



KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA

USE OF REGIONAL CURRENCIES IN INTERNATIONAL TRANSACTIONS: INDONESIA'S EXPERIENCES

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Fact Finding

Function of International Currencies

	Functions	Private	Public
1	Store of Value	Bank Deposit Securities Currency Substituion	Foreign Exchange Reserves
2	Medium of Exchange	Trade and Financial Settlements	Market Intervention Swap
3	Unit of Accounts	Trade invoicing Denomination of Financial Transactions	Anchor (Currency Basket) SDR Composititon Currency Denomination of Governement Bonds

Among the international currencies, the USD is still the preminent reserve currency

USD Hegemony: Lesson Learned

➔ **Asian Financial Crisis:** Double Mismatch
(Currency and Maturity)

➔ **Global Financial Crisis:** USD Liquidity Shortage

➔ **Global Risk and Challenges**



➔ **The Fed Fund Rate Increase:** Potential capital outflow
from Emerging Economies and Developing Countries

International Monetary System in Asia is Moving Away from the USD Hegemony to a Multipolar one

Some Experiences:

- **Discussion on Asian Monetary System:**
No significant conclusion
- **Internationalisation of Yen:**
Gradual and sequential, With limited succes
- **Internationalisation of RMB:**
Rapid and aggresive promotion, work in progress
- **Establishment of Bilateral Currency Swap Arrangement:**
On going, not optimum yet

Is it the right time for Asian to unify their currencies and have a single currency unit?

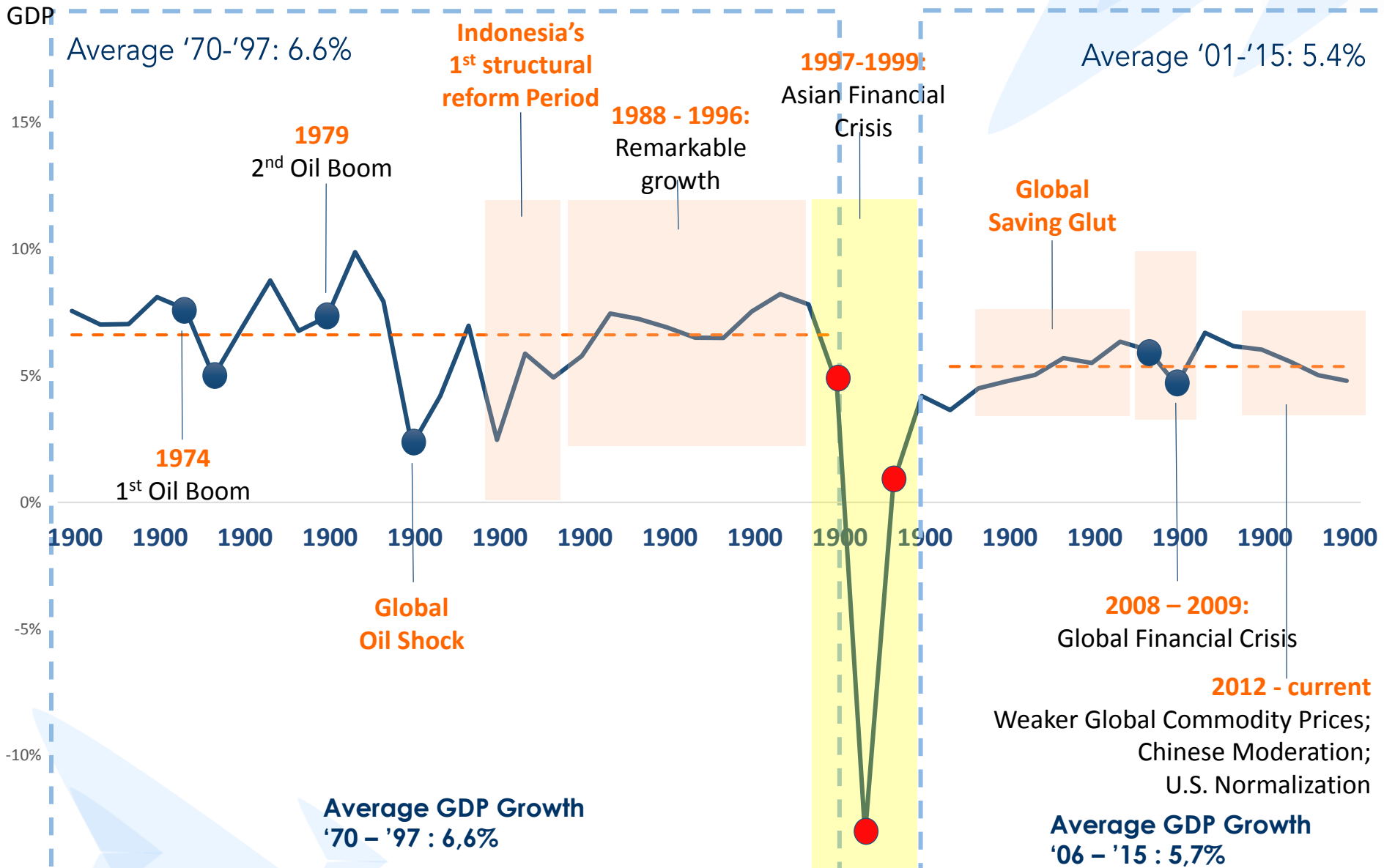
- **Economic integration:** East Asia? ASEAN+3? ASEAN+South Asia? Or else?
- **Leadership:** China or Japan? Or even India?
- **Free flow of good, services, capital and labor:** ASEAN Economic Community, Regional Comprehensive Economic Partnership (on going discussion)



