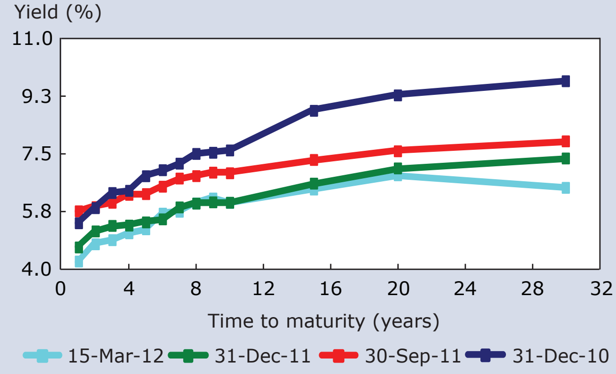
Indonesia—Update

Yield Movements

Between end-September and end-December, the government bond yield curve in Indonesia shifted downward as yields fell across all tenors **(Figure 1)**. The entire curve shifted further downward between end-December and 15 March. However, yields for the 6- and 9-year maturities rose slightly by 17 basis points (bps) and 12 bps, respectively. Yields at the short-end of the curve fell between 39 bps and 43 bps, while yields from the 15-year maturity through the long-end of the curve fell between 18 bps and 89 bps. The yield spread between the 2- and 10-year maturities narrowed to 86 bps at end-December before widening to 125 bps in mid-March.

Figure 1: Indonesia's Benchmark Yield Curve—LCY Government Bonds



LCY = local currency.
Source: Bloomberg LP.

The overall bullish trend in Indonesia's government bond market can be attributed to positive market sentiments from Indonesia regaining its investment grade credit rating from Fitch Ratings (Fitch) in December and Moody's Investors Service (Moody's) in January. In addition, easing inflation has led Bank Indonesia (BI) to make further cuts to its benchmark policy rate, bringing it to a new record-low level of 5.75% in February. Capitalizing on low borrowing costs and the sovereign debt upgrades, a number of Indonesian corporate borrowers have announced plans to sell bonds.

Consumer price inflation accelerated for the first time in 7 months in March to 4.0% year-on-year (y-o-y), compared with 3.6% in February, on higher food prices. On a month-on-month (m-o-m) basis, consumer prices rose 0.07% following a rise of 0.05% in February. For the full-year 2012, BI's inflation target stands at 3.5%–5.5%.

In March, the Finance Ministry submitted its proposed revisions to the 2012 State Budget to the House of Representatives. However, it failed to get approval from the House of Representatives to raise subsidized fuel prices by 33% on 1 April. Instead, authority was provided to adjust fuel prices if the 6-month average price of the Indonesian crude exceeds the budget assumption of US$105 per barrel by 15%. Based on the revised state budget, the budget deficit will widen to IDR190.1 trillion, equivalent to 2.2% of gross domestic product (GDP), from IDR124 trillion, equivalent to 1.5% of GDP, in the original budget. To help finance the wider budget deficit, the government plans to raise its net debt issuance target by IDR25 trillion to IDR159.6 trillion from IDR134.6 trillion (see **Policy, Institutional, and Regulatory Developments** for more details).

In a meeting held on 12 April, Bank Indonesia's (BI) Board of Governors decided to keep its benchmark rate steady at 5.75%. According to the central bank, the benchmark rate remains consistent with inflationary pressures going forward, BI also said it will remain vigilant on the possibility of temporary inflationary pressures driven by the government's fuel policy and will stand ready to take necessary measures to anticipate it.

