19	18	19	17	15	13
Index of dispersion <u>2/</u>	62	108	90	93	89	83	83
Average effective tariff <u>3/</u>	...	4.9	5.1	5.4	6.2	4.5	4.8

Source: World Bank, Indonesia: Sustaining Development, (May 1993).

1/ Including surcharges.

2/ Coefficient of variation (standard deviation over the mean) of unweighted average tariff plus surcharge.

3/ Revenue from import duties in relation to non-oil imports (fiscal year).

machinery. 1/ In addition, restrictions on the import of pharmaceuticals were substantially relaxed, and new rules now permit the import of registered pharmaceuticals, including those not yet produced in Indonesia. Finally, the duty drawback system for exporters was simplified, by reducing inspection requirements on exports, so as to shorten the delay in the processing of BAPEKSTA applications.

c. Current trade regime

(1) Import licensing

While the recent reform package has substantially reduced the number of NTBs, the import system remains complicated. All imports into Indonesia continue to be subject to licensing requirements. To import any particular product, an importer must possess a license under which that product is classified. Most imports are classified under the nonrestricted license (also called General Importer License), which is relatively easy to obtain. However, there are 292 items that cannot be imported under the General Importer License and can only be imported under four types of special licenses as described below (Table III-3).

(a) The Importer-Producer License, which currently covers 118 products, is the least restrictive among the four. The license is granted to domestic producers who use imports as inputs, when they are unable to obtain the same products at similar prices in the domestic market. The license is generally available to industrial companies that use imported basic metal products in manufacturing.

(b) The Agent-Trader License, presently covering 17 products, is granted for the importation of engineering and transportation equipment from designated foreign suppliers.

(c) The Importer-Trader License is only available to six state-owned trading companies, with a view to maintaining orderly domestic market conditions. The license presently covers 63 products, mostly in the agricultural sector.

(d) The Producer-Importer License grants the right to import certain products only to domestic manufacturers producing the same products. It currently covers 85 items, including mainly agricultural and food-related products.

1/ Prior to the October 1993 package, only direct users, reconditioning companies, and one of five authorized importers were allowed to import used machinery. The new reform package transferred the authority to grant import permits to the Ministries of Trade and Industry which, in principle, could authorize anyone to import.

Table III-3. Indonesia: Distribution of Products Included in the Restricted Imports List, by License Type and Sector

Description	License Type				Banned	Total
	Importer- Producer	Agent- Trader	Importer- Trader	Producer- Importer 1/		
Food, beverages, and tobacco	4	--	49	30	--	83
Chemicals, rubber, and plastic	2	--	5	--	8	15
Textiles, clothing, and leather	--	--	--	--	--	--
Nonmetal products	--	--	--	8	--	8
Basic metal products	86	--	8	--	--	94
Engineering and vehicles	26	17	1	47	--	91
Other manufacturing	--	--	--	--	1	1
Total	118	17	63	85	9	292

Source: Data provided by the Ministry of Trade.

1/ Includes those items restricted to some public sector enterprises.

(2) Tariff schedule

Indonesia switched to the Harmonized System of tariffs in 1989, which now covers about 9,200 items. There are 11 different ad valorem rates, ranging from zero to 200 percent. Most items (99 percent) are below the official target tariff ceiling of 60 percent, with the most frequent rates being 5 percent, 30 percent, and 60 percent. There are 19 items to which specific rates still apply, with ad valorem equivalent rates of 50-300 percent. In addition, there are 176 items subject to surcharges, with rates ranging between 5 percent and 40 percent, covering mainly chemicals, metals, and machinery (Table III-4).

(3) Export regime

Indonesia's export system comprises taxation, marketing restrictions, and selected incentives applicable to a variety of commodities, aimed at preserving scarce resources and encouraging high value-added processing activities. Items under export controls are mostly unprocessed or semiprocessed agricultural and forestry products. During the mid-1980s, export licenses were abolished for most products and a duty exemption/duty drawback scheme for imported inputs was introduced. In 1992, outright bans on log exports were replaced with export taxes. At present, a minimum price of \$250 per cubic meter applies to exports of sawn and processed timber, and export taxes ranging from \$250 to \$4,800 per cubic meter are imposed on these products. Certain products are also subject to export taxes, ranging between 5 percent and 30 percent.

Aside from export taxes, exporters are required to possess trade permits, which are issued by the Ministry of Trade. Many of the products in which Indonesia has a significant market share are restricted to "approved" or "registered" exporters. In terms of value, it is estimated that 50 percent of all food exports are regulated under this system. Exports of textiles, some mineral products, and petroleum products are also channeled through approved exporters. Moreover, the Ministry of Trade can also authorize the establishment of a Joint Market Office (JMO) to market certain products. All products produced on state plantations are marketed through JMOs, including coffee, cocoa, rubber, tea, and crude palm oil.

Exporters enjoy certain benefits to alleviate the costs of trade regulations. The duty-exemption and duty drawback facility provides two mechanisms through which exporters can import inputs free of taxes (including duty and value-added tax) and import license requirements. The duty-exemption program allows imports of raw materials, machinery, and equipment, and other inputs free of duties under the condition that importers will export at least 65 percent (85 percent for garments) of total output. The drawback scheme enables exporters to be refunded with import duties, VAT, and luxury taxes paid on domestically purchased imported inputs. To obtain the refund, an exporter must present a supplier certificate verifying the amount of taxes paid and must certify that the purchased inputs are used for export manufacturing. Since their

Table III-4. Indonesia: Incidence of Surcharges

	No. of Items with Surcharges
Economy-wide	176
Agriculture	1
Mining	--
Manufacturing	175
Manufacturing sector	
Food, beverages, and tobacco	9
Textiles, leather, and footwear	--
Wood, cork, and associated products	--
Paper and printing	5
Chemicals, petroleum products, and coal	103
Nonmetallic industries	5
Basic metal products	15
Metal products and machinery	22
Other manufacturing	16

Source: Data provided by the Ministry of Trade.

establishment in 1986, an increasing number of firms have taken advantage of these programs.

3. Regional trade arrangement--ASEAN Free Trade Area

ASEAN members, as a whole, have in recent years maintained a relatively open trade system, which has contributed to their favorable economic performance. Significant progress was achieved during the last decade in reducing trade distortions, as most member countries have continued to actively pursue trade reforms.

Progress in reducing trade distortions, as measured by the decline in effective rates of protection, has been impressive in all ASEAN members, but there remains scope for further progress. While sufficient data are not available, estimates by the World Bank and the General Agreement on Tariffs and Trade (GATT) indicate a general declining trend in protection throughout the region. In the case of Indonesia, while protection has been substantially reduced in recent years, it remains high in important sectors (Table III-5).

The AFTA came into effect on January 1, 1993, representing an important step toward greater ASEAN trade liberalization and economic integration. By lowering tariff barriers, AFTA aims to encourage the complementary use of resources and promote foreign direct investment in the region.

a. Main elements of AFTA

The main purpose of AFTA is to lower tariffs among member countries so as to create a freer environment for intraregional trade flows in a competitive environment. It does not require member countries to set tariffs at a common level against nonmembers, nor does it constrain members' trade liberalization in the multilateral framework under the GATT.

The mechanism for reducing tariffs under the AFTA is the Common Effective Preferential Tariff (CEPT) scheme, which calls for a comprehensive reduction in tariffs to 0-5 percent on manufactured and processed agricultural products within 15 years (by January 1, 2008). Unprocessed agricultural products and services are not included in the scheme. Quantitative restrictions, other nontariff barriers, and payments restrictions are also to be eliminated within this time frame. It is specified that 40 percent of a product's value must originate within the ASEAN for the product to be eligible for the preferential rate.

Eligible goods are divided into "fast-track" and "normal-track" categories. Under the fast track, tariffs at 20 percent or below are to be reduced to 0-5 percent within 7 years, and those above 20 percent are to be reduced to the same level within 10 years. So far, 15 product groups

Table III-5. Indonesia: Structure of Protection, 1987-92

(In percent)

Sector	Nominal Rate of Protection			Effective Rate of Protection			Real Effective Rate of Protection 1/		
	1987	1990	1992	1987	1990	1992	1987	1990	1992
Total	9	8	7	16	14	13	4	3	2
Agriculture	9	11	8	18	20	14	6	8	3
Mining (including oil refining)	--	--	--	-1	-1	-1	-11	-11	-11
Manufacturing	17	13	12	68	59	52	50	43	37
Food, beverages, and tobacco	14	13	12	122	126	120	99	103	99
Textiles	32	12	12	102	35	34	81	21	21
Wood products	2	-5	-5	25	33	33	12	20	20
Nonmetal products	17	14	13	57	49	44	40	34	30
Engineering	40	38	28	152	139	82	126	115	64
Other	40	26	26	124	79	80	101	61	62
Import-competing 2/	17	15	15	39	35	32	24	21	19
Export-competing 3/	-1	-1	-1	-2	-1	-1	-12	-11	-11
Anti-trade bias 3/	...	...	...	41	36	33	...	...	...

Source: World Bank, Indonesia: Sustaining Development (May 1993).

1/ The RERP deflates the ERP by the increase in the consumer price index induced by the trade regime. Under certain simplifying assumptions, including that there is only one variable factor, sectors with positive (negative) RERPs will have domestic resource cost ratios greater than (less than) unity. The RERP predicts the direction of resource movements, in the sense that sectors with positive (negative) RERPs expand (contract).

2/ The dividing line between export- and import-competing sectors is whether exports exceed or fall short of 20 percent of output.

3/ Defined as $(1+ERP \text{ import-competing})/(1+ERP \text{ export-competing})-1$.

have been placed in the fast-track category. 1/ Under the normal track, tariffs at 20 percent or below are to be reduced to 0-5 percent within 10 years, while those above 20 percent are to be reduced to 20 percent in 8 years and then to 0-5 percent within the next 7 years. Within these maximum periods, each member is free to determine the timing of tariff reductions. Moreover, members are allowed to temporarily add/subtract products to/from the above-mentioned categories, provided that the relevant tariffs are reduced to 0-5 percent within the deadline. At the ASEAN Annual Economic Ministers' meeting held in Singapore in October 1993, a total of 36,897 products were submitted by members to be included in the CEPT, accounting for about 84 percent of import items among ASEAN members (Table III-6).

b. Implementation

Implementation of tariff reductions has been delayed from the original plan agreed upon in December 1992, owing to disagreements on the range of products to be subject to the CEPT. At the October 1993 meeting, it was decided that tariff reductions that were initially scheduled to become effective in January 1993 would take place starting January 1994. The reductions would affect fewer than the 15 product groups as agreed upon earlier. Beyond this, there is little basis at this stage for assessing the implementation record of individual countries.

c. Implications for Indonesia

Indonesia accounts for about 50 percent of ASEAN GDP and 20 percent of ASEAN exports. Indonesia's trade with other ASEAN members is still relatively limited (13 percent) and is mostly with Singapore and Malaysia. 2/ However, the share of exports to those countries has risen rapidly in recent years, reflecting continuing economic integration in the context of a rapidly growing regional economy.

Indonesia and other ASEAN members alike stand to benefit from the AFTA, as intraregional trade promotes greater integration among the region's labor and capital markets and more complementarity in production structure. It is expected that, as the ASEAN market continues to expand rapidly, the share of intraregional trade will continue to rise. With the ASEAN economies emerging as major producers of manufactured goods, there would appear to be prospects for large gains from regional economic integration over the medium term.

1/ These are vegetable oil, cement, chemicals, pharmaceuticals, fertilizers, plastics, rubber products, leather products, pulp, textiles, ceramic and glass products, gems and jewelry, copper cathodes, electronics, and wooden and rattan furniture.

2/ ASEAN members' trade with each other is, in fact, quite small. On average, ASEAN takes less than one fifth of the total exports of its members.

Table III-6. Indonesia: Number of Products Listed Under AFTA

	H.S. Digit Level	Inclusions			Temporary Exclusions
		Fast Track	Normal Track	Total	
Brunei	9	2,420	3,659	6,079	208
Indonesia	9	2,816	4,539	7,355	1,654
Malaysia	9	3,166	5,611	8,777	627
Philippines	9	1,033	3,418	4,451	714
Singapore	9	2,205	3,517	5,722	--
Thailand	6	1,736	2,777	4,513	118
Total		13,376	23,521	36,897	3,321

Source: Data provided by the Ministry of Trade.

4. Need for further reforms

The main objectives underlying the ongoing trade reforms should be to move toward a more neutral and administratively simple trade regime and to further lower tariff rates. In particular, import licensing requirements need to be further simplified and reduced; and ultimately, import controls should remain only where they are required for health, safety, and national security reasons. This would imply that there remains great scope for reducing import restrictions on agricultural and agro-industrial, paper, engineering, and automobile products.

To improve the structure of import tariffs, reform efforts should continue to be geared toward phasing out surcharges, reducing tariff categories, and lowering the maximum tariff rate from 60 percent to substantially lower levels over the medium term. On the export side, the focus should be on two areas: to reduce, and ultimately eliminate, marketing restrictions (i.e., through "approved" exporters) applied to certain exports, and to lower export duties.

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IV. Recent Developments in the Foreign Investment Regime 1/

This chapter briefly reviews recent developments in foreign investment and provides an overview of the changes in the foreign investment regime that have occurred since the mid-1980s.

1. Recent developments in foreign investment

Since the mid-1980s, the Indonesian Government has improved the climate for foreign investment through a wide-ranging liberalization of trade as discussed in the previous chapter. At the same time, additional measures were aimed at simplifying rules for foreign workers (especially in the acquisition of work permits), reducing the differential treatment of foreign and domestic investors, easing ownership regulations pertaining to foreign investment, and streamlining licensing requirements.

Progress toward a less regulated investment regime, combined with the virtual freedom of capital movements, a large and low-cost labor force, and a stable government, have given rise to growing investor confidence. As can be seen from Table IV-1, foreign investment applications have increased sizably since the mid-1980s. Among individual countries, Japan holds by far the biggest share of foreign investment in Indonesia, with a cumulative total of more than \$13 billion, or 20 percent of the total, since 1967 (Table IV-2). Hong Kong, Taiwan Province of China, Korea, and the United States follow with individual investments of between \$3 billion and \$5 billion each. Foreign investment approvals have been concentrated in the services sector (hotels and other activities), chemicals, textiles, and paper and paper products (Table IV-3).

After reaching a record high of \$10.3 billion in 1992, approvals under the foreign investment scheme (PMA) posted a decline of about 22 percent in 1993. Foreign investment has reportedly suffered not only from sharper overseas competition from emerging economies with relatively low labor costs, but also from the sustained weakness of economic activity in many industrial countries. In addition, bottlenecks in infrastructure (physical infrastructure, electricity, and communications), along with the cost of bureaucratic requirements and restrictions that prevail in Indonesia, remain major impediments to foreign capital flows.

Among the principal concerns of foreign investors have been Indonesia's long and complex licensing procedures, complications in obtaining land titles, ownership limitations, and the lack of transparent rules for business dealings. While licensing procedures have been reported to be adequate at the central government level, approvals by local administrations under land use and zoning regulations have been more difficult to obtain.

1/ Prepared by Marie-Hélène Duprat.

Table IV-1. Indonesia: Approvals of Investment Projects, 1979-93

(In millions of U.S. dollars)

	<u>Domestic Investment</u>		<u>Foreign Investment</u>	
	No. of Projects	Intended Capital Outlay	No. of Projects	Intended Capital Outlay
1979	166	655	13	249
1980	159	2,817	20	1,074
1981	164	2,292	24	707
1982	205	3,616	31	2,417
1983	333	6,476	46	2,471
1984	145	2,109	23	1,097
1985	245	3,736	45	853
1986	315	4,412	93	848
1987	570	10,450	130	1,520
1988	844	14,238	145	4,482
1989	858	19,439	294	4,719
1990	1,316	55,278	432	8,751
1991	802	41,085	376	8,778
1992	436	29,342	305	10,313
1993 ^{1/}	312	22,578	212	5,724

Source: Data provided by the Investment Coordinating Board (BKPM).

^{1/} As of September 30, 1993.

Table IV-2. Indonesia: Cumulative Approvals of Foreign
Investment Projects by Country of Origin, 1967-93 1/

(In millions of U.S. dollars)

	No. of Projects	Intended Capital Outlay	Percent
Europe			
Netherlands	105	2,450	3.6
Belgium	18	276	0.4
United Kingdom	130	2,631	3.9
Germany 2/	58	1,942	2.9
France	36	419	0.6
Switzerland	34	567	0.8
North and Central America			
United States	156	3,274	4.8
Canada	17	80	0.1
Panama	22	487	0.7
Asia			
Hong Kong	254	5,519	8.1
Japan	557	13,566	19.9
Malaysia	30	160	0.2
Philippines	5	15	--
Singapore	228	2,740	4.0
Thailand	14	98	0.1
Taiwan Province of China	261	3,998	5.9
Korea	290	3,516	5.2
Australia and New Zealand	138	1,380	2.0
Other	278	24,954	36.8

Source: Data provided by the Indonesian authorities.

1/ As of September 30, 1993.

2/ Data through 1990 apply to west Germany only.

Table IV-3. Indonesia: Approvals of Foreign Investment Projects by Economic Sector, 1983-93 1/

(In millions of U.S. dollars)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993 2/
Agriculture	38	--	21	130	133	80	173	192	26	231	141
Mining and quarrying	--	--	--	--	--	--	--	116	--	2,313	--
Manufacturing	2,615	1,002	687	537	852	3,828	4,246	5,647	3,970	5,658	2,619
Food	83	77	6	34	54	231	223	99	382	213	67
Textile	12	1	7	9	118	213	581	1,094	532	591	333
Wood and wood products	13	--	--	32	45	104	106	218	62	34	30
Paper and paper products	722	--	25	47	109	1,506	211	730	822	686	147
Chemicals and pharmaceuticals	183	96	338	293	208	1,544	2,512	1,998	926	2,332	913
Nonmetallic minerals	50	--	3	--	251	30	184	125	133	841	51
Basic metals	836	609	65	39	7	61	106	825	197	47	163
Metal products	716	210	244	82	57	129	292	460	856	863	894
Other	10	9	--	--	3	10	31	99	60	51	23
Construction	44	17	122	65	42	2	16	77	26	41	62
Services	186	88	29	95	429	525	284	2,719	4,756	2,070	2,902
Hotels	78	84	--	--	196	405	98	874	4,019	919	201
Other	108	4	29	95	233	120	186	1,845	737	1,151	2,702
Total	2,883	1,107	859	826	1,457	4,435	4,719	8,752	8,778	10,313	5,724

Source: Data provided by the Indonesian authorities.

1/ Includes both new projects and extensions of existing projects, but excludes investment in the petroleum, banking, insurance, and leasing sectors. Components may not add to totals owing to rounding.

2/ As of September 30, 1993.

2. Recent deregulation measures

Reflecting its concerns about Indonesia's competitiveness in attracting foreign investment, the Government has continued to liberalize investment regulations since the mid-1980s. The latest deregulation package, announced on October 23, 1993, focuses on easing investment licensing restrictions at the provincial level, relaxing divestiture requirements, lowering minimum capital requirements for some investments, and streamlining procedures for environmental impact assessments. One of the most important measures entails the simplification of investment licensing procedures through the elimination of some of the layers of bureaucracy in the approval process. The success of this measure, however, will depend on the extent to which provincial authorities will be able to adhere to the spirit of the simplified procedures, without introducing new bureaucratic requirements.

a. Licensing

Since 1985, investment application procedures have been substantially streamlined, notably by reducing the number of "stops" that a potential investor has to make before securing final approval. A major step was to make the Investment Coordinating Board (BKPM) the central authority in the licensing of new investments, with the responsibility to coordinate the approval process among the various departments. Another milestone was the October 1993 deregulation package, which eliminated the need for foreign investors to produce letters of recommendation from provincial governments when applying for licenses, and transferred some of the responsibility for permit processing from provincial governments to local authorities.

The recent decentralization of industrial permit issuance allows foreign investors to initiate their projects as soon as they obtain formal approval from the BKPM. The various subsidiary licenses for location, building construction, land appropriation, and environmental clearance are to be automatically granted by local authorities. By shortening the long list of required approvals, the new procedure should expedite the issuance of licenses. However, the transfer of authority to the regions will need to be properly interpreted by all involved parties. Effective implementation would require improved supervision, as well as a strengthening of regional enforcement-capabilities. To help in this process, the central government authorities have set up an interministerial team to provide guidance on how the new procedure should be put in practice.

b. Joint ventures

In an effort to foster indigenous enterprise, the Government continues to stipulate that all foreign investment should take the form of a joint venture with an Indonesian corporation, legally registered organization, or individual. Indonesian law initially required that foreign ownership should not exceed 80 percent upon constitution of the joint venture. An important step in deregulation was taken in July 1992, when 100 percent foreign ownership was permitted in the following three types of investment:

(i) projects worth at least \$50 million; (ii) projects located in any one of 14 less developed provinces (primarily in Eastern Indonesia); and (iii) projects worth less than \$50 million and located outside one of the 14 provinces but situated in bonded zones with 100 percent of production to be exported. The October 1993 deregulation package further relaxed ownership restrictions by lowering the investment threshold for 100 percent foreign-owned companies from \$50 million to \$2 million, provided that these companies produce inputs or components for other industries.

The October 1993 package also extended the time span during which foreign investors are allowed to fully own industries in Indonesia. The divestment process now has to start in the eleventh year of commercial production as compared with the sixth year previously. The divestment of shares, which should take place within 20 years, could be carried out through the capital market or direct placement (rather than through a forced sale to designated local partners). However, for certain categories of investment, the level of local ownership that should be reached within 20 years has been raised from 5-20 percent to 20-51 percent of capital, depending on the type of industry. In particular, large investments (above \$50 million), irrespective of location, are henceforth subject to the requirement of a 51 percent (compared with 20 percent previously) divestment of shares to local investors within 20 years.

c. Land titles

The Basic Agrarian Law of 1960 stipulates that land, including agricultural land, can only be owned by individual Indonesian citizens. It can neither be owned by a joint venture nor can it be pledged as collateral to secure a loan to that company. This rule has, in the past, impeded the financing of agricultural joint ventures, which could have otherwise attracted more foreign investment. The Basic Agrarian Law also makes it illegal for Indonesian firms to own land.

The July 1992 deregulation package introduced various facilities to ease the problems stemming from restrictions on land rights. Companies operating under the foreign investment scheme have been allowed to obtain a Land Title for Business Operation (HGU), which can be used as bank collateral and is transferable to other parties (with the Government's approval). The October 1993 deregulation package, moreover, extended to 30 years (from 25 years previously), the maximum length of land leases, with the possibility of easy renewal.

d. Negative Investment List

A major stride in deregulation was made in 1989 when the Government replaced the former investment priority list that specified the areas open to different categories of investors with the more transparent Negative Investment List (DNI). The setting up of the DNI, which identifies various areas closed to different categories of investors, resulted in broadening the field of opportunities available to foreign and domestic investors, and

has also helped speed up the processing of applications. The list differentiates between foreign and domestic investments that fall under separate laws (PMA and PMDN, respectively).

The DNI distinguishes five categories of sectors as follows:

(i) sectors closed to investment unless certain requirements are met; (ii) sectors closed for expansion and new projects unless 65 percent of the production is exported; (iii) sectors closed for expansion and new projects unless 100 percent of the production is exported; (iv) sectors open to domestic investors but closed to foreign investors; and (v) sectors absolutely closed to all investors. Since 1990, the number of fields/industries closed to foreign investment under the DNI has been progressively reduced.

The June 1993 package reduced the number of sectors in the DNI from 51 to 33. Among the sectors that were opened to foreign investors were nonautomotive internal combustion piston engine manufacturing; heavy equipment manufacturing, including bulldozers, loaders, graders, excavators, road rollers, and diesel forklift trucks; three-wheeled vehicles; breeding of certain chicken stocks; fruit wines; and wheat flour.

Currently, of the 33 sectors, only 6 are completely closed to investment, lest their production endanger people's health and damage or pollute the environment. These are: forest logging; casino/gambling operations; exploitation and production of sponge; marijuana and the like; veneer (rotary); pentachlorophenol, dichloro diphenyl trichloro ethane (DDT), dieldrin, and chlordane. Among the remaining 27 sectors, 13 are closed to new investments unless investors can fulfill certain requirements; 2 are closed except for new projects with at least 65 percent of the products to be exported; 1/ 4 are closed except for projects expected to export 100 percent of their products; and 8 are closed under the PMA.

1/ Under the terms of the June 1993 package, foreign investors are no longer required to export at least 65 percent of their output for the following products: motor vehicles, including medium and light trucks, pickup vans, buses, minibuses, multipurpose vehicles, jeeps, sedans, and passenger station wagons; two-wheeled motorbikes and scooters; and utility boilers.