Indonesia' Experiences

Indonesian economy has experienced turbulence over time

Global development took a very important role



Average GDP Growth
'70 - '97 : 6,6%

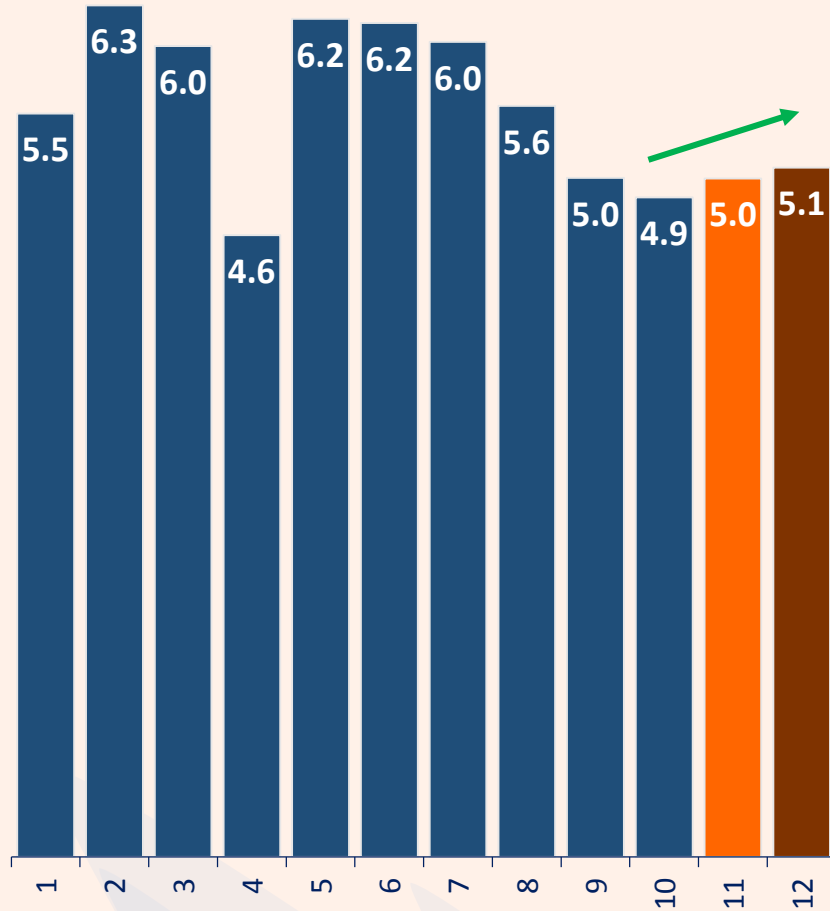
