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Short communication

Wake-up Call for Global Recession

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Introduction

The world is currently experiencing a contraction in almost all lines and is very hard. At the near closer to the future is the threat of a global recession. We know that economic conditions are declared recession if the gross domestic product (GDP) decreases or in real negative growth for two consecutive quarters or more than one year.

Currently in the second quarter of 2020 due to the impact of Covid-19, the United States already has a new additional debt of US$ 3 trillion or five times that of Q1-2020 (World Bank, 2020). During 2019 total loans of the US were US$ 1.28 trillion. Then the total US debt as of May 2020 is US$ 25 trillion.

The US debt has dramatically increased significantly since January 2020 was still in a position of US$ 23 trillion or current deficit of the US budget at least US$ 1 trillion (2020), it estimates a deficit of US$ 1.3 trillion in 2021, or would be 4.6 to 5.4% of its GDP (IMF, 2020). Because the depressed US economy which is the world benchmarking is caused:

- Social insurance
- Health care
- Because of population growth
- War-trade with China

Service sector activity dropped at the lowest since 2016 in September 2019, manufacturing also fell. The fall in the benchmark interest rate has not been able to sustain the current improvement in the US economy. Service activities at a position of 52.6 in September 2019, when in August 2019 was 56.4. Whereas the service sectors contribute 2/3 of the US economy. The contribution of the US economy is 28% of the world.

The recession almost hit the US with the manufacturing index released by the Institute for Supply Management (ISM, 2019) at the level of 49.1 in August 2019. This position is below the analyst consensus of 51.2 besides the level below 50 already shows contraction.

Signs of 2020 economic recession in the United States are:

1. The narrows of the yield curve
Short-term debt yield bigger of the Long-term debt yield, the risk of placing funds in short-term debt increases.
The yield of the US-Treasury 2-year tenor of 2.81%, while the 5-year tenor of 2.79%.
2. Unemployment is difficult to go down
Because the Human Resource without expertise or company cannot afford the value requested.
The November US unemployment rate is the same as October.
3. The sharp increase in inflation
Employment is not absorbed so it becomes bad for the economy.
The September 2019 inflation 2.3%, while August 2.7%.
4. The decline in home sales
People are unable to buy a house.
Home sales fell to 544 thousand in November from 597 homes in October. The realization was smaller than analyst projections of 583,000 homes.
5. Delay in debt payments
Impacts on financial lenders, impacting the economic and monetary system as it did in 2008.
The average debt of KK holders increased from USD 5329 in 2014 to USD 5644 in 2017.
6. Economic contraction
A period of contraction indicates a recession.
The US economic growth in Q3-2018 fell to 3.5%, Q2-2018 was still 4.2%.

The condition of the US is almost similar to the condition in September 2008 when Lehman Brothers declared bankruptcy, the world's most influential monetary authority the Fed has poured US$ 70 billion into the market. Meanwhile, with Merrill Lynch, the Fed provided a loan of US$ 85 billion which failed to be returned within 24 months in 2010.

Monetary, Stimulus and Covid-19 Impact

The impact on the monetary side is also extremely heavy. The central bank of several countries and the stimulus poured out to reduce the impact of Covid-19. However positive signals of economic recovery are still very bleak.

China's Central Bank (PBoC) provides financing facilities of CNY100 billion, interest rates 3.15%, Japan (BoJ) prepares ¥12 trillion bonds, the central bank of Turkey decreases the required lira reserves from 10% to 8% and 0% if the bank does not meet the target (S&P, 2020). The Reserve Bank of Australia (RBA) will stock liquidity of AUD 8.8 billion, equivalent to US$ 5.4 billion (March 2020). Israel's central bank offers an exchange of shekels to the US dollar, the Reserve bank of India offers a USD13.5 billion swap rupee for long-term repo operations.

The Hong Kong Monetary Authority (HKMA) cut its 50 bps overnight interest rate to 1.5% on March 2020. The Fed cut 50 bps to 1% to 1.25% in March 2020 and the reserve bank of Australia (RBA) cut 25 bps to 0.5% in the same month, the lowest record. The State Bank of Malaysia cut its overnight interest by 25 bps to 2.5%.

To overcoming Covid-19 virus, People's Bank of China (PBoC) reduced the medium-term lending facility (MLF) interest rate from 3.25% to 3.15%.

- Reduce the interest rate for one-year LPR loans from 4.15% to 4.05% and the 5-year tenor from 4.8% to 4.75% (2/20/2020)
- Reserve bank of Australia keeps interest rates based on February 2020
- The Bangko Sentral ng Pilipinas signal will decrease interest

Meanwhile, the stimulus that has been disbursed by several countries based on Table 1 has reached USD 1.26 trillion and will still increase.

No	Country	March	April	May	GDP (%)
1	China	16	16	16	n / a
2	Australia	6.6	11.4	11.4	0.82
3	South Korea	9.8	13.7	13.7	0.83
4	Italy	4.06	28	28	1.4
5	The US	8.3	50	50	n/a
6	Thailand		3.9	58	0.72
7	Singapore		4.6	4.6	1.24
8	Japan		19	929.45	0.39
9	UAE		27	40	n / a
10	France		48	48	1.81
11	The UK		37	37	1.11
12	Hong Kong		15.4	15.4	4.21
13	Canada		7.1	7.1	0.41
14	Malaysia		4.8	4.8	1.32
15	Indonesia		2.4	2.4	0.2
	TOTAL	44.76	288	1,265.85	

Table 1: The stimulus of Countries Facing Covid-19 in 2020 (US$ billion).

Conclusion

These hardest situations must be a concern with all researchers worldwide. Let us unite to produce quality research to combat the effects of this pandemic. So that in the future this world can be heritage on to our generation and made a better world future.

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