

Economic Update

Highlight April :

- Indonesia's Economic Growth in the first quarter of 2020 was 2.97% (yoy), slowing compared to the previous quarter's achievement of 4.97% (yoy).
- Consumer Price Index (CPI) inflation in April 2020 remains low and under control. CPI inflation in April 2020 was recorded at 0.08% (mtm), lower than the previous month's inflation of 0.10% (mtm).
- During April 2020, the majority of global stock exchanges including Asia were able to strengthen. In one month JCI rose 3.91% to 4,764.4.
- The rupiah exchange rate in April showed an impressive performance against the United States dollar (US), even against all major currencies from Asia to Europe. Over the past month, the total rupiah posted a gain of 9.05%, and at the end of April 30 trading was below the level of Rp. 15,000 / US \$, to be exact Rp. 14,882 / US \$.

Economic Growth

Indonesia's Economic Growth in the first quarter of 2020 recorded 2.97% (yoy), slowed

compared to the previous quarter's 4.97%

(yoy). The influence of COVID-19 on Indonesia's economic growth is mainly on the decline in domestic demand. Household consumption is recorded at 2.84% (yoy), far lower than the performance in the fourth quarter of 2019 of 4.97% (yoy). Investment also slowed down by 1.7% (yoy) mainly due to slowing investment in buildings.

Consumer Price Index (CPI) inflation in April 2020 remained low and under control. CPI inflation in April 2020 was recorded at 0.08% (mtm), lower than the previous month's inflation of 0.10% (mtm). This development was influenced by the volatile food and administered prices group, which again recorded deflation. With these developments, the April 2020 CPI inflation was recorded at 2.67% (yoy), down from 2.96% (yoy) last month.

Volatile food inflation again recorded deflation of 0.09% (mtm), after experiencing March deflation of 0.38% (mtm). This development was influenced by a fairly deep price correction in several commodities such as red chili, broiler chicken meat and eggs, as well as garlic due to slowing demand in line with the COVID-19 pandemic and adequate supply. Similarly, the administered prices group also recorded deflation of 0.14% (mtm), lower than the previous month deflation of 0.19% (mtm). This deflation was mainly contributed by the correction in air transport tariffs as demand fell.

Going forward, Bank Indonesia will continue to consistently maintain price stability and strengthen policy coordination with the Government, both at the central and regional levels, to ensure that 2020 inflation remains low and stable in its target of 3.0% ± 1%.¹



¹ Bi.go.id

Tabel 1. Economic Indicator

Indicator	March	April
Inflasi (yoy)	2.96%	2.67%
Inflasi (mtm)	0.10%	0.08%
Trade Balance (USD Million)	0.74	*
Foreign Reserves (USD Million)	121	127.9

*unpublished

Tabel 2. Economic Indicator

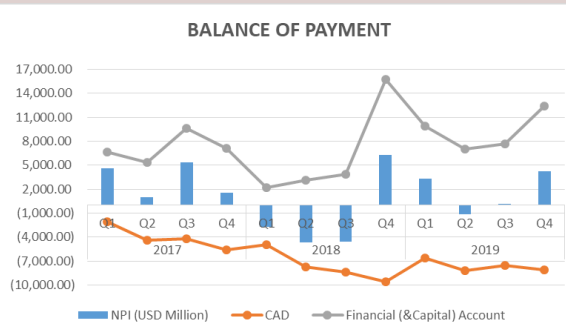
Indicator	Q4'19	Q1'20
GDP	4.97%	2.97%
NPI (USD Million)	4.3	*
CAD	(8,122)	*

*unpublished

Tabel 3. Comodity

Comodity	March	April
Brent Oil (USD/Barrels)	22.74	25.27
WTI (USD/Barrels)	20.48	18.84
CPO (MYR/Metrictons)	2,550.00	2,088.00
Coal (USD/Metrictons)	67.85	52.35
Gold (USD/troy oz)	1,577.18	1,686.50

Indonesia' Balance of Payment



In line with inflation that remained controlled and stable, the balance of payments in the fourth quarter recorded a surplus thereby supporting Indonesia's external resilience. **The**