Average GDP Growth
'06 - '15 : 5,7%



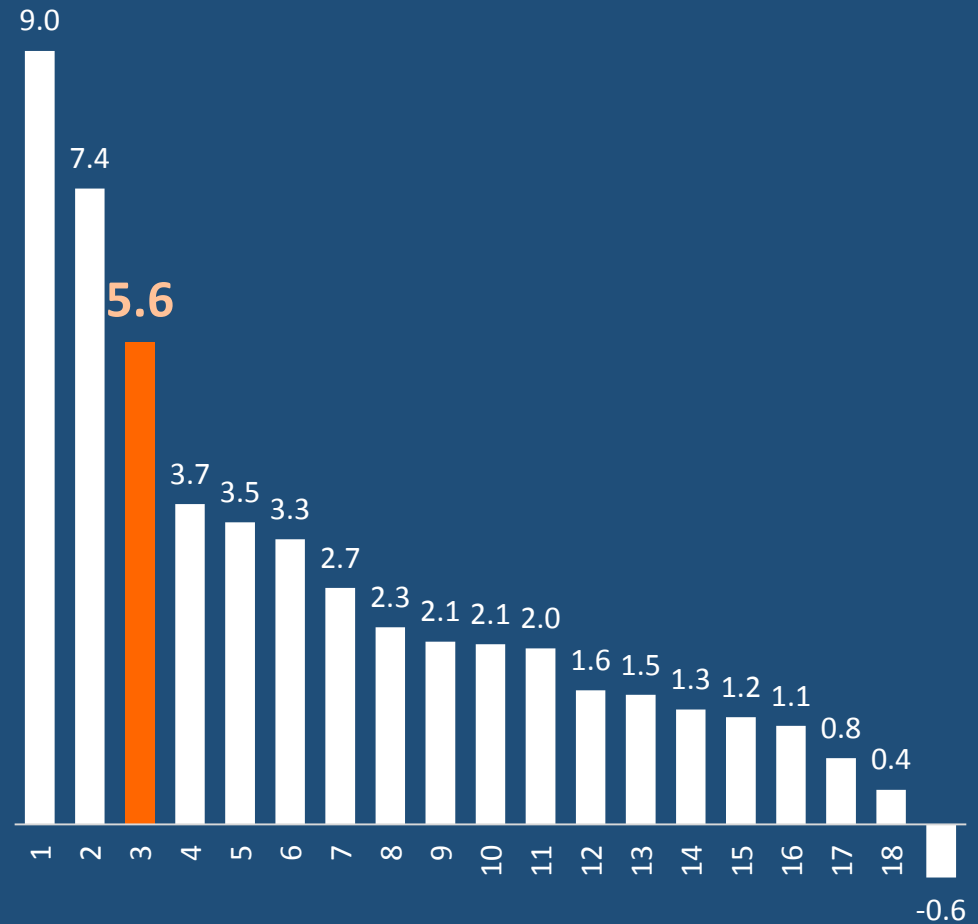
2016 ECONOMIC GROWTH IS A TURNING POINT

Indonesia's growth is among the highest

Indonesia Economic Growth (%)



