

Indonesia Investments

New Global Banking Crisis

- Is Indonesia's Banking Sector Affected by the Latest Global Banking Crisis?
- Global Banking Crisis Causes Concern Over Economic Recession to Resurface
- Indonesian Rupiah Appreciates as Fed Needs to Adjust Its Monetary Policy
- Analysis of Indonesia's Property Sector: Opportunities and Challenges
- Digital Tech-Startups Remain Under Pressure
- Court Orders the Delay of 2024 Elections

MARCH 2023

**Van Der Schaar Investments B.V.
CV Indonesia Investments**

Indonesia Investments

Monthly Report – March 2023

**‘New Global Banking Crisis:
Does It Affect Indonesia?’**



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Preface

The monthly report of Indonesia Investments is written and published by business consultancy CV Indonesia Investments, headquartered in Yogyakarta (in Indonesia), with the assistance of investment company Van Der Schaar Investments B.V. (based in Delft, the Netherlands). This report aims to inform the reader of the latest, most relevant, political, economic and social developments in Indonesia as well as those crucial international developments that (may) impact on the economy of Indonesia or on its politics.

Our reports are intended for a diverse audience, including individual and corporate investors, financial market participants, diplomats, policymakers, decision-makers, academics, journalists, and analysts.



The website www.indonesia-investments.com is the key reference and access point for gaining knowledge about the markets, economy, business sectors, politics, and

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Introduction – March 2023 Report

In March 2023 we saw the outbreak of a new global banking crisis that brought back memories of the 2007-2008 financial crisis when lack of investor confidence in bank solvency as well as declines in credit availability triggered rapidly falling stock and commodity prices. It snowballed into a global economic shock, resulting in a number of bank failures (with the Lehman Brothers – the largest bankruptcy in US history at the time – being the best known example).

The new banking crisis, which started at three regional banks in the United States but spread to global player Credit Suisse (while some claim that Deutsche Bank is at risk too), is related to a number of matters: (1) aggressive interest rate hikes after nearly 15 years of low interest rates, (2) the three American banks' high exposure to tech-startups and cryptocurrency, (3) weak monitoring by regulators and weak corporate management, and (4) an overall loss of markets confidence in the banking industry. It is a topic we discuss in detail in one of the articles in this report, while also discussing the possible impact of this new crisis on Indonesia.



Meanwhile, this banking crisis also re-ignited the global economic recession risk. In recent months, more and more analysts started to believe that the world could avoid a new recession in 2023. However, after the outbreak of the banking crisis, the world is now facing a new situation, with the potential of seeing a credit crunch as banks become careful lending out money, which would then undermine economic activity.

For Indonesia the positive news is that – if the global economy goes downhill again in 2023 – Indonesia should not be affected to a great extent (similar to the situation in 2009 when Indonesia still managed to record a GDP growth rate of 4.6 percent year-on-year amid the global financial crisis). However, the underlying reason is not that positive: Indonesia remains weakly integrated into the global supply and value chains. Being weakly integrated into the global economy means that global economic turmoil is not overly contagious for Southeast Asia’s largest economy (meanwhile Indonesia has a huge domestic market that can keep growth at an admirable level).

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Yogyakarta, Indonesia

2 April 2023



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- Global Economy -

Can the Ongoing International Banking Crisis Impact on the Financial Stability of Indonesia?

There currently are some major concerns over an international banking crisis after three American banks collapsed in March 2023 (Silicon Valley Bank, Signature Bank, and Silvergate Bank; all catering largely to the tech sector), while it necessitated an acquisition by rival UBS to prevent Switzerland-based global investment bank Credit Suisse from collapsing. This brings back the haunting memories of the 2008 financial crisis.

[...]

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