Table 1: Size and Composition of the LCY Bond Market in Indonesia

	Amount (billion)								**Growth Rate** (%)						
	Sep-11		**Oct-11**		**Nov-11**		**Dec-11**		**Sep-11**		**Oct-11**	**Nov-11**	**Dec-11**		
	IDR	**US$**	**IDR**	**US$**	**IDR**	**US$**	**IDR**	**US$**	**y-o-y**	**q-o-q**	**m-o-m**	**m-o-m**	**y-o-y**	**q-o-q**	**m-o-m**
Total	982,415	111	992,734	112	1,000,105	110	993,827	110	(1.8)	(2.9)	1.1	0.7	3.6	1.2	(0.6)
Government	847,778	96	857,649	97	864,910	95	846,859	93	(5.6)	(3.7)	1.2	0.8	0.3	(0.1)	(2.1)
Central Govt. Bonds	696,561	78	712,006	80	723,756	79	723,606	80	8.0	0.8	2.2	1.7	12.8	3.9	(0.02)
Central Bank Bills	151,217	17	145,643	16	141,154	15	123,253	14	(40.1)	(20.0)	(3.7)	(3.1)	(39.3)	(18.5)	(12.7)
Corporate	134,637	15	135,086	15	135,196	15	146,969	16	30.5	2.0	0.3	0.1	28.0	9.2	8.7

LCY = local currency, m-o-m = month-on-month, q-o-q = quarter-on-quarter, y-o-y = year-on-year.
Notes:
1. Calculated using data from national sources.
2. Bloomberg LP end-of-period LCY–US$ rates are used.
3. Growth rates are calculated from LCY base and do not include currency effects.
4. The total stock of non-tradable bonds as of end-December stands at IDR224.6 trillion.
Source: Bank Indonesia, Indonesia Debt Management Office, Indonesia Stock Exchange, and Bloomberg LP.

Indonesia's economy expanded 6.5% y-o-y in 4Q11, growing at the same pace as in 3Q11, boosted by domestic consumption and strong growth in investment. Domestic consumption grew 5.0% y-o-y in 4Q11 compared with 4.8% in 3Q11; investment climbed 11.5% after posting annual growth of 7.1% in the previous quarter. All major industrial sectors posted positive y-o-y growth with the exception of mining, which contracted 0.04%. For the full-year 2011, the economy expanded 6.5%, following revised growth of 6.2% in 2010, marking the fastest annual GDP growth rate since 1996. The government is looking to achieve a growth target of 6.5% based on the revised 2012 state budget.

Size and Composition

Total local currency (LCY) bonds outstanding in Indonesia expanded 3.6% y-o-y in 4Q11 after declining 1.8% in 3Q11 **(Table 1)**. On a quarter-on-quarter (q-o-q) basis, bonds outstanding rose 1.2%. In terms of volume, total bonds outstanding reached IDR993.8 trillion (US$110 billion) at end-December.

As of end-December, outstanding LCY government bonds had grown a marginal 0.3% y-o-y in 4Q11 to reach IDR846.9 trillion. The growth in LCY government bonds was mainly driven by central government bonds comprising treasury bills and treasury bonds issued by the Ministry of Finance. On the other hand, central bank bills, known as *Sertifikat* Bank Indonesia (SBI), fell a significant 39.3% y-o-y.

Central Government Bonds. On a y-o-y basis, the stock of central government bonds grew 12.8% to IDR723.6 trillion in 4Q11. On a q-o-q basis, central government bonds rose a modest 3.9%.

In 4Q11, a total of IDR25.6 trillion in treasury bills and bonds were issued by the central government, representing a 141.4% rise from 3Q11. However, treasury issuance fell 31.5% on a q-o-q basis. LCY bond issues during the quarter included treasury bills and fixed-rate treasury bonds. The government cancelled its last scheduled auction in December due to a slowdown in state budget spending.

In 2011, the government had raised a total of IDR204.6 trillion in gross bond sales (including international bond issuance). According to the Ministry of Finance, a deficit of IDR90.1 trillion, equivalent to 1.3% of GDP based on preliminary figures, was recorded in 2011. The government will continue to rely on domestic issuance as a funding source in 2012 and has capped foreign currency (FCY) debt issuance at 18% of total gross debt issuance for the year.