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V. International Debt 1/

1. Introduction

Indonesia's debt burden has risen sharply since the early 1980s. The stock of external debt reached \$84 billion, or 65 percent of GDP, in 1992/93, among the highest in the developing world. Many of Indonesia's debt indicators are above the average for all developing countries and in line with those of countries with recent debt-servicing difficulties. 2/ Yet, Indonesia has not faced a cash flow constraint in meeting its international obligations. This can be accounted for by three main factors: first, Indonesia has maintained sound economic management and showed the ability to undertake prompt and robust adjustment policies to deal with external shocks. As a result, it received strong financial support from the official donor community, often at concessional rates. Second, Indonesia has pursued a prudent borrowing strategy as evidenced by the relatively low proportion of short-term debt in its overall debt. Third, the country has focused on the promotion of non-oil exports to provide the resources needed to service its external debt. It did so through a combination of a realistic exchange rate policy and trade reforms designed to spur the country's competitiveness in the world markets.

Although past achievements are impressive, Indonesia faces a number of important challenges for the future. First, the debt-service burden has to continue to be reduced to more manageable levels. But, at the same time, with a relatively low level of per capita income and a growing labor force, Indonesia needs to sustain rapid economic growth. To reconcile the growth and debt targets, Indonesia would need both a sustained growth of non-oil exports and an increase in domestic saving. The latter could be brought about partly through a further strengthening of fiscal policy (see Chapter II above). A related challenge pertains to the management of a growing stock of private external debt in an economy with an open capital account that is increasingly led by private sector growth. From this perspective, the effectiveness of direct controls on public debt, upon which Indonesia has partly relied so far to contain the rise in its external debt, may be reduced in the long run. This would call for a shift in the emphasis of debt management policies away from direct controls and toward indirect macroeconomic and structural policies.

This chapter is organized as follows. Section 2 briefly reviews the main factors underlying the growth of Indonesia's external debt over the past decade, as well as the policies adopted by the Government to contain

1/ Prepared by Marie-Hélène Duprat.

2/ Following the World Economic Outlook, the term "countries with recent debt-servicing difficulties" refers to those countries that incurred external payments arrears or entered into official or commercial bank debt-rescheduling agreements during 1986-90 (IMF, World Economic Outlook (Washington, D.C., October 1993), p. 127).

that growth. The Indonesian experience is then compared with those of some Asian and Latin American countries that had different records as regards the servicing of external debt. Section 3 turns to the principal components of debt management in Indonesia during the 1980s. The issue of debt sustainability is reviewed in Section 4, with a focus on the main debt-related risks Indonesia is likely to face in the 1990s, and Section 5 offers some concluding remarks.

2. Debt burden

a. Background

Indonesia's external debt remained modest throughout the 1970s as a consequence, to a large extent, of buoyant oil export earnings and a prudent external borrowing strategy in the aftermath of the Pertamina crisis in 1975 (see below). The cautious stance of the borrowing strategy is highlighted by the fact that, despite the 1974-78 oil price boom that prompted other oil-exporting countries to borrow heavily, Indonesia showed a restrained pace of debt accumulation. Indeed, external current account surpluses were posted in some years and the Government sterilized part of the oil windfalls by building up deposit balances with Bank Indonesia.

Indonesia's external debt burden has showed a sharp increase since the early 1980s. The stock of external debt increased nearly fivefold between 1980 and 1992. By 1992/93, total external debt amounted to the equivalent of 65 percent of GDP compared with 32 percent of GDP in 1980. As a percentage of exports, Indonesia's foreign debt surged from some 90 percent in 1981 to a high of 308 percent in 1986/87, before declining to 216 percent by 1992/93 (see Table V-1). The rise in Indonesia's international debt has occurred in two major steps: first, during 1981-87, under the impact of the accumulation of a large public debt in the face of collapsing oil prices and a depreciating U.S. dollar; and second, since 1989, owing to the growth in private borrowing associated with a sustained private investment boom.

Beginning in 1981, as international oil prices leveled off and commodity prices began to decline, the marked loss in export revenue was temporarily offset by increased borrowing abroad on the part of the Government. Initially, much of this borrowing was contracted from commercial banks at variable interest rates. ^{1/} But as it became apparent that the terms of trade losses were unlikely to be reversed, the Government returned to a more cautious borrowing policy, endeavoring to reduce the recourse to floating-rate loans and increase the recourse to financial support from the official community. The increase in external debt that occurred during 1985-87 was largely due to valuation effects rather than new borrowing. These arose mainly from the depreciation of the U.S. dollar vis-à-vis the Japanese yen and reflected the fact that a large share of

^{1/} See World Bank (1992).

Table V-1. Indonesia: External Debt, Debt-Service Payments, and Debt Currency Denomination, 1983/84-1992/93

	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
Total debt (in billions of U.S. dollars)	30.3	31.2	37.4	44.5	53.6	55.6	57.3	70.0	72.9	84.0
Outstanding debt/GDP (in percent)	39.9	36.8	44.1	62.3	68.4	65.8	59.9	66.6	63.0	65.2
Outstanding debt/exports (in percent) 1/	154.1	145.1	195.2	307.6	275.7	249.3	223.0	228.5	224.3	216.2
Debt service/exports (in percent) 1/	15.9	19.6	24.3	37.8	36.4	37.9	35.4	32.9	31.9	29.0
Of which: Public sector debt	(12.8)	(16.1)	(21)	(33.5)	(31.7)	(33.0)	(27.2)	(24.3)	(23.2)	(21.4)
Interest payments/exports (in percent) 1/	9.7	11.5	13.2	19.9	18.3	18.2	15.9	14.9	14.2	11.5
Memorandum item:										
Government debt denominated in:										
U.S. dollars (percent of total debt)	...	...	...	32.6	38.5	42.8	42.9	42.2	41.7	41.5
Japanese yen (percent of total debt)	...	...	...	44.0	43.0	38.0	38.5	40.0	41.4	42.7

Sources: Data provided by the Indonesian authorities; and staff estimates.

1/ Exports of goods and nonfactor services.

existing public debt has been denominated in yen. With export earnings compressed by the collapse of oil prices, the debt-service ratio soared from 16 percent of exports in 1983/84 to 36 percent of exports in 1987/88.

The deterioration in the terms of trade, together with the worsening of Indonesia's debt indicators, prompted the swift implementation of far-reaching adjustment policies focused on both the exchange rate and the budget. Two large devaluations, which took place in 1983 (28 percent) and in 1986 (31 percent), helped enhance the competitiveness of non-oil manufactured exports. The Government also moved to tighten budgetary policy (see Chapter II) and supplemented this with structural reforms designed to promote the development of a more open, competitive, and efficient economy (see Chapters III and IV). In addition, the Government adopted a cautious external borrowing strategy centered on limiting new public borrowing largely to the resources provided by official donors through the IGGI.

The adjustment effort succeeded in achieving a substantial decrease in oil dependence. Manufactured exports posted an average growth rate of nearly 30 percent per year over the 1987-91 period. As can be seen from Table V-2, the external current account position showed a sizable improvement between 1987 and 1989 and the debt indicators also displayed some amelioration. At the same time, the country enjoyed strong financial support from the official community on favorable terms.

The second phase in the rise in Indonesia's external debt began in 1989, in reflection of a sustained increase in private investment. Private investment had already begun to surge in the wake of the 1986 devaluation, but it gathered momentum in the late 1980s in the aftermath of investment and trade deregulation, along with financial sector reforms. The ensuing increase in capital goods imports led to a sharp widening of the external current account deficit (to nearly 4 percent of GDP) over the 1990-92 period. The attendant increase in foreign borrowing resulted in a renewed deterioration in external debt indicators. In contrast to the past, however, the increase in indebtedness since 1989 has been mainly driven by private debt, whose share in total debt outstanding has risen to about one third, as compared with one fifth five years ago. This change in the composition of external debt is to be expected as economic growth is increasingly led by the private sector. Unlike government debt, however, private debt is almost entirely owed to private lenders, is mainly contracted at variable interest rates, and has, typically, high interest spreads and short maturities.

The worsening of the current account position prompted a tightening of monetary policy beginning in early 1990. However, the effectiveness of this tightening was initially mitigated by further recourse to foreign borrowing by residents in response to the increase in domestic interest rates. To contain the growth of external debt, beginning in 1991, the authorities imposed administrative controls over all public and publicly related

Table V-2. Indonesia: Economic Indicators, 1983/84-1992/93

(In billions of U.S. dollars unless otherwise specified)

	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
GDP growth (percentage change) ^{1/}	3.4	6.0	2.5	6.0	4.9	5.8	7.5	7.2	6.9	6.3
Inflation (percentage change) (period average) ^{1/}	12.5	8.3	5.1	6.6	9.3	7.5	6.4	8.1	9.4	7.7
Investment (percent of GDP) ^{1/}	28.7	26.2	28.0	28.3	31.4	32.6	35.5	35.8	34.9	34.5
Budget (percent of GDP)	-4.2	0.2	-3.3	-5.0	-0.9	-2.8	-0.9	1.4	-0.6	-1.4
Current account (percent of GDP)	-4.4 (-5.7)	-1.7 (-2.1)	-2.0 (-2.4)	-4.2 (-5.4)	-2.1 (-2.7)	-2.3 (-2.6)	-2.1 (-2.2)	-4.2 (-3.8)	-4.5 (-3.8)	-2.5 (-1.9)
Exports	19.8	20.9	18.5	13.7	18.3	19.8	23.8	28.1	29.7	35.3
Of which: non-oil/gas	(5.4)	(5.9)	(6.2)	(6.7)	(9.5)	(12.2)	(14.5)	(15.4)	(19.0)	(24.8)
Non-oil imports	-14.3	-12.9	-11.2	-10.4	-11.8	-13.6	-16.5	-21.6	-24.1	-26.4
Gross international reserves (months of non-oil/LNG imports)	5.8	7.6	8.3	5.7	5.9	4.4	3.5	4.8	4.8	4.9
Terms of trade (percentage change)	-5.3	3.1	-11.4	-35.0	12.6	-7.8	3.2	7.6	-6.5	0.1
Real effective exchange rate ^{2/} (end-period) (percentage change)	-22.8	6.0	-18.9	-33.5	-4.9	0.6	2.2	-6.4	1.5	1.5
Average crude oil price (\$/barrel)	29.1	28.5	25.0	12.5	17.4	14.9	17.9	22.4	17.9	18.3

Sources: Data provided by the Indonesian authorities; and staff estimates.

^{1/} On a calendar-year basis (e.g., 1990/91 corresponds to 1990).^{2/} Positive number denotes appreciation.

external commercial borrowing. 1/ This policy contributed to dampening demand pressures and helped restrain import growth. As non-oil exports continued to expand rapidly, the current account deficit narrowed to \$2.5 billion (2 percent of GDP) in 1992/93, and the debt-related indicators improved substantially.

b. Cross-country experience

Since the mid-1980s, Indonesia's debt burden indicators have been close to those registered by some of the countries with recent debt-servicing difficulties, but Indonesia has nevertheless maintained an exemplary debt-servicing record. As a proportion of GDP, Indonesia's external debt is, in fact, far above those of Korea, Malaysia, and Thailand, and closer to those recorded by Argentina, Brazil, Mexico, and the Philippines during the early 1980s. Likewise, Indonesia's debt-to-export ratio and debt service-to-export ratio are considerably higher than those of Korea, Malaysia, and Thailand and have, in some years, come closer to those of Brazil, Mexico, and the Philippines (see Table V-3).

Unlike other heavily indebted countries, Indonesia has been quite successful in servicing its external debt and securing increasing amounts of financing. This success stems largely from Indonesia's ability to bring about a fast and significant improvement in its export-related ratios. As can be seen from Table V-3, in the two years between 1987 and 1989, Indonesia was able to lower its debt-to-export ratio from 265 percent to 211 percent. 2/ Up until 1987, Indonesia also differed from other heavily indebted countries in the size of its debt service-to-export ratio. Although the debt-service ratio reached 41 percent in 1988, Indonesia has never approached debt-service ratios near the levels in the range of 50 percent to 80 percent posted by countries facing debt-servicing difficulties during the outbreak of the debt crisis.

The lower debt-service ratio displayed by Indonesia, as compared with countries experiencing debt-servicing difficulties in the early 1980s, is largely accounted for by a more dynamic export sector. Since the mid-1980s, Indonesia has shown a sharp rise in the share of manufactured exports. To a large extent, this reflected Indonesia's outward-oriented policies, including a sensible management of the exchange rate, together with far-reaching trade and investment liberalization. The emergence of a

1/ The controls encompassed a number of measures: all public and publicly related foreign borrowing from commercial sources was made subject to centralized government controls and annual ceilings; several large public investment projects involving substantial external lending were delayed; swap operations conducted by Bank Indonesia were scaled down; and tighter regulations on domestic banks' access to foreign markets were enforced.

2/ Data provided in Table V.3 are on a calendar-year basis, and may, therefore, be different from data provided in Table V.1 which are on a fiscal-year basis.

Table V-3. Indonesia: Debt Characteristics of Selected Countries, 1982-92

(In percent)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Debt as ratio of GDP											
Indonesia	26.2	34.1	34.2	39.3	50.1	65.7	61.1	56.8	62.9	63.2	65.2 1/
Korea	50.1	49.1	46.7	50.7	44.1	30.2	20.4	15.4	14.3	14.3	12.3
Thailand	34.3	35.1	36.5	47.0	44.4	41.7	36.4	33.9	35.2	...	...
Malaysia	49.8	58.6	56.0	66.0	80.8	75.4	58.2	47.1	42.5	45.5	...
Philippines	66.1	73.5	77.5	86.6	94.4	89.3	76.1	66.7	68.7	70.6	62.2
Mexico	49.5	62.4	54.0	52.5	77.9	78.0	58.7	46.3	39.9	35.5	27.5
Brazil	33.6	49.8	52.8	47.5	42.3	42.0	35.1	24.8	24.3	28.7	...
Argentina	76.6	70.8	62.6	77.4	66.6	70.7	107.9	...	...	...	...
2. Debt as a ratio of exports											
Indonesia	116.3	146.6	135.4	170.4	251.1	264.7	241.2	211.2	226.3	224.1	197.5
Korea	131.6	133.0	125.1	142.4	111.3	70.8	50.4	44.3	45.2	47.6	39.9
Thailand	130.0	150.7	144.1	171.7	152.5	128.8	99.7	87.2	90.2	94.9	80.5
Malaysia	93.4	108.8	99.7	115.9	138.4	113.5	82.6	61.8	52.3	53.7	43.9
Philippines	306.7	300.0	303.8	336.3	326.7	324.4	271.6	228.7	232.1	220.5	188.5
Mexico	312.6	325.3	292.9	327.9	425.9	366.1	314.9	265.4	234.1	235.8	206.5
Brazil	396.2	404.1	349.0	362.2	452.6	431.1	314.3	286.9	320.5	325.1	...
Argentina	447.3	470.3	493.1	493.2	593.3	695.5	517.1	540.0	410.2	432.0	378.1
3. Debt service as ratio of exports											
Indonesia	18.1	18.8	21.9	28.9	37.5	37.2	40.6	35.7	31.3	32.8	30.3
Korea	22.4	21.2	21.3	27.3	26.7	32.3	14.8	11.8	10.7	7.1	7.3
Thailand	20.6	24.0	25.7	31.9	30.1	22.0	20.2	16.3	17.0	13.1	9.9
Malaysia	10.7	11.6	14.1	30.6	22.2	21.1	24.7	15.6	11.2	8.8	6.3
Philippines	43.9	37.2	33.7	32.2	34.1	36.4	32.0	26.3	21.8	23.3	13.6
Mexico	57.0	51.9	52.4	51.8	54.7	40.4	48.3	39.7	29.1	32.5	29.4
Brazil	81.4	55.1	46.3	38.6	47.0	41.9	48.2	29.2	20.0	30.0	...
Argentina	50.0	69.7	52.5	59.0	76.2	74.3	44.2	36.2	31.2	48.3	38.1
4. Exports as ratio of GDP											
Indonesia	22.5	23.3	25.3	23.1	19.9	24.8	25.3	26.9	27.8	28.2	30.8 1/
Korea	38.1	26.9	37.3	35.6	39.6	42.7	40.5	34.8	31.7	30.0	30.7
Thailand	26.4	23.3	25.3	27.4	29.1	32.4	36.5	38.9	39.0	...	...
Malaysia	53.4	53.8	56.2	56.9	58.4	66.4	70.5	76.2	81.3	84.8	...
Philippines	21.6	24.5	25.5	25.8	28.9	27.5	28.0	29.2	29.6	32.0	33.0
Mexico	15.8	19.2	18.4	16.0	18.3	21.3	18.6	17.4	17.0	15.1	13.3
Brazil	8.5	12.3	15.1	13.1	9.3	9.7	11.2	8.6	7.6	8.8	...
Argentina	17.1	15.1	12.7	15.7	11.2	10.2	12.7	20.0	...	...	...

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
5. <u>Proportion of short-term debt</u>											
Indonesia	13.0	12.1	11.3	10.6	9.1	7.3	8.0	10.0	16.8	18.3	18.8
Korea	33.3	30.0	27.1	22.8	19.8	23.3	27.4	29.9	30.9	27.6	30.8
Thailand	24.8	23.8	23.7	18.2	15.3	13.1	22.2	26.1	29.5	34.9	36.7
Malaysia	12.9	17.2	13.3	13.0	12.1	9.8	7.9	12.7	10.5	12.6	13.1
Philippines	46.7	39.4	38.8	34.4	19.1	12.8	13.3	13.9	14.6	15.4	15.1
Mexico	30.4	10.9	6.8	5.6	5.8	5.3	9.4	10.8	9.9	10.9	12.1
Brazil	18.8	14.6	10.6	9.1	8.5	11.0	9.4	16.7	20.8	17.3	19.5
Argentina	37.9	19.4	21.9	13.2	8.4	6.0	9.7	12.9	16.3	22.0	24.9
6. <u>Proportion of concessional debt</u>											
Indonesia 2/	32.5	28.6	26.6	28.1	28.6	27.4	28.8	29.3	27.4	28.8	29.7
Korea	7.8	7.4	6.4	6.6	7.5	10.2	10.5	10.5	12.8	11.6	...
Thailand	10.9	11.2	10.7	12.6	15.1	17.8	17.1	15.4	15.1	13.2	...
Malaysia	5.3	4.6	4.6	6.1	6.8	9.1	10.7	10.7	13.0	12.1	...
Philippines	5.9	6.7	6.8	8.2	10.7	13.3	14.9	14.9	16.8	...	...
Mexico	0.5	0.5	0.4	0.5	0.6	0.7	0.7	0.7	0.7	...	...
Brazil	1.9	1.7	1.7	1.9	2.1	2.1	2.0	1.9	1.9	...	...
Argentina	0.9	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.8	...	...
7. <u>Proportion of publicly guaranteed long-term debt that has variable rate</u>											
Indonesia	20.3	23.0	24.3	22.1	23.9	25.6	28.5	30.2	28.3	25.8	23.6
Korea	39.0	42.3	47.1	49.3	43.6	31.3	30.7	27.6	21.5	16.9	16.0
Thailand	31.3	31.0	30.6	32.7	31.3	30.1	32.0	31.5	24.5	22.1	21.1
Malaysia	61.9	60.8	61.0	54.8	52.3	48.7	49.2	52.4	51.5	48.0	47.2
Philippines	36.8	36.5	36.8	38.9	48.8	45.3	43.2	44.0	41.1	41.0	38.1
Mexico	76.0	82.2	83.6	81.3	79.2	78.3	79.4	79.4	46.0	42.1	42.3
Brazil	69.2	72.2	76.0	71.3	66.6	65.1	72.1	71.0	67.4	69.4	74.7
Argentina	42.9	77.1	77.2	81.7	80.6	81.4	83.1	62.0	56.3	56.7	54.8
8. <u>Effective interest rate</u>											
Indonesia	7.7	6.7	8.6	7.0	6.7	5.9	6.5	6.6	5.6	5.9	5.1
Korea	11.2	9.2	9.6	9.0	8.3	8.0	8.3	8.6	7.4	6.6	5.2
Thailand	9.0	8.3	8.1	7.5	7.2	6.5	7.1	6.9	7.2	7.4	4.0
Malaysia	7.0	6.4	7.9	7.9	6.9	7.2	8.4	7.8	7.3	6.6	5.6
Philippines	10.0	8.4	7.9	6.6	5.8	6.0	6.9	7.6	5.8	5.1	3.9
Mexico	13.0	10.8	11.9	10.6	8.3	7.6	8.6	9.7	7.5	7.7	6.0
Brazil	12.4	9.9	9.0	8.7	6.9	6.1	11.5	5.1	2.1	4.7	5.0
Argentina	8.2	11.3	8.9	10.0	8.2	6.9	5.3	3.3	4.0	5.8	5.3

Sources: The World Bank, World Debt Tables; Indonesian authorities; and staff estimates.

1/ On a fiscal-year basis (e.g., 1992 corresponds to 1992/93).

2/ From 1987 onward, the data are on a fiscal-year basis. It was assumed that no private debt was contracted on concessional terms.

diversified and highly competitive export sector reduced Indonesia's vulnerability to external shocks, while enabling it to earn the foreign exchange required to service the external debt. Other highly indebted countries, by contrast, were caught in a debt trap as it became apparent that they were unlikely to have sufficient export growth to continue servicing their debt over the medium term.

The debt-service ratio is also affected by the average interest rate on external debt which, in turn, depends on the proportion of concessional financing at below-market rates in total debt outstanding. As Table V-4 shows, Indonesia stands out for the high share of concessional debt. The high percentage of concessional financing and of official financing at below-market rates enabled Indonesia to maintain the real cost of its borrowing at a relatively low level compared not only with Argentina, Brazil, and Mexico but also, in the early 1980s, with Korea and the Philippines. Unlike Indonesia, these countries had borrowed primarily from private sources (mostly banks) on market-based rates.

3. Debt management

During the 1980s, Indonesia's comparatively low share of private and short-term debt was due, to a large extent, to prudent debt management in the aftermath of the Pertamina crisis, which may be worth recalling. The state oil company, Pertamina, was caught in 1973-74 in a credit crunch that resulted, in 1975, in Pertamina's inability to meet its short-term obligations. The Government stepped in to repay the company's debt, making this episode a hallmark in Indonesia's borrowing strategy. Thereafter, the Indonesian authorities set about strengthening control on all public enterprise borrowing, cutting back on commercial borrowing, and tightly monitoring overall exposure in the short-term credit market.

In the late 1980s, private borrowing, including short-term debt, registered a steep rise in the wake of the liberalization of trade and investment regulations. The tightening of monetary policy in 1990 further spurred private borrowing from abroad, as it kept domestic interest rates substantially higher than foreign rates. As noted above, Indonesia introduced controls on commercial borrowing by the public sector in late 1991 to contain the growth in total external debt. The ministerial-level Commercial Offshore Loan Team (COLT) was created in late 1991, empowered to set limits on offshore commercial borrowing for large public and quasi-public projects. No prior approval, however, was required for purely private sector borrowing, which would have been difficult to control anyway.

Debt servicing requires the debtor country to be able to generate return flows through both a rise in savings and growth in exports. The way foreign resources are used is of critical importance in this regard. As long as foreign savings are steered to profitable investments, especially in the export sector, indebtedness should not give rise to debt-servicing difficulties. However, if the bulk of the foreign resources goes to finance consumption spending, capital outflows, or inefficient import-competing

Table V-4. Indonesia: Structure of Debt by Category of Debtor, 1987/88-1992/93 1/

(In billions of U.S. dollars;
proportion of total debt in parentheses)

	Debtor	
	Private	Public
1987/88	12.0 (22)	41.6 (78)
1988/89	11.7 (21)	43.9 (79)
1989/90	13.8 (24)	43.5 (76)
1990/91	22.0 (31)	48.0 (69)
1991/92	24.8 (34)	48.0 (66)
1992/93	28.6 (35)	55.4 (65)

Sources: Data provided by the Indonesia authorities; and staff estimates.

1/ Coverage of private sector debt may be incomplete.

industries, then the country is bound, sooner or later, to run into financial problems.

The policy framework is a key in explaining different records in debt-servicing capacity. In countries with debt-servicing difficulties, in many instances, much of the foreign savings were used to finance capital outflows, owing to a combination of an overvalued exchange rate and inadequate liberalization of the trade or capital account. When foreign savings did finance capital accumulation, it was often to the benefit of heavily protected import-competing industries. But these industries were largely inefficient, and they did not prove ultimately able to generate the foreign exchange saving necessary to service the external debt.

