

Economic & Market Commentary

March 2020



AN 2017

PT. Bank Negara Indonesia (Persero) Tbk.
New York Agency - Treasury Department

This presentation has been prepared specifically for BNI. The content of this presentation may not be used, duplicated or transmitted in any form without the written consent from BNI New York Agency. All right reserved

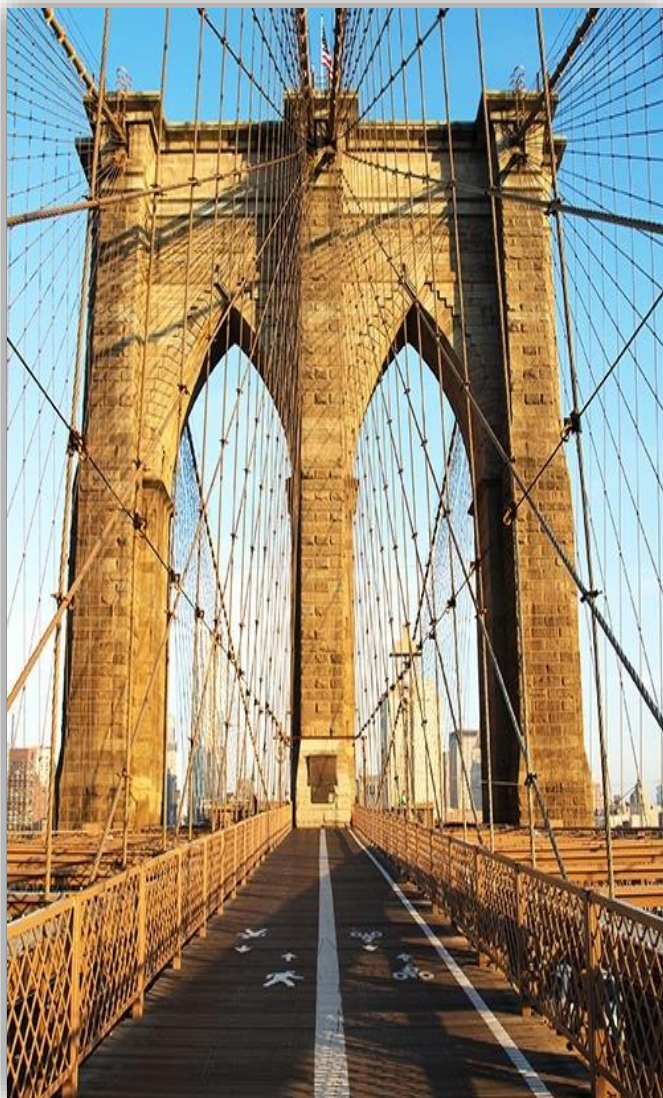
Global Market Update



- A surge in new cases of Corona Virus in Italy and Korea led to further concerns over the impact of the outbreak on global growth, while seemingly ongoing disruptions to Chinese economic activity suggest even further downside to our current forecast for Q1 Chinese GDP growth of 5.1% year-over-year.
- Finance ministers and central bankers from the G-7 group of nations held a conference call to discuss possible economic policy responses to disruptions caused by the virus.
- Outside of the Federal Reserve, only two major developed market central banks took action this week. Both the Reserve Bank of Australia and the Bank of Canada cut their policy rates, by 25 and 50 bps, respectively.

ASSET LIABILITY COMMITTEE (ALCO) MEETING

US Market Update



FED Fund Rate : 1.75%

Interest Rate on Excess Reserve : 1.60%



**Current Account (% of GDP) as of Q4 2019 is -2.3%
vs -2.5% on Q3 2019**



**Trade balance as of February 2020 is -\$39.9bn
vs -\$45.4bn on January 2019**



**Unemployment Rate (%) as of February 2020 is 3.5% vs
3.6% on January 2019**



**Export YoY (%) January 2020 is -0.4% &
Import YoY (%) January 2020 is -2.5%**



**Real GDP QoQ as of Q4 2019 is 2.1% VS 2.1% in Q3
2019**



**Gov't budget balance (% of GDP) as of Jan 2020 is
-3.8% VS -4.7% on December 2019**

US Market Update



- The COVID-19 coronavirus hammered financial markets this week and rapidly raised the perceived likelihood and magnitude of additional Fed accommodation.
- The bond market now expects almost four Fed rate cuts by the end of the year, but one might rightly wonder how lower short-term rates would alleviate supply chain disruptions.
- The ISM manufacturing index narrowly remained in expansion territory, despite some early signs of virus-related supply disruptions, while survey data for the service sector provided conflicting signals.
- Friday's jobs report reiterated the health of the economy in February, with employers adding 273K jobs. The report, however, seems almost stale in the face of the ongoing outbreak.

ID Market Update

- **Consumer price index (CPI) inflation remained low and under control in February 2020.** CPI inflation stood at 0.28% (mtm) in February 2020, down from 0.39% (mtm) one month earlier. Moving forward, Bank Indonesia will consistently maintain price stability and strengthen policy coordination with the central and local governments to ensure inflation in 2020 remains low and stable within the target corridor, namely 3.0%±1%.
- **Core inflation has declined, thus helping to contain inflationary pressures.** Annually, core inflation was recorded at 2.76% (yoy) compared with 2.88% (yoy) in the previous period. Core inflation was kept under control in line with policy consistency by Bank Indonesia to anchor rational inflation expectations, including maintaining exchange rates in line with the rupiah's fundamental value.



Thank You

PT Bank Negara Indonesia (Persero) Tbk
New York Agency
One Exchange Plaza, 5th Floor
55 Broadway, New York
NY, 10006