The Ministry of Finance also said that it will continue with its frontloading strategy by issuing 55%–60% of its debt securities in the first half of the year. The government raised IDR60.4 trillion in debt securities in 1Q12, higher than the target amount of IDR53.2 trillion. The Ministry of Finance conducted 11-IDR-denominated bond auctions in 1Q12, comprising both conventional and Islamic bonds.

The government has identified FR0060, FR0061, FR0059, and FR0058 as the new benchmark bonds for 5-, 10-, 15-, and 20-year maturities, respectively. Details for the new benchmark bond series are provided in **Table 2**.

Central Bank Bills. The stock of central bank bills continued to fall sharply in 4Q11. Outstanding SBI stood at IDR123.3 trillion in 4Q11, contracting 39.3% y-o-y and 18.5% q-o-q. The decline in the stock of SBI is in line with the central bank's policy of reducing SBI issuance as they have become an ineffective tool for managing the money supply. BI has instead been providing term deposits to replace SBI and buying government securities for its monetary operations. On a q-o-q basis, central bank bill issuance rose 160.5% in 4Q11, but fell 66.6% on a y-o-y basis. But this was still a small amount compared to the volume of short-term SBI maturing during the quarter.

Table 2: Indonesian Government Benchmark Bonds for 2012

Bond Series	Outstanding Amount (IDR billion)	Coupon (%)	Maturity Date
1. FR0060	3,700	6.25	15-Apr-17
2. FR0061	7,100	7.00	15-May-22
3. FR0059	7,850	7.00	15-May-27
4. FR0058	9,400	8.25	15-Jun-32

Source: Indonesia Debt Management Office.

Corporate Bonds. The corporate bond market reported robust growth in 4Q11, expanding 28.0% y-o-y. On a q-o-q basis, growth in corporate bonds was 9.2%. Corporate bonds comprise a small percentage of Indonesia's LCY bond market, accounting for only 14.8% of total LCY bonds outstanding in Indonesia at end-December.

At end-December, the outstanding bonds of the top 30 corporate issuers in Indonesia totaled IDR114.9 trillion, accounting for almost 80% of total LCY corporate bonds outstanding **(Table 3)**. State-power firm PLN remained the top issuer in 4Q11 with outstanding bonds valued at IDR15.1 trillion. Automotive leasing company Adira Dinamika Multifinance took the second spot with bonds outstanding of IDR7.4 trillion, followed by Indonesia Eximbank with bonds outstanding of IDR7.2 trillion.

Bond issuers from the banking and financial sector dominated the list of the top 30 LCY corporate issuers, accounting for 73% of the firms on the list. Meanwhile, 10 companies on the list were state-owned firms. More than half of the 30 firms were also listed on the Indonesia Stock Exchange, indicating that these firms are tapping both the equity and bond markets for their funding needs.

In 4Q11, total corporate LCY bond issuance reached IDR16.0 trillion, up significantly from IDR5.8 trillion in 3Q11. Out of a total of 10 corporate issuers in 4Q11, seven companies issued in December to take advantage of lower borrowing cost after BI's rate cut of 50 bps in November.

Once again, corporate bond issuance in 4Q11 was dominated by firms from the banking and financial sectors. The corporate bonds issued in 4Q11 were all conventional bonds except for one subordinated bond issue. More than half of these new bond issues carried maturities of 3–5 years.

Table 3: Top 30 Issuers of LCY Corporate Bonds in Indonesia (as of end-December 2011)