In contrast, Indonesia implemented a set of policies geared toward a sound use of foreign savings, in particular, export promotion. The focus on exports dates back to 1983, when Indonesia switched to an outward-oriented development strategy. Since the mid-1980s, a competitive exchange rate policy, supported by prudent fiscal and monetary policies, has resulted in a sharp rise in export orientation. Following the two large devaluations undertaken in 1983 and in 1986, exchange rate policy has been driven by considerations of external competitiveness. The rupiah has been on a path of gradual depreciation in line with inflation differentials with major trading partners so as to preserve the competitiveness achieved by the devaluations. While bolstering the return on investment in the non-oil traded goods sector, the devaluations spurred large investments in the export sector that attracted much of the foreign savings. This policy played a key role in promoting a significant non-oil manufacturing export sector, enabling the country to earn enough foreign exchange to meet its international obligations despite the collapse in oil export receipts.

But servicing the external debt represents a claim not only on the country's exports, but also on its fiscal resources. The reason lies in the fact that much of the external debt is owed by the public sector or benefits from public guarantees. Even for some of the private debts that are not formally guaranteed, markets may perceive that, in the event of debt-servicing difficulties, the Government would step in to provide financial support. This has far-reaching implications for debt management since it means that beyond the foreign exchange constraint, any problems in servicing some of the external private debt may impinge on the public finances.

Thus, fiscal policy may play a key role as regards debt management, not only because it affects the domestic investment/savings gap and, consequently, the external current account, but also because much of the private external debt may be viewed as the Government's contingent liability. In this light, a prudent fiscal policy has undoubtedly been one of Indonesia's main assets in managing debt issues. Indonesia, in marked contrast to countries facing debt-servicing difficulties, has consistently implemented conservative fiscal policies since the late 1960s. The New Order Government, in reaction to the economic debacle of the 1958-65 period, adopted a formal "balanced budget" rule. This has ensured that budget

deficits thereafter have been kept under control (see also Chapter II above).

4. Sustainable path of external borrowing

Debt problems arise when a country cannot make debt-service payments on the contracted schedule. Debt-service difficulties can be of two types: an inability to pay the principal of a maturing debt or an inability to pay both interest and principal. Normally, there should not be any difficulties in paying principal, as long as interest is regularly paid, because in that case rolling over of existing debt (borrowing to meet maturities) can be a routine operation. Paying principal, however, can become a problem when creditors wish to limit their exposure to the country, in which case they may limit new commitments and require the payment of principal. Even so, in most cases, creditors' concerns arise largely in relation to interest payments.

The balance of payments and national income accounts provide a helpful framework of analysis. Concentrating on interest payments, the current account (CA) of the balance of payments can be decomposed into two components: the noninterest current account (NICA) surplus (+) or deficit (-), which includes trade in goods and services except interest payments on the external debt, and interest payments (IP):

$$(1) \quad CA = NICA - IP$$

Interest payments can be financed by the noninterest current account surplus or by net capital inflows. The latter can be decomposed into two parts: new net foreign borrowing (D), often called "new money," and other net capital inflows (K):

$$(2) \quad IP = NICA + D + K$$

K includes three main components: reserve changes, net inflows of portfolio capital, and foreign direct investment inflows.

Debt problems come about whenever a gap arises between interest payments that are due and total available financing for these payments. Thus, any external or domestic factors that increase IP or decrease the variables in the right-hand side of equation (2) can lead to a debt problem. A country's debt difficulties are typically brought about by three main factors:

a. An increase in the value of interest payments. This could stem from an appreciation of the main currency of denomination of external debt or from a rise in world interest rates, which raises both the cost of new borrowing and the interest burden on the portion of existing debt that has been contracted at variable interest rates.

b. A decrease in the noninterest current account surplus, which impairs the ability to pay. The deterioration of the noninterest current account can come either from external shocks, such as a decline in the terms of trade (which reduces net export proceeds) and a reduction in world demand for exports, or from domestic macroeconomic policies that adversely affect the savings/investment gap.

c. Creditors' desire to limit their exposure in the country, as a result of a perceived worsening in either of the above variables.

Indonesia was sheltered from the effects of higher interest rates and the strengthening U.S. dollar in the early 1980s, but it has more recently been subject to adverse cross-currency exchange rate fluctuations, as the U.S. dollar depreciated vis-à-vis the Japanese yen. This reflects a mismatch between the currency composition of export earnings, which are almost entirely denominated in U.S. dollars, and the currency composition of existing public debt that has a large yen component. As can be seen from Table IV-1, about 40 percent of Indonesia's government debt is denominated in Japanese yen. This is due, in part, to Indonesia's efforts, since the early 1980s, to contain the interest cost of its borrowing by opting for relatively lower-rate financing in Japanese yen, but it also reflects the large role of official Japanese assistance, which has been primarily denominated in yen.

Data on the currency composition of private debt in Indonesia are not readily available, but it is likely that private debt is more heavily dollar-weighted than public debt for two main reasons: 1/ first, state bank borrowings, which represent about a third of nongovernment debt, are mostly in dollars; and second, the private sector is believed to have had more limited access to yen financing than the public sector. This possible effect notwithstanding, Indonesia remains vulnerable to currency risk, as has been attested by recent developments.

Although Indonesia's exposure to cross-currency exchange risk has so far been more important than its vulnerability to interest rate risk, the latter has probably increased over the recent past. While the share of variable interest rate debt in Indonesia's publicly guaranteed debt remained relatively low at 24 percent in 1992, short-term debt has increased rapidly in relation to total debt (see Table V-3). The share of floating-rate and short-term loans is likely to be particularly high in private debt, which has surged from 22 percent of total external debt in 1987/88 to 35 percent in 1992/93 (Table V-4). This trend will probably continue in the years ahead, given the mounting role of the private sector in the Indonesian economy and the likely leveling off of new official financing. As a result, Indonesia may be increasingly exposed to liquidity risk, even if public debt management remains prudent.

1/ See World Bank (1992).

The experience of countries that faced debt-servicing difficulties in the 1980s illustrates the dangers arising from a concentration of external borrowing in floating-rate or short-term debts. In the early 1980s, as the world economy registered a sharp rise in real interest rates, many debtor countries faced an abrupt jump in their interest burden. Given the large portion of variable rate debt in their outstanding debt, this led to a disruption of creditor confidence and culminated in a large-scale liquidity crisis. Although Indonesia's share of floating-rate and short-term debt remains far below the shares recorded by countries that faced debt-servicing difficulties at the outset of the debt crisis, recent developments reinforce the need for continued vigilance over the debt situation.

Debt problems can also originate in a worsening of the noninterest current account deficit. Although growth of private investment is undoubtedly a healthy sign of economic development, the steep rise registered in Indonesia in the late 1980s exerted strong pressures on available resources which led to a sharp worsening of the current account deficit. The issue of debt sustainability then arose, especially in view of the much higher debt than in the early 1980s, the exposure to currency risk, and the growing private borrowing at relatively higher rates and shorter maturities. Aware of the risks posed by the growing stock of external debt, the Indonesian authorities have aimed at limiting the external current account deficit to no more than 2 percent of GDP over the medium term. Staff projections suggest that a deficit of that size should be sustainable, as it would allow the debt-service ratio to remain on a rapidly declining path.

5. Conclusions

To contain the growth in indebtedness, the Indonesian Government has so far relied, in part, upon direct controls over public and quasi-public external borrowing. However, management of external debt through such controls may be increasingly difficult as the role of the private sector in the economy expands. The role of indirect macroeconomic and structural policies will therefore need to take on even greater importance in external debt management in the future.

The challenge for Indonesia is to contain current account deficits while simultaneously sustaining growth led increasingly by the private sector. In order to attain these objectives, consideration should be primarily given to both the continuation of manufactured export promotion and an increase in public saving. In view of the various market imperfections that continue to burden the Indonesian economy, there is considerable scope for raising productivity, and thus competitiveness in world markets, through further structural reform. While the process of deregulating the economy is well advanced, many distortions remain. Further deregulation of investment, along with trade liberalization, should play a leading role in the establishment of an adequate framework of relative prices and incentives. This would be essential to ensure that foreign and domestic savings be channeled to the most productive investments. Continued

structural reform in the trade and investment environment, coupled with a firm fiscal policy, should provide the necessary base for a sustained expansion of the private sector. As foreign direct investment expands and the public sector's savings-investment gap narrows, it should be possible to meet the investment requirements of a rapidly growing economy without straining the external debt-servicing capacity.

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Table 1. Indonesia: Developments in Gross Domestic Product
by Sector of Origin and by Expenditure, 1988-92

(Annual percentage change: in 1983 prices)

	1988	1989	1990	1991	1992
GDP	5.8	7.5	7.2	6.9	6.3
Oil/gas GDP	-0.6	4.1	5.7	8.3	-1.6
Non-oil/gas GDP	7.4	8.2	7.6	6.6	8.1
Gross domestic expenditure by sector of origin					
Agriculture	4.9	3.3	2.0	1.3	5.9
Mining and quarrying	-2.9	4.9	5.2	10.3	-1.4
Manufacturing ^{1/}	12.8	11.6	13.0	10.9	10.7
Utilities	10.9	12.2	17.9	16.1	10.2
Construction	9.5	11.7	13.6	12.0	9.3
Services	6.8	9.3	7.3	6.1	7.3
By expenditure					
Consumption	4.4	5.1	8.8	7.4	3.9
Private	3.9	4.2	9.9	7.5	3.6
Public	7.6	10.5	3.2	7.0	5.8
Fixed investment	11.5	13.4	14.6	7.1	2.5
Domestic demand	1.6	7.7	12.3	4.0	3.3
Net exports ^{2/}	4.3	0.5	-3.9	3.1	3.3

Sources: Data provided by the Indonesian authorities; and staff estimates.

^{1/} Excludes oil refining and gas processing.

^{2/} Percentage contribution to real GDP growth.

Table 2. Indonesia: Gross Domestic Product
by Sector of Origin in Current Market Prices, 1988-92

	1988	1989	1990	1991	1992
(In billions of rupiah)					
Agriculture	<u>34,279</u>	<u>39,154</u>	<u>42,150</u>	<u>44,192</u>	<u>49,285</u>
Farm food crops	21,124	24,492	25,908	25,826	28,883
Farm nonfood crops	4,389	4,694	5,027	5,584	6,106
Estate crops	1,245	1,502	1,640	1,964	2,301
Livestock	3,545	3,814	4,368	5,032	5,657
Forestry	1,448	1,635	1,855	1,987	2,088
Fishery	2,528	3,027	3,352	3,799	4,250
Mining and quarrying	<u>17,162</u>	<u>21,822</u>	<u>26,119</u>	<u>31,651</u>	<u>33,280</u>
Oil/gas mining	15,525	19,283	21,789	25,992	24,233
Other	1,637	2,539	4,330	5,659	8,047
Manufacturing	<u>26,252</u>	<u>30,323</u>	<u>38,911</u>	<u>46,969</u>	<u>53,895</u>
Oil refining	2,026	2,148	3,575	4,163	4,691
Gas	2,948	3,299	3,715	4,726	4,341
Other 1/	21,278	24,876	31,621	38,080	44,863
Utilities	<u>869</u>	<u>1,008</u>	<u>1,258</u>	<u>1,575</u>	<u>1,887</u>
Construction	<u>7,169</u>	<u>8,884</u>	<u>10,749</u>	<u>13,007</u>	<u>15,393</u>
Services	<u>56,375</u>	<u>65,984</u>	<u>76,413</u>	<u>88,604</u>	<u>103,769</u>
Trade	20,389	24,441	27,712	30,743	35,407
Government	9,446	11,174	12,801	14,622	17,292
Transportation 2/	8,140	9,306	11,000	13,573	16,728
Financial institutions	5,322	6,667	8,287	10,158	12,335
Dwellings	3,736	4,151	4,891	5,925	6,450
Hotels and restaurants	3,991	4,415	5,288	6,130	7,134
Other	5,351	5,830	6,434	7,453	8,423
GDP	<u>142,106</u>	<u>167,185</u>	<u>195,600</u>	<u>225,998</u>	<u>256,509</u>
Oil/gas 3/	20,499	24,730	29,079	34,881	33,265
Non-oil/gas	121,607	142,455	166,521	191,117	223,244
(Share in GDP)					
Agriculture	24.1	23.4	21.5	19.6	19.2
Mining and quarrying	12.1	13.1	13.4	14.0	12.6
Manufacturing	18.5	18.1	19.9	20.8	21.0
Utilities	0.6	0.6	0.6	0.7	0.7
Construction	5.0	5.3	5.5	5.8	6.0
Services	39.7	39.5	39.1	39.2	40.5

Source: Data provided by the Indonesian authorities.

1/ Includes textiles, consumer goods, steel, fertilizers, and chemicals.

2/ Includes communications.

3/ Comprises oil and natural gas mining, oil refining, and gas processing.

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Table 3. Indonesia: Gross Domestic Product
by Sector of Origin in Constant Prices, 1988-92

(In billions of rupiah: in constant 1983 prices)

	1988	1989	1990	1991	1992
Agriculture	<u>21.214</u>	<u>21.918</u>	<u>22.358</u>	<u>22.658</u>	<u>24.004</u>
Farm food crops	12,974	13,489	13,558	13,479	14,553
Farm nonfood crops	2,835	2,868	2,981	3,127	3,244
Estate crops	623	681	743	786	814
Livestock	2,212	2,244	2,328	2,441	2,498
Forestry	1,013	974	1,003	993	970
Fishery	1,557	1,662	1,745	1,832	1,925
Mining and quarrying	<u>15.893</u>	<u>16.664</u>	<u>17.532</u>	<u>19.341</u>	<u>19.064</u>
Oil/gas mining	14,692	15,391	16,030	17,506	16,778
Other	1,201	1,273	1,502	1,835	2,286
Manufacturing	<u>18.183</u>	<u>19.856</u>	<u>22.337</u>	<u>24.482</u>	<u>26.857</u>
Oil refining	981	990	1,094	1,118	1,194
Gas	3,595	3,685	4,093	4,352	4,625
Other 1/	13,607	15,181	17,150	19,012	21,038
Utilities	<u>549</u>	<u>616</u>	<u>726</u>	<u>843</u>	<u>929</u>
Construction	<u>5.259</u>	<u>5.878</u>	<u>6.673</u>	<u>7.475</u>	<u>8.171</u>
Services	<u>38.885</u>	<u>42.507</u>	<u>45.593</u>	<u>48.367</u>	<u>51.885</u>
Trade	13,035	14,447	15,425	16,180	17,332
Government	7,932	8,397	8,783	9,052	9,320
Transportation 2/	5,212	5,812	6,368	6,869	7,595
Financial institutions	3,752	4,291	4,894	5,561	6,258
Dwellings	2,762	2,878	2,999	3,120	3,249
Hotels and restaurants	2,622	2,891	3,143	3,393	3,697
Other	3,570	3,791	3,981	4,192	4,434
GDP	<u>99.983</u>	<u>107.434</u>	<u>115.219</u>	<u>123.166</u>	<u>130.910</u>
Oil/gas 3/	19,268	20,066	21,217	22,976	22,597
Non-oil/gas	80,715	87,368	94,002	100,190	108,313

Source: Data provided by the Indonesian authorities.

1/ Includes textiles, consumer goods, steel, fertilizers, and chemicals.

2/ Includes communications.

3/ Comprises oil and natural gas mining, oil refining, and gas processing.

Table 4. Indonesia: Expenditure on Gross Domestic Product, 1988-92

	1988	1989	1990	1991	1992
(In constant 1983 prices)					
Consumption	<u>64.149</u>	<u>67.441</u>	<u>73.370</u>	<u>78.820</u>	<u>81.928</u>
Private	54,225	56,476	62,053	66,707	69,109
Public	9,924	10,965	11,317	12,113	12,819
Investment	<u>26.322</u>	<u>29.983</u>	<u>36.036</u>	<u>34.926</u>	<u>35.546</u>
Fixed capital	25,201	28,568	32,732	35,040	35,907
Change in stock	1,121	1,415	3,304	-114	-361
Net exports	<u>9.512</u>	<u>11.010</u>	<u>5.813</u>	<u>9.420</u>	<u>13.436</u>
Exports	26,016	28,733	28,863	35,856	41,742
Less: Imports	16,504	18,723	23,050	26,436	28,306
GDP	<u>99.983</u>	<u>107.434</u>	<u>115.219</u>	<u>123.166</u>	<u>130.910</u>
(In current prices)					
Consumption	<u>93.801</u>	<u>104.450</u>	<u>123.885</u>	<u>145.928</u>	<u>160.785</u>
Private	81,045	88,752	106,312	125,143	136,054
Public	12,756	15,698	17,573	20,785	24,731
Investment	<u>44.810</u>	<u>58.831</u>	<u>70.708</u>	<u>79.182</u>	<u>88.826</u>
Fixed capital	36,803	45,660	55,633	64,247	70,080
Change in stock	8,007	13,171	15,075	14,935	18,746
Net exports	<u>3.495</u>	<u>3.904</u>	<u>1.007</u>	<u>888</u>	<u>6.898</u>
Exports	34,666	42,505	51,953	62,264	75,072
Less: Imports	31,171	38,601	50,946	61,376	68,174
GDP	<u>142.106</u>	<u>167.185</u>	<u>195.600</u>	<u>225.998</u>	<u>256.509</u>
(Share in GDP in current prices)					
Consumption	<u>66.0</u>	<u>62.5</u>	<u>63.3</u>	<u>64.6</u>	<u>62.7</u>
Private	57.0	53.1	54.4	55.4	53.0
Public	9.0	9.4	9.0	9.2	9.6
Investment	<u>31.5</u>	<u>35.2</u>	<u>36.1</u>	<u>35.0</u>	<u>34.6</u>
Fixed capital	25.9	27.3	28.4	28.4	27.3
Change in stock	5.6	7.9	7.7	6.6	7.3
Net exports	<u>2.5</u>	<u>2.3</u>	<u>0.5</u>	<u>0.4</u>	<u>2.7</u>
Exports	24.4	25.4	26.6	27.6	29.3
Less: Imports	21.9	23.1	26.0	27.2	26.6
GDP	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Sources: Data provided by the Indonesian authorities; and staff estimates.

Table 5. Indonesia: Agricultural Production, 1988-92

	1988	1989	1990	1991	1992
(I. thousands of metric tons)					
Farm food crops					
Rice	28,340	29,072	29,366	29,048	31,356
Corn	6,652	6,193	6,734	6,256	7,995
Cassava	15,471	17,117	15,830	15,954	16,515
Sweet potatoes	2,159	2,224	1,971	2,039	2,171
Peanuts (shelled)	589	620	651	652	739
Soybeans (shelled)	1,270	1,315	1,487	1,555	1,870
Nonfood and estate crops					
Rubber	1,176	1,209	1,275	1,284	1,372
Palm oil	1,800	1,965	2,413	2,658	3,266
Palm kernels	360	393	504	551	...
Coffee	386	401	413	419	452
Tea	137	141	155	159	142
Sugar	1,918	2,108	2,119	2,253	2,258
Copra	2,139	2,208	2,332	2,337	2,342
Tobacco	116	81	156	161	140
Pepper	56	68	70	69	63
Nutmeg	15	15	16	17	17
Cloves	61	55	66	84	88
Fisheries					
Saltwater	2,881	3,037	3,163	3,312	3,517
Freshwater	2,170	2,272	2,370	2,505	2,655
	711	765	793	807	862
Forestry ('000 cubic meters)	28,485	28,409	25,312	23,892	24,261
Meat and dairy					
Meat	937	971	1,028	1,099	1,232
Eggs	443	456	484	510	575
Milk (millions of liters)	265	338	346	360	352
(Area cultivated: in thousands of hectare)					
Rice	10,138	10,531	10,502	10,282	11,103
Corn	3,406	2,944	3,158	2,909	3,629
Cassava	1,303	1,408	1,312	1,319	1,351
Sweet potatoes	248	240	209	214	230
Peanuts	608	621	635	628	720
Soybeans	1,177	1,198	1,334	1,368	1,666
(Yield in metric tons/hectare)					
Rice	2.8	2.76	2.80	2.83	2.82
Corn	1.95	2.10	2.13	2.15	2.20
Cassava	11.87	12.16	12.07	12.10	12.22
Sweet potatoes	8.71	9.27	9.43	9.53	9.44
Peanuts (shelled)	0.97	1.00	1.02	1.04	1.03
Soybeans (shelled)	1.08	1.10	1.11	1.14	1.12

Source: Data provided by the Indonesian authorities.

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Table 6. Indonesia: Indices of Non-Oil/Gas
Manufacturing Production, 1988-92 ^{1/}

(1983 = 100)

	1988	1989	1990	1991	1992
Total	<u>164.2</u>	<u>184.1</u>	<u>209.4</u>	<u>231.3</u>	...
Consumer goods					
Kretek cigarettes	178	196	226	166	165
White cigarettes	79	78	81	95	111
Milk and butter	123	123	142	154	163
Cloth	173	188	217	215	278
Yarn	169	196	254	274	310
Batik	83	111	144	219	190
Knitting	240	313	347	451	335
Footwear	111	185	208	231	322
Radios and television sets	118	154	181	115	111
Batteries	159	179	193	159	174
Cooking oil	144	143	146	288	357
Intermediate goods					
Group A					
Fertilizer	130	144	158	158	152
Basic chemicals	139	153	174	190	153
Paper	242	252	298	292	422
Plastics	462	511	540	834	977
Rubber	123	145	128	160	174
Group B					
Cement	150	198	206	218	246
Structural metal products	126	181	224	191	212
Iron and basic steel	167	199	259	409	426
Paint	91	130	137	127	183
Glass	125	145	163	254	229
Plywood	242	266	257	274	296
Other wood	163	151	168	133	134
Electrical goods	85	91	111	175	416
Transportation equipment					
Motor vehicles	116	133	200	213	117
Motorcycles	77	106	105	187	258
Tires	110	141	157	206	224

Source: Data provided by the Indonesian authorities.

^{1/} Covering large- and medium-sized industries, accounting for about 80 percent of total manufacturing production of which about 70 percent is shown in the table.

Table 7. Indonesia. Production, Domestic Use,
and Exports of Petroleum, 1988-93

(In millions of barrels)

	1988	1989	1990	1991	1992	1993 ^{1/}
Pertamina	24.8	25.6	24.5	25.0	24.7	20.5
Contract-of-work companies	14.8	15.3	12.1	10.2	9.6	6.1
Production-sharing companies	451.9	473.3	495.2	546.0	516.4	391.8
Total production	<u>491.5</u>	<u>514.2</u>	<u>533.7</u>	<u>581.2</u>	<u>550.7</u>	<u>418.4</u>
Crude	431.2	449.3	467.5	514.9	485.4	370.4
Condensates ^{2/}	60.3	64.9	66.2	66.3	65.3	48.0
Total production ^{3/}	<u>1.343</u>	<u>1.409</u>	<u>1.462</u>	<u>1.592</u>	<u>1.505</u>	<u>1.532</u>
Crude	1.178	1.231	1.281	1.411	1,326	1,356
Condensates	165	178	181	181	179	176
Domestic consumption of fuel	168.7	184.5	206.2	225.6	245.2	255.5
(Percentage change)	(3.2)	(9.4)	(11.8)	(8.8)	(8.7)	(13.2)
(As percent of total production)	(34.3)	(35.9)	(38.7)	(38.8)	(44.5)	(61.1)
Domestic refining	245.8	247.7	276.0	284.8	301.1	303.7
Total exports	<u>353.1</u>	<u>363.5</u>	<u>344.5</u>	<u>414.1</u>	<u>357.7</u>	<u>336.8</u>
Crude and condensates	276.6	281.5	288.5	330.5	293.1	281.4
Refined products ^{4/}	76.5	82.0	56.0	83.6	64.6	55.4
Memorandum items:						
Average domestic prices in rupiah per liter						
Gasoline	385 ^{5/}	385	450 ^{6/}	550 ^{7/}	550	700
Diesel	200 ^{5/}	200	245 ^{6/}	300 ^{7/}	380	380
Kerosene	165 ^{5/}	165	190 ^{6/}	220 ^{7/}	220	280
Average domestic prices in U.S. dollars per U.S. gallon						
Gasoline	0.83	0.79	0.91	1.06	1.06	1.25
Diesel	0.45	0.41	0.49	0.58	0.58	0.68
Kerosene	0.35	0.34	0.38	0.42	0.42	0.50

Source: Data provided by the Indonesian authorities.

- ^{1/} As of September 1993.
- ^{2/} Natural gas condensates.
- ^{3/} Million barrels per day.
- ^{4/} Includes liquified petroleum gas.
- ^{5/} Effective July 10, 1986.
- ^{6/} Effective May 25, 1990.
- ^{7/} Effective July 11, 1991.