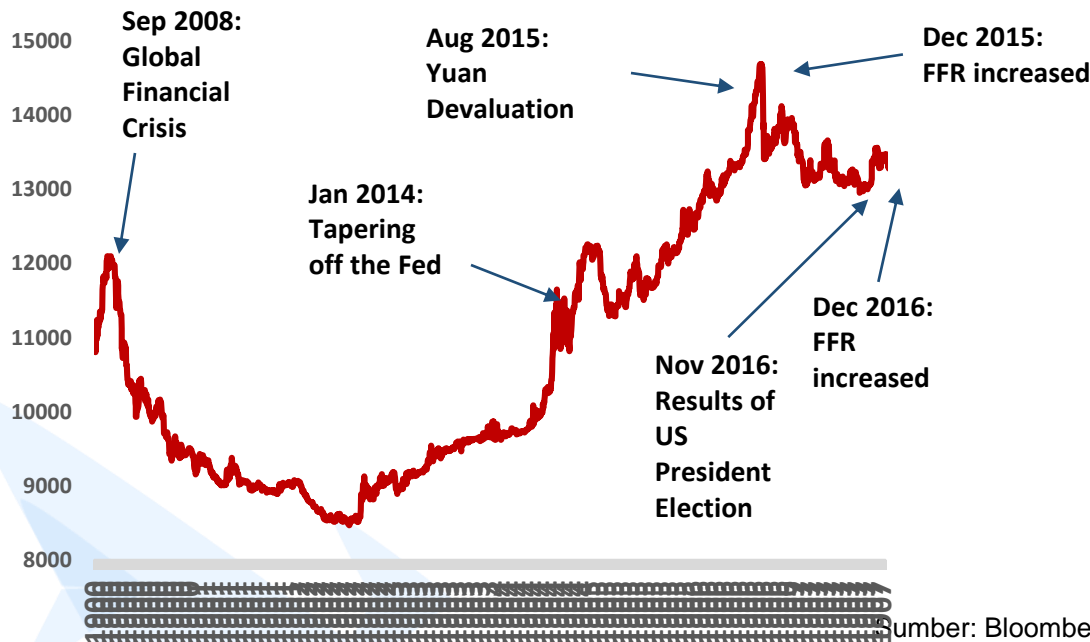
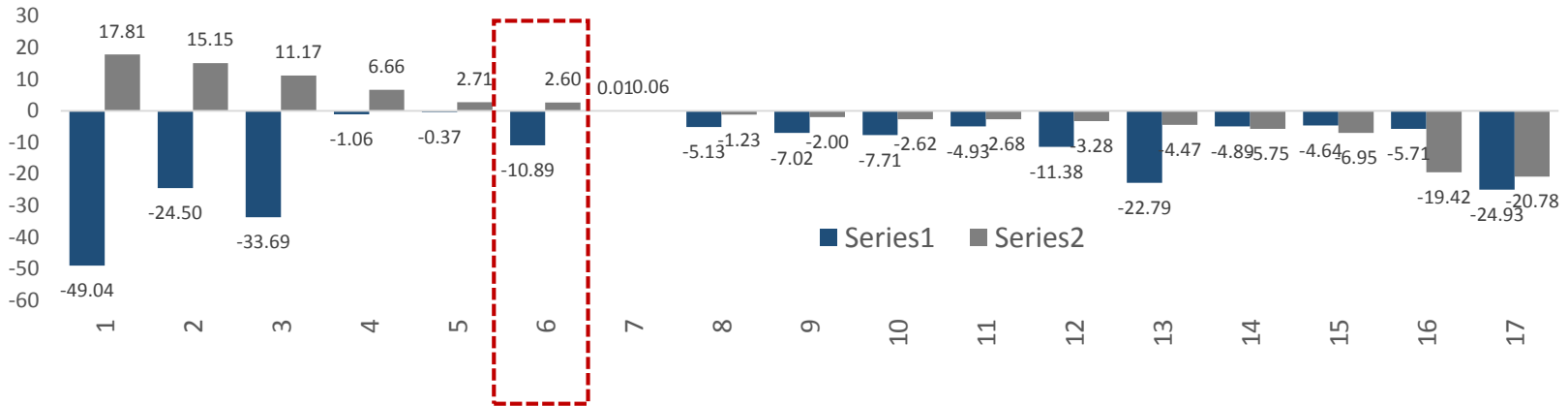
Economic Growth in G20 & BRICS Countries (2007-2016)