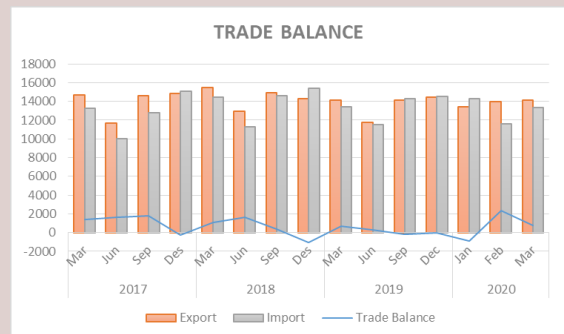
balance of payments in the fourth quarter of 2019 recorded a surplus of 4.3 billion US dollars, improved compared to the previous quarter which experienced a deficit of 46 million dollars AS.

Indonesia's foreign exchange reserves at the end of April 2020 were recorded at 127.9 billion US dollars, an increase compared to the position at the end of March 2020 of 121.0 billion US dollars. The foreign exchange reserves are equivalent to 7.8 months of imports or 7.5 months of imports and servicing of official external debt. The increase in foreign reserves in April 2020, was mainly influenced by the issuance of government global bonds. Going forward, Bank Indonesia views that foreign exchange reserves remain adequate, supported by stability and a favorable economic outlook. ²

Looking ahead, the performance of the balance of payments is predicted to remain good so that it can sustain external sector resilience. The outlook for the balance of payments is supported by the current account deficit in 2020 which is forecasted to remain under control in the range of 2.5% -3.0% of GDP.

Indonesia's Trade Balance

Indonesia's trade balance in March 2020 recorded a surplus of 743.4 million US dollars. The surplus was mainly supported by the non-oil and gas trade balance surplus in line with the continued positive performance of non-oil and gas exports amid rising non-oil and gas imports.



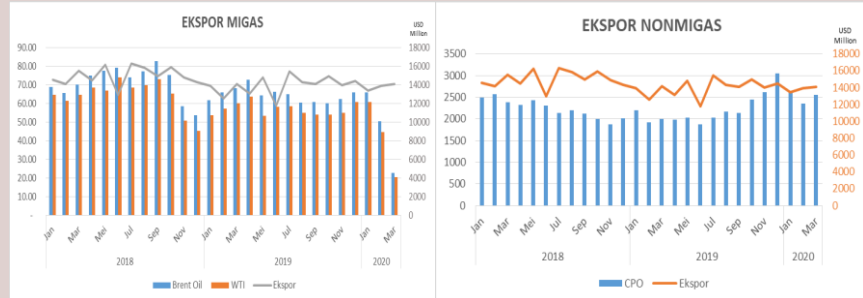
² Bi.go.id

Tabel 4. Currencies			
Currencies	March	April	% Change
USD/IDR	16,310	14,882	8.76%
USD/HKD	7.7511	7.7520	-0.01%
USD/SGD	1.4220	1.4099	0.85%
USD/MYR	4.3212	4.3022	0.44%
USD/CNY	7.0822	7.0632	0.27%
USD/JPY	107.54	107.18	0.33%
AUD/USD	1.6311	1.5357	5.85%
EUR/USD	0.9065	0.9128	-0.70%
GBP/USD	0.8051	0.7940	1.37%

Tabel 5. Interest Rate		
Indicator	March	April
BI 7DRR	4.50%	4.50%
Fed Funds Rate	0.00 - 0.25%	0.00 - 0.25%

Meanwhile, the oil and gas trade balance deficit was stable compared to the deficit in the previous month, influenced by the decline in oil and gas imports which was slightly deeper than the decline in oil and gas exports.³

