

Positive outlook for Indonesia's economy

AGAINST the background of adjustment to global imbalances and the decline in purchasing power following the October 2005 fuel price hike, the Indonesian economy made gradual progress and was able to maintain macro-economic and financial system stability during 2006.

There are numerous indicators which endured pressures in 2005 that have shown positive improvement.

Indonesia was able to maintain economic stability as shown by the stability of foreign exchange, the decline of inflation rate and interest rate, as well as the increase in international reserves.

By the end of 2006, the inflation rate was recorded at 6.6 per cent, below the targeted rate of eight per cent \pm one per cent set by the Government of the Republic of Indonesia and Bank Indonesia.

2006 also recorded improved confidence of market players in the foreign exchange market.

Throughout 2006, the Rupiah to US dollar exchange rate tended to be stable at a level Rp 9,100 – 9,400 per US dollar with relatively lower volatility than the previous year.

Although the interest rate (BI rate) was 9.75 per cent, the Indonesia gross international reserves had increased to US\$42.6 billion because Indonesia had settled all of its remaining debt to the IMF, which totalled US\$7.6 billion.

This improvement in confidence was reflected in the rating given by Rating and Investment Information Inc (R&I), which is one of the leading Japan rating agencies.

Meanwhile, the Indonesian economy in 2006 recorded 5.5 per cent growth, slightly lower than previous year, which was recorded 5.6 per cent.

Growth in 2006 was driven mainly by exports of goods and services, where the total value of exports rose by 18.1 per cent to US\$102.7 billion in 2006.

The export growth was driven principally by non oil-and-gas exports, particularly in agricultural, mining and industrial sectors. During 2006, the total value of non oil-gas exports experienced quite a significant jump of 20.7 per cent to US\$80.6 billion.

In 2006, the GDP rose to US\$1,846,654.9 billion compared to US\$1,750,656.1 billion in 2005.

The largest GDP component was household consumption, which contributed only 1.9 per cent. Government consumption and gross fixed capital formation each contributed 0.7 per cent to economic growth.

Meanwhile, Indonesia's economy showed that it was able to create more job opportunities.

During the November 2005–August 2006



Indonesians celebrating Independence Day in Jakarta

were opened to the market, and this has reduced the the unemployment rate from 11.9 million (11.2 per cent) to 10.9 million (10.3 per cent). This has also led to a decrease in the number of people below the poverty line to 39.05 million.

Apart from the monetary and fiscal side, there were several notable developments, which influenced the Indonesia's economy in 2006.

The priority of the government in eradicating corruption has bore fruit, according to a survey compiled by the Berlin-based Transparency International, which campaigns against bribery and graft.

In 2006, Indonesia was ranked 130th of 163 countries in survey on corruption perception index, compared with 2005, when Indonesia was ranked 137 out of 158 countries. In order to strengthen its commitment in eradicating corruption, the government has ratified the United Nations Convention Against Corruption.

In order to reduce the country's dependence on oil, solving the problem of poverty and

environment, the government has introduced a new energy policy that addresses both the demand and supply side.

On the demand side, to reduce consumption on petroleum, the government launched a programme to develop a non-oil based power supply generation, as well as a city gas programme for households and public transportation.

On the supply side, the government offers incentives for the development of green energy programmes.

With regard to this, five state-owned banks have signed a Memorandum of Understanding with the government to lend as much as Rp 25.65 trillion in loans to rejuvenate plantations in the country with biodiesel projects.

In 2007, there are signs of stronger investment interest, which are illustrated by several investment opportunities to be realised this year.

Several investors from other countries, such as China, Russia and Korea, intend to increase investment in Indonesia particularly in the power

In this regard, China has been invited to participate in a programme to build a facility that will be able to produce a total of 10,000 megawatts of power.

A telecommunications company from Russia plans to invest US\$2 billion in Indonesia in the telecommunications sector in 2007.

A Korean electronics manufacturer has announced that it was making Indonesia a regional production base for Orascom Construction Industries (OCI). It also plans to invest US\$370 million in building a cement plant with a capacity of one million tonnes next year in Central Java.

Bank Indonesia, on behalf of the government, on October 12, 2006, had paid up all the loans to the IMF under the Extended Fund Facility (EFF) scheme.

The settlement of the US\$3,181,742,918 is the remaining balance of the loan, which was due at the end 2010.