source: IMF & BPS
Badan Kebijakan Fiskal – Kementerian Keuangan RI

Rupiah Exchange Rate Performed Well across 2016

Rupiah perform relatively stable against the USD



Rupiah against US dolar

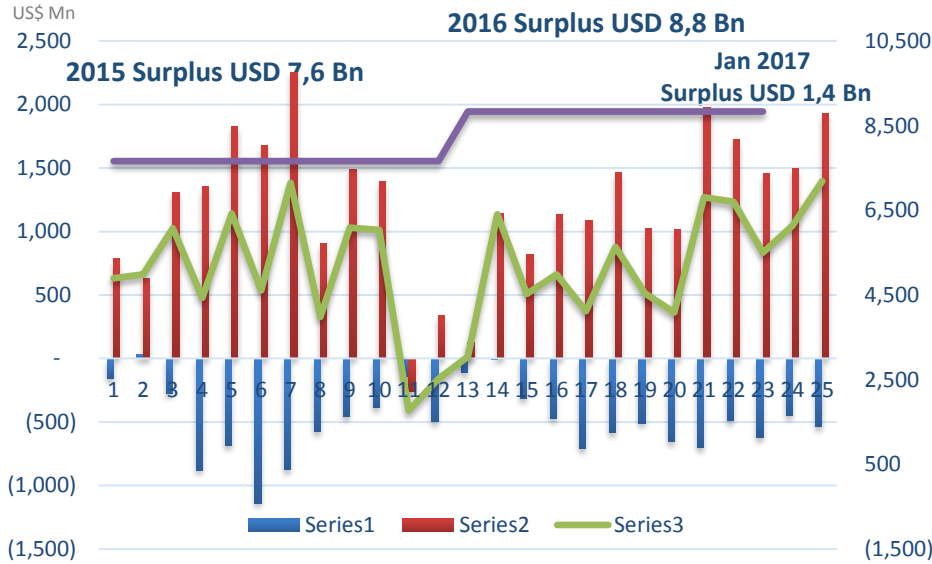
- Average Rupiah exchange rate against US Dolar 2016 **Rp13.307**
- **Rupiah Exchange Rate** was better compared to peers. The stable exchange rate help to accomodate the moderation of Central Bank policy rate in the midst of tight global liquidity



BALANCE OF TRADE SURPLUS

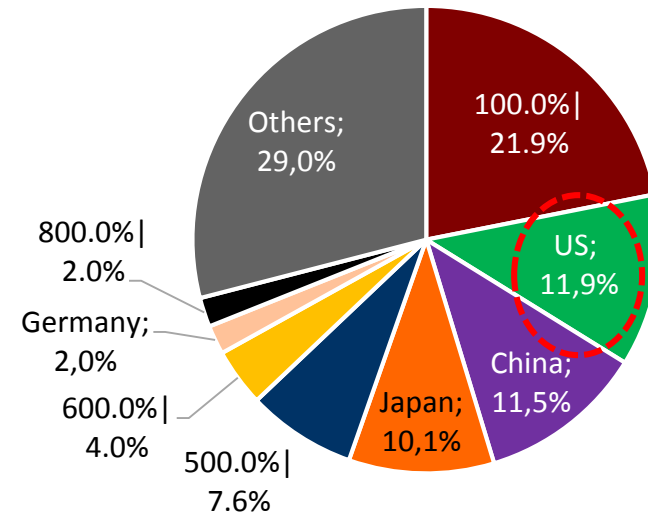
Supported by substantial FX reserves, with USD domination in term of FX component