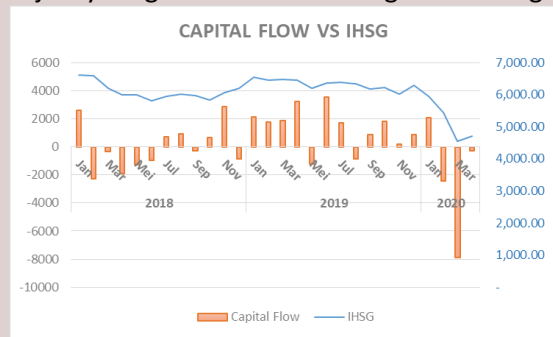
The non-oil and gas trade balance in March 2020 remained a surplus



of 1.68 billion US dollars, although it declined compared to the previous month's surplus of 3.46 billion US dollars. Meanwhile, the oil and gas trade balance deficit in March 2020 was US \$ 0.93 billion, not much different from the deficit in the previous month of US \$ 0.94 billion. The stable deficit was supported by the decline in oil and gas imports, especially in the form of oil products, in line with slowing global economic activity. Bank Indonesia views the trade balance surplus in March 2020 to contribute positively in strengthening the external resilience of the Indonesian economy amid growing uncertainty in global conditions as the spread of COVID-19.

Capital Flow

During April 2020, the majority of global stock exchanges including Asia were able to strengthen. In one month JCI rose 3.91% to 4,764.4.



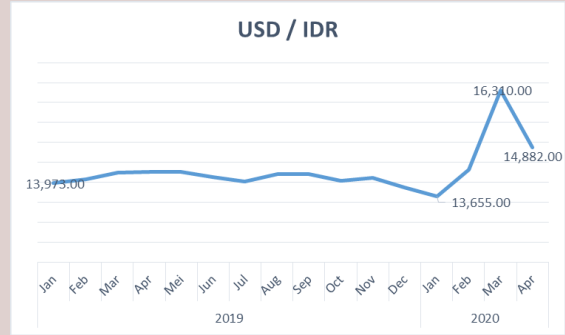
Strengthening a number of stock exchanges as a result of the results of Gilead Sciences trials for the corona virus drug showed that at least 50% of patients treated with remdesivir for five days improved and more than half after two weeks could be discharged from the hospital. An additional catalyst for the stock market also came from the Federal Reserve, which kept interest rates at near-zero limits and would maintain an aggressive attitude as long as the economy still needed stimulus. But in Indonesia the gains were limited, with net sell reaching Rp. 8.75 trillion in all markets. This foreign net sell is driven by their concern over the way the Indonesian government is tackling Covid-19. In this case, Bank Indonesia (BI) 's

³ Bi.go.id

quantitative easing (QE) monetary policy and bank credit restructuring conducted by OJK, which is considered quite good, is still unable to hold foreign net sell.⁴

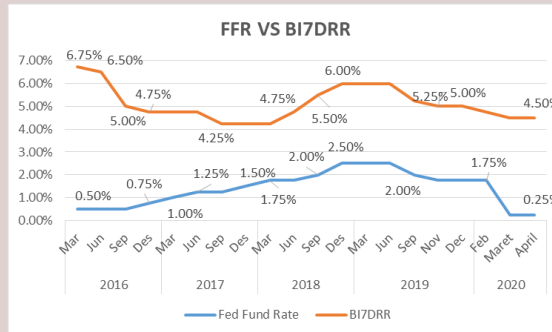
Exchange Rate Movement

The rupiah exchange rate in April showed an impressive performance against the United States dollar (US), even against all major currencies from Asia to Europe. Over the past month, the



total rupiah posted a gain of 9.05%, and at the end of April 30 trading was below the level of Rp. 15,000 / US \$, to be exact Rp. 14,882 / US \$. In addition, Garuda Currency also successfully recorded a quattrick aka a four-week winning streak against the US dollar. The level of global panic declined to be one of the triggers for the strengthening of the rupiah. When global market conditions have begun to stabilize, assets that are considered more risky but that provide high returns such as the rupiah slowly become a target of reinvestment.⁵

Interest Rate



The central bank of the United States / The Fed decided to hold the benchmark interest rate in the range of current levels.

The Fed promises to hold on to it until the US economy recovers.