Table 8. Indonesia: Production, Use, and Domestic Pricing of Natural Gas. 1988-93 ^{1/}

(In billions of standard cubic feet)

	1988	1989	1990	1991	1992	1993 ^{2/}
Production	<u>1.847</u>	<u>1.975</u>	<u>2.159</u>	<u>2.462</u>	<u>2.583</u>	<u>2.611</u>
(Percentage change)	(6.6)	(6.9)	(9.3)	(14.0)	(4.0)	(1.1)
Pertamina/Lemigas	248	253	261	256	243	251
Contract of work	22	25	29	30	28	29
Production sharing	<u>1.577</u>	<u>1.697</u>	<u>1.869</u>	<u>2.176</u>	<u>2.311</u>	<u>2.330</u>
Asamera	14	23	27	40	44	52
ARCO	59	56	61	65	79	88
Union Oil	46	53	56	60	61	57
Inpex	66	72	109	135	146	144
Huffington	437	453	484	502	527	525
Total Indonesia	35	37	75	101	114	111
Mobil Oil	859	936	969	1,157	1,212	1,206
Caltex	29	30	34	33	35	35
Other	32	37	54	83	93	112
Use	<u>1.715</u>	<u>1.831</u>	<u>1.992</u>	<u>2.259</u>	<u>2.366</u>	<u>2.394</u>
(Percent of production)	(92.9)	(92.5)	(92.3)	(91.8)	(91.6)	(91.7)
Own use	<u>403</u>	<u>430</u>	<u>454</u>	<u>516</u>	<u>526</u>	<u>538</u>
Fuel	89	98	105	112	114	114
Gas lift	62	70	74	71	64	64
Gas injection	252	262	275	333	348	360
Sale	<u>232</u>	<u>245</u>	<u>246</u>	<u>262</u>	<u>273</u>	<u>300</u>
Pusri fertilizer plants	143	175	166	178	188	197
PGN Cirebon city gas	0.4	0.4	0.4	0.4	0.5	0.7
Cilamaya ^{3/}	77	60	67	67	71	75
Small industry	12	10	13	17	14	27
Delivered	<u>1.080</u>	<u>1.155</u>	<u>1.293</u>	<u>1.481</u>	<u>1.567</u>	<u>1.556</u>
Refineries	26	29	34	30	32	28
LNG exports	1,025	1,090	1,218	1,416	1,499	1,490
LPG/LEX plant	29	36	41	35	36	38
Flared	132	144	167	203	217	217
(Percent of production)	(7.1)	(7.3)	(7.7)	(8.2)	(8.4)	(8.4)

Source: Data provided by the Indonesian authorities.

^{1/} Components may not add to totals, owing to rounding.

^{2/} As of September 1993.

^{3/} Mainly for industrial use (fertilizer, steel, and cement industries); also includes some home distribution in Jakarta and Bogor.

Table 9. Indonesia: Indicators of Oil Exploration and Development Activity, 1988-93

	1988	1989		1990		1991		1992		1993	
		Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
(Seismic activity (km))											
Total	<u>32,713</u>	<u>53,138</u>	<u>47,127</u>	<u>86,703</u>	<u>84,202</u>	<u>103,448</u>	<u>141,075</u>	<u>77,036</u>	<u>66,179</u>	<u>64,240</u>	<u>86,913</u> 1/
Pertamina	2,223	2,116	4,261	--	2,383	3,128	2,046	1,995	2,522	1,773	556
Contracts of work	1,765	--	520	425	733	900	1,340	875	504	200	87
Production-sharing contracts	28,725	51,022	42,346	86,278	81,086	99,420	137,689	74,166	63,153	62,267	86,270
Onshore	(8,810)	(15,301)	(12,573)	(17,407)	(15,843)	(13,971)	(16,756)	(18,491)	(12,513)	(7,767)	(10,647)
Offshore	(19,915)	(35,721)	(29,773)	(68,871)	(65,243)	(85,449)	(120,933)	(55,675)	(50,640)	(54,500)	(75,623)
(Exploration wells drilled)											
Total	<u>135</u>	<u>148</u>	<u>107</u>	<u>144</u>	<u>146</u>	<u>216</u>	<u>130</u>	<u>258</u>	<u>123</u>	<u>193</u>	<u>63</u> 1/
Pertamina	13	16	14	--	12	19	9	20	15	12	9
Contracts of work	12	10	2	4	--	3	3	5	2	2	1
Production-sharing contracts	110	122	91	140	134	194	118	233	106	179	53
Onshore	(49)	(56)	(37)	(59)	(55)	(84)	(48)	(97)	(43)	(59)	(11)
Offshore	(61)	(66)	(54)	(81)	(79)	(110)	(70)	(136)	(63)	(120)	(42)
(Petroleum company expenditures: in millions of U.S. dollars) 2/											
Total	<u>1,983</u>	<u>2,915</u>	<u>2,420</u>	<u>3,325</u>	<u>3,173</u>	<u>3,804</u>	<u>3,450</u>	<u>4,531</u>	<u>3,861</u>	<u>4,424</u>	<u>1,794</u> 3/
Exploration and development	728	1,124	831	1,351	1,849	2,270	1,342	1,804	2,236	2,637	979
Production	1,010	1,489	1,304	1,651	993	1,146	1,691	2,265	1,202	1,300	578
Administrative	245	302	285	323	331	389	417	462	423	487	237

Source: Data provided by the Indonesian authorities.

1/ As of August 1993.

2/ Excludes Pertamina. Spending on exploration and production facilities by production-sharing contractors is technically nondirect foreign investment since Pertamina assumes title to all equipment when it enters Indonesia; the contractor, however, possesses contractual rights to beneficial use.

3/ As of September 1993.

Table 10. Indonesia: Non-Oil/Gas Mining Production, 1988-93

	1988	1989	1990	1991	1992	1993 Est.
<u>(In metric tons)</u>						
Tin	28,365	29,916	30,390	30,415	28,150	27,342
Copper	293,711	324,642	437,307	656,520	906,657	837,226
Nickel ore	1,732,938	2,020,917	2,280,496	2,300,269	2,511,570	2,324,676
Bauxite	517,891	862,313	1,205,697	1,406,127	803,507	1,293,753
Coal	4,511,247	8,711,700	10,532,332	14,143,036	23,120,466	25,603,640
Iron sand concentrate	202,748	142,654	145,401	173,242	287,821	322,815
Gold	4,752	6,105	11,039	17,010	37,985	35,185
Silver	61,833	72,511	66,024	77,858	99,953	85,846
<u>(Percentage change)</u>						
Tin	16.6	5.5	1.6	0.1	-7.4	-6.9
Copper	13.5	10.5	34.7	50.1	38.1	-7.6
Nickel ore	-4.1	16.6	12.8	0.9	9.2	-7.4
Bauxite	-18.5	66.5	39.8	16.6	-42.9	61.0
Coal	46.1	93.1	20.9	34.3	63.5	10.7
Iron sand concentrate	4.5	-29.6	1.9	19.1	66.1	12.1
Gold	30.7	28.5	80.8	54.1	123.3	-7.3
Silver	19.1	17.3	-8.9	17.9	28.4	-14.1

Sources: Data provided by the Indonesian authorities; and staff estimates.

Table 11. Indonesia: Domestic Rice Prices, 1988-93
(In rupiah per kilogram)

	Market Price 1/	Market Inter- vention Price 2/	Support Prices 3/ Paddy Rice	Government Purchase Price 4/
1988				
March	448	420	210	418
June	453	420	210	449
September	490	450	210	449
December	496	450	210	449
1989				
March	490	450	250	449
June	495	500	250	525
September	503	500	250	525
December	517	500	250	525
1990				
March	515	500	270	525
June	523	525	270	566
September	527	525	270	566
December	539	525	270	566
1991				
March	548	550	295	566
June	552	550	295	614
September	573	560	295	614
December	586	560	295	614
1992				
March	593	560	330	614
June	609	620	330	660
September	610	620	330	660
December	612	620	330	660
1993				
March	600	620	340	660
June	580	640	340	684
September	585	640	340	684

Source: Data provided by the Indonesian authorities.

1/ Monthly national average retail price for medium-quality rice.

2/ The market intervention price is the price at which BULOG sells rice in the open market. The price shown here is for medium-quality rice in Java.

3/ Paddy prices paid by cooperatives to farmers and rice prices paid by BULOG to cooperatives. Prices are adjusted once a year, effective February 1.

4/ Price that the Government pays BULOG for its rice deliveries to civil servants and the military.

Table 12. Indonesia: BULOG Rice Program. 1988/89-1993/94

(In thousands of metric tons)

	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94 Est.
Beginning stock	755	1,076	1,498	977	1,085	1,851
Domestic procurement	1,801	2,203	1,348	1,740	2,400	1,821
Imports	315	150	30	548	264	51
U.S. Public Law 480	--	--	--	--	--	--
Commercial	--	--	--	--	--	--
Other ^{1/}	315	150	30	548	264	51
Total availability	2,871	3,429	2,876	3,265	3,749	3,723
Distribution	<u>1,768</u>	<u>1,878</u>	<u>1,871</u>	<u>2,172</u>	<u>1,871</u>	<u>2,683</u>
Government	1,512	1,559	1,589	1,618	1,574	1,650
State enterprises	106	94	94	82	62	66
Market operations	142	57	175	457	70	250
Export ^{2/}	--	158	--	--	131	650
Other	8	10	13	15	34	66
Losses plus statistical discrepancies	27	28	28	33	27	4
End stock	1,076	1,523	977	1,060	1,851	1,037
Memorandum item:						
Rice production ^{3/}	28,340	29,072	29,366	31,050	31,363	31,125

Sources: Data provided by the Indonesian authorities; and staff estimates.

^{1/} Includes repayment of loans in kind.^{2/} Includes special sales at reduced prices of submarket standard rice.

Table 13. Indonesia: Approvals of Domestic Investment Projects by Economic Sector, 1988-93 1/

(In billions of rupiah)

	1988		1989		1990		1991		1992		1993 2/	
	No. of Projects	Intended Capital Outlay	No. of Projects	Intended Capital Outlay	No. of Projects	Intended Capital Outlay	No. of Projects	Intended Capital Outlay	No. of Projects	Intended Capital Outlay	No. of Projects	Intended Capital Outlay
Agriculture	162	3,208	180	3,670	153	7,028	98	4,940	46	2,485	29	1,839
Mining and quarrying	20	111	10	94	16	147	13	182	7	236	6	39
Manufacturing	<u>552</u>	<u>9,664</u>	<u>544</u>	<u>12,777</u>	<u>913</u>	<u>39,122</u>	<u>475</u>	<u>26,464</u>	<u>232</u>	<u>19,079</u>	<u>133</u>	<u>11,596</u>
Food	86	1,713	68	549	96	1,221	67	1,341	40	1,487	23	806
Textiles	99	2,299	164	3,563	308	12,609	95	3,640	39	2,539	20	1,982
Wood and wood products	148	1,456	118	732	116	2,179	55	1,569	16	638	14	519
Paper and paper products	9	293	16	1,137	69	8,275	33	5,640	15	5,323	10	1,714
Pharmaceuticals	3	19	1	16	1	19	4	106	2	33	1	53
Chemicals	147	3,022	109	4,058	152	8,539	83	8,429	50	3,322	28	3,235
Nonmetallic minerals	14	370	8	267	44	3,795	41	4,054	16	3,441	13	2,407
Basic metals	8	181	5	2,039	29	982	19	858	6	1,321	3	158
Metal products	34	268	42	368	72	1,319	68	785	37	905	19	700
Other	4	43	13	48	26	184	10	36	11	70	2	22
Construction	4	31	6	146	5	86	9	275	3	215	3	107
Services	<u>106</u>	<u>1,225</u>	<u>118</u>	<u>2,752</u>	<u>229</u>	<u>8,896</u>	<u>209</u>	<u>9,223</u>	<u>148</u>	<u>7,326</u>	<u>124</u>	<u>5,600</u>
Hotels	35	561	38	1,265	86	4,562	63	3,897	36	3,115	22	1,105
Real estate	2	46	--	--	5	312	--	121	12	1,246	7	1,106
Housing	19	190	18	936	33	1,508	49	3,383	6	500	13	1,568
Transportation	33	232	30	289	58	2,083	55	907	80	860	65	1,112
Trade	17	196	32	262	47	431	40	916	14	1,605	17	709
Total	<u>844</u>	<u>14,239</u>	<u>858</u>	<u>19,439</u>	<u>1,316</u>	<u>55,278</u>	<u>802</u>	<u>41,085</u>	<u>436</u>	<u>29,341</u>	<u>295</u>	<u>19,181</u>

Source: Data provided by the Indonesian authorities.

1/ Includes new projects and extensions of existing projects, but excludes investment in petroleum, banking, insurance, and leasing sectors.

2/ As of September 15, 1993.

Table 14. Indonesia: Approvals of Foreign Investment Projects
by Country of Origin, 1988-93

(In millions of U.S. dollars)

	1988	1989	1990	1991	1992	1993 ^{1/}
Europe	<u>1,433.4</u>	<u>604.5</u>	<u>1,070.4</u>	<u>1,173.6</u>	<u>1,364.6</u>	<u>607.4</u>
Netherlands	270.9	282.9	567.3	183.6	96.2	166.8
Belgium	--	43.1	87.1	23.0	21.7	0.5
United Kingdom	120.9	43.5	57.8	535.6	978.2	178.9
Germany ^{2/}	955.9	6.7	13.4	59.9	36.7	93.4
France	42.2	18.8	68.7	25.8	19.9	146.0
Switzerland	1.2	11.0	14.3	307.8	11.5	13.7
Other	42.3	198.5	261.8	37.9	200.4	8.1
North and Central America	<u>759.6</u>	<u>366.6</u>	<u>202.8</u>	<u>388.0</u>	<u>942.2</u>	<u>366.7</u>
United States	671.8	348.0	153.7	275.0	922.5	307.5
Canada	--	3.0	8.5	7.5	0.1	47.5
Panama	87.8	15.6	40.6	53.0	1.3	11.7
Other	--	--	--	51.9	18.3	--
Asia	<u>1,868.2</u>	<u>2,064.6</u>	<u>4,991.4</u>	<u>2,950.7</u>	<u>4,289.1</u>	<u>1,637.6</u>
Hong Kong	231.4	406.8	993.3	277.7	1,021.3	274.1
Japan	247.0	768.7	2,240.8	929.3	1,509.3	317.7
Malaysia	20.2	22.7	7.2	29.5	15.8	8.6
Philippines	--	--	--	8.0	0.3	--
Singapore	240.2	166.1	264.3	346.4	454.1	311.5
Thailand	10.2	17.0	9.5	1.0	55.8	1.7
Taiwan Province of China	910.2	158.2	618.3	1,056.5	563.3	49.6
Korea	209.0	466.1	722.9	301.3	618.3	547.8
Other	--	59.0	135.1	1.0	50.9	126.6
Australia and New Zealand	53.2	42.5	186.5	48.4	84.9	75.7
Other	320.1	1,640.6	2,299.0	4,217.5	3,632.4	2,536.3
Total	<u>4,434.5</u>	<u>4,718.8</u>	<u>8,750.1</u>	<u>8,778.2</u>	<u>10,313.2</u>	<u>5,223.7</u>

Source: Data provided by the Indonesian authorities.

^{1/} As of August 1993.

^{2/} Data through 1990 refer to the (former) Federal Republic of Germany.

Table 15. Indonesia: Indices of Inflation, 1988-93
(End-period percentage change)

	1988	1989	1990	1991	1992	1993
GDP deflator (period average)	7.6	9.5	9.1	8.1	6.8	9.0
Consumer price index (period average)	8.1	6.4	8.1	9.4	7.6	9.7
Consumer price index	5.6	6.1	9.9	10.0	5.0	10.2
Food	8.1	6.8	7.1	10.0	6.2	5.1
Of which: Rice 1/	(12.0)	(4.2)	(4.3)	(8.7)	(4.4)	(-4.1)
Housing	4.3	6.3	13.1	8.1	4.6	16.6
Clothing	3.6	4.8	4.9	5.3	7.4	8.2
Miscellaneous	3.2	4.7	12.2	13.8	3.4	10.3
Wholesale price index 2/ (Excluding oil/gas)	4.8 (5.7)	7.8 (7.2)	16.9 (8.4)	-0.5 (6.2)	3.1 (3.9)	2.5 (5.2)
Agriculture	9.7	7.7	7.7	10.2	6.5	11.5
Mining	7.3	8.8	11.9	8.9	6.2	7.4
Manufacturing	6.0	5.6	9.5	8.6	4.5	5.3
Imports	4.3	9.5	8.7	1.5	3.0	1.9
Exports	0.8	8.9	47.8	-19.2	0.6	-6.5
(Excluding oil/gas)	(3.9)	(3.2)	(3.1)	(6.6)	(1.9)	(6.1)

Source: Data provided by the Indonesian authorities.

1/ Average retail price for medium-quality rice. Data for 1993 are 12-month changes through September.

2/ Data for 1993 are 12-month changes through July.

Table 16. Indonesia: Consumer Price Index, 1988-93

(1977/78 = 100)

	Food	Housing	Clothing	Miscellaneous	Total
Weights	34.7	27.8	11.3	26.2	100.0
1988					
March	300.5	322.9	271.2	299.9	303.5
June	310.2	326.5	277.3	302.1	309.7
September	316.6	329.7	279.4	306.5	314.3
December	320.1	335.4	280.0	307.4	317.6
1989					
March	329.6	340.5	281.4	311.1	323.9
June	335.8	348.7	288.9	315.8	330.4
September	337.5	351.9	291.1	319.5	332.9
December	342.0	356.5	293.5	321.9	337.0
1990					
March	348.2	362.2	295.7	325.6	342.1
June 1/	362.7	373.1	301.4	337.0	353.4
September	362.4	397.2	305.4	353.9	365.2
December	366.4	403.2	307.8	361.1	370.4
1991					
March	373.3	405.4	309.8	364.2	374.5
June	386.0	410.4	318.9	374.4	384.0
September	394.5	424.7	321.5	404.7	399.2
December	403.0	435.8	324.2	411.1	407.3
1992					
March	413.5	438.8	327.6	414.4	412.9
June	423.5	444.9	337.0	417.7	419.8
September	423.6	449.3	340.7	422.2	422.3
December	427.8	456.0	348.3	425.2	427.8
1993					
January	435.6	472.2	351.2	444.0	440.3
February	451.1	481.3	353.3	449.1	449.2
March	462.7	486.6	361.7	449.9	455.9
April	453.4	491.1	366.0	456.7	456.6
May	450.4	495.4	368.0	457.5	457.2
June	449.0	499.5	370.8	457.8	458.3
July	448.1	507.4	373.6	460.6	461.4
August	443.5	514.0	375.0	463.6	462.9
September	442.2	520.1	374.1	464.4	464.2
October	442.5	527.1	375.1	466.6	466.9
November	445.5	529.0	375.9	467.8	468.9
December	449.6	531.6	377.0	468.9	471.4

Source: Data provided by the Indonesian authorities.

1/ From June 1990, the indices reflect percentage changes of a new index based on an expanded basket and a broader survey.

Table 17. Indonesia: Wholesale Price Index, 1988-93

(1983 = 100)

	Agri- culture	Mining	Manufac- turing	Imports	Exports		General Index	
					Incl. Oil/Gas	Excl. Oil/Gas	Incl. Oil/Gas	Excl. Oil/Gas
Weights	11.8	1.0	30.6	31.0	25.6	19.8	100.0	94.2
1988								
March	159	141	154	162	124	180	149	159
June	162	142	156	163	127	184	151	161
September	166	145	158	165	125	187	152	164
December	169	147	160	168	123	185	154	166
1989								
March	173	153	163	171	130	190	158	169
June	177	156	165	180	134	200	163	175
September	178	159	168	183	127	196	163	177
December	182	160	169	184	134	191	166	178
1990								
March	188	163	171	188	140	193	170	182
June	191	166	175	189	125	195	168	184
September	192	173	179	196	189	198	188	189
December	196	179	185	200	198	197	194	193
1991								
March	202	183	189	199	139	193	181	195
June	205	187	193	202	145	202	185	199
September	209	191	197	202	154	208	189	202
December	216	195	201	203	160	210	193	205
1992								
January	218	195	202	207	153	212	193	207
February	218	197	203	208	151	210	193	208
March	222	198	204	207	149	210	193	208
April	222	198	204	207	150	211	193	208
May	224	201	205	207	153	212	195	209
June	226	202	205	208	161	212	197	210
July	227	203	207	208	169	214	200	210
August	227	204	207	208	167	214	199	211
September	227	204	208	208	164	214	199	211
October	227	205	208	208	166	214	200	211
November	228	204	209	209	164	213	200	212
December	230	207	210	209	161	214	199	213
1993								
January	236	209	212	209	157	216	200	215
February	241	212	213	210	155	219	201	216
March	245	215	215	210	161	219	203	218
April	246	215	215	211	164	223	204	219
May	247	217	216	212	163	224	205	219
June	250	217	217	212	162	225	205	220
July	253	218	218	212	158	227	205	221

Source: Data provided by the Indonesian authorities.

Table 18. Indonesia: Nominal Wages and Labor Force, 1988-93

	1989	1990	1991	1992	1993 Est.					
(Monthly wages in thousands of rupiah) 1/										
	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
Agriculture	68	758	101	1,051	116	1,536	145	1,747	170	1,835
Mining and quarrying	185	1,980	218	2,269	322	3,870	410	3,909	414	3,998
Manufacturing industry	130	1,857	172	1,998	182	2,070	187	2,620	196	2,920
Electricity, gas, and water supply	95	684	106	821	125	1,002	151	1,308	155	2,643
Construction	120	1,188	165	1,885	176	1,960	254	2,263	290	2,656
Trade and banks	213	1,442	228	1,967	234	2,480	301	3,162	305	3,733
Transportation	118	1,047	134	1,172	169	2,179	213	2,688	223	2,805
Services	167	1,492	158	1,776	201	2,288	235	2,271	235	2,271

	1988	1989	1990	1991	1992	1993 Est. 2/
(In millions of persons)						
Labor force 3/	74.6	75.5	77.8	78.5	80.7	82.6
Employment	72.5	73.4	75.9	76.4	79.9	80.3
Agriculture	40.6	41.3	42.4	41.2	42.6	42.0
Mining and quarrying	...	0.5	0.5	0.6	0.4	0.6
Manufacturing	6.0	7.3	7.7	7.9	8.5	8.6
Trade	10.6	10.9	11.1	11.4	12.0	12.5
Other	15.3	13.4	14.2	15.3	16.4	16.6

Sources: Data provided by the Indonesian authorities; and staff estimates.

1/ Figures are based on periodic surveys of primarily urban-based business establishments and include transportation, meal, and attendance allowances.

2/ As of February 1993.

Table 19. Indonesia: Summary of Central Government Operations, 1988/89-1993/94 1/

	1988/89	1989/90	1990/91	1991/92	1992/93		1993/94	
					Budget	Est.	Budget	First-Half Estimate
(In billions of rupiah)								
Tax revenue	21,435	26,678	37,431	39,098	42,798	44,459	48,976	21,745
Oil/gas	9,527	11,252	17,712	15,039	13,948	15,330	15,128	7,019
Non-oil/gas	11,908	15,426	19,719	24,059	28,850	29,129	33,848	14,726
Nontax revenue	1,569	2,062	2,115	2,487	3,711	2,993	3,793	1,334
Grants	283	306	422	414		511		
Total revenue and grants	23,287	29,046	39,968	41,999	46,508	47,963	52,769	23,079
Current expenditure	15,035	18,358	23,145	22,933	24,685	25,854	28,114	14,512
Of which:								
Personnel	4,998	6,201	7,054	8,103	9,145	9,466	10,895	6,234
Subsidies	333	984	3,566	1,332	175	867	175	
Interest on external debt	4,403	4,819	5,031	4,562	5,821	5,385	6,122	2,872
Current budget balance	8,253	10,688	16,823	19,067	21,823	22,110	24,655	8,567
Development expenditure and net lending 2/	12,467	12,213	13,902	20,398	21,617	25,970	23,905	8,567
Total expenditure and net lending	27,502	30,571	37,047	43,330	46,302	51,823	52,018	23,079
Overall balance	-4,214	-1,525	2,921	-1,331	206	-3,860	751	--
Financing	4,214	1,525	-2,921	1,331	-206	3,860	-751	--
Domestic 3/	-323	-1,440	-4,226	-1,053	--	2,500	--	372
Foreign, net 4/	4,538	2,965	1,305	2,383	-206	1,360	-751	-372
Gross drawings	10,959	9,553	8,934	10,634	9,600	11,258	9,553	4,604
Amortization	-6,422	-6,588	-7,629	-8,251	-9,806	-9,898	-10,304	-4,975
(In percent of GDP)								
Overall balance	-2.8	-0.9	1.4	-0.6	0.1	-1.4	0.2	...
Current budget balance	5.6	6.1	8.3	8.2	8.2	8.3	8.0	...
Total revenue and grants	15.7	16.6	19.7	18.0	17.4	18.0	17.2	...
Oil/gas	6.4	6.5	8.7	6.4	5.2	5.7	4.9	...
Non-oil/gas taxes	8.0	8.9	9.7	10.3	10.8	10.9	11.0	...
Total expenditure and net lending	18.5	17.5	18.2	18.5	17.4	19.4	17.0	...
Current	10.1	10.5	11.4	9.8	9.3	9.7	9.2	...
Development	8.4	7.0	6.8	8.7	8.1	9.7	7.8	...