Issuers	Outstanding Amount		State-Owned	Privately-Owned	Listed Company	Type of Industry
	LCY Bonds (IDR billion)	LCY Bonds (US$ billion)				
1. PLN	15,100	1.67	Yes	No	No	Energy
2. Adira Dinamika Multifinance	7,426	0.82	No	Yes	Yes	Finance
3. Indonesia Eximbank	7,191	0.79	Yes	No	No	Banking
4. Bank Pan Indonesia	6,900	0.76	No	Yes	Yes	Banking
5. Indosat	6,350	0.70	No	Yes	Yes	Telecommunications
6. Bank Tabungan Negara	5,450	0.60	Yes	No	Yes	Banking
7. Jasa Marga	5,000	0.55	Yes	No	Yes	Toll Roads, Airports, and Harbors
8. Federal International Finance	4,742	0.52	No	Yes	No	Finance
9. Bank CIMB Niaga	4,480	0.49	No	Yes	Yes	Banking
10. Bank Danamon Indonesia	4,050	0.45	No	Yes	No	Banking
11. Bank Internasional Indonesia	4,000	0.44	No	Yes	Yes	Banking
12. Perum Pegadaian	3,664	0.40	Yes	No	No	Finance
13. Bank Tabungan Pensiunan Nasional	3,650	0.40	No	Yes	Yes	Banking
14. Indofood Sukses Makmur	3,574	0.39	No	Yes	Yes	Food and Beverages
15. Bank Mandiri	3,500	0.39	Yes	No	Yes	Banking
16. Astra Sedaya Finance	3,480	0.38	No	Yes	No	Finance
17. Antam	3,000	0.33	Yes	No	Yes	Petroleum and Natural Gas
18. Telekomunikasi Indonesia	3,000	0.33	Yes	No	Yes	Telecommunications
19. Bank Jabar Banten	2,750	0.30	No	Yes	Yes	Banking
20. Bank Rakyat Indonesia	2,000	0.22	Yes	No	Yes	Banking
21. Sarana Multigriya Finansial	1,940	0.21	Yes	No	No	Finance
22. Bank Permata	1,750	0.19	No	Yes	Yes	Banking
23. Summit Oto Finance	1,565	0.17	No	Yes	No	Finance
24. Bank DKI	1,500	0.17	No	Yes	No	Banking
25. XL Axiata	1,500	0.17	No	Yes	Yes	Telecommunications
26. Medco-Energi Internasional	1,500	0.17	No	Yes	Yes	Petroleum and Natural Gas
27. Oto Multiartha	1,500	0.17	No	Yes	No	Finance
28. BCA Finance	1,489	0.16	No	Yes	No	Finance
29. Bank OCBC NISP	1,480	0.16	No	Yes	Yes	Banking
30. Wahana Ottomitra Multiartha	1,400	0.15	No	Yes	Yes	Finance
Total Top 30 LCY Corporate Issuers	**114,930**	**12.67**				
Total LCY Corporate Bonds	**146,969**	**16.21**				
Top 30 as % of Total LCY Corporate Bonds	**78.2%**	**78.2%**				

LCY = local currency.
Source: Indonesia Stock Exchange.

Table 4: Notable LCY Corporate Bond Issuance, 4Q11

Corporate Issuers	Amount Issued (IDR billion)
Indonesia Eximbank	3,250
Antam	3,000
Adira Dinamika Multi Finance	2,523
Bank Internasional Indonesia	2,500
Bank CIMB Niaga	1,500
Clipan Finance Indonesia	1,000
Perum Pegadaian	1,000
Others	1,200
Total	**15,973**

Source: Indonesia Stock Exchange.

Table 4 lists the most notable corporate bond issues in 4Q11.

State-owned lender Indonesia Eximbank raised IDR3.25 trillion in three tranches in December. The proceeds from the bonds will be used to help fund lending to importers. The bonds comprised the following series:

- 3-year bonds worth IDR202 billion, coupon of 7.00%;
- 5-year bonds worth IDR243 billion, coupon of 7.75%; and
- 7-year bonds worth IDR2.8 trillion, coupon of 8.50%.

Antam issued IDR3.0 trillion worth of bonds in December. Proceeds from the bond sale will be used to fund the firm's investments and business development. The bonds consisted of the following series:

- 7-year bonds worth IDR900 billion, coupon of 8.38%; and
- 10-year bonds worth IDR2.1 trillion, coupon of 9.05%.

Adira Dinamika Multifinance issued a total of IDR2.5 trillion of conventional bonds in December. The proceeds from the bond sale will be used to raise capital for its automotive financing business. The bonds consisted of the following series:

- 2-year bonds worth IDR325 billion, coupon of 7.75%;
- 3-year bonds worth IDR665 billion, coupon of 8.00%; and
- 5-year bonds worth IDR1.5 trillion, coupon of 9.00%.

