

# Economic & Market Commentary

## April 2020



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

## Global Market Update



- This past week, March PMI surveys for the Eurozone were released, with data suggesting a sharp deceleration in the broader European economy is likely. The services PMI fell to a record low of 28.4, while the manufacturing PMI dropped to 44.8, which signals the Eurozone economy could contract more than 4.0% in 2020.



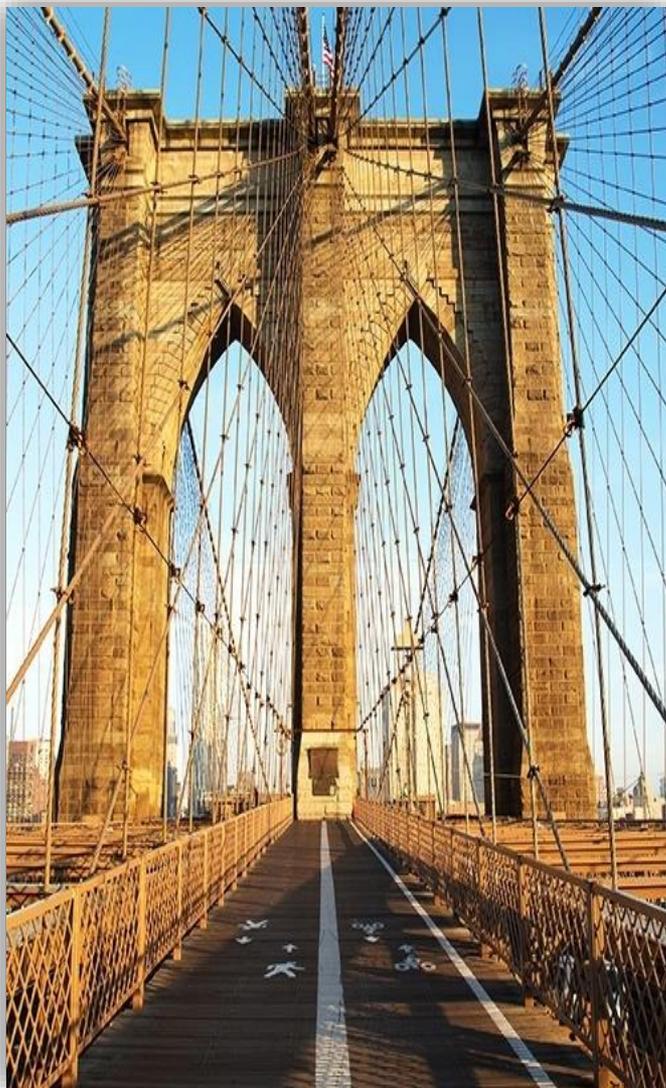
- The Eurozone's economic sentiment index (ESI) fell nearly nine percentage points month-on-month (m/m) in March, the largest drop on record (see chart below). However, as the survey responses for March do not fully capture the period after the containment measures were introduced, further weakness is inevitable.



- As the COVID-19 virus intensifies, Market downgraded its international growth forecasts once again. Market now expect annual contractions in the U.K., Japan as well as Canada, and forecast China to experience its first annual contraction since at least 1980.

# ASSET LIABILITY COMMITTEE (ALCO) MEETING

## US Market Update



**FED Fund Rate : 0.25%**

**Interest Rate on Excess Reserve : 0.10%**



**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 2020**



**Unemployment Rate (%) as of March 2020 is 4.4% vs  
3.5% on February 2020**



**Export YoY (%) February 2020 is -0.4% &  
Import YoY (%) February 2020 is -4.7%**



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



**Gov't budget balance (% of GDP) as of Mar 2020 is  
-4.8% VS -3.8% on January 2020**

## US Market Update



- The U.S. surpassed Italy and China with the most confirmed cases of COVID-19. Europe is still the center of the storm, with the total cases in Europe's five largest economies topping 230,000.
- The impact of virus-related shutdowns became readily apparent in this week's initial unemployment claims, which soared to 3.3 million.
- Most economic data reflect the period before the COVID-19 outbreak intensified in mid-March. New home sales averaged their strongest pace in over 12 years during the three months ended in February, while consumer spending rose modestly.

# ID Market Update

- **Consumer price index (CPI) inflation remained low and under control in March 2020.** CPI inflation was recorded at 0.10% (mtm) in March 2020, down from 0.28% (mtm) one month earlier. The main contributors to lower headline inflation in the reporting period were deflationary pressures on volatile foods and administered prices, coupled with controlled core inflation, excluding the gold price. Annually, therefore, CPI inflation in March 2020 stood at 2.96% (yoy), decreasing slightly from 2.98% (yoy) in the previous month. Moving forward, Bank Indonesia will consistently maintain price stability and strengthen policy coordination with the central government and regional administrations to maintain low and stable inflation within the target corridor for 2020 at 3.0%±1%.
- **Price corrections affecting several food commodities triggered deflationary pressures on volatile foods.** The prices of various chili varieties, fresh fish, garlic and cooking oil experienced corrections in the reporting period, leading to VF deflation of 0.38% (mtm) compared with 1.27% (mtm) inflation recorded in February 2020. Annually, VF inflation was recorded at 6.48% (yoy), down from 6.68% (yoy) one month earlier.
- **Administered prices experienced another period of deflation.** AP deflation deepened in March 2020 to 0.19% (mtm) from 0.11% (mtm) in February 2020, precipitated by ongoing corrections to airfares. In contrast, however, inflationary pressures intensified on various types of cigarette in line with the government's move to gradually raise the excise tax on tobacco products. Annually, therefore, administered prices recorded 0.16% (yoy) inflation, down from 0.54% (yoy) in February 2020.



# Thank You

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