Sources: Data provided by the Indonesian authorities; and staff estimates.

1/ The fiscal year begins on April 1.

2/ Derived as the sum of the current budget balance and net financing.

Table 20. Indonesia: Central Government Revenue, 1988/89-1993/94

	1988/89	1989/90	1990/91	1991/92	1992/93		1993/94	
					Budget	Est.	Budget	First-Half Estimate
(In billions of rupiah)								
Tax revenue	21,435	26,678	37,431	39,098	42,798	44,459	48,976	21,745
Taxes on income and profits	13,476	16,740	24,467	24,619	24,878	27,243	29,976	13,134
Oil/gas	9,527	11,252	17,712	15,039	13,948	15,330	15,128	7,019
Non-oil/gas	3,949	54,88	6,755	9,580	10,930	1,1913	14,849	6,115
Individuals	1,158	1,671	1,541	2,577	2,920	3,406	4,300	1,889
Companies	2,349	2,667	3,493	5,099	5,050	5,544	7,549	2,098
Interest, dividends and royalties	442	1,150	1,721	1,904	2,960	2,963	3,000	2,128
Property taxes	424	590	811	875	991	1,101	1,320	583
Taxes on goods and services (VAT)	4,505	5,837	7,463	8,926	11,032	10,714	11,683	5,372
Excise taxes	1,390	1,477	1,917	2,223	2,441	2,381	2,498	1,129
Taxes on international trade	1,348	1,758	2,530	2,152	3,101	2,660	3,136	1,391
Import duties	1,192	1,587	2,486	2,133	3,041	2,652	3,106	1,384
Export duties	156	171	44	19	60	8	30	7
Other	292	276	243	303	355	360	364	136
Nontax revenue	1,569	2,062	2,115	2,487	3,711	2,993	3,793	1,334
Profit receipts 1/	636	845	1,147	1,301	810	1,000	1,400	567
Other	933	1,217	968	1,186	2,100	1,993	2,183	510
Domestic oil operations surplus	--	--	--	--	801	--	210	257
Total revenue	23,004	28,740	39,546	41,585	46,508	47,452	52,769	23,079
(In percent of GDP)								
Non-oil/gas revenue	9.1	10.0	10.7	11.4	12.2	12.0	12.3	...
Non-oil/gas taxes	8.0	8.9	9.7	10.3	10.8	10.9	11.0	...
Oil/gas revenue	6.4	6.5	8.7	6.4	5.2	5.7	4.9	...
Total revenue	15.5	16.5	19.5	17.8	17.4	17.8	17.2	...

Sources: Data provided by the Indonesian authorities; and staff estimates.

^{1/} Profits of public enterprises; includes Bank Indonesia.

Table 21. Indonesia: Central Government Expenditure, 1988/89-1993/94

	1988/89	1989/90	1990/91	1991/92	1992/93		1993/94	
					Budget	Est.	Budget	First-Half Estimate
<u>(In billions of rupiah)</u>								
Total expenditure and net lending	27,502	30,571	37,047	43,330	46,302	51,823	52,018	23,079
Current expenditure	15,035	18,358	23,145	22,933	24,685	25,854	28,114	14,512
Personnel	4,998	6,201	7,054	8,103	9,145	9,466	10,895	6,934
Of which: Pensions	1,085	1,565	1,761	2,707	2,585	2,698	3,672	1,972
Material	1,492	1,702	1,830	2,373	2,432	2,870	2,980	1,269
Armed forces 1/	555	720	996	1,023	1,120	1,204	1,147	483
Transfers to regions	3,038	3,566	4,236	4,834	5,269	5,283	6,029	3,345
Interest on foreign debt	4,403	4,819	5,031	4,562	5,821	5,385	6,122	2,872
Subsidies	333	984	3,566	1,332	175	867	175	--
Petroleum	133	706	3,301 2/	1,030	--	692	--	--
Fertilizer	200	278	265	302	175	175	175	--
Other	215	366	432	706	724	779	766	309
Development expenditure and net lending 3/	12,467	12,213	13,902	20,398	21,617	25,970	23,905	8,567
<u>(In percent of GDP)</u>								
Memorandum items:								
Total expenditure	18.5	17.5	18.2	18.5	17.4	19.4	17.0	...
Current expenditure	10.1	10.5	11.4	9.8	9.3	9.7	9.2	...
Development expenditure	8.4	7.0	6.8	8.7	8.1	9.7	7.8	...

Sources: Data provided by the Indonesian authorities; and staff estimates.

^{1/} Recurrent spending on goods and services only.

^{2/} Includes payments of arrears to Pertamina amounting to Rp 821 billion.

^{3/} Derived as the sum of the current budget surplus and net financing from the banking system and from abroad.

Table 22. Indonesia: Import and Export Taxation of Non-Oil/Gas Trade, 1988/89-1993/94

	1988/89	1989/90	1990/91	1991/92	1992/93		1993/94	
					Budget	Est.	Budget	First-Half Estimate
Imports and import duties								
Total imports (customs data) 1/								
U.S. dollars (millions)	15,215	20,512	21,558	25,034	26,001	29,286	29,360	16,674
Rupiah (billions)	25,866	36,522	40,119	49,166	53,094	59,743	61,803	34,515
Dutiable imports								
U.S. dollars (millions)	8,445	11,667	13,166	15,409	20,407	14,022	21,080	10,332
Rupiah (billions)	14,357	20,773	24,591	30,263	41,671	28,605	44,373	21,387
Levies on imports (Rp bn.)	3,026	3,169	4,651	4,598	6,236	4,695	5,241	2,857
Import duties	1,268	1,532	2,263	2,118	3,041	2,652	3,106	1,384
Sales tax/VAT on imports	1,758	1,637	2,388	2,480	3,195	2,043	2,135	1,483
Exports and export duties								
Total exports 1/								
U.S. dollars (millions)	12,184	14,493	15,380	20,674	21,870	19,980	27,117	13,484
Rupiah (billions)	20,792	25,805	28,622	40,603	45,380	40,758	57,081	27,912
Export duties (Rp bn.)	156	171	42	22	60	9	30	7
(In percent)								
Average levy on imports	11.7	8.7	11.6	9.4	11.7	7.9	8.5	8.3
Average levy rate on dutiable imports	21.1	15.3	18.9	15.2	15.0	16.4	11.8	13.4
Average import duty rate	4.9	4.3	5.6	4.3	5.7	4.4	5.0	4.0
Average levy rate on dutiable imports	8.8	7.4	9.2	7.0	7.3	9.3	7.0	6.5
Average sales tax/VAT rate on imports	6.8	4.5	6.0	5.0	6.0	3.4	3.5	4.3
Average export duty rate (percent)	0.8	0.7	0.1	0.1	0.1	--	0.1	--

Source: Data provided by the Indonesian authorities.

1/ As published by the Directorate of Customs and Excises.

Table 23. Indonesia: Functional Classification of Development Expenditure and Net Lending, 1988/89-1993/94 1/

	1988/89	1989/90	1990/91	1991/92	1992/93		1993/94	
					Budget	Est.	Budget	First-Half Estimate
(In billions of rupiah)								
General public services	179	188	250	321	398	401	432	92
Government apparatus	152	163	215	269	324	327	349	79
Law and order	27	25	35	52	74	74	83	13
Education	2,327	1,840	2,607	2,847	3,569	3,733	4,226	1,013
Education, national culture, and development of youth	1,606	1,507	2,052	2,417	3,002	3,147	3,565	864
Science and technology, research and statistics	721	333	555	430	567	586	661	149
Health, family planning, and welfare	338	470	723	891	955	957	1,087	321
Housing and water supply	481	495	677	801	959	1,054	971	227
Other community and social services	284	306	621	766	953	966	1,034	130
Manpower and transmigration	266	281	579	719	886	888	953	115
Religion	18	25	42	47	67	78	81	15
Economic services	6,287	7,070	8,500	9,986	11,091	11,925	11,790	5,190
Agriculture and irrigation 2/	1,414	1,772	2,043	2,412	2,780	3,065	2,907	810
Industry and mining	565	420	714	722	784	861	822	273
Electric power	1,955	1,397	1,707	2,286	2,749	3,042	2,993	2,080
Transportation and tourism	2,011	3,006	3,743	3,910	4,385	4,537	4,667	1,925
Information and communications	27	60	94	77	80	82	82	61
Trade and cooperatives	315	415	199	579	313	338	319	41
Regional, business, and environment	1,600	2,468	2,812	3,328	3,692	3,719	4,365	1,870
Regional development	1,137	1,369	1,938	2,479	2,919	2,920	3,562	1,479
Investment through banking system	238	625	334	410	390	403	394	163
Natural resources	225	474	540	439	383	390	409	228
Total (official data)	11,496	12,836	16,191	18,939	21,617	22,755	23,905	8,843
Residual 3/	971	-623	-2,289	1,459	--	3,215	--	-276
Total (staff estimate) 4/	12,467	12,213	13,902	20,398	21,617	25,970	23,905	8,567
(In percent of total) 5/								
General public services	1.6	1.5	1.5	1.7	1.8	1.8	1.8	1.0
Education	20.2	14.3	16.1	15.0	16.5	16.4	17.7	11.5
Health	2.9	3.7	4.5	4.7	4.4	4.2	4.5	3.6
Housing and other social services 6/	4.3	4.1	4.4	4.5	4.7	5.0	4.4	2.7
Economic services	70.9	76.5	73.4	74.1	72.5	72.6	71.6	81.1
Agriculture and irrigation 2/	12.3	13.8	12.6	12.7	12.9	13.5	12.2	9.2
Industry and mining	4.9	3.3	4.4	3.8	3.6	3.8	3.4	3.1
Electric power	17.0	10.9	10.5	12.1	12.7	13.4	12.5	23.5
Transportation and tourism	17.5	23.4	23.1	20.6	20.3	19.9	19.5	21.8
Information and communications	0.2	0.5	0.6	0.4	0.4	0.4	0.3	0.7
Trade and cooperatives	2.7	3.2	1.2	3.1	1.4	1.5	1.3	0.5
Manpower and transmigration	2.3	2.2	3.6	3.8	4.1	3.9	4.0	1.3
Regional development	9.9	10.7	12.0	13.1	13.5	12.8	14.9	16.7
Other	4.0	8.6	5.4	4.5	3.6	3.5	3.4	4.4

Sources: Data provided by the Indonesian authorities; and staff estimates.

1/ Excludes defense and national security, and fertilizer subsidy.

2/ Excludes fertilizer subsidy.

3/ Derived as the difference between Fund definition and authorities' estimates of development expenditure and net lending.

4/ Derived as the sum of the current budget surplus and net financing from the domestic banking system and from abroad (Fund definition).

5/ Excludes the residual.

6/ Includes water supply and religion.

Table 24. Indonesia: Summary of Provincial Finances,
1988/89-1993/94

	1988/89	1989/90	1990/91	1991/92	1992/93 Actual	1993/94 Budget
(In billions of rupiah)						
Own revenues	980	1,345	1,844	2,125	2,234	2,345
Tax	759	991	1,318	1,463	1,601	1,740
Nontax	221	353	526	661	633	605
Current transfers from central government	2,045	2,323	2,536	2,818	3,379	3,642
Capital transfers from central government	344	397	722	931	1,162	1,335
Total revenues and grants ^{1/}	3,369	4,065	5,102	5,874	6,774	7,322
Current expenditure	2,539	2,937	3,361	3,880	4,670	5,070
Wages and salaries	1,782	2,202	2,413	2,676	3,272	3,590
Expenditure on goods and services	384	451	567	717	807	858
Pensions	65	5	3	11	4	1
Subsidies	308	279	378	476	588	621
Development expenditure	812	1,029	1,498	2,011	2,202	2,519
Capital expenditure	783	956	1,355	1,800	1,964	2,296
Transfers to local government	29	73	143	211	237	223
Total expenditure	3,351	3,965	4,859	5,891	6,872	7,589
Overall balance	18	10	242	-17	-98	-267
(In percent of GDP)						
Memorandum items:						
Own provincial revenues	0.8	0.8	1.1	1.1	0.8	0.8
Central government transfers	2.0	1.6	2.0	2.0	1.7	1.6
Current expenditure	2.1	1.8	2.0	2.0	1.8	1.7
Development expenditure	0.7	0.6	0.9	1.0	0.8	0.8
Overall balance	--	0.1	0.1	--	--	-0.1

Source: Data provided by the Indonesian authorities.

^{1/} Excludes previous year's surplus.

Table 25. Indonesia: Consolidated Balance Sheet of Nonfinancial Public Enterprises, 1988-93

(In billions of rupiah)

	1988	1989	1990	1991	1992		1993 Est.
					Prel. Est.	Actual	
Assets	65,088	59,354	66,614	87,025	102,375	106,003	114,981
Noncurrent	36,616	41,376	46,667	57,585	73,578	75,112	86,374
Operating, net	26,256	29,623	29,019	43,701	56,638	47,873	61,904
Physical, net	24,747	27,723	26,949	40,239	52,152	44,306	58,809
Intangible	1,509	1,900	2,070	3,462	4,486	3,567	3,095
Nonoperating	10,360	11,753	17,648	13,884	16,940	27,239	24,470
Physical	9,835	11,171	17,038	13,587	16,577	26,884	23,858
Monetary	525	582	610	297	363	355	612
Current	28,472	17,978	19,947	29,440	28,797	30,891	28,607
Liabilities	65,088	59,354	66,614	87,085	102,375	105,246	114,981
Noncurrent	52,299	50,219	56,097	72,888	88,170	91,091	100,826
Net worth	37,667	34,752	38,573	49,805	59,077	56,746	63,316
Contributed capital	21,054	22,914	20,879	25,859	30,673	27,741	32,924
Reserves/deficits	16,613	11,838	17,694	23,946	28,404	29,005	30,392
Long-term	14,632	15,467	17,524	23,083	29,093	34,345	37,510
Current	12,789	9,135	10,517	14,197	14,205	14,155	14,155
Memorandum item:							
Number of companies reporting	168	161	163	163	161	159	157

Sources: Data provided by the Indonesian authorities; and staff estimates.

**Table 26. Indonesia: Consolidated Income Accounts of
Nonfinancial Public Enterprises, 1988-93**

(In billions of rupiah)

	1988	1989	1990	1991	1992		1993 Est.
					Prel. Est.	Actual	
Operating income, net	28,865	30,107	34,184	44,786	50,180	59,262	55,827
Gross	28,883	31,297	34,759	45,458	50,933	59,941	56,665
Discounts	18	1,190	575	672	753	679	838
Operating expenses	23,958	26,369	30,164	38,578	44,940	52,629	49,193
Direct costs of goods sold	21,254	22,950	25,560	32,440	37,790	44,255	41,365
Indirect costs	2,704	3,419	4,604	6,138	7,150	8,374	7,828
Operating profits	4,907	3,738	4,020	6,208	5,240	6,633	6,634
Nonoperating items	-523	-74	131	198	449	593	84
Profits before taxes	4,384	3,664	4,151	6,406	5,689	7,226	6,718
Taxes	2,273	1,282	1,453	2,242	1,991	2,168	1,681
Profits after taxes	2,111	2,382	2,698	4,164	3,698	5,058	5,037
Memorandum items:							
Gross profits ^{1/}	7,611	7,157	8,624	12,346	12,390	15,007	14,462
Return on total assets (percent)	6.7	6.2	6.2	7.3	5.6	6.8	5.8
Number of companies reporting	168	161	163	163	161	159	157

Sources: Data provided by the Indonesian authorities; and staff estimates.

^{1/} Operating income less the direct cost of goods sold.

Table 27. Indonesia: Structure and Growth of the Organized Financial Sector, 1982-93

(End of period)

	Number in						Gross Assets					
	1982	1988	1990	1991	1992	1993 1/	1982	1988	1990	1991	1992	1993 2/
(In billions of rupiah)												
Bank Indonesia	1	1	1	1	1	1	13,707	42,455	49,045	55,220	63,885	63,429
Deposit money banks	114	107	169	189	200	217	15,952	63,284	132,623	155,255	182,066	211,535
National foreign												
exchange banks 3/	15	17	28	33	40	47	12,724	50,051	102,699	115,812	138,631	156,827
Foreign banks	11	11	28	29	30	39	1,172	3,215	9,777	12,070	15,175	16,563
Other commercial banks 4/	60	51	85	99	101	102	720	4,972	10,823	12,468	11,009	18,617
Development banks	28	28	28	28	29	29	1,336	5,046	9,324	14,505	17,251	19,528
Nonbank financial												
institutions 5/	14	14	14	14	14	1	805	3,063	4,730	4,180	4,730	...
Savings banks 6/	3	3	2	2	2	2	452	2,409	268	334	473	858
Insurance companies	83	106	129	130	138	...	528	3,906	6,204	4,200	4,600	...
Leasing companies	17	83	116	142	...	146	114	1,735	11,674	8,192	9,998	6,592 1/
Other credit												
institutions 7/	5,808	7,706	8,006	8,297	8,520	8,600	66	689	851	935	1,264	1,328 1/
All institutions	6,040	8,020	8,437	8,758	9,010	8,967	31,644	117,541	205,395	228,316	267,016	283,742

Source: Data provided by the Indonesian authorities.

1/ As of June 1993.

2/ As of September 1993, except where stated otherwise.

3/ Includes five state banks; the remainder are national private banks.

4/ National private banks undertaking only domestic currency business. Includes one state savings bank since May 1989.

5/ Nine investment finance, three development finance, and two other finance companies.

6/ One state savings bank and two private savings banks. Since May 1989, state savings banks have been excluded.

7/ Village banks, rural paddy banks, and government-owned pawnshops.

Table 28. Indonesia: Monetary Survey, 1988-93

	1988	1989	1990	1991	1992				1993		
	March	March	March	March	March	June	Sept.	Dec.	March	June	Sept.
(In billions of rupiah: end of period)											
Foreign assets (net)	18,826	18,627	17,891	20,169	23,630	26,070	30,154	30,634	33,345	29,868	28,179
Bank Indonesia	12,448	10,015	10,827	20,677	26,691	30,078	32,364	33,830	37,209	35,395	35,720
Deposit money banks	6,378	8,612	7,064	-508	-3,061	-4,008	-2,210	-3,196	-3,864	-5,527	-7,541
Net domestic assets	16,834	25,540	46,476	60,955	77,166	80,851	83,333	88,419	89,816	95,162	108,537
Net domestic credit	29,945	41,775	71,382	96,309	115,061	118,848	124,233	126,612	128,259	135,343	145,784
Claims on public sector	-1,229 ^{1/}	-118	932	-5,391	-6,286	-7,268	7,229	6,372	-6,295	-7,875	-6,690
Government (net)	-7,697	-7,799	-7,858	-12,678	-15,085	-15,781	-15,572	-14,873	-15,147	-16,439	-15,082
Public enterprises ^{2/}	6,468	7,681	8,790	7,287	8,799	8,513	8,343	8,501	8,852	8,564	8,392
Claims on private sector	31,174	41,893	70,450	101,700	121,347	126,116	131,462	132,984	134,554	143,218	152,474
Other (net)	-13,111 ^{1/}	-16,325	-24,906	-35,354	-37,895	-37,997	-40,900	-38,193	-38,443	-40,181	-37,247
Broad money	35,660	44,167	64,367	81,124	100,796	106,921	113,487	119,053	123,161	125,030	136,716
Narrow money	12,626	15,009	22,155	23,570	27,318	26,844	27,626	28,779	30,592	31,563	35,041
Currency	5,873	6,559	7,780	9,026	11,025	9,944	10,440	11,478	12,324	12,386	13,106
Demand deposits	6,753	8,450	14,375	14,544	16,293	16,900	17,186	17,301	18,268	19,177	21,935
Quasi-money	23,034	29,158	42,212	57,554	73,478	80,077	85,861	90,274	92,569	93,467	101,675
Time and savings deposits	17,605	22,300	33,009	42,017	53,321	58,850	63,654	67,560	67,637	72,253	76,253
Foreign currency deposits	5,429	6,858	9,203	15,537	20,157	21,227	22,207	22,714	24,932	21,214	25,422
Memorandum item:											
Rupiah broad money	30,231	37,309	56,164	65,587	80,639	85,694	91,280	96,339	98,229	103,816	111,294
(Annual percentage change) ^{3/}											
Net domestic assets	40.0	51.7	82.0	31.2	26.6	22.2	18.2	17.1	16.4	17.7	30.2
Net domestic credit	38.3 ^{4/}	39.5	70.9	34.9	19.5	17.2	21.0	12.9	11.5	13.9	17.3
Claims on private sector	32.6	34.4	68.2	44.4	19.3	17.8	23.2	13.0	10.9	13.6	16.0
Claims on public enterprises ^{2/}	9.0	18.8	14.4	-17.1	20.7	-0.5	-11.8	6.1	0.6	0.6	0.6
Broad money	25.2	23.9	45.7	26.0	24.2	21.8	21.2	20.2	22.2	16.9	20.5
Narrow money	9.8	18.9	47.6	5.4	15.9	9.1	7.1	9.3	12.0	17.6	26.8
Quasi-money	35.6	26.6	44.8	36.3	27.7	26.8	26.6	24.1	26.0	16.7	18.4
Rupiah broad money	26.9	23.4	47.9	18.9	23.0	19.7	21.0	22.0	21.8	21.1	21.9

Source: Data provided by the Indonesian authorities.

^{1/} Beginning in September 1987, Rp 1,725 billion of foreign borrowing by the Government for balance of payments support was reclassified as a liability of Bank Indonesia. The reclassification results in a reduction of government deposits and an increase in other assets (net).

^{2/} Claims on public enterprises exclude claims on financial public enterprises by Bank Indonesia.

^{3/} Not adjusted for the reclassification of a state savings bank (BTN) in May 1989.

^{4/} Excludes the effects of the reclassification in footnote 1.

Table 29. Indonesia: Reserve Money, 1988-93

	1988	1989	1990	1991	1992				1993		
	March	March	March	March	March	June	Sept.	Dec.	March	June	Sept.
(In billions of rupiah: end of period)											
Autonomous factors	9,876	10,964	12,406	13,485	21,671	25,317	29,318	32,457	35,591	32,166	32,930
Net foreign assets	12,448	10,015	10,827	20,676	26,691	30,078	32,365	33,830	37,210	35,395	35,720
Net claims on Government	-7,072	-6,300	-5,723	-11,090	-11,569	-11,723	-10,684	-9,484	-10,266	-11,572	-9,087
Claims on BULOG	1,036	1,057	1,684	1,527	1,324	2,083	2,111	2,210	2,124	1,834	1,165
Liquidity credits	9,275	12,153	15,767	11,534	12,445	12,108	12,241	12,371	11,900	11,758	11,375
Other claims	1,701	812	818	862	996	973	979	977	422	567	590
Net other items	-7,352	-7,662	-10,961	-10,024	-8,216	-8,202	-7,694	-7,447	-5,799	-5,816	-6,833
Policy factors	-769	-2,159	-1,964	-2,483	-7,043	-12,610	-15,987	-17,721	-19,888	-17,086	-16,704
SBIs outstanding	-769	-2,369	-2,216	-311	-2,393	-7,168	-9,826	-12,501	-16,342	-12,062	-13,705
Special SBIs	--	--	--	-9,104	-8,846	-8,374	-8,156	-8,098	-6,668	-6,668	-4,958
SBPUs rediscounted	--	210	252	136	2,969	1,969	1,876	2,710	2,610	1,502	1,620
Special SBPUs	--	--	--	6,646	1,227	839	119	110	9	9	5
Rediscount facility	--	--	--	150	--	124	--	58	503	133	334 1/
Reserve money	9,107	8,805	10,442	11,002	14,628	12,707	13,331	14,736	15,703	15,080	16,226
Currency outside banks	5,873	6,559	7,780	9,062	11,025	9,945	10,440	11,478	12,324	12,463	13,318
Bank reserves	3,157	2,101	2,523	1,765	3,409	2,416	2,675	2,954	3,161	2,353	2,585
Other deposits	77	145	139	175	194	346	216	304	218	264	323
(Percentage change over preceding year)											
Reserve money	14.0	-3.3	18.6	5.4	33.0	11.5	16.7	19.3	7.3	18.7	21.7
Currency outside banks	3.5	11.7	18.6	16.5	21.7	13.1	14.3	23.0	11.8	25.3	27.6
Bank reserves	40.3	-33.4	20.1	-30.0	89.3	-0.9	26.7	6.1	-7.3	-2.6	-3.4
(Twelve-month change in percent of initial reserve money)											
Autonomous factors	21.6	11.9	16.4	10.3	74.4	84.8	100.4	109.3	95.2	53.9	27.1
Net foreign assets	39.7	-26.7	9.2	94.3	54.7	75.7	86.6	76.2	71.9	41.8	25.2
Net claims on Government	22.3	8.5	6.6	-51.4	-4.4	-8.0	-5.1	-2.9	8.9	1.2	12.0
Claims on BULOG	1.4	0.2	7.1	-1.5	-0.4	2.6	1.5	2.7	5.5	-2.0	-7.3
Liquidity credits	3.6	31.6	41.0	-40.5	6.8	5.4	4.8	1.3	-3.7	-2.8	-6.3
Other claims	19.3	1.8	-10.1	0.4	1.2	0.8	0.4	--	-3.9	-3.2	-2.9
Net other items	-64.6	-3.4	-37.5	9.0	16.4	8.3	12.1	32.0	16.5	18.8	6.5
Policy factors	-7.6	-15.3	2.2	-5.0	-41.4	-73.3	-83.8	-90.0	-87.8	-35.2	-5.4
SBIs outstanding	-7.6	-17.6	1.7	18.2	-18.9	-33.7	-59.7	-79.3	-95.4	-38.5	-29.1
Special SBIs	--	--	--	-87.2	2.3	2.6	2.2	1.2	14.9	13.4	24.0
SBPUs rediscounted	--	2.3	0.5	-1.1	25.7	5.0	3.7	1.5	-2.5	-3.7	-1.9
Special SBPUs	--	--	--	63.6	-49.3	-48.2	-30.0	-13.9	-8.3	-6.5	-0.9
Rediscount facility	--	--	--	1.4	-1.4	1.1	--	0.5	3.4	0.1	2.5

Source: Data provided by the Indonesian authorities.