Bank Internasional Indonesia raised a total of IDR2.5 trillion from a three-tranche sale consisting of conventional bonds and one subordinated bond. The proceeds from the bond issue will be used to boost lending. The bonds consisted of the following series:

- 3-year bonds worth IDR440 billion, coupon of 7.75%;
- 5-year bonds worth IDR1.6 trillion, coupon of 8.75%; and
- 7-year subordinated bonds worth IDR500 billion, coupon of 10.00%.

Bank CIMB Niaga issued IDR1.5 trillion worth of conventional bonds in December. The proceeds from the bond sale will be used to support its lending expansion. The bonds consisted of the following series:

- 3-year bonds worth IDR180 billion, coupon of 7.38%; and
- 5-year bonds worth IDR1.3 trillion, coupon of 8.30%.

Clipan Finance Indonesia sold a total of IDR1.0 trillion of conventional bonds in November. The proceeds from the bond sale will be used to boost the firm's working capital. The bonds consisted of the following series:

- 1-year bonds worth IDR248 billion, coupon of 8.75%;
- 2-year bonds worth IDR123 billion, coupon of 9.75%; and
- 3-year bonds worth IDR629 billion, coupon of 10.25%.

State-owned pawnshop operator Perum Pegadaian issued IDR1.0 trillion of bonds in three tranches in November. The proceeds from the bonds will be used to fund working capital and for debt repayment. The bonds comprised the following series:

- 3-year bonds worth IDR250 billion, coupon of 7.50%;
- 5-year bonds worth IDR250 billion, coupon of 8.00%; and
- 10-year bonds worth IDR500 billion, coupon of 9.00%.

Corporate Rating Changes. On 28 February, Fitch downgraded Bakrie Telecom's long-term FCY and LCY issuer default ratings to CCC from B. According to Fitch, the downgrade reflects growing liquidity risks faced by the company as IDR650 billion worth of bonds are scheduled to mature in September and finance leasing obligation payments for the year total IDR660 billion. As of end-December 2011, the company's cash and cash equivalents stood at only IDR250 billion. Fitch does not expect the company to generate sufficient cash to meet its obligations.

On 15 March, Fitch downgraded Berlian Laju Tanker's (BLT) long-term FCY and LCY issuer default ratings to Restricted Default (RD) from C, while it affirmed at C with a Recovery Rating of RR5 its rating on the company's US$400 million senior unsecured notes due 2014. In February, S&P lowered its long-term corporate rating on the company to D from CC. S&P also lowered its issuer rating on the US$400 million senior unsecured notes due 2014 to D from C. The Indonesia Stock Exchange (IDX) suspended the bonds issued by BLT effective 28 February after the company announced a default on its debt instruments. The company, including its subsidiaries, defaulted on debts amounting to IDR421.5 billion. BLT had issued six series of bonds, comprising both conventional and Islamic bonds.

On 20 March, Moody's downgraded its ratings for Davomas Abadi, an Indonesian cocoa producer to Ca from Caa3 with a negative outlook. According to Moody's, weak sales over the past two quarters and poor inventory management could have led to the depletion of cash reserves and impaired the company's ability to service interest payments.

Foreign Currency Bonds. The government raised US$1.75 billion from the sale of US$-denominated 30-year bonds, the proceeds of which will be used to help fund the budget deficit. The bond sale was part of Indonesia's Global Medium-Term Note Program. The bonds carried a coupon of 5.25% and a yield of 5.375%. The offering was oversubscribed 2.06 times, with the order book totaling US$3.6 billion. The bonds were allocated to asset managers (73%), banks (20%), insurance and pension funds (4%), and private banks (3%). The sale was handled by HSBC, JP Morgan Chase, and Standard Chartered as joint lead managers and joint bookrunners, and PT Mandiri Sekuritas as co-manager.