This second-phase accelerated settlement reduced the loan servicing cost and increased confidence in formulating and implementing the economic development programme.

Looking ahead to 2007, the Indonesia economy is expected to outperform the achievements made in 2006. The economy is projected to grow by 5.7–6.3 per cent, surpassing growth of 5.5 per cent in 2006.

The array of policies instituted by the government within the framework of improving microstructure generated optimism, not only from domestic economic factors but foreign ones too.

As a result, capital inflows in the form of FDIs and portfolio investments are set to surge.

In line with the current account surplus, the balance of payment is expected to remain in surplus, which will buttress Rupiah exchange rate stability.

The economic condition in 2008 will be influenced both by external and internal factors.

External factors include world economic condition and economic growth, geo-political condition in Middle East, which have influence on fuel price, international monetary instability, and economic integration that have stirred up competition among nations.

The government hopes that the effectiveness of its fiscal and monetary policies will stimulate economic growth and stability, as well as create more job opportunities and thus, reduce the population below the poverty line.

In this regard, the government will reduce high economic costs in order to increase investment, manufacture industries and escalate the non-oil commodities. — **Embassy of**

THE INDONESIAN ECONOMIC TRENDS

No.	Items	2002	2003	2004	2005	2006
1.	Population (millions of people)	212.0	215.0	221.8	222.8	225.6
2.	The growth rate of GDP (% p.a)	3.7	4.7	5.1	5.6	5.5
	- GDP percapita (US\$)	942.5	1,111.4	1,166.6	1,308.1	1,663.0
	- GNP percapita (US\$)	914.9	1,069.1	1,126.3	1,267.2	1,591.2
3.	Balance of Trade (millions of US\$)					
	- Total Export (millions of US\$)	23,513.0	24,563.0	21,552.0	22,784.0	29,718.0
	- Total Import (millions of US\$)	59,165.0	64,109.0	72,167.0	86,640.0	102,728.0
	Gross International reserves (millions of US\$)	-35,653.0	-39,546.0	-50,615.0	-63,856.0	-73,010.0
		32,037.0	36,296.0	36,320.0	34,727.0	42,586.0
4.	Current Account (millions of US)	7,823.0	8,106.0	1,563.0	278.0	9,628.0
	Current Account Balance (% GDP)	4.5	3.4	0.6	0.1	2.7
5.	Total Foreign Asset (billions of US\$) (End of the Year)	32.0	36.2	36.3	34.7	45.6
6.	Total Money Supply (billions of IDR)	191,939.0	233,779.0	253,818.0	281,905.0	361,073.0
	Increase in 12 months (%)	4.72	8.12	8.1	16.4	14.9
7.	Approval Foreign Direct Investment Project (millions of US\$)	9,744.1	13,207.2	10,277.3	13,579.3	15,032.7
8.	Average Interest rate (% p.a)					
	a. 3 months time deposit					
	- State Bank	13.65	7.11	6.47	11.71	9.60
	- Private Bank	13.77	7.20	6.98	11.95	9.88
	b. Short-term Credit					
	- State Bank	12.84	6.61	6.17	11.84	8.71
	- Private Bank	12.90	6.63	6.58	12.23	9.16
9.	Inflation rate (% p.a)	10.03	5.06	6.4	17.11	6.6
10.	Exchange Rate of US\$ to Rp.	9,311.2	8,577.1	8,940.0	9,355.0	9,063.0

Sources : Bank Indonesia, BPS.

Enhancing bilateral trade relations between Indonesia and Brunei

ALTHOUGH the diplomatic ties between the Republic of Indonesia and Brunei Darussalam was officiated on 1st January 1984, the bilateral trade relation had already developed many years ago.

Throughout the years, both countries have bargained many commodities to meet domestic demand and made serious efforts to strengthen trade cooperation as well as investment and other economic cooperation.

These efforts are not only conducted in a bilateral way, but also through regional organisation forums such as Association of Southeast Asian Nations (Asean) and Brunei Darussalam-Indonesia-Malaysia-Philippine East Asean Growth Area (BIMP-EAGA).

In the last five years, the trade relations between Indonesia and Brunei Darussalam showed interesting trends indicated by the increase in the total balance of trade.

In 2006, the trade balance recorded rose 19.67% to B\$2,478,988,961 from B\$1,991,475,075 in 2005.