1/ Includes back-up windows (about Rp 50 billion).

Table 30. Indonesia: Bank Indonesia Liquidity Credits, 1988-93 ^{1/}

(In billions of rupiah: outstanding credits at end of period)

	1988	1989	1990	1991	1992				1993		
	March	March	March	March	March	June	Sept.	Dec.	March	June	Sept.
Liquidity credits	10,311	13,210	17,451	13,061	13,769	14,191	14,352	14,581	14,024	13,592	12,540
BULOG	1,036	1,085	1,684	1,527	1,324	2,083	2,136	2,210	2,124	1,834	1,165
Other	9,275	12,125	15,767	11,534	12,445	12,108	12,216	12,371	11,900	11,758	11,375
State banks	8,140	10,208	12,188	9,448	10,896	10,641	10,792	11,000	9,872	9,519	9,331
Priority sectors	4,840	6,618	10,104	6,624	6,703	6,852	6,853	6,973	6,075	6,295	6,641
Old programs	4,327	5,661	8,480	--	6,516	6,688	6,711	6,843	5,988	6,215	6,561
Fertilizer	(335)	(347)	(702)	(278)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Cooperatives	(317)	(422)	(455)	(442)	(444)	(534)	(452)	(413)	(416)	(437)	(479)
Export credits	(1,518)	(1,979)	(2,168)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Other	(2,157)	(2,913)	(5,155)	(5,226)	(6,072)	(6,154)	(6,259)	(6,430)	(5,572)	(5,778)	(6,082)
New programs ^{2/}	513	957	1,624	678	187	164	142	130	87	80	80
Nonpriority sectors	3,300	3,590	2,084	2,824	4,193	3,789	3,939	4,027	3,797	3,224	2,690
Large investments	1,183	1,233	1,062	1,866	3,016	2,672	2,827	2,858	2,737	2,907	2,208
Krakatau Steel	1,028	1,028	41	--	--	--	--	--	--	--	--
Pertamina	90	93	93	93	93	93	93	93	93	93	93
Other	999	1,236	888	865	1,084	1,024	1,019	1,076	967	224	389
Local development banks	302	450	732	561	441	424	401	385	363	341	349
Private national banks	753	1,323	2,601	1,525	1,108	1,043	1,023	986	935	1,152	993
Foreign banks	80	144	246	--	--	--	--	--	--	--	--
Nonbank financial institutions	--	--	--	--	--	--	--	--	730	746	702

Source: Data provided by the Indonesian authorities.

^{1/} Since January 1990, liquidity credit has been provided only to farmers for working capital credits, cooperatives for food procurement, BULOG for providing supplies of food and sugar stock, development banks and nonbank financial institutions for general investment credit, and commercial banks for estate investment credit.

^{2/} Consists of credits for Kupedes, national contractors, RPK (up to Rp 75 million), and Keppres No. 29.

Table 31. Indonesia: Liquidity Credits of Bank Indonesia and Credits of Commercial Banks, 1988-93 1/

(In billions of rupiah; end of period)

	1988 March		1989 March		1990 March 2/		1991 March		1992 March		1993 March		1993 June	
	BI 3/	CB 3/	BI	CB	BI	CB	BI	CB	BI	CB	BI	CB	BI	CB
A. State banks	9,176	23,559	11,293	31,053	13,872	43,268	10,807	55,403	12,048	63,688	11,996	70,109	11,353	70,295
Rupiah credits	9,176	22,929	11,293	30,010	13,872	40,379	10,807	50,565	12,048	56,455	11,996	59,151	11,353	60,075
Priority sectors	5,876	7,606	7,675	10,268	11,788	16,539	7,983	16,522	7,855	17,678	8,199	15,838	8,129	14,065
Working capital credit	4,253	5,426	5,491	7,386	7,719	13,207	3,449	12,385	2,843	13,671	3,211	11,003	3,285	8,500
Investment credit	1,623	2,180	2,184	2,882	4,069	3,332	4,534	4,137	5,012	4,007	4,988	4,835	4,844	5,565
Nonpriority sectors	3,300	15,323	3,618	19,742	2,084	23,840	2,824	34,043	4,193	38,777	3,797	43,313	3,244	46,010
Working capital credit	413	8,676	507	11,491	397	12,576	293	19,007	452	20,884	361	25,831	270	27,518
Investment credit	2,461	6,264	3,111	7,793	1,687	11,264	2,178	15,036	3,301	17,893	3,027	17,482	2,828	18,492
Other	426	383	--	458	--	--	353	--	440	--	409	--	146	--
Foreign exchange credits	--	--	--	--	--	--	--	--	--	--	--	--	--	--
(nonpriority)	--	630	--	1,043	--	2,889	--	4,838	--	7,233	--	10,958	--	10,220
Working capital credit	--	630	--	1,043	--	1,520	--	2,590	--	3,932	--	4,546	--	3,807
Investment credit	--	--	--	--	--	1,369	--	2,248	--	3,301	--	6,412	--	6,413
B. Local development banks	302	994	450	1,238	732	1,814	561	2,512	441	2,616	363	2,941	341	3,159
Priority sectors	250	319	372	444	656	798	471	616	346	479	272	355	256	322
Nonpriority sectors	52	675	78	794	76	1,016	90	1,896	95	2,137	91	2,586	85	2,837
C. Private national banks	753	8,210	1,323	11,441	2,601	22,684	1,693	35,641	1,280	41,786	935	42,465	1,152	51,860
Rupiah credits	753	8,022	1,323	10,921	2,601	21,027	1,693	31,778	1,280	36,801	935	37,035	1,152	44,352
Priority sectors	421	813	868	1,405	2,056	3,083	1,193	1,954	767	1,213	614	990	782	865
Nonpriority sectors	332	7,209	455	9,516	545	17,944	500	29,824	513	35,588	321	36,045	370	43,487
Foreign exchange credits	--	188	--	520	--	1,657	--	3,863	--	4,985	--	5,430	--	7,508
D. Foreign banks	80	1,520	144	1,994	246	3,786	--	6,837	--	8,512	--	9,695	--	10,413
Nonpriority sectors	--	1,390	--	1,764	--	3,385	--	6,257	--	7,837	--	9,215	--	9,771
Rupiah credits	--	1,089	--	1,416	--	2,141	--	2,660	--	2,502	--	2,914	--	7,209
Foreign exchange credits	--	301	--	348	--	1,204	--	3,597	--	5,335	--	6,301	--	2,562
Priority sectors	80	130	144	230	246	401	--	580	--	675	--	480	--	642
E. Nonbank financial institutions	--	--	--	--	--	--	--	--	--	--	730	...	746	...
Total (A + B + C + D + E)	10,311	34,283	13,210	45,726	17,451	71,552	13,061	100,393	13,769	116,602	14,024	125,210	13,592	135,727

Source: Data provided by the Indonesian authorities.

1/ Includes credit to central government to finance smallholder plantations; excludes special credit facility.

2/ As of May 1989, includes state savings banks.

3/ BI = Bank Indonesia; CB = commercial banks.

Table 32. Indonesia: Bank Indonesia Facilities, 1988/89-1993/94

(Amounts outstanding at end-period: in billions of rupiah)

	Rediscount Facility	Special Credit Facility 1/	Rediscount of Money Market Instruments by Bank Indonesia		Total Use of Bank Indonesia Facilities (1)	Bank Indonesia SBIs			Net Provision of Liquidity by Bank Indonesia 2/ (3) = (1) - (2)
			SBI's	SBPU's		Total Sold	Total Reimbursed	End-Period Outstanding (2)	
1988/89									
June	--	4	--	50	54	2,678	2,606	1,185	-1,131
September	2	115	--	--	17	1,765	1,377	1,062	1,045
December	--	75	--	--	75	4,794	4,329	3,665	-3,590
March	--	57	--	--	57	2,355	2,698	2,370	-2,313
1989/90									
June	--	47	--	--	47	10,168	9,907	2,631	-2,584
September	--	...	--	--	--	11,740	11,415	2,956	-2,956
December	--	20	--	--	20	15,287	14,942	3,301	-3,281
March	--	11	81	--	11	9,851	10,936	2,216	-2,124
1990/91									
June	38	11	--	--	49	1,995	1,865	2,061	-2,012
September	30	4	--	--	34	1,782	2,510	1,412	-1,378
December	45	11	--	--	57	1,217	782	1,529	-1,472
March	150	23	--	6,782 1/	6,955	10,007 2/	1,061	9,414	-2,459
1991/92									
June	--	16	--	7,739	7,755	5,632	5,317	11,994	-4,239
September	--	11	--	4,995	5,006	3,148	3,180	11,410	-6,404
December	--	11	--	4,343	4,352	4,882	4,809	10,942	-6,588
March	--	11	--	4,196	4,207	4,522	5,469	11,329	-7,122
1992/93									
April	12	11	--	2,669	2,692	4,405	2,605	13,039	-10,347
May	39	11	--	2,767	2,817	3,995	2,607	14,421	-11,610
June	125	11	--	2,808	2,944	4,674	3,559	15,542	-12,598
July	--	11	--	2,279	2,290	5,366	3,952	16,956	-14,666
August	21	10	--	1,853	1,884	6,160	5,127	17,989	-16,105
September	--	3	--	1,995	1,998	4,747	4,754	17,982	-15,984
October	31	3	--	1,917	1,951	5,963	4,038	19,907	-17,956
November	243	3	--	2,442	2,688	7,368	5,978	21,297	-18,609
December	54	1	--	2,820	2,875	5,657	6,355	20,599	-17,724
January	8	1	--	2,496	2,505	4,732	3,795	21,536	-19,031
February	102	1	--	3,224	3,327	15,617	13,438	23,715	-20,388
March	503	1	--	2,619	3,123	6,436	7,141	23,010	-19,887
1993/94									
April	46	1	--	1,977	2,024	7,259	7,750	22,519	-20,495
May	66	1	--	1,856	1,923	6,725	8,553	20,691	-18,768
June	133	1	--	1,511	1,645	5,407	7,368	18,730	-17,085
July	17	1	--	1,397	1,415	9,500	10,750	17,480	-16,065
August	396	1	--	1,295	1,692	20,776	19,415	18,841	-17,149
September	284	1	--	1,625	1,910	13,302	13,480	18,663	-16,753

Source: Data provided by the Indonesian authorities.

1/ Includes special SBPU's injected to banks amounting to Rp 6.6 trillion to compensate for the withdrawal of state enterprises' deposits.

2/ Includes emergency credits provided to banks recorded as liquidity credits.

3/ Includes SBIs sold to public enterprises amounting to Rp 9.1 trillion.

Table 33. Indonesia: Assets and Liabilities of Deposit Money Banks, 1988-93

(In billions of rupiah; end of period)

	1988 March	1989 March	1990 March	1991 March	1992				1993		
					March	June	Sept.	Dec.	March	June	Sept.
Net foreign assets	6,377	8,612	7,064	-508	-3,061	-4,008	-2,210	-3,196	-3,864	-5,527	-7,541
Net claims on Government	-625	-1,498	-2,136	-1,587	-3,516	-4,055	-4,888	-5,388	-4,881	-4,866	-8,996
Claims on official entities	1,251	1,782	1,849	1,411	2,250	2,398	2,569	2,404	2,239	2,810	3,380
Claims on public enterprises and private sector	34,850	46,090	75,595	106,714	126,900	131,259	136,258	138,103	140,156	151,383	160,458
Kratatau Steel	599	599	41	41	...	...	...	...	...	...	...
Perumtel	192	262	346	289	331	303	294	359	322	...	...
Medium-term credit	5,212	6,756	10,967	15,935	21,195	23,608	25,567	27,814	28,906	285	...
Agriculture	2,891	4,311	5,982	7,902	8,899	9,793	10,471	10,281	10,068	11,223	...
Sugar	(363)	(407)	(402)	(1,034)	(1,955)	(486)	(575)	(703)	(690)	(675)	(...)
Bimas	(7)	(7)	(7)	(2)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Other	(2,521)	(3,897)	(6,834)	(6,866)	(6,944)	(9,307)	(9,896)	(9,378)	(9,378)	(10,548)	(...)
Fertilizer	281	251	295	401	1,076	1,263	1,282	1,115	1,115	1,136	...
Special credit programs	5,540	7,848	12,460	10,533	10,509	10,554	10,818	9,693	9,633	9,565	...
Other	20,135	26,063	45,504	71,613	84,890	85,738	87,829	88,841	90,112	117,951	...
Reserves	3,187	2,126	2,958	3,047	3,642	2,629	2,939	3,418	4,188	3,565	3,161
Other items (net)	-7,845	-9,542	-13,833	-25,657	-25,768	-19,486	-21,334	-18,085	-17,104	-27,019	-19,578
Assets = liabilities	37,195	47,750	71,497	83,420	100,447	108,737	113,332	117,256	119,466	120,346	130,884
Demand deposits	6,676	8,306	14,198	14,374	16,099	16,554	16,696	16,997	18,050	18,912	21,612
Rupiah time and savings deposits	17,605	22,300	33,009	42,017	53,331	58,850	63,625	67,560	67,638	69,576	76,252
Foreign currency deposits	5,143	6,721	9,189	15,508	20,131	21,208	22,207	22,693	24,910	23,875	25,385
Credit from Bank Indonesia	7,771	10,243	15,101	11,521	10,886	12,125	10,531	1,006	8,868	7,983	7,636
Memorandum items:											
Claims on official entities and public enterprises	5,420	6,668	7,756	6,563	7,979	7,728	7,550	7,729	8,097	11,378	11,792
Official entities	(1,251)	(1,782)	(1,849)	(1,411)	(2,250)	(2,398)	(2,567)	(2,405)	(2,239)	(2,810)	(3,380)
Public enterprises	(4,169)	(4,886)	(5,907)	(5,152)	(5,729)	(5,325)	(4,983)	(5,324)	(5,858)	(8,568)	(8,412)
Claims on private sector	30,681	41,204	69,688	101,562	121,171	125,934	131,275	132,779	134,298	142,815	152,046

Source: Data provided by the Indonesian authorities.

Table 34. Indonesia: Liquidity Position of Commercial Banks, 1988-93 1/

(In billions of rupiah; end of period)

	Rupiah Current Liabilities 2/ (a)	Rupiah Liquid Assets (b)	Reserve Require- ments 3/ (c)	Rupiah Free Reserves (d)=(b)-(c)	SBI's Held by Commercial Banks 4/ (e)	SBPU's Sold in the Market by FICORINVEST (f)	Rupiah Excess Liquidity (g)= (d)+(e)+(f)	Excess Net Foreign Assets Held by Banks 5/ (h)
1988								
March	17,503	3,138	2,626	513	25	--	538	1,235
June	19,282	2,857	2,892	-35	690	50	705	1,068
September	20,234	3,148	3,035	113	590	--	703	922
December	28,773	1,759	575	1,184	1,254	--	2,438	714
1989								
March	31,487	1,996	630	1,366	444	--	1,810	1,091
June	34,169	1,603	683	920	2,156	--	3,076	809
September	38,429	1,826	769	1,057	2,483	--	3,540	956
December	42,155	2,336	843	1,493	2,886	--	4,379	524
1990								
March	45,288	2,794	926	1,868	1,884	--	3,752	-2,125
June	51,448	2,308	1,029	1,279	1,728	--	3,007	-6,367
September	59,777	2,185	1,196	969	1,209	--	2,198	-11,854
December	61,621	2,709	1,232	1,477	1,529	--	3,006	-15,606
1991								
March	57,482	2,687	1,150	1,537	310	--	1,847	-16,017
June	63,868	2,482	1,277	1,205	3,325	--	4,530	-15,943
September	71,220	2,638	1,424	1,214	3,003	--	4,217	-17,267
December	73,050	2,788	1,461	1,327	2,698	--	4,025	-20,927
1992								
January	75,870	2,573	1,517	1,056	3,215	--	4,271	-22,648
February	74,810	2,555	1,496	1,059	3,324	--	4,383	-23,267
March	74,533	3,547	1,491	2,056	2,393	--	4,449	-23,192
April	76,120	2,743	1,522	1,221	4,252	--	5,473	-23,498
May	78,236	2,407	1,565	842	5,973	--	6,815	-23,649
June	76,300	2,476	1,526	950	7,168	--	8,118	-25,216
July	78,246	2,512	1,565	947	8,721	--	9,668	-24,871
August	81,287	2,616	1,625	991	9,754	--	10,745	-24,898
September	82,525	2,799	1,651	1,148	9,826	--	10,974	-24,418
October	84,578	2,432	1,692	740	11,790	--	12,530	-24,931
November	88,127	3,115	1,763	1,352	13,180	--	14,532	-27,171
December	89,197	3,261	1,784	1,477	12,501	--	13,978	-25,889
1993								
January	88,764	2,850	1,775	1,075	13,438	--	14,513	-26,615
February	88,612	2,850	1,772	1,078	16,640	--	17,718	-24,457
March	90,145	4,035	1,803	2,232	16,342	--	18,574	-28,775
April	89,082	2,928	1,782	1,146	15,851	--	16,997	-29,395
May	90,289	2,894	1,806	1,088	14,023	--	15,111	-30,061
June	91,592	3,422	1,832	1,590	12,062	--	13,652	-29,403
July	92,995	3,293	1,860	1,433	10,812	--	12,245	-30,406
August	...	...	...	...	13,468	--	13,468	-31,793
September	...	...	...	...	13,705	--	13,705	...

Source: Data provided by Bank Indonesia.

1/ Includes state banks, local development banks, and the State Development Bank (BAPINDO).

2/ Until November 1988, current liabilities are defined as all demand deposits, call money, and transfer drafts plus two thirds of time and savings deposits at state commercial banks, development banks, and foreign banks, plus one third of time and savings deposits at other banks. Thereafter, current liabilities are defined as call money, transfer drafts, and all time, saving, and demand deposits.

3/ Between January 1978 and November 1988, equal to 15 percent of current liabilities; since December 1988, 2 percent of current liabilities.

4/ As issued by Bank Indonesia.

Table 35. Indonesia: Commercial Bank Credit, 1988-93

(In billions of rupiah; outstanding at end of period)

	1988	1989	1990	1991	1992				1993		
	March	March	March	March	March	June	Sept.	Dec.	March	June	August
Agriculture	2,891	4,311	5,982	7,629	8,899	9,793	10,471	10,281	10,127	10,793	11,223
Mining	294	388	519	645	730	741	803	762	724	615	676
Manufacturing	11,928	15,683	22,449	31,313	35,411	33,157	35,934	37,289	43,473	45,413	46,195
Trade	10,997	14,687	22,814	29,590	31,907	33,158	33,567	32,944	32,534	35,650	36,867
Service industries	5,978	7,590	11,773	17,114	21,747	20,627	24,898	25,870	25,874	29,106	31,182
Other 1/	2,993	3,867	8,027	13,398	17,045	20,568	16,246	15,772	11,435	13,072	12,826
Total	35,081	46,526	71,564	99,689	115,739	118,044	121,919	122,918	124,167	134,649	139,969
In foreign exchange	1,119	1,911	5,750	12,298	19,288	20,322	21,823	20,020	23,171	24,782	26,509
In rupiah	33,962	44,615	65,814	87,391	96,451	97,722	100,096	100,898	100,996	109,867	113,400
Working capital credit 2/	27,334	36,299	56,581	78,827	87,529	86,880	88,248	86,924	86,729	95,249	99,336
Investment credit	7,747	10,277	14,983	20,862	28,210	31,164	33,571	35,994	37,438	39,400	40,633
Memorandum items:											
Trade	10,997	14,687	22,814	29,590	31,107	33,158	33,567	32,944	32,534	35,650	36,867
Exports	2,980	4,552	6,343	5,462	8,922	9,641	10,485	10,412	9,564	12,072	12,004
Service-rendering industries	5,978	7,590	11,773	17,114	22,532	20,627	24,898	25,870	25,874	29,106	31,182
Real estate	691	695	1,255	1,465	1,831	1,882	2,032	2,158	2,845	4,497	5,041

Source: Data provided by the Indonesian authorities.

1/ Includes mainly credit for housing, transportation, and household items.

2/ Includes credits for real estate.

Table 36. Indonesia: Maturity Structure of Bank Deposits and Credit, 1988-93 1/

(In billions of rupiah)

	1988 Dec.	1989 Dec.	1990 Dec.	1991 Dec.	1992 Dec.	1993 Aug. 2/
Bank credits 3/						
Less than three months	2,354	2,529	3,495	3,957	5,301	7,492
Three to six months	5,392	5,382	5,057	5,726	2,503	2,654
Six months to one year	18,866	28,150	43,753	49,539	61,459	4/ 64,098 4/
One to three years	3,731	5,489	8,778	9,938	3,446	5/ 4,307 5/
Three years and more	14,825	19,790	29,904	33,859	30,183	35,042
Unclassified	106	84	191	218	--	--
Total	45,274	61,424	91,178	103,237	102,892	113,593
Bank deposits						
Less than three months	3,395	4,516	11,342	8,973	8,388	8,047
Three to six months	4,132	5,312	5,886	9,160	10,104	10,532
Six months to one year	2,716	4,945	5,958	8,358	11,950	12,909
One to two years	8,955	11,640	13,910	9,523	11,765	12,414
Unclassified	534	656	1,693	4,545	2,974	2,418
Total	19,732	27,069	38,789	40,559	45,181	46,320

Source: Data provided by the Indonesian authorities.

1/ Includes state banks, private national banks, foreign banks, and local development banks. Excludes foreign currency credits and deposits.

2/ Latest data available.

3/ Bank credits above one year are classified as investment credit.

4/ Includes six-month to three-year maturity.

5/ Includes only three-year maturity.