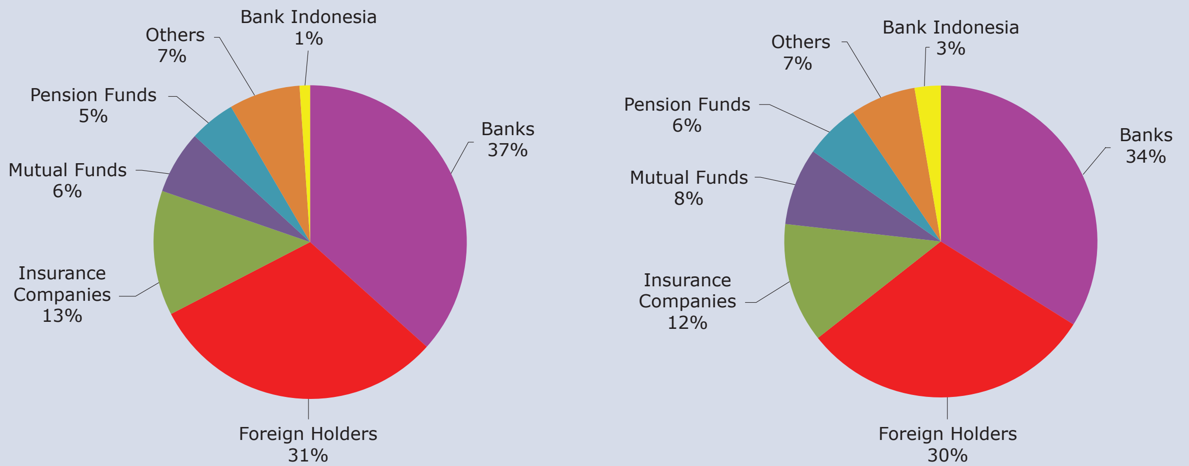
In 2012, 18% of the government's gross debt issuance will come from FCY issuance. The government is planning to issue JPY-denominated bonds in June and global *sukuk* (Islamic bonds) in the second half of the year.

On the corporate front, Indonesian power firm Cikarang Listrindo priced US$500 million in 7-year bonds in February. The bonds were priced at par and carried a coupon of 6.95%. The bond deal was the first Indonesian corporate high-yield issue of 2012 as well as the first RegS/144A high-yield issued in the region this year. The bonds were well distributed, with 38% sold to investors in Asia, 35% to investors in the United States (US), and 27% to investors in Europe. The bond sale was oversubscribed, with the order book reaching US$4.3 billion.

Investor Profile

Central Government Bonds. Banking institutions remain the largest holder of LCY government bonds in Indonesia, with a slightly higher share of total LCY government bonds outstanding at end-December 2011 (37%) compared with 1 year earlier (34%) **(Figure 2)**. Banking institutions include state banks, private banks, non-recap banks, regional banks, and *shari'a* (Islamic law) banks. State banks account for about 60% of the total bond holdings of banks.

Figure 2: LCY Government Bonds Investor Profile



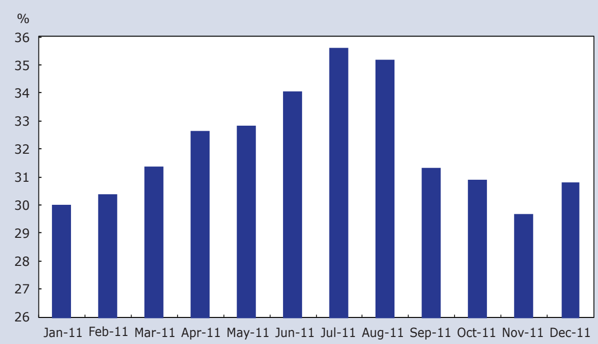
LCY = local currency.
Source: Indonesia Debt Management Office.

The second largest share of government bond holdings at end-December belonged to foreign investors with a share of 31%. Foreign investors' share peaked at 36% on 12 September, before a sell-off in LCY government bonds by offshore investors led to the rapid decline of their holdings to 31% by end-September. This share declined further to 30% by end-November before recovering in December **(Figure 3)**.

