

Indonesian Government Approves Rupiah Redenomination Proposal
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JAKARTA, Dec 7 (Bernama) -- The Indonesian Government has approved a proposal by the central bank, Bank Indonesia (BI), to omit three zeros off the Indonesian currency.

Finance Minister Agus Martowardojo said following the approval, a bill on the currency redenomination would be submitted to the House of Representatives by next year to support the programme.

Redenomination is a process of a new currency unit replacing the old one and BI officials have mooted the idea of removing three zeros from the rupiah, for example Rp1,000 will become Rp1.

If the House passed the bill, the redenomination will be implemented for five to 10 years, the minister was quoted as saying by the local media today.

The idea behind the proposal is to simplify daily transactions, which often run into millions of rupiahs. One US dollar now is about 9,100 rupiahs.

There are concerns, however, that the proposal could devalue the currency but BI governor Darmin Nasution has assured that the redenomination would not inflict any financial losses but would simply strike out a few zeros from the currency.

Rupiah is currently the third-lowest-priced currency in terms of its exchange to the US dollar after the Mozambican metical (23,100) and the Vietnamese dong (16,000).

The Rp100,000 note is now the second-highest denomination banknote in the region after Vietnam's 500,000 dong note, which is worth about US\$26.

Agus said the government would look at similar redenomination moves that other countries have made in the past, taking examples from those that have successfully implemented it and taking lessons from those that failed.

One successful redenomination was carried out by Turkey, which removed six zeros from its old currency in 2005, he said.

Before that redenomination, one euro exchanged for 1.8 million Turkish lira and after the process was completed, one euro was equal to 1.8 Turkish lira.

On the other extreme is Zimbabwe.

The three redenominations that it has undertaken since 2006 have given rise to hyper inflation, and paper denominations of the Zimbabwean dollar now include a \$100 trillion banknote.

BI had earlier announced that the rupiah redenomination would be carried out in four stages

over a period of 10 years to minimise public confusion.

The stages proposed are the information campaign to alert the public (2011- 2012), the transition period (2013-2015), gradual withdrawal of the old rupiah (2016-2018) and the use of the new rupiah (2019-2020).

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