Table 37. Indonesia: Average Interest Rates Paid on Outstanding Deposits at Commercial Banks, 1988-93

(In percent per annum)

	Demand Deposits	Tabanas Savings Deposits 2/	Taska Savings Deposits	Certifi- cates of Deposit 3/	Time Deposits													
					State Banks 1/					Private National Banks 1/					Foreign Banks 1/			
					Less than 3 mos.	3 mos.	6 mos.	12 mos.	24 mos.	Less than 3 mos.	3 mos.	6 mos.	12 mos.	24 mos.	Less than 3 mos.	3 mos.	6 mos.	12 mos.
1988																		
March	3/1.8	15	9	16.4	15.9	16.8	17.3	17.6	17.7	17.9	18.5	19.0	19.7	19.9	16.6	16.9	17.3	18.0
June	3/1.8	15	9	15.9	16.1	17.4	17.5	18.2	18.1	18.3	19.0	19.3	19.8	20.2	15.9	17.6	17.6	17.8
September	3/1.8	15	9	15.9	16.7	17.5	18.0	18.2	18.3	18.6	19.3	19.6	19.8	20.4	17.1	16.9	15.9	17.0
December	3/1.8	15	9	15.9	15.8	18.1	18.4	18.7	18.8	20.2	20.1	20.3	20.2	20.9	18.7	18.9	18.9	19.4
1989																		
March	3/1.8	15	9	16.3	15.8	16.4	18.5	18.2	16.7	20.0	20.3	20.6	20.6	21.1	17.8	19.0	19.4	18.8
June	3/1.8	15	9	16.3	15.9	16.8	18.1	18.9	18.8	19.0	19.6	20.2	20.6	21.2	17.2	18.2	18.6	17.5
September	3/1.8	15	9	16.3	15.5	16.8	17.7	18.7	18.8	17.4	18.7	19.5	20.3	20.8	16.7	17.3	18.8	18.5
December	...	...	...	16.3	15.1	16.2	17.2	18.1	18.8	17.0	18.0	18.8	19.7	20.5	15.4	16.6	17.2	18.0
1990																		
March	...	...	...	15.9	14.1	15.0	16.3	17.2	18.5	16.5	17.3	18.1	19.0	20.3	14.8	16.0	16.7	18.0
June	...	...	...	15.9	14.3	14.5	15.5	16.8	18.0	16.8	17.1	17.5	18.4	19.7	15.4	15.6	16.6	16.3
September	...	...	...	15.9	18.6	17.7	16.9	17.1	18.0	19.8	19.0	18.5	18.5	20.3	18.1	17.2	17.0	17.3
December	...	...	...	15.9	21.2	20.6	19.4	18.1	19.5	22.3	21.5	20.3	19.6	20.6	19.9	19.5	18.3	17.5
1991																		
March	...	...	...	18.0	25.4	24.3	23.6	19.7	20.3	27.0	24.4	23.3	20.6	21.1	24.4	22.2	21.7	18.8
June	...	...	...	18.0	22.1	23.9	24.4	21.2	20.6	25.1	25.9	25.6	22.0	21.4	21.1	23.5	20.9	20.7
September	...	...	...	18.0	19.9	21.9	23.2	21.9	20.7	21.7	23.2	24.4	22.8	21.4	19.8	20.6	21.9	21.0
December	...	...	...	19.0	20.0	20.8	22.0	21.7	20.5	21.1	22.0	22.6	22.0	20.7	19.1	19.1	19.0	21.3
1992																		
March	...	...	...	19.0	19.5	20.4	21.7	22.4	21.2	21.1	22.0	22.7	22.8	18.4	19.0	19.9	20.2	21.1
June	...	...	...	17.3	17.5	19.2	20.5	21.4	21.0	19.4	21.0	21.7	22.1	18.6	16.8	17.0	13.0	17.2
September	...	...	...	16.8	16.2	17.6	18.8	20.2	20.9	17.8	19.4	20.5	21.3	18.2	14.5	15.1	11.6	16.0
December	...	...	...	15.3	14.6	15.7	17.3	18.6	20.7	16.5	17.7	18.9	19.6	16.6	13.8	14.1	11.8	14.5
1993																		
March	...	...	...	14.8	12.4	14.1	15.6	17.4	20.2	16.1	17.1	17.7	18.4	15.7	12.3	13.0	12.8	13.3
June	...	...	...	14.2	12.1	13.3	14.7	16.0	19.1	15.8	16.6	17.2	17.4	17.4	11.5	12.0	12.7	14.2
August 4/	...	...	...	13.3	11.1	12.7	14.1	14.9	18.0	14.3	15.8	16.6	16.7	18.9	10.0	10.6	17.7	14.9

Source: Data provided by the Indonesian authorities.

1/ Weighted average.

2/ Until June 30, 1987, 15 percent for deposits up to Rp 1 million and 12 percent for deposits of above Rp 1 million. Until December 1989, 15 percent for all denominations. Thereafter, fully liberalized.

3/ Midpoint of range for six-month rate.

4/ Latest available.

Table 3^a. Indonesia: Interest Rates on Nonpriority Credits of Deposit Money Banks, 1988-93 1/

(In percent per annum)

	1988 March	1989 March	1990 March	1991 March	1992 March	1992 June	1992 Sept.	1992 Dec.	1993 March	1993 June	1993 August 2/
State banks											
Working capital											
Average	19.7	20.5	19.0	23.1	22.2	22.0	21.9	21.2	20.3	18.9	18.2
Lowest	16.5	16.5	16.0	17.0	21.0	21.0	21.5	21.0	20.0	20.0	19.0
Highest	23.0	24.0	22.0	29.0	27.0	27.0	27.0	26.0	26.0	26.0	23.0
Investment											
Average	18.9	19.6	19.4	21.7	18.2	18.9	18.9	17.9	17.7	17.1	16.5
Lowest	16.5	16.5	17.5	17.0	17.0	17.0	17.0	17.0	17.0	17.0	19.3
Highest	22.8	24.0	23.0	29.0	27.0	27.0	27.0	26.0	26.0	26.0	25.0
National private banks (other than foreign exchange banks)											
Working capital											
Average	23.5	23.5	20.7	29.5	27.0	26.6	25.2	22.1	22.4	21.8	20.8
Lowest	20.0	20.0	17.5	1.0	20.5	20.5	20.5	20.5	20.5	20.5	20.5
Highest	33.0	33.0	28.8	34.0	36.0	30.0	30.0	30.0	30.0	30.0	30.5
Investment											
Average	23.3	19.8	16.5	21.3	20.6	20.7	20.9	20.9	20.5	21.0	20.1
Lowest	21.0	21.0	20.0	17.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Highest	33.0	33.0	25.2	31.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
National private banks (nonforeign exchange banks)											
Working capital											
Average	25.5	25.8	22.8	30.0	28.1	27.9	27.0	26.6	25.7	24.6	22.3
Lowest	18.0	18.0	20.4	19.0	22.5	21.0	17.5	17.0	17.0	12.6	12.6
Highest	36.0	36.0	30.6	37.0	33.0	31.5	31.5	31.5	31.5	31.5	27.0
Investment											
Average	21.9	20.6	18.5	24.5	22.8	23.3	24.1	24.3	23.8	20.5	20.3
Lowest	23.2	23.2	23.2	...	19.0	21.0	21.0	21.0	21.0	21.0	21.0
Highest	28.8	28.8	28.8	...	30.5	30.0	30.0	26.0	26.0	26.0	25.5
Local development banks											
Working capital											
Average	22.9	22.6	21.7	24.1	23.1	24.0	23.9	24.0	23.4	23.8	23.5
Lowest	18.0	18.0	18.0	26.0	26.0	26.0	26.0	25.0	...	...	...
Highest	24.0	24.0	24.0	28.0	28.0	28.0	28.0	28.0	...	...	...
Investment											
Average	19.9	19.4	17.9	19.8	18.6	18.9	19.0	19.2	18.8	19.0	18.8
Lowest	15.0	15.0	15.0	24.0	24.0	24.0	24.0	24.0	...	...	...
Highest	21.0	21.0	21.0	26.0	26.0	26.0	26.0	26.0	...	...	...
Foreign banks											
Working capital											
Average	23.1	22.8	18.8	25.4	23.3	22.3	20.9	19.3	18.2	16.9	15.3
Lowest	17.0	17.0	17.3	15.5	18.5	18.0	15.5	14.3	12.2	15.5	10.5
Highest	30.0	29.0	27.0	28.0	30.0	30.0	30.0	30.0	30.0	32.0	30.0
Investment											
Average	23.1	23.4	22.2	24.8	23.2	22.8	21.5	20.9	19.9	19.1	18.8
Lowest	20.8	20.8	20.8	20.8	...	...	...	...	...	...	...
Highest	27.0	26.0	26.0	25.0	...	...	...	...	...	...	...
All deposit money banks											
Working capital											
Average	22.0	22.3	20.2	24.3	24.8	24.4	23.7	22.1	21.7	20.6	19.8
Lowest	16.5	16.5	16.0	15.5	18.5	18.0	15.5	14.3	12.5	12.5	10.5
Highest	36.0	36.0	30.6	36.0	36.0	...	31.5	31.5	31.5	32.0	30.0
Investment											
Average	19.1	19.6	18.8	21.7	19.2	19.2	19.3	18.4	18.2	17.6	17.0
Lowest	15.0	15.0	15.0	16.5	17.0	17.0	17.0	17.0	17.0	17.0	19.0
Highest	33.0	33.0	28.8	25.2	30.5	30.0	30.0	30.0	30.0	30.0	30.0

Source: Data provided by the Indonesian authorities.

1/ Based on weighted average of all outstanding loans.

2/ Latest available.

APPENDIX

Table 39. Indonesia: Bank Indonesia Foreign Exchange Swaps, 1988-93

(In millions of U.S. dollars: end of period)

	Foreign Exchange Banks	NBFIs 1/	Total	Swap Premium (Percent per Annum) 2/
1988				
March	3,278	599	3,877	9.00
June	3,514	5898	4,103	9.00
September	3,407	590	3,997	9.00
December	4,034	641	4,675	8.56
1989				
March	3,071	834	3,705	7.31
June	2,241	475	2,716	7.42
September	1,807	411	2,218	7.55
December	1,382	302	1,684	7.69
1990				
March	1,115	319	1,434	7.05
June	2,171	445	2,608	6.90
September	3,286	473	3,763	9.61
December	3,974	485	4,459	11.93
1991				
March	4,991	368	5,359	18.17
June	2,032	146	2,178	16.40
September	1,501	64	1,565	15.15
December	922	23	945	16.21
1992				
March	221	7	228	15.06
June	111	4	115	13.88
September	70	--	70	12.75
December	65	--	65	11.00
1993				
March	64	--	64	...
June	60	--	60	...
September	60	--	60	...

Source: Data provided by the Indonesian authorities.

1/ Nonbank financial institutions.

2/ Effective October 27, 1988, the swap premium is set daily as the difference between the domestic time deposit rate and the U.S. dollar LIBOR for the corresponding maturity. The rates shown here are three-month swap premiums until December 1991 and twelve-month swap premiums thereafter.

Table 40. Indonesia: Transactions and Interest Rates in the Domestic Interbank Call Money Market, SBI Cutoff Rates, Bank Indonesia Discount Rates, and U.S. Dollar LIBOR, 1988-93

	Cutoff Rate in SBI Auctions			Weekly Average Volume of Rupiah Interbank Trans- actions (Rp bn)	Rupiah Interbank Rates Range		Weighted 1/ (a)	Bank Indonesia Discount Rates 2/ Discount		LIBOR 3/ (b)	Interest Differential (a) - (b)
	7 Days	30 Days	90 Days		Low	High		Windows	SBFUs		
1988											
March	15.4	--	--	315	11.0	21.0	15.1	18.5	--	6.9	8.2
June	15.4	--	--	254	12.5	18.8	14.1	17.0	17.0	8.9	5.2
September	15.0	--	--	224	12.5	19.0	15.1	17.0	16.7	8.6	6.5
December	13.6	--	--	316	10.0	22.0	14.7	18.0	--	9.4	5.3
1989											
March	13.8	17.0	--	290	10.0	21.0	13.7	16.0	16.0	10.3	3.4
June	12.9	15.3	16.3	425	8.5	17.3	11.8	16.0	--	9.5	2.4
September	12.1	14.7	15.7	489	8.5	16.3	12.3	16.0	--	9.0	3.3
December	10.3	13.5	14.5	487	7.5	14.0	12.3	16.0	--	8.3	4.0
1990											
March	10.0	13.1	13.9	669	7.0	16.5	10.4	16.0	13.4	8.5	1.9
June	15.4	17.0	17.4	955	8.0	45.0	15.2	19.0	--	8.3	6.9
September	15.7	19.6	17.8	886	8.0	44.0	14.1	19.0	--	8.3	5.8
December	17.5	18.8	19.9	1,041	8.0	40.0	21.5	19.9	--	7.6	13.9
1991											
March	20.2	23.7	24.7	1,234	9.0	50.0	27.0	29.2	30.9	6.4	20.6
June	17.9	19.0	19.9	935	8.0	23.5	11.9	--	20.5	6.2	5.7
September	17.4	18.5	19.6	966	9.0	29.0	12.8	18.4	19.1	5.6	7.2
December	17.4	18.5	19.6	943	7.0	27.0	12.8	--	20.2	4.9	7.9
1992											
January	17.0	18.0	19.0	1,049	8.0	24.5	13.0	18.0	19.0	4.2	8.8
February	17.0	18.0	19.0	911	6.0	30.0	13.0	19.0	19.0	4.2	8.8
March	17.0	18.0	19.0	1,011	12.0	20.0	15.4	17.3	18.4	4.4	11.0
April	16.0	17.0	17.5	1,012	11.0	23.0	12.6	16.7	20.9	4.1	8.5
May	16.0	17.0	17.5	1,033	9.0	18.0	12.9	16.5	18.9	4.1	8.8
June	15.0	16.0	16.5	1,260	10.0	18.0	12.9	16.1	17.3	3.9	9.0
July	15.0	16.0	16.5	1,393	11.3	16.5	13.9	15.8	17.6	3.4	10.5
August	14.0	15.3	15.1	1,418	10.0	18.5	14.2	14.6	16.3	3.5	10.7
September	13.5	14.7	15.1	1,258	7.0	14.0	12.1	14.6	15.5	3.3	8.8
October	13.0	14.4	14.7	1,384	10.0	13.0	11.3	15.2	15.2	3.6	7.7
November	12.9	13.9	14.2	1,297	10.0	16.0	12.2	14.9	15.7	3.9	8.3
December	12.9	13.5	13.8	1,061	10.0	15.0	11.9	14.9	14.0	3.6	8.3
1993											
January	12.0	13.5	13.7	1,273	9.5	22.0	11.5	14.1	14.3	3.3	8.2
February	11.5	13.0	13.2	1,390	4.0	24.0	11.3	13.7	13.8	3.2	8.1
March	11.5	12.5	12.7	1,616	4.0	24.0	11.4	13.4	13.5	3.3	8.2
April	11.5	12.5	12.7	2,158	6.0	25.2	11.0	13.2	13.5	3.2	7.8
May	10.7	11.8	12.0	2,170	6.0	26.5	11.1	13.0	12.8	3.3	7.8
June	7.7	10.7	10.5	2,189	2.0	26.5	8.1	10.2	11.7	3.3	4.8
July	7.4	8.7	9.4	1,916	3.0	25.2	6.8	8.0	11.5	3.3	3.5
August	6.6	7.4	8.2	1,469	3.5	16.0	5.7	6.7	11.1	3.3	2.4
September	8.6	9.1	9.5	1,855	4.0	19.0	7.7	9.6	11.2	3.2	4.5

Source: Data provided by the Indonesian authorities.

1/ Average of rates at which transactions were conducted, weighted by volume of each transaction.

2/ At end of period.

3/ London interbank offered rate for three-month U.S. dollar deposits, period average.

Table 41. Indonesia: Issues of Shares and Bonds on the Jakarta Stock Exchange, 1988-93

	Number of Companies Listed	Shares			Bonds			Share Price Index (1982-100) 2/
		Number of Companies	Value of Issues 1/ (Rp bn.)	Market Capitalization (Rp bn.)	Number of Companies	Value of Issues 1/ (Rp bn.)	Value Outstanding (Rp bn.)	
1988	33	24	152.6	481.6	9	935.7	781.0	305.1
1989	90	68	2,102.3	4,358.5	22	1,555.2	1,330.5	399.6
1990	155	132	8,010.7	12,440.2	23	2,090.2	1,735.5	417.7
1991	169	145	9,216.8	16,438.0	24	2,215.2	1,797.5	247.3
1992	196	162	11,394.6	24,839.5	34	3,856.8	3,308.0	271.3
1993 3/	199	162	23,850.2	43,887.2	37	3,715.5	3,022.9	417.3

Source: Data provided by the Indonesian authorities.

1/ At offering price.

2/ End of period.

3/ January-August.

Table 42. Indonesia: Summary Balance of Payments, 1988/89-1992/93

(In billions of U.S. dollars)

	1988/89	1989/90	1990/91	1991/92	1992/93
Current account	-2.3	-2.6	-4.2	-4.5	-2.4
Oil/gas sector	3.1	3.9	6.0	4.6	3.5
Non-oil/gas sector	-5.3	-6.1	-10.2	-9.1	-6.0
Exports, f.o.b.	19.8	23.8	28.1	29.7	35.3
Oil	5.0	6.3	8.1	6.9	6.4
Gas	2.6	3.0	4.7	3.8	4.1
Non-oil/gas	12.2	14.5	15.4	19.0	24.8
Imports, c.i.f.	-15.9	-19.3	-25.5	-27.5	-30.3
Of which:					
Non-oil/gas imports	-13.6	-16.5	-21.6	-24.1	-26.4
Oil/gas sector payments (net)	-2.3	-2.6	-2.8	-2.7	-3.0
Non-oil/gas services (net)	-4.1	-4.2	-4.2	-4.6	-4.7
Official transfers	0.2	0.2	0.2	0.2	0.3
Capital account	3.4	2.3	6.9	8.0	5.4
Long-term capital (net)	3.5	2.2	2.3	3.5	3.4
Official capital	2.9	1.4	0.9	1.9	1.7
Receipts	7.1	5.6	5.4	6.6	7.0
Amortization	-4.2	-4.2	-4.5	-4.6	-5.3
Direct investment	0.6	0.7	1.4	1.5	1.7
Oil/gas sector export credits	--	-0.1	-0.1	0.1	0.1
Recorded private capital	-0.1	0.2	4.7	4.4	1.9
Commercial banks' monetary movements (net)	-1.2	0.2	2.1	1.1	-1.1
Errors and omissions 1/	-1.6	-0.1	-0.3	-1.7	3.0
Overall balance	-1.7	0.4	4.6	2.8	4.8
Net monetary movements of Bank Indonesia (increase -) 2/	1.7	-0.4	-4.6	-2.8	-4.8
Memorandum items:					
Current account (in percent of GDP)	-2.6	-2.2	-3.8	-3.8	-1.9
Gross official reserves (in months of imports) 3/	4.4	3.5	4.8	4.8	4.9
Gross official foreign assets (in months of imports) 2/ 3/	4.6	3.7	5.5	6.2	7.4

Sources: Data provided by the Indonesian authorities; and staff estimates.

1/ Includes unrecorded private capital flows.

2/ Includes official assets held as a contingency reserve by Bank Indonesia (largely against swap liabilities and export drafts).

3/ In months of the following year's non-oil/gas imports.

Table 43. Indonesia: Summary of Oil and Gas Current Account,
1988/89-1992/93

(In millions of U.S. dollars unless otherwise specified)

	1988/89	1989/90	1990/91	1991/92	1992/93
Oil/gas current account	<u>3.058</u>	<u>3.911</u>	<u>6.012</u>	<u>4.561</u>	<u>3.515</u>
Oil	1,533	2,311	2,883	2,157	1,327
Gas (LNG and LPG)	1,525	1,600	3,129	2,404	2,188
Total oil/gas exports, f.o.b.	<u>7.636</u>	<u>9.337</u>	<u>12.764</u>	<u>10.704</u>	<u>10.480</u>
Oil export value, f.o.b.	5,007	6,288	8,054	6,868	6,363
Crude	4,137	5,294	6,852	5,863	5,284
Products	870	994	1,202	1,005	1,079
Oil export volume					
(mn. barrels)	336.0	351.0	359.5	382.8	348.3
Crude	275.0	296.0	305.0	320.7	283.9
Products	61.0	55.0	54.5	62.1	64.4
Oil export prices					
(US\$/barrel)	14.90	17.91	22.40	17.94	18.27
Crude	15.04	17.89	22.47	18.28	18.61
Products	14.26	18.07	22.05	16.18	16.75
LNG export value, f.o.b.	2,505	2,801	4,304	3,510	3,764
LNG export volume					
(MMBTU mn.)	945.2	967.0	1,100.0	1,157.4	1,240.3
LNG export price					
(US\$/MMBTU)	2.65	3.11	3.91	3.03	3.03
LPG export value, f.o.b.	124	248	406	326	353
LPG export volume					
('000 MT)	1,353	2,414	2,635	2,379	2,492
LPG export price					
(US\$/'000 MT)	91.6	102.7	154.1	137.3	141.9
Oil/gas sector payments	<u>4.581</u>	<u>5.426</u>	<u>6.752</u>	<u>6.143</u>	<u>6.965</u>
Pertamina	1,285	1,488	2,313	1,838	2,234
Non-oil imports	165	208	142	12	56
Oil imports	559	914	2,030	1,536	1,970
Crude	329	492	1,116	1,066	1,089
Products	230	422	914	470	881
Services (net)	561	366	141	290	208
Factor income	898	1,327	1,738	1,580	1,950
Oil companies	464	671	915	773	779
Gas companies	434	656	823	807	1,171
Other payments and imports	2,398	2,611	2,701	2,725	2,781
Oil cost recovery	1,725	1,818	1,943	2,098	2,023
Gas imports	175	206	211	250	277
Gas cost recovery	498	587	547	377	481

Source: Data provided by the Indonesian authorities.

Table 44. Indonesia: Oil Balance of Payments, 1988/89-1992/93

(In millions of U.S. dollars)

	1988/89	1989/90	1990/91	1991/92	1992/93
Exports, f.o.b.	<u>5.007</u>	<u>6.288</u>	<u>8.054</u>	<u>6.868</u>	<u>6.363</u>
Contract of work (COW)	155	170	147	105	91
Production sharing (PS)	2,320	2,863	3,572	3,361	3,153
In kind (COW + PS)	1,452	2,022	2,818	2,150	1,849
Pertamina	1,080	1,233	1,516	1,253	1,270
Imports, c.i.f. 1/	<u>-2.104</u>	<u>-2.576</u>	<u>-3.726</u>	<u>-3.206</u>	<u>-3.645</u>
COW	-48	-39	-40	-38	-38
Production sharing	-1,332	-1,415	-1,515	-1,620	-1,579
Pertamina	-724	-1,122	-2,172	-1,548	-2,028
Services	<u>-1.370</u>	<u>-1.401</u>	<u>-1.445</u>	<u>-1.505</u>	<u>-1.391</u>
COW	-42	-52	-49	-38	-123
Production sharing	-767	-983	-1,255	-1,177	-1,060
Pertamina	-561	-366	-141	-290	-208
Current account 2/	<u>1.533</u>	<u>2.311</u>	<u>2.883</u>	<u>2.157</u>	<u>1.327</u>
COW	65	79	58	29	-70
Production sharing	221	465	803	564	514
In kind (COW + PS)	1,452	2,022	2,818	2,150	1,849
Pertamina	-205	-255	-797	-585	-966
Miscellaneous capital	<u>-6</u>	<u>-74</u>	<u>-88</u>	<u>58</u>	<u>92</u>
Debt repayments	-20	-18	-17	-48	-48
Short-term	--	--	--	--	--
Medium- and long-term	--	--	--	--	--
borrowing	--	--	--	--	--
Special projects 3/	--	--	--	--	--
Crude oil debt	--	--	--	--	--
repayments 4/	-20	-18	-17	-48	-48
Project prefinancing	--	--	--	--	--
Oil export credits	14	-56	-71	106	140
Payments made	(2,811)	(3,725)	(5,107)	(3,408)	(3,009)
Receivables	(-2,797)	(-3,781)	(-5,178)	(-3,302)	(-2,869)
Total	<u>1.527</u>	<u>2.237</u>	<u>2.795</u>	<u>2.215</u>	<u>1.419</u>

Source: Data provided by the Indonesian authorities.

1/ Excludes cross-purchase of petroleum imports.

2/ Recorded as net oil in current account of balance of payments.

3/ Cilacap refinery and Kaltim Fertilizer.

4/ Includes PNOC, Cimalaya, Cilegon pipeline, Cilacap-Bandung pipeline and Telecom, and Tasikmalaya Depot.

Table 45. Indonesia: Gas Balance of Payments, 1988/89-1992/93

(In millions of U.S. dollars)

	1988/89	1989/90	1990/91	1991/92	1992/93
Gas exports, f.o.b.	<u>2.508</u>	<u>2.801</u>	<u>4.304</u>	<u>3.510</u>	<u>3.764</u>
Exports, c.i.f.	2,770	3,046	4,569	3,806	4,147
Freight	-262	-245	-285	-296	-383
Gas exports	<u>124</u>	<u>248</u>	<u>406</u>	<u>327</u>	<u>353</u>
Imports, c.i.f.	<u>-175</u>	<u>-206</u>	<u>-211</u>	<u>-250</u>	<u>-277</u>
Services, nonfreight	<u>-932</u>	<u>-1.243</u>	<u>-1.370</u>	<u>-1.182</u>	<u>-1.652</u>
Cost of recovery	-497	-432	-397	-331	-349
Contractors' share	-434	-656	-823	-807	-1,171
Other charges	-1	-155	-150	-44	-131
Current account	<u>1.525</u>	<u>1.600</u>	<u>3.129</u>	<u>2.405</u>	<u>2.128</u>
Miscellaneous capital	<u>-371</u>	<u>-427</u>	<u>-350</u>	<u>-350</u>	<u>-369</u>
Debt payments (JILCO escrow account)	-381	-429	-348	-352	-371
Excess payment refund	--	--	--	--	--
Export credits 1/	10	2	-2	2	2
Total	<u>1.154</u>	<u>1.173</u>	<u>2.779</u>	<u>2.055</u>	<u>1.819</u>

Source: Data provided by the Indonesian authorities.