Foreign buying by investors resumed after Indonesia's upgrade to investment grade status from Fitch in December and Moody's in January. Government bond holdings of foreign investors recovered to 32.1% at end-January before falling again to 30.4% by mid-March. The government's planned fuel price hike dampened market sentiments in the bond and currency markets over inflationary concerns.

At end-December, 63% of the total bonds held by foreigners were in the form of long-dated tenors (maturities of 5 years or more) **(Figure 4)**. However, this reflected a drop from a share of 67% in 2010 and 71% in 2009. Offshore holdings of short-dated tenors (maturities of less than 1 year) climbed to 12% at end-December,

Figure 3: Monthly Foreign Investors Share in LCY Government Bonds, 2011

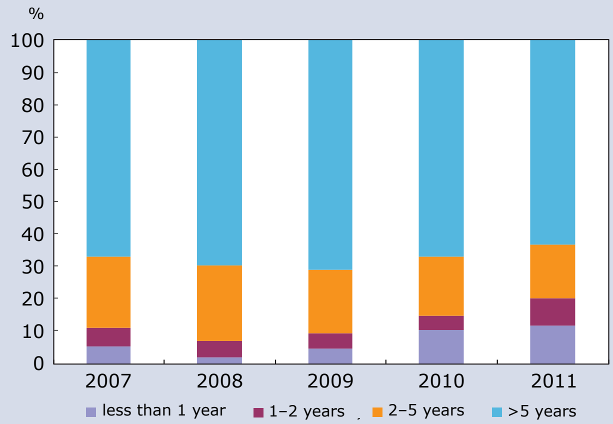


LCY = local currency
Source: Indonesia Debt Management Office.

compared with 10% in 2010 and only 5% in 2009.

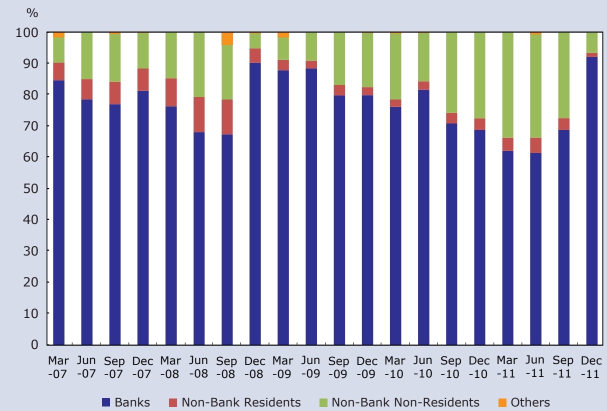
The central bank's share in government bonds dropped to 1% in 4Q11 from 3% in 4Q10. At end-December, BI's holdings of LCY bonds reached IDR7.8 trillion, after hitting IDR17.0 trillion at end-September. BI has been purchasing government bonds both to help stabilize prices and to increase its holdings, which it plans to use for monetary operations as a replacement for SBI.

Figure 4: Foreign Holdings of LCY Government Bonds by Maturity, 2007–2011



LCY = local currency.
Source: Indonesia Debt Management Office.

Figure 5: LCY Central Bank Bills Investor Profile, March 2007–December 2011



LCY = local currency.
Source: Bank Indonesia.

Meanwhile, the share of contractual savings institutions' holdings of government bonds is relatively low in Indonesia compared with other markets in the region. Insurance companies and pension funds held shares of 13% and 5%, respectively, at end-December.

Central Bank Bills. The dominant share of SBI were held by banking institutions at the end of 4Q11, with their ownership share climbing to 92% at end-December from 69% at end-September **(Figure 5)**. BI has noted that banks were using SBI as an investment tool instead of channeling funds for lending.

