

appear to be quite high, but from the Indonesian point of view this is actually quite low, because historically we have had high inflation. So this is a good thing that the Megawati administration has accomplished, especially the Minister of Finance. But it has not been widely recognized by the people simply because people do not have jobs. People are dissatisfied because they do not have proper jobs and therefore everything looks expensive, though when you look at prices, you see that they are not really that high from an perspective of Indonesian historic prices. And when you look also at the Rupiah, it is relatively stable at a rate of about 9,000 to one US dollar and it should be strengthening further. So, this is one of the things that has been good for the present government and that I am sure will continue under the new administration.

On the capital market now, never in the history of Indonesia has the capital market in Jakarta had an index of 800, and now it is at 850, following the elections. So there is very much strong optimism about the Indonesian economy in general, and particularly with the new administration. When you look at reports from JP Morgan, you see the possibility that the Jakarta stock market index might reach a level of 1,000, or something like that. So this trend will continue if the SBY team, or his economic team in particular, is seen as credible from the capital market's point of view.

When we look at other macro-economic indicators, we see that the SBI, the promissory certificate of the central bank, has become an anchor of the prime rate, as related to the other interest rates. Despite the potential for increasing inflation, the central bank has been trying to be accommodative, so at the last auctions of SBI was holding to about 7.40%. Deposit rates are quite low, actually, at around 5.8% so when you see that inflation is around 6%, probably, by the end of the year, this would mean real negative interest rates, although of course the bank would try to adjust. But despite pretty slow deposit rate, banks are still able to accumulate funds; to encourage more deposits, banks now give several kinds of new services, like checking accounts and mutual funds in cooperation with other mutual fund companies. However, lending rates in comparison to other economic indicators is still too high, at 13.5%. Banks at the moment are very concerned for competing for the consumer market and small and medium enterprises, and less so the for corporate sector.

When you look at sources of financing, mainly in the Indonesian case this means the bank. So if banks do not allocate credit to the