The export value of Brunei Darussalam to Indonesia was B\$2,405,219,060 while that of Indonesia to Brunei Darussalam was B\$73,769,901.

The increase in trade surplus for Brunei Darussalam was achieved by exporting oil and other mineral fuels which reached B\$2,404,724,435.

Besides exporting oil and other mineral fuels, Brunei Darussalam also exports commodities like radio transmission apparatus, concrete for mortar mixer, and others.

Commodities of Indonesia exported to Brunei Darussalam are noodles containing eggs, uncooked, stuffed or prepared, foods for infant, food and beverages, medicine and herbs, cosmetics, paper, textile, electrical products, furniture and household equipment, building materials, software, computer, vehicles, car accessories, aluminium sulphatus, tyres, printed materials, tobacco and cigarettes, etc.

In order to enhance the bilateral trade relations, the governments of Indonesia and Brunei Darussalam have discussed trade and economic issues during the Joint Commission of Bilateral Cooperation Meeting in Jakarta (2003) and Senior Official Meeting (SOM) of the Joint Commission in Bandar Seri Begawan (2006).

In the discussion, both countries have agreed to strengthen trade relations by promoting potential investments in both countries, promoting the export commodities as well as *facilitating the public and private sector to establish cooperation with their counterparts.*

During 2006 and early 2007, businessmen from both countries have exchanged visits and business meeting as well as participated in several exhibitions held in both Indonesia and Brunei Darussalam.

Indonesia would like to stabilise the balance of trade by promoting and offering several high technology products such as airplanes, machinery as well as other valuable products.

Indonesia also has intentions to cooperate with Brunei Darussalam in establishing the procedure of halal products certification.

Furthermore, to maintain bilateral trade relations, Indonesia boosted the investment cooperation between the two countries.

In this case, Indonesia has invited Brunei Darussalam to invest in Indonesia by offering some projects, particularly in infrastructure such as toll roads, electrical power plants, gas pipes and railways.

The Indonesian government has formulated these as strategic projects either directly or through the Indonesian Infrastructure Fund.

Another aspect which is an important role in maintaining the trade and economic relations between Indonesia and Brunei Darussalam is the number of Indonesian migrant workers in Brunei Darussalam.

The existence of migrant workers has contributed to the balance of payment of Indonesia and Brunei Darussalam.

The Brunei Darussalam Fiscal and Monetary Review - Annual 2005 reported that the flow of remittance in 2005 was B\$523.1 million, an increase of 64.1% from B\$187.79 million in 2004.

Remittance to Indonesia in 2005 reached B\$120.31 million while in the 2005 its was recorded at B\$32.3 million.

The escalation of remittance is due to the increasing number of Indonesian migrant workers in Brunei Darussalam.

Jakarta for shopping bargains and discounts

JAKARTA is a sprawling city, and it can take just two hours to drive from the northern coastline to the southern suburbs, where one of the largest shopping malls is located.

The population of over 10 million clog the roads with their private cars, buses and other forms of public transportation and as the many shopping places are spread all over the city, it is necessary to plan and reserve ample time for shopping and travelling to these places.

Most shopping centres open from 10 am to 8 pm seven days a week. Individual shops may open earlier and close on Sundays, but as a rule there are few holidays, possibly on the Islamic holiday of Aidil Fitri and New Year's Day.

Jakarta, many visitors have found, is little known as a shopping destination. In fact, it is not only great for shopping but also offers bargains in hotel accommodation and restaurants, and its taxi fares are amongst the lowest in the region. More so with the exchange rates in favour of visitors with foreign currency, this is a paradise for shoppers.

Shopping varies from great malls and shopping plazas, which were built during the early 1990s, the heyday of Indonesia's economic boom like the Taman Angrek, is part of a cluster of high-rise apartments.



Trade Centre at Mangga Dua filled with bargains such as garments, handbags, exercising equipment and computers

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Hotels like the Dusit Mangga Dua, the present-day Aston Atrium, initially the Dai-ichi, and the Ciputra Hotel, came to be built adjacent to the shopping malls. Even the Grand Mahakam is located next to the well-known Blok M shopping centre in Kebayoran Baru. The Grand Hyatt built on top of Plaza Indonesia with posh shops, is the only one of its kind in Jakarta.

