**BROAD MONEY DEVELOPMENT**

National Broad Money covers liabilities of monetary system (central bank, commercial and rural banks) to domestic private sector (excluding central government holdings of central bank liabilities other than currency and non-resident).

National Broad Money may be defined narrowly or broadly. Narrow broad money (M1) may be defined to include Currency Outside Commercial and Rural Banks and Demand Deposits. Broader measure (M2) may cover M1, Saving Deposits, Time Deposits in Rupiah and foreign currency, Demand deposits in foreign currency and Securities other than shares issued by monetary system owned by domestic private sector, with remaining maturity up to 1 (one) year.

The Affecting Factors of Broad Money or Broad Money Liabilities equal to the sum of Net Foreign Assets (NFA), Net Domestic Assets (NDA) and net other items. NDA measure covers Net Claims on Central Government (NCG) and Other Claims (i.e. Local Government, Other Financial Corporations, Non-Financial Corporations and Households) mainly in the form of Loans.

Broad money and Its affecting factors are compiled based on Monetary and Financial Statistics Manual (MFSM) 2000 and Compilation Guide (2008).The coverage of Broad Money as figured in the following matrix:

**Description Commercial Banks Rural Bank Bank Branches Operated Abroad**

Broad Money M2 Included Included Not Included

Deposit Included Included Not Included

Credit Included Included Not Included

Interest Rate Included Not Included Not Included

**The Birth of a Central Bank**

The nationalization effort of DJB was followed up by transforming the bank of circulation into a central bank with the name of Bank Indonesia. On July 1, 1953, Bank Indonesia Act started to be in force, therefore confirming Bank Indonesia’s birth and Indonesia’s monetary and economic authority. The function of a central bank, which had been done rather inadequately before, could now be done by Bank Indonesia.

