

Economic & Market Commentary

May 2020



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

Global Market Update



- The COVID-19 pandemic is inflicting high and rising human costs worldwide. The health crisis is therefore having a severe impact on economic activity. As a result of the pandemic, the global economy is projected to contract sharply by –3 percent in 2020, much worse than during the 2008–09 financial crisis.
- In a baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support.



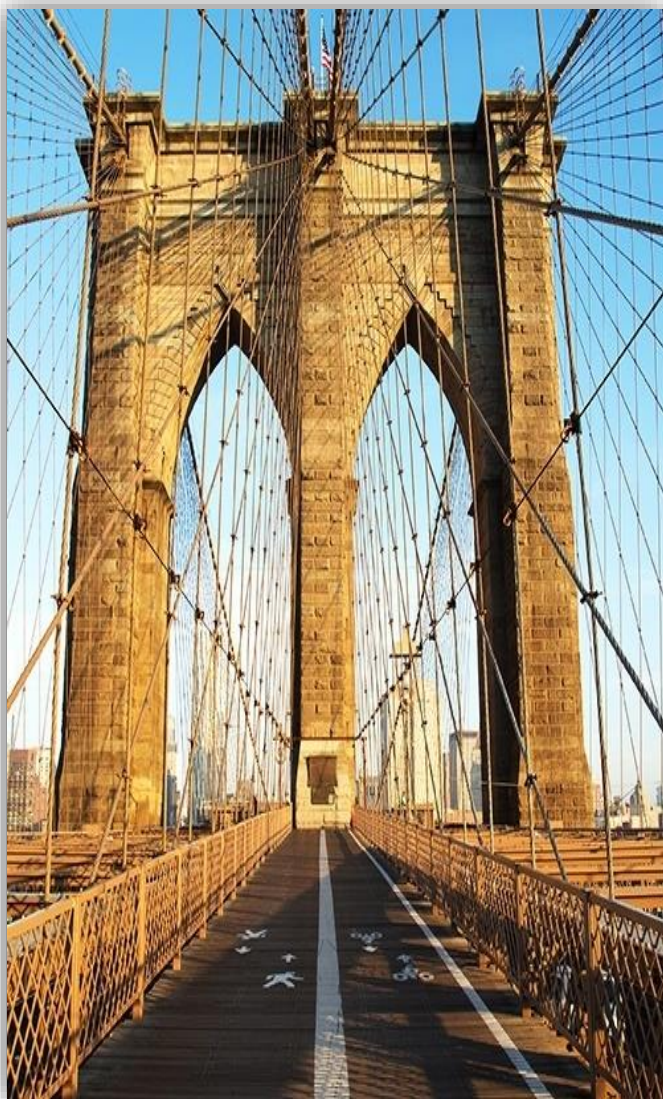
- The Eurozone economy declined 3.8% quarter-over-quarter in the first quarter, matching expectations but still the largest quarterly decline on record, with sizable falls in French, Italian and Spanish GDP.
- April CPI inflation also slowed. The ECB eased liquidity policy at today's meeting, and we currently expect the central bank to further expand its asset purchases at its July meeting.



- “The sharp fall in export orders seriously hindered China's economic recovery in April.” Exports accounted for 17 per cent of China's economy in 2019, and the problems facing that sector were laid bare by the news that the US economy contracted at an annualized rate of 4.8 per cent in the first quarter - the highest rate of contraction since the fourth quarter of 2008

ASSET LIABILITY COMMITTEE (ALCO) MEETING

US Market Update



% FED Fund Rate : 0.25% (April 29, 2020 – No Change)
Next Meeting : June 10, 2020
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 -\$45.5bn on January 2020



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



Export YoY (%) February 20 is -0.4% VS 1.0 Jan 2020 &
Import YoY (%) February 2020 is -4.7% VS -2.4 Jan 20



Real GDP QoQ as of Q1 2020 is -4.8% VS 2.1% in Q4
2019

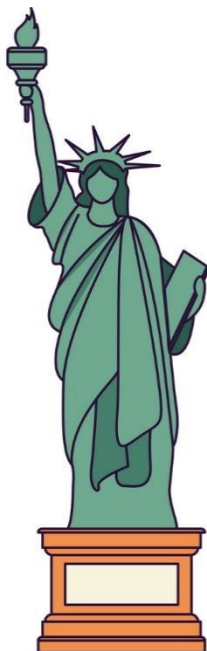


Gov't budget balance (% of GDP) as of Mar 2020 is
-4.8% VS -3.8% on January 2020

ASSET LIABILITY COMMITTEE (ALCO) MEETING

US Market Update

- No Changes in Policy, At Least for Now. FED Rate 0.25% based on The Federal Open Market Committee (FOMC) on April 29, 2020.
- Market think that the FOMC will keep the fed funds rate pressed to 0.25% through at least the end of next year.
- Interest Rate on Excess Reserve: 0.10%



- Thirty Million Unemployment Claims Filed in Past Six Weeks. New jobless claims continue to trend lower but remain extremely high. Over 3.8 million people filed claims the week ended April 25, bringing the six-week total to 30.3 million.
- WASHINGTON (Reuters) - A steep economic downturn and massive coronavirus rescue spending will nearly quadruple the fiscal 2020 U.S. budget deficit to a record \$3.8 trillion, a staggering 18.7% of U.S. economic output

ID Market Update

- The BI Board of Governors agreed on 13th and 14th April 2020 to hold the BI 7-Day Reverse Repo Rate at 4.50%, while also maintaining the Deposit Facility (DF) and Lending Facility (LF) rates at 3.75% and 5.25%.
- To stabilise and strengthen rupiah exchange rates, Bank Indonesia has strengthened the intensity of triple intervention policy through the spot and Domestic Non-Deliverable Forward (DNDF) markets, as well as purchasing SBN in the secondary market.
- To support national economic recovery efforts from the deleterious COVID-19 impact, Bank Indonesia will increase monetary easing through quantitative easing.
- To strengthen liquidity management in the banking industry and in relation to the lower rupiah requirements, Bank Indonesia has raised the Macroprudential Liquidity Buffer (MLB) by 200bps for conventional commercial banks and by 50bps for Islamic banks/Islamic business units, effective from 1st May 2020



ID Market Update

FitchRatings

BBB / Stable

January 2020, Rating Affirmed at BBB/Stable

Indonesia's rating balances a favourable medium-term growth outlook and a small government debt burden compared with 'BBB' category peers against challenges that include a strong dependence on external financing, low government revenue, and lagging structural indicators such as governance indicators and GDP per capita.

S&P Global Ratings

BBB / Negative

April 2020, Rating Affirmed at BBB, Outlook Revised from Stable to Negative

"The affirmation reflects Indonesia's stable institutional settings, strong growth prospects, and historically prudent fiscal policy settings. The negative outlook reflects S&P expectation that Indonesia faces additional fiscal and external risks related to the COVID-19 pandemic in the next 24 months."

MOODY'S

Baa2 / Stable

Feb 2020, Rating Affirmed at Baa2/Stable

"The affirmation of the ratings is underpinned by a number of credit strengths – including Indonesia's robust and stable growth rates and a low government debt burden, preserved by consistent fiscal discipline and emphasis on macroeconomic stability – as well as persistent credit challenges."

"Indonesia Has Been Rated as Investment Grade Country since 2017"



Thank You

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