There are also some of the older shopping centres, which have retained their popularity in the face of the more modern newcomers. For instance, there is the over hundred-year old Pasar Baru, now a pedestrian shopping street, and the quaint Jalan Surabaya and its flea market.

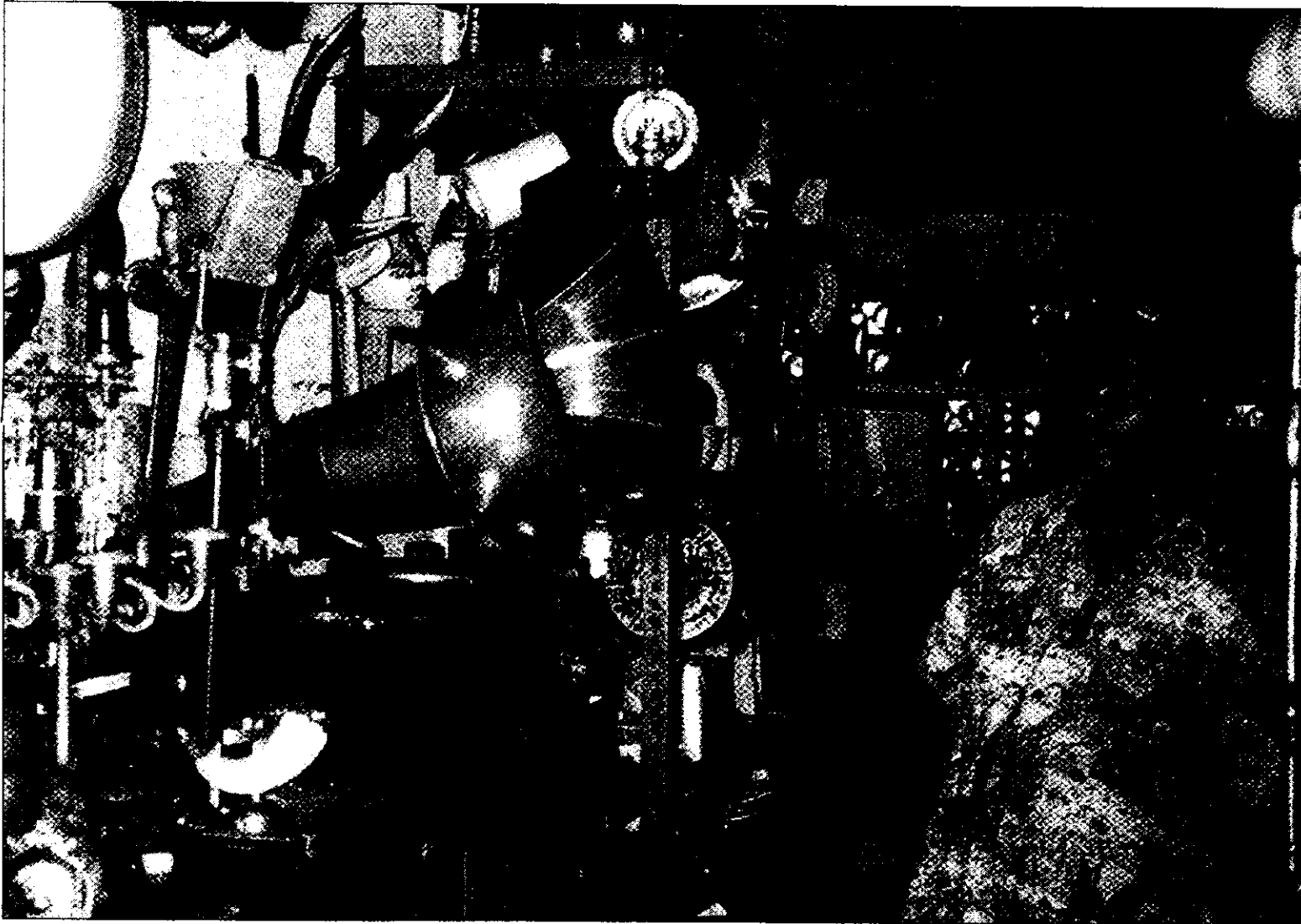
All along Jalan Hayam Wuruk and Jalan Gajah Mada there are a number of shops and shopping plazas. For electronic equipment and electrical appliances, there is Harco in Glodok (Chinatown) for the best

buys, but bargaining is necessary. So unless one is certain of prices and quality, it might be wiser to shop at the advertised dealers or the more permanent department stores.