Balance of Trade

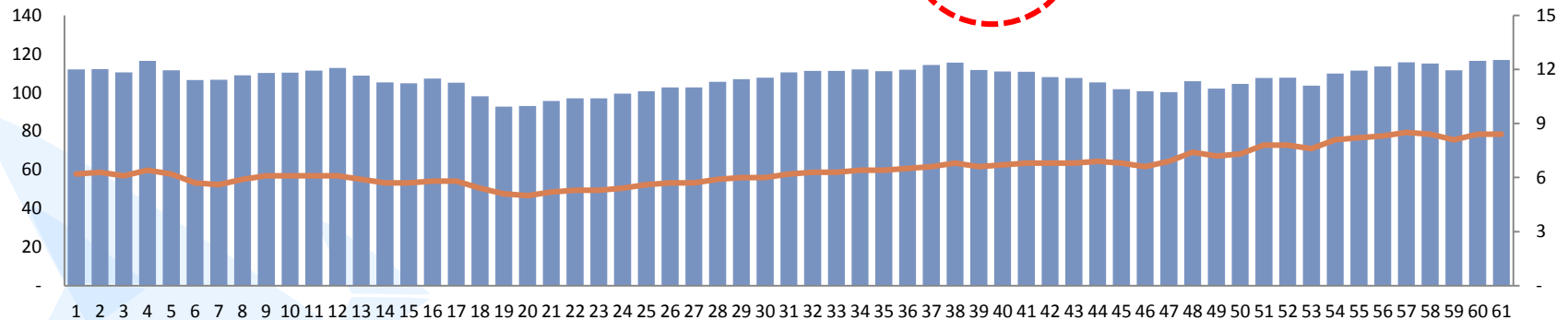


Major Trading Partners

Source: BPS, diolah



FX Reserves as of Feb 2017: US\$116.9bn
 (Equiv. to 8.4 months of imports + servicing of government debt)



International Trade Transactions based on Currencies (Average 2010-2015)

USD transactions is still dominating

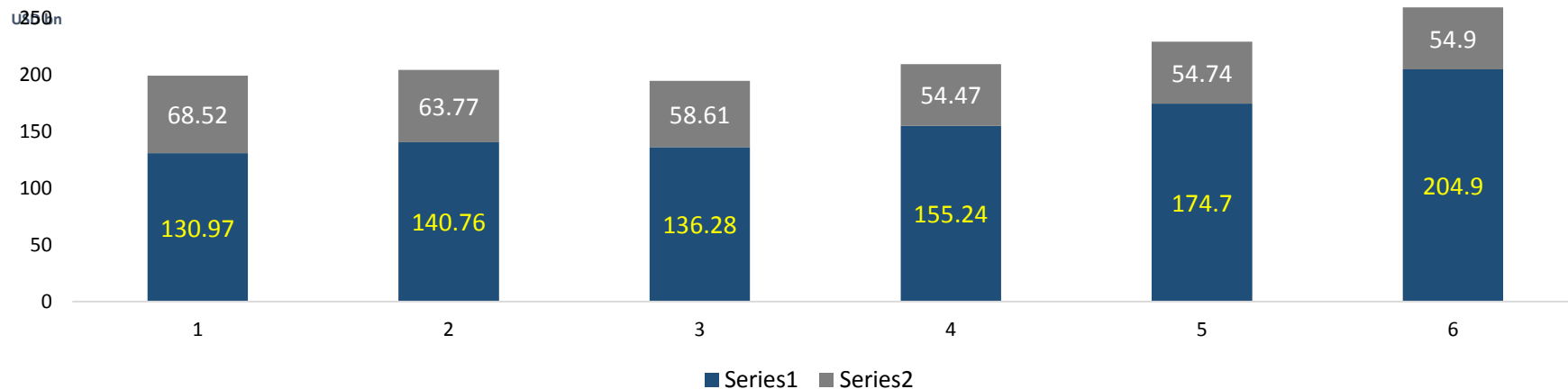
Impor				Ekspor			
No.	Valuta	Nilai (USD juta)	Pangsa (%)	No	Valuta	Nilai (USD juta)	Pangsa (%)
1	USD	128,475.81	76.33	1	USD	163,624.70	94.927
2	EUR	5,841.81	3.49	2	JPY	1,996.48	1.158
3	JPY	5,837.88	3.51	3	SGD	1,868.46	1.084
4	SGD	3,704.31	2.20	4	EUR	1,858.85	1.078
5	IDR	3,436.62	2.05	5	IDR	1,343.86	0.780
6	AUD	649.99	0.39	6	CNY	757.29	0.439
7	MYR	442.29	0.26	7	HKD	293.70	0.170
8	GBP	280.84	0.17	8	AUD	184.79	0.107
9	THB	276.06	0.17	9	MYR	121.51	0.070
10	CHF	223.77	0.14	10	GBP	101.76	0.059
11	CNY	155.68	0.09	11	THB	67.25	0.039
12	HKD	104.73	0.06	12	AED	55.22	0.032
13	KRW	18.67	0.01	13	KRW	0.93	0.001
14	Others	18,808.10	11.13	14	Others	95.07	0.055
	Total	168,256.57	100.0		Total	172,369.85	100.00

Source: SEKI, Bank Indonesia (processed)