1/ Net transfers to escrow and special accounts.

Table 46. Indonesia: Non-Oil/Gas Exports, 1988/89-1992/93

(In millions of U.S. dollars)

	1988/89	1989/90	1990/91	1991/92	1992/93
Non-oil/gas exports	<u>12,184</u>	<u>14,493</u>	<u>15,380</u>	<u>19,008</u>	<u>24,823</u>
Agriculture	4,043	3,557	3,846	4,055	4,157
Minerals	1,556	1,585	1,440	1,692	1,809
Manufactured goods	6,585	9,351	10,094	13,261	18,857
Agriculture	<u>4,043</u>	<u>3,557</u>	<u>3,846</u>	<u>4,055</u>	<u>4,157</u>
Rubber	1,229	956	887	932	975
Palm oil	313	279	284	349	486
Coffee	577	452	371	362	345
Tea	137	181	154	145	139
Tobacco	43	44	72	65	79
Pepper	144	94	78	69	62
Animal products 1/	839	781	1,076	1,150	1,107
Tapioca	154	97	121	99	106
Other foodstuff	202	250	324	403	421
Copra cakes	43	51	56	51	44
Hides	68	70	58	43	44
Rattan	37	--	--	--	--
Other	258	302	365	387	349
Minerals	<u>1,556</u>	<u>1,585</u>	<u>1,440</u>	<u>1,692</u>	<u>1,809</u>
Tin	165	213	147	146	154
Copper	238	321	448	528	703
Nickel	438	404	326	289	187
Aluminum	301	267	202	159	201
Other 2/	413	380	317	570	564
Manufactured goods	<u>6,585</u>	<u>9,351</u>	<u>10,094</u>	<u>13,261</u>	<u>18,857</u>
Wood products 3/	2,884	3,454	3,414	3,699	4,315
Textiles	1,571	2,219	2,731	4,011	5,953
Footwear	126	304	677	1,051	1,275
Electrical appliances	105	176	259	544	1,075
Handicrafts	184	250	357	489	619
Metal products	317	490	308	380	394
Fertilizer	136	167	214	291	218
Cement	85	128	69	68	122
Other	1,171	2,163	2,065	2,728	4,886
Memorandum items:					
Annual percentage increase	28.2	19.0	6.1	23.6	30.6
Non-oil/gas exports as percent of GDP	14.0	14.9	14.1	15.6	19.0

Source: Data provided by the Indonesian authorities.

1/ Mainly shrimp.

2/ Until 1989/90, mainly gold; since then, mostly coal.

3/ Mainly plywood.

Table 47. Indonesia: Non-Oil/Gas Imports, 1988/89-1992/93

(In millions of U.S. dollars)

	1988/89	1989/90	1990/91	1991/92	1992/93
Non-oil/gas imports, c.i.f.	<u>13.586</u>	<u>16.478</u>	<u>21.609</u>	<u>24.066</u>	<u>26.390</u>
Imports by Government	<u>479</u>	<u>521</u>	<u>317</u>	<u>640</u>	<u>615</u>
Rice	123	6	--	156	73
Wheat	269	343	260	348	480
Sugar	80	171	57	136	62
Other	7	1	--	--	--
Capital goods imports	<u>3.148</u>	<u>2.499</u>	<u>4.958</u>	<u>5.035</u>	<u>5.839</u>
Project aid	2,137	1,692	2,100	2,759	3,426
Public enterprises ^{1/}	615	325	2,026	1,342	1,304
Foreign investment	396	482	832	934	1,109
General imports ^{2/}	<u>9.959</u>	<u>13.458</u>	<u>16.334</u>	<u>18.391</u>	<u>19.936</u>
Memorandum items:					
Non-oil/gas imports					
Annual percentage change	15.5	21.3	31.1	11.4	9.7
In percent of GDP	15.6	16.9	19.8	20.3	20.2

Source: Data provided by the Indonesian authorities.

^{1/} Imports for certain Pertamina and Garuda (national airline) projects financed by foreign loans.

^{2/} Private sector imports financed through general foreign exchange provided in the foreign exchange market or through private foreign borrowing; includes consumer goods, raw materials, and capital goods.

Table 48. Indonesia: Non-Oil/Gas Services Account, 1988/89-1992/93

(In millions of U.S. dollars)

	1988/89	1989/90	1990/91	1991/92	1992/93
Total services (net)	<u>-4.102</u>	<u>-4.240</u>	<u>-4.164</u>	<u>-4.221</u>	<u>-4.664</u>
Receipts	2,064	2,447	3,195	3,661	4,035
Payments	-6,166	-6,687	-7,359	-7,888	-8,699
Transportation (net) 1/	<u>-230</u>	<u>-298</u>	<u>-343</u>	<u>-385</u>	<u>-620</u>
Travel (net)	<u>806</u>	<u>953</u>	<u>1.380</u>	<u>1.579</u>	<u>2.104</u>
Receipts	1,431	1,630	2,199	2,602	3,314
Payments	-625	-677	-819	-1,023	-1,210
Investment income (net)	<u>-3.541</u>	<u>-3.635</u>	<u>-3.903</u>	<u>-3.921</u>	<u>-4.384</u>
Interest receipts 2/	530	629	857	915	457
Bank Indonesia	291	304	402	649	502
Deposit money banks	239	325	455	266	-45
Interest payments	-3,910	-4,094	-4,552	-4,616	-4,466
Official 3/	-2,857	-2,809	-2,907	-2,918	-3,000
Private 4/	-1,053	-1,285	-1,645	-1,708	-1,466
Profit transfers	-161	-170	-208	-220	-375
Foreign companies	-142	-150	-161	-170	-350
Resident banks	-19	-20	-47	-50	-25
Workers' remittances 5/	<u>103</u>	<u>188</u>	<u>139</u>	<u>150</u>	<u>264</u>
Government, n.i.e. (net) 6/	<u>-142</u>	<u>-150</u>	<u>-160</u>	<u>-205</u>	<u>-214</u>
Other 7/	<u>-1.098</u>	<u>-1.298</u>	<u>-1.277</u>	<u>-1.439</u>	<u>-1.814</u>

Source: Data provided by the Indonesian authorities.

1/ Includes hire purchase, charter hire, repair, and dockings.

2/ Interest on foreign exchange holdings.

3/ Interest payments on medium- and long-term debt of the central government and public enterprises, including those related to the oil/gas sector.

4/ Estimated interest based on recorded debt to banks abroad only; coverage of private sector debt may not be complete.

5/ From employment in the Middle East only.

6/ Includes expenditures for Indonesian embassies.

7/ Comprises subscriptions, consulting fees, communications, film rentals, life insurance, advertisements, licenses, and patents.

APPENDIX

Table 49. Indonesia: Trade Indices, 1988/89-1992/93 1/

(Base 1983/84 = 100: in U.S. dollar terms)

	1988/89	1989/90	1990/91	1991/92	1992/93
Total exports					
Value	100.0	120.2	142.0	149.9	174.7
Volume	127.6	147.1	156.5	172.2	193.7
Unit value	78.4	81.8	90.7	87.1	90.2
Oil exports					
Value	49.1	62.5	80.8	68.2	63.2
Volume	98.9	101.6	107.7	98.0	96.3
Unit value	52.6	63.3	79.1	63.3	64.5
Non-oil, gas exports					
Value	227.0	270.0	286.6	354.1	462.4
Volume	177.6	222.3	232.4	268.2	334.8
Unit value	127.8	121.5	123.3	132.0	138.1
Agricultural exports					
Value	161.7	142.2	153.7	162.1	166.3
Volume	130.4	144.1	160.5	164.3	158.4
Unit value	124.0	98.7	95.8	98.7	104.9
Mineral exports					
Value	194.5	198.1	180.0	211.5	226.1
Volume	123.5	133.5	138.3	162.0	162.8
Unit value	157.6	148.4	130.2	130.6	138.9
Manufactured exports					
Value	318.7	452.6	488.6	641.9	912.6
Volume	256.5	354.3	361.8	434.9	594.0
Unit value	124.3	127.7	135.0	147.6	153.7
Non-oil/gas imports					
Value	94.7	114.9	150.6	167.8	184.0
Volume	76.9	92.4	117.5	127.4	135.2
Unit value	123.1	124.4	128.2	131.6	136.1
External terms of trade 2/					
Total	63.6	65.8	70.8	66.2	66.3
Oil/gas	43.4	51.2	62.2	48.0	47.4
Non-oil/gas	103.8	97.7	96.2	100.3	101.5

Sources: Data provided by the Indonesian authorities; and staff estimates.

1/ Unit value estimates for non-oil/gas imports based on the price index for the manufactured exports of industrial countries; and for non-oil/gas exports based on respective international commodity prices.

2/ Respective export price indices divided by the price index for non-oil/gas imports.

APPENDIX

Table 50. Indonesia: Exports by Country of Destination,
1988/89-1992/93 1/

(In millions of U.S. dollars)

Country 2/	1988/89	1989/90	1990/91	1991/92	1992/93
Europe					
Netherlands	668	691	751	908	1,102
Belgium and Luxembourg	176	183	228	260	421
Denmark	25	39	61	86	93
United Kingdom and Republic of Ireland	371	441	611	668	952
Italy	219	249	298	446	610
Germany 3/	496	517	830	875	1,051
Norway	8	9	14	13	19
France	180	228	311	421	490
Sweden	25	28	38	46	48
Other	271	377	394	446	585
Total Europe	2,439	2,762	3,536	4,169	5,371
Share (in percent)	12.5	12.1	13.1	14.1	15.2
North America					
United States	3,193	3,521	3,260	3,652	4,672
Canada	103	118	134	212	284
Other	35	55	121	201	394
Total North America	3,331	3,694	3,515	4,065	5,350
Share (in percent)	17.0	16.1	13.1	13.7	15.1
Africa	262	215	231	377	483
Share (in percent)	1.3	0.9	0.9	1.3	1.4
Asia					
Philippines	90	153	167	164	158
Hong Kong	599	542	619	756	885
India	71	48	71	51	73
Iraq	15	160	44	--	--
Japan	8,003	9,631	11,391	10,306	11,099
Korea	873	998	1,558	2,040	2,080
Malaysia	191	231	270	363	527
Thailand	179	216	208	277	434
Pakistan	44	43	58	60	108
Singapore	1,667	1,878	1,977	2,476	3,530
Taiwan Province of China	490	595	954	1,100	1,272
Other	953	1,325	1,751	2,680	3,274
Total Asia	13,175	15,820	19,068	20,273	23,349
Share (in percent)	67.3	69.1	70.9	68.5	66.0
Australasia					
Australia	310	360	475	657	780
New Zealand and Oceania	50	56	72	43	64
Total Australasia	360	416	547	700	844
Share (in percent)	1.9	1.8	2.0	2.4	2.4
Grand total	19,567	22,907	26,897	29,584	35,398

Source: Data provided by the Indonesian authorities.

1/ Includes oil and gas exports.

2/ Indonesian classification.

3/ Data refer to the (former) Federal Republic of Germany.

APPENDIX

Table 51. Indonesia: Imports by Country of Origin (c.i.f.),
1988/89-1992/93 ^{1/}

(In millions of U.S. dollars)

Country ^{2/}	1988/89	1989/90	1990/91	1991/92	1992/93
Europe					
Belgium and Luxembourg	153	174	256	299	276
Czechoslovakia ^{3/}	21	18	24	37	34
France	530	500	610	558	893
Germany ^{4/}	980	980	1,731	2,078	2,152
Italy	261	358	494	506	557
Netherlands	288	274	579	462	583
Spain	159	109	117	125	251
Sweden	120	167	204	302	294
Switzerland	165	153	251	251	255
United Kingdom and Republic of Ireland	356	360	540	665	767
Other	289	345	437	423	660
Total Europe	3,222	3,438	5,243	5,706	6,722
Share (in percent)	22.2	20.3	22.3	21.8	24.6
North America					
Canada	354	393	328	387	453
United States	2,006	2,155	2,652	3,481	3,877
Other	235	439	629	519	496
Total North America	2,595	2,987	3,609	4,387	4,826
Share (in percent)	17.9	17.6	15.4	16.8	17.6
Africa	179	163	164	197	200
Share (in percent)	1.2	1.0	0.7	0.8	0.7
Asia					
China	511	573	703	799	745
Myanmar	2	2	1	1	7
Hong Kong	160	199	277	244	208
India	42	88	171	259	196
Japan	3,610	3,954	5,875	6,422	5,909
Korea	569	659	1,080	1,501	1,943
Malaysia	288	367	280	497	510
Pakistan	64	60	50	56	104
Philippines	46	60	41	84	60
Singapore	863	1,080	1,584	1,584	1,648
Thailand	135	163	195	338	284
Taiwan Province of China	794	1,029	1,423	1,255	1,298
Other	651	1,076	1,398	1,283	1,169
Total Asia	7,735	9,310	13,078	14,383	14,081
Share (in percent)	53.3	54.9	55.7	55.0	51.4
Australasia					
Australia	661	952	1,259	1,355	1,428
New Zealand and Oceania	107	103	115	124	137
Total Australasia	768	1,055	1,374	1,479	1,565
Share (in percent)	5.3	6.2	5.9	5.7	5.7
Grand total	14,499	16,953	23,468	26,152	27,394

Source: Data provided by the Indonesian authorities.

^{1/} Includes oil and gas imports.

^{2/} Indonesian classification.

^{3/} Data refer to the (former) Czechoslovakia.

^{4/} Data refer to the (former) Federal Republic of Germany.

Table 52. Indonesia: Debt-Service Payments, 1988/89-1992/93

	1988/89	1989/90	1990/91	1991/92	1992/93
(In millions of U.S. dollars)					
Total debt-service payments	<u>8.132</u>	<u>8.277</u>	<u>9.097</u>	<u>9.267</u>	<u>9.604</u>
Amortization <u>1/</u>	<u>4.220</u>	<u>4.181</u>	<u>4.541</u>	<u>4.647</u>	<u>5.319</u>
Public sector	4,220	4,181	4,541	4,647	5,319
Government	3,763	3,686	4,082	4,182	4,840
Public enterprises	457	495	459	465	479
Of which: Gas expansion	(207)	(277)	(299)	(338)	(356)
Interest payments	<u>3.910</u>	<u>4.094</u>	<u>4.552</u>	<u>4.616</u>	<u>4.466</u>
Public sector	2,857	2,809	2,907	2,908	3,000
Government	(2,565)	(2,516)	(2,639)	(2,647)	(2,695)
Other	(292)	(293)	(268)	(261)	(305)
Private sector <u>2/</u>	1,053	1,285	1,645	1,708	1,466
(In percent)					
Debt service/exports <u>3/</u>	37.9	35.4	32.9	31.9	29.0
Of which: Public sector debt	(33.0)	(27.2)	(24.3)	(23.2)	(21.4)
Interest payments/exports <u>4/</u>	18.2	15.9	14.9	14.2	11.5

Sources: Data provided by the Indonesian authorities; World Bank, Debtor Reporting System; and staff estimates.

1/ Excludes private sector amortization payments.

2/ Estimated interest based on recorded debt to banks abroad only; coverage of private sector debt may not be complete.

3/ Includes estimated private sector amortization payments, and as a percentage of exports of goods and nonfactor services.

4/ As a percentage of exports of goods and nonfactor services.

Table 53. Indonesia: External Debt, 1988/89-1992/93 1/

	1988/89	1989/90	1990/91	1991/92	1992/93
<u>(In millions of U.S. dollars: end of period)</u>					
Total external debt (by debtor)	<u>55.623</u>	<u>57.259</u>	<u>70.023</u>	<u>72.927</u>	<u>84.017</u>
Public sector	<u>43.924</u>	<u>43.510</u>	<u>48.011</u>	<u>48.157</u>	<u>55.377</u>
Government	40,520	40,354	44,876	44,484	50,887
Public enterprises	3,404	3,156	3,135	3,673	4,490
Of which: LNG expansion	(2,493)	(2,444)	(2,545)	(3,183)	(4,024)
Private sector 1/	<u>11.699</u>	<u>13.749</u>	<u>22.012</u>	<u>24.770</u>	<u>28.640</u>
Banks	300	2,172	5,713	4,070	6,070
Nonbanks	11,399	11,577	16,299	20,700	22,570
<u>(In percent)</u>					
External debt shares by creditor					
Public sector	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Suppliers' credits	6.4	4.2	3.3	2.6	1.8
Financial institutions	33.7	31.7	28.1	27.0	25.2
Multilateral loans	21.2	25.2	29.0	28.1	30.1
Bilateral loans	30.6	31.3	32.6	34.1	34.8
Bonds	2.1	1.8	1.1	1.4	0.7
Nationalization	0.3	0.3	0.3	0.3	0.2
LNG expansion	5.7	5.6	5.3	6.6	7.3
Memorandum items:					
Outstanding debt/GDP	<u>65.8</u>	<u>59.9</u>	<u>66.6</u>	<u>63.0</u>	<u>65.2</u>
Outstanding debt/exports of goods and nonfactor services	259.3	223.0	228.5	224.3	216.2
Government debt on concessional terms 2/	43.4	46.6	47.5	45.6	47.3
Public debt-denominated in:					
U.S. dollars 3/	38.5	42.8	42.9	42.2	41.7
Japanese yen 3/	43.0	38.0	38.5	40.0	41.4
Other currencies	18.5	19.2	18.6	17.8	16.9

Sources: Data provided by the Indonesian authorities; World Bank Debtor Reporting System; and BIS International Banking Data.

1/ Based on recorded debt to banks abroad only; coverage of private sector debt may not be complete.

2/ Government debt on concessional terms in percent of total government debt; calendar years.

3/ Government debt denominated in U.S. dollars and Japanese yen, or in multiple currencies in percent of total government debt; calendar years.

Table 54. Indonesia: Public Sector Debt Transactions,
1988/89-1992/93 1/

(In millions of U.S. dollars)

	1988/89	1989/90	1990/91	1991/92	1992/93
Government sector					
Outstanding debt at beginning of period	38,385	40,520	40,354	44,876	44,484
Net drawings	<u>2,659</u>	<u>1,659</u>	<u>924</u>	<u>1,418</u>	<u>915</u>
Drawings 2/	6,422	5,345	5,006	5,600	5,755
Amortization 3/	3,763	3,686	4,082	4,182	4,840
Adjustment 4/	-524	-1,825	3,598	-1,810	5,488
Outstanding debt at end of period	40,520	40,354	44,876	44,484	50,887
Public enterprises					
Outstanding debt at beginning of period 5/	3,217	3,404	3,156	3,135	3,673
Net drawings	<u>236</u>	<u>-220</u>	<u>-51</u>	<u>531</u>	<u>747</u>
Drawings 2/	693	275	408	996	1,226
Amortization 3/	457	495	459	465	479
Adjustment 4/	-49	-28	30	7	70
Outstanding debt at end of period 5/	3,404	3,156	3,135	3,673	4,490
Public sector total					
Outstanding debt at beginning of period 5/	41,602	43,924	43,510	48,011	48,157
Net drawings	<u>2,895</u>	<u>1,439</u>	<u>873</u>	<u>1,949</u>	<u>1,662</u>
Drawings 2/	7,115	5,620	5,414	6,596	6,981
Amortization 3/	4,220	4,181	4,541	4,647	5,319
Adjustment 4/	-573	-1,853	3,628	-1,803	5,558
Outstanding debt at end of period 5/	43,924	43,510	48,011	48,157	55,377
Public sector debt service 5/	<u>7,079</u>	<u>6,990</u>	<u>7,448</u>	<u>7,555</u>	<u>8,319</u>
Amortization	4,220	4,181	4,541	4,647	5,319
Interest	2,859	2,809	2,907	2,908	3,000

Source: Data provided by the Indonesian authorities.

1/ Excludes loans of maturity of one year or less and debt to the IMF.

2/ As recorded in debt records of Bank Indonesia. Excludes drawings made in connection with prepayments.

3/ Excludes prepayments.

4/ Mainly reflects valuation adjustments owing to changes in exchange rates.

5/ Includes LNG expansion debt.

Table 55. Indonesia: Debt to Foreign Banks (by Debtor) and Estimated Private Sector Debt, 1988/89-1992/93

(In billions of U.S. dollars)

	1988/89	1989/90	1990/91	1991/92	1992/93
Total debt to foreign banks ^{1/}	18.68	20.27	27.61	29.76	34.00
Less: Liabilities of the public sector					
Loans ^{2/}	6.65	6.25	5.37	4.77	5.14
Bonds ^{3/}	0.33	0.27	0.23	0.22	0.22
Private sector	11.70	13.75	22.01	24.77	28.64
Banks ^{4/}	0.30	2.17	5.71	4.07	6.07
Nonbanks	11.40	11.58	16.30	20.70	22.57

Sources: BIS International Banking Data; IMF International Banking Statistics; World Bank Debtor Reporting System; and staff estimates.

^{1/} As reported by banks to the BIS International Banking Data.

^{2/} World Bank Debtor Reporting System. Also assumes that one third of Indonesian bonds are held by banks.

^{3/} Assuming that one third of bonds are held by banks.

^{4/} Data provided by the Indonesian authorities.

Table 36. Indonesia: Net Foreign Assets of the Banking System, 1988/89-1993/94

(In millions of U.S. dollars: end of period)

	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94 Sept.
Net international reserves						
of Bank Indonesia	<u>5.402</u>	<u>5.650</u>	<u>9.151</u>	<u>10.462</u>	<u>11.981</u>	<u>12.183</u>
Assets	6,011	6,259	9,561	10,542	11,981	12,183
Gold 1/	1,105	1,143	1,046	984	923	990
SDRs	1	2	2	2	--	9
Fund position	95	95	103	101	270	273
Foreign exchange	4,810	5,018	8,410	9,455	10,779	10,911
Liabilities 2/	-609	-609	-410	-80	--	--
Other official assets (net) 3/	<u>271</u>	<u>456</u>	<u>1,554</u>	<u>3,050</u>	<u>6,343</u>	<u>5,185</u>
Commercial banks (net)	<u>4,938</u>	<u>4,689</u>	<u>2,584</u>	<u>1,522</u>	<u>2,582</u>	<u>...</u>
Assets	5,362	6,205	5,724	3,711	5,668	...
Liabilities	-424	-1,516	-3,140	-2,189	-3,086	...
Banking system (net)	<u>10,611</u>	<u>10,795</u>	<u>13,289</u>	<u>15,034</u>	<u>20,906</u>	<u>...</u>
Assets	11,644	12,920	16,839	17,303	23,992	...
Liabilities	-1,033	-2,125	-3,550	-2,269	-3,086	...
Memorandum items:						
Gold (millions of fine troy ounces)	3,104	3,106	3,110	3,101	3,101	3,101
Gross international reserves (in months of imports) 4/	4.4	3.5	4.8	4.7	4.7	...
Gross foreign assets (in months of imports) 4/, 5/	4.6	3.7	5.5	6.0	7.2	...
Swap liabilities	3,705	1,434	5,359	228	64	60
Foreign currency deposits	3,905	5,048	8,042	9,994	12,039	...

Source: Data provided by the Indonesian authorities.

1/ National valuation.

2/ Liabilities include use of Fund credit (under the compensatory financing facility).

3/ Amounts largely represent official assets held as contingency reserves against export drafts to resident banks.

4/ In months of the following year's non-oil/gas imports.

5/ Includes official assets held as contingency reserves.

Table 57. Indonesia: Exchange Rates, 1988-93 1/

	Rupiah/U.S. Dollar Rate	1980 - 100		
		Nominal Effective Rate 2/	Relative Prices 3/	Real Effective Rate 2/
1988				
March	1,660	33.0	147.9	48.8
June	1,678	32.9	149.3	49.1
September	1,702	33.7	149.9	50.5
December	1,726	31.5	150.2	47.3
1989				
March	1,751	32.2	152.5	49.1
June	1,772	33.4	152.9	51.1
September	1,787	33.1	152.8	50.6
December	1,796	32.2	153.7	49.5
1990				
March	1,820	32.4	154.7	50.2
June	1,841	32.0	157.1	50.3
September	1,860	29.9	159.9	47.8
December	1,892	28.7	161.0	46.2
1991				
March	1,927	29.0	161.9	47.0
June	1,951	29.7	164.0	48.7
September	1,966	28.7	168.7	48.4
December	1,988	27.3	170.9	46.6
1992				
March	2,015	27.6	173.0	47.7
June	2,030	26.5	173.7	46.0
September	2,038	25.7	173.0	44.5
December	2,060	26.4	175.1	46.2
1993				
March	2,069	26.1	186.0	48.6
June	2,084	25.0	184.7	46.3
September	2,106	24.6	185.4	45.7

Source: IMF, Information Notice System.

1/ Exchange rate notification index. Non-oil trade-weighted; price series are seasonally adjusted.

2/ Increase in the index indicates appreciation of the rupiah.

3/ Increase in the index indicates higher inflation in Indonesia than in trading partner countries.