Starting from north Jakarta, one can combine shopping with recreation at the Ancol Dreamland, which has an art market or Pasar Seni. As the name indicates, this open-air market is full of stall selling paintings, woodcarvings, and handicraft in different media created by artists. Rather quiet on weekdays, the place comes alive on weekends and in the evening after 6 pm. On Saturday evenings, there are live performance of local dramas, comedies, dance and music. Held at the central arena, the audience just stands around as there is no charge for entertainment.

There are also several art galleries, which advertise in the dailies, and are located in residential areas like Duta, Linggar, Bizete and Lontar.

The shopping bargains are at Jalan



Best bargains at Jalan Mangga Dua

Mangga Dua. There is a complex with several buildings across Hotel Dusit Mangga Dua. The Mangga Dua Mall is adjoining it. One building is Pasar Pagi, a four-storey (non-air conditioned) building, where garments and other daily goods are sold wholesale.

The most crowded is what is known as ITC (International Trade Centre) although it has long lost that status and is now just a retail centre. A five-storey building with an atrium, it is like a rabbit warren filled with stalls selling garments, toys, shoes, handbags, accessories, bed linen, and baby's necessities. There is even a row of optical shops. On the ground floor there are some offices, computer shops and restaurants, including Mc Donald's.

Daily exhibitions, like modern exercising equipment and automobiles, are held in the central arena on the ground floor. On this level, not far from the entrance, locally-made shoes, which cost as little as Rp 20,000 (US\$2), are spread out on the floor. Here is a mixture of locally produced goods and imported toys and backpacks from Thailand for children costing about Rp 100,000. Locally made girl's skirts start from Rp 8,000 and imported ones can go up to Rp 50,000.

Factory outlets are also located this building selling Kenzo shirts for Rp 125,000 and Liz Clairbourne cardigans for Rp 59,000 and many other brands at heavily discounted prices. These are brands that are made in Indonesia under licence. Factory outlets in Bandung sell probable rejects or surplus items. The shoppers are mostly of the middle-class, and bargaining is the way of business. A few years ago, this shopping centre was discovered by East Europeans and some Asian tourists, especially those buying to re-sale in their countries.

The Mangga Dua Mall is more up-market with electronics, branded clothes items and accessories, etc. Better designed and orderly, the shops are larger and better decorated.



Plaza Senayan, near the Bung Karno Sports Stadium

Pasar Baru is among Jakarta's oldest markets

ONE of the oldest markets in Jakarta is Pasar Baru (new market) which has a 181-year history. The arched gateway proclaims its old name : Passer Baroe 1820 in the old Dutch spelling.

Now a pedestrian street, there are shops on both sides. This is where one looks for high quality imported textiles but there are also many local products on sale at very reasonable prices, selling from Rp 8,000 a metre. Known for the many textile and sports goods shops owned by Indian businessmen, there are good quality, locally made shoes, a large jewellery shop, silverware, etc.

Not found anywhere else are a number of vendors along the sidewalk selling and buying old coins and banknotes, both Indonesian and foreign, out of suitcases placed on tables.

In the days when Jakarta did not have big shopping plazas, before the early 1960s, the only large department stores could be found here. New ones have now replaced them like the Ramayana, and the Matahari, which has two stores, one for exclusive clothes and another for middle

range products, and supermarkets. This market continues to attract visitors as long this street, where there is a wide range of products.

Going more up market is Plaza Senayan, near the Bung Karno Sports Stadium and close to Hotel Mulia, Atlet Century Park and the Hilton. The first impression is of hushed grandeur, its gold-hued marble corridors leading to the shops of many high fashion boutiques like Christian Dior, Armani, Celine, Boss, and bags by Loewe, Aigner and Louis Vuitton, besides Guess, Esprit and Next on the second floor.

While there might not be many shoppers in these boutiques, the plaza is crowded as there is a food court, bakeries and several restaurants on the 3rd floor. There is a row of movie theatres in the rear. One wing contains the Sogo supermarket and in the other wing is the Metro Department Store. The food court specialises mainly in western and Japanese cuisine. There is one Indian food outlet. Even Indonesians can be seen queuing up at a steak counter, with prices half of that in restaurants.