On the other hand, foreign investors' holdings of SBI fell sharply at the end of 4Q11, as their share dropped to 7% at end-December from 27% at end-September. Foreign ownership in SBI peaked in May 2011 at a share of 39% when the SBI holding period was extended to 6 months. Furthermore, since February 2011, SBI have only been issued with maturities of 9 months. The share of foreign investors' holdings of SBI had declined steadily before dropping sharply in 4Q11 to its current level. At end-December, foreign investors held a total of IDR7.8 trillion in SBI.

Rating Changes

On 15 December, Fitch upgraded Indonesia's long-term FCY and LCY debt to BBB– **(Table 5)**. The outlook for both ratings is stable. Fitch cited Indonesia's improved economic performance, strengthened external liquidity, low and declining public debt ratios, and a prudent overall macro policy framework as reasons for the upgrade.

Table 5: Selected Sovereign Ratings and Outlook for Indonesia

	Moody's	S&P	Fitch	R&I
Sovereign FCY LT Ratings	Baa3	BB+	BBB–	BB+
Outlook	Stable	Positive	Stable	Positive

FCY = foreign currency, LT = long term.
Source: Rating agencies.

On 18 January, Moody's raised Indonesia's FCY and LCY ratings to Baa3 from Ba1, with a stable outlook for both. According to Moody's, the key factors for the upgrade were expectations that the government's financial metrics would remain in line with its new Baa3 peers, the demonstrated resilience of Indonesia's economic growth in the face of large external shocks, the presence of policy buffers and tools that address financial vulnerabilities, and a healthier banking system capable of withstanding stress.

Policy, Institutional, and Regulatory Developments

BI to Allow *Sukuk* for Reverse Repo Operations

Effective 1 December, BI began allowing the use of *sukuk* in the reverse repo transactions of *shari'a* banks and business units. Indonesian *shari'a* banks can purchase at least IDR1 billion of *sukuk* from the central bank and in exchange they will receive transaction margins when they buy back the *sukuk* at an agreed price after a specified time. This regulation aims to absorb excess liquidity among *shari'a* banks, specifically those banks with a finance-to-deposit ratio of at least 80% and those that participate in BI's *shari'a* monetary operations.

BI to Purchase Long-Term Bonds and *Sukuk* to Help Stabilize Bond Market

In January, BI announced plans to purchase long-term government bonds as part of efforts to defend the Indonesian rupiah and stabilize the domestic bond market. Since September 2011, the central bank has been buying short- and medium-term government bonds in the market to support prices. In February, BI announced that it would purchase Islamic government debt to help stabilize the bond market and deepen the *shari'a* financial market.

BI Widens Lower Limit on Benchmark Rate to 200 bps

Effective 18 January, BI widened the lower limit of its benchmark rate (deposit facility) from 150 bps to 200 bps below the BI rate. This measure was taken in order to bolster banks' liquidity management by encouraging them to transact with one another, thereby boosting banking efficiency. Following the policy rate cut in February, rates now stand at 3.75% for the overnight deposit facility and 6.75% for the overnight lending facility.

House of Representatives Approves the 2012 Revised State Budget

In March, the Ministry of Finance submitted its proposed revisions to the 2012 State Budget to the House of Representatives. On 1 April, the Parliament approved the 2012 economic growth assumptions, which include (i) an economic growth target of 6.5%, (ii) an inflation rate target of 6.8%, (iii) an IDR–US$ exchange rate of IDR9,000 per US$1, (iv) a 3-month treasury bill rate of 5%, (v) an Indonesian Crude Price of US$105 per barrel, and (vi) an oil lifting volume of 930,000 barrels per day.

Indonesian Government Raises IDR13.6 trillion from the Sale of Islamic Retail Bonds

In March, the government raised IDR13.6 trillion from the sale of its fourth series of retail Islamic bonds. The bonds carried a maturity of 3 years and offered a 6.25% coupon. A total of IDR19 trillion in orders were received during the offer period. The bonds were allocated to 17,606 investors: 28% of which were civil servants, 21% were private employees, 20% were entrepreneurs, 16% were housewives, and the remaining 15% were employees working in other fields.