In the Federal Open Market Committee (FOMC) policy meeting which ended Wednesday local time or early Thursday West Indonesia Time, 30 April 2020 it was decided that the Fed's interest rate would remain at 0 percent - 0.25 percent. Fed Governor Jerome Powell said the Corona virus pandemic (Covid-19) had brought the United States economy to a 'sudden stop'. The central bank also claimed it could not be sure how long the economic slowdown would last.

The same decision was taken by Bank Indonesia (BI). The Bank Indonesia Board of Governors' Meeting (RDG) on 13-14 April 2020

⁴ Kontan.co.id

⁵ Cnbcindonesia.com

decided to maintain the BI 7-Day Reverse Repo Rate (BI7DRR) at 4.50%, the Deposit Facility interest rate at 3.75%, and the Lending Facility interest rate at 5, 25%. This decision considers the need to maintain external stability amid the uncertainty of global financial markets, which is currently still relatively high, although Bank Indonesia still sees room for a decline in interest rates with low inflationary pressures and the need to encourage economic growth.⁶ The policy adopted by the Deposit Insurance Corporation (LPS), includes the relaxation of payment of insurance premiums to banks amid corona dwellers. Late payment penalties will not be imposed during the second half of this year.

Corona/ Covid-19 News (Global)

The new record budget deficit of the United States (US) was created when the pandemic corona. **The US government on Tuesday (12/5) local time reported a record budget deficit of US \$ 738 billion in April. This figure is due to an explosion in government spending and shrinking revenues amid the corona pandemic.** The Ministry of Finance said the budget deficit in April was the first to reflect the amount of government spending to reduce the impact of the crisis. The previous record budget deficit for each month was US \$ 235 billion in February 2020 The US continued to maintain the condition of the country due to the spread of the covid-19 virus.

The World Health Organization (WHO) says some treatment therapies seem to have succeeded in limiting the severity or duration of Covid-19 disease. They focus on four to five of the most promising treatments. More than 100 potential Covid-19 vaccines are being developed worldwide, including several in the clinical trial stage in humans. Only, WHO said last April, the development of the vaccine would take at least 12 months.

Official data showed that manufacturing prices, aka producer prices in China, in April fell at the steepest annual rate of decline in the last four years. This reflects the weak industrial demand in China amid the pressure due to the corona virus pandemic. **The Chinese Bureau of Statistics said the producer price index (PPI) fell 3.1% from a year earlier.** China is trying to recover from the first economic contraction during the January-March quarter, when the economy was paralyzed by lockdowns to slow the spread of the corona virus which has killed more than 4,600 people in mainland China.

The corona virus pandemic really dragged the industrial sector aside from Malaysia. The proof, in March, the neighboring industrial production index fell 4.9% from the previous year. Based on Malaysian government data released on Tuesday (12/5), this decline has been the sharpest in almost a decade. This happened because of

⁶ Bi.go.id

restrictions imposed to restrain the corona virus pandemic which ultimately disrupted factory activity.

Corona/ Covid-19 News (Indonesia)

1. To stabilize and strengthen the Rupiah exchange rate, Bank Indonesia increases the intensity of the triple intervention policy through spot, Domestic Non-deliverable Forward (DNDF), and purchases of SBN from the secondary market.
2. To support efforts to recover the national economy from the effects of COVID-19, Bank Indonesia will increase monetary easing through quantitative easing instruments as follows :
 - **Expansion of monetary operations through the provision of term repo to banks and corporations with underlying SUN / SBSN transactions with a tenor of up to 1 (one) year.**
 - **Reducing the Rupiah Statutory Reserves (GWM) by 200 bps for Conventional Commercial Banks and 50 bps for Sharia Commercial Banks / Sharia Business Units, starting May 1, 2020.**
 - **Does not apply additional Giro obligation to fulfill Macprudential Intermediation Ratio (RIM) both for Conventional Commercial Banks and Sharia Commercial Banks / Sharia Business Units for a period of 1 (one) year, starting May 1 2020.**
3. To strengthen banking liquidity management and in connection with the reduction in the Rupiah GWM, Bank Indonesia raised the Macprudential Liquidity Buffer Ratio (PLM) by 200 bps for Conventional Commercial Banks and by 50 bps for Sharia Commercial Banks / Sharia Business Units, starting May 1 2020
The increase in PLM must be fulfilled through the purchase of SUN / SBSN which will be issued by the Government in the primary market.
4. To further expand the use of non-cash payment transactions in mitigating the impact of COVID-19, Bank Indonesia has improved the following payment system policy instruments :
 - a. Supporting Government programs in accelerating the distribution of non-cash social assistance programs to the community together with Payment System Service Providers (PJSP) through accelerated electrification of government social programs such as the Family of Hope Program (PKH), Non-Cash Food Assistance (BPNT), Work Card , and Indonesia Smart Cards (KIP).