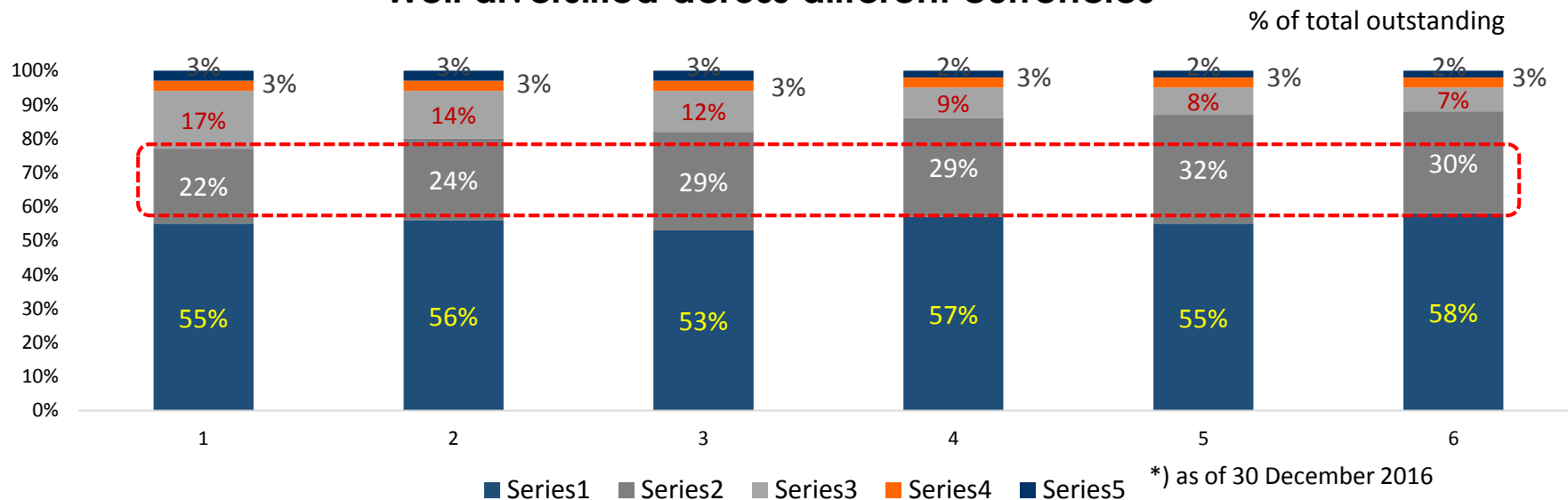
Sound Debt Portofolio Management

Well diversified across different currencies with the USD as the second largest

Debt composition over the years



Well diversified across different currencies



Rupiah Stabilisation Policies

To reduce dependency to USD and to promote regional currencies use

BI Regulation number 17/3/PBI/2015 concerning Mandatory Use of Rupiah in the Territory of Indonesia

Objective

- to stabilise the value of the Indonesian Rupiah
- to implement Indonesia's Currency Law

All cash and non-cash transactions in Indonesia performed by individuals or corporations **must use the Rupiah Transactions**, which include:

1. each transaction which has the purpose of a payment for something;
2. other settlement of obligations that must be fulfilled by transferring money; and/or
3. other financial transactions.

Terms and Conditions

The obligation to **use the rupiah does not apply** to the following transactions:

1. certain transactions related to the state budget
2. the acceptance of grants from abroad or the provision of grants to abroad;
3. international trading transactions bank savings in foreign currencies; and
4. international financing transactions

Bilateral Currency Swap Arrangement

Bilateral	China	• Established a 3 year RMB/IDR swap arrangement with the size of up to 130 billion RMB / IDR 250 trillion in November 2015
	South Korea	• Established a 3 year KRW/IDR swap arrangement with the size of up to 10.7 trillion KRW / IDR 115 trillion in March 2014
	Australia	• Established a 3 year A\$/IDR swap arrangement with the size of up to A\$10 billion or IDR 100 trillion in December 2015

Bilateral MoUs with BNM and BoT to promote settlement of bilateral trade and direct investment in their local currencies



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Thank You