- b. Increasing socialization to the public with PJSP so that more people use non-cash payment transactions through digital banking, electronic money, and the expansion of QRIS acceptances.
- c. Loosen credit card policies related to reducing the maximum interest rate, minimum payment value, and the amount of late payment penalties and supporting credit card issuer policies to extend the payment term for customers. ⁷

⁷ Bi.go.id

Macroeconomics Indicator and Forecast

	2015	2016	2017	2018	2019	2020f
National Account						
GDP	4,88%	5,03%	5,07%	5,17%	5,02%	0,05%
Inflasi (yoy)	3,35%	3,58%	3,61%	3,13%	2,72%	2,70%
Other						
FFR	0,50%	0,75%	1,50%	2,50%	1,75%	-0.25%
BI7DRR	7,50%	4,75%	4,25%	6,00%	5,00%	4,00%
USD/IDR	13.792	13.461	13.554	14.394	13.866	15.000

Our View

The achievement of **GDP or Indonesia's economic growth** in the first quarter of 2020 missed Bank Indonesia's prediction. BI predicts Indonesia's economic growth could reach 4.40% in the first quarter of 2020 but the realization of Indonesia's economic growth recorded only 2.97% affected by the Covid-19 pandemic which began to erupt in early 2020. Projections of the Indonesian economy in the second quarter are projected to decline because it was affected by global conditions affected by the spread of the Covid-19 virus outbreak, it did not even rule out the possibility of Indonesia's economic growth posting a minus in the worst scenario at the end of 2020. The Indonesian economy was affected by the Corona Virus from tourism, trade, and investment routes.

Annual **inflation** in 2019 which is below 3.00% is the lowest since 2009 which was recorded at 2.78%. It is predicted that inflation in 2020 will not change much compared to the previous year the impact of co-19 on the Indonesian economy, where the potential slowdown in the domestic economy includes a decrease in the rate of household consumption so that it will limit the pressure of demand pull inflation.

The Fed Funds Rate has been cut three times in July, September and most recently in October 2019. The Fed, cut its benchmark interest rate to 100 basis points (bps) to 0-0.25% as of March 15, 2020. This is the second step in 2020. Predicted there is still room for further interest rate cuts and there is even the possibility of a level of minus anticipation if there are still risks to economic activity in supporting maximum employment and price stability targets, one of which is caused by Corona Virus.

BI7DRR has also experienced cuts, but more than the Fed. BI7DRR has been cut 4 times during 2019 and will be trimmed again in February and March 2020. It is predicted that there is still room for further interest rate cuts by Bank Indonesia considering the impact of the Corona Virus which has a negative impact on the economy so monetary policy steps must be taken from the Bank Indonesia.

The Rupiah exchange rate against the US Dollar experienced a sharp weakening after strengthening throughout January but could rise in April. The reason is because of the lockdown easing in a number of countries so that investors began to glance at risk assets including the Rupiah. In addition, China has begun to rise from adversity due to the Corona Virus which affects the economy in China which also has an impact on Indonesia because Indonesia's Current Account has recorded a deficit for 8 years with the majority of contributing imports are from China. So that the strengthening / weakening of the Indonesian currency is more vulnerable to the movement of CNY for currencies throughout Asia.