

1st WEEK**August 2020**❖ **MACRO**

- Federal Reserve Vice Chairman Richard Clarida said Wednesday he expects the economy to continue to recover through the year and likely return to its pre-pandemic level by the end of the 2021. In an interview with Steve Liesman on CNBC's "Squawk Box," the central bank's director of bank supervision said he hasn't changed his forecast despite a swell in Covid-19 cases that has caused a general slowing in resumption of activities. "The economy took a huge hit in the spring," Clarida said. "My own personal forecast is that we'll see a rebound in economic activity in the third-quarter data. The course of the economy is going to depend on the course of the virus, and it's a complex picture." Clarida spoke just minutes after ADP reported a sharp slowdown in private payroll growth for July. Companies added just 167,000 positions for the month after a surge of 4.3 million in June. Though the number was well below the Wall Street estimate of 1 million, Clarida said he would reserve judgment on the jobs market until seeing Friday's nonfarm payrolls report from the Labor Department. Economists surveyed by Dow Jones are expecting growth of nearly 1.5 million after the record 4.8 million in June.
- Singapore's three largest banks reported a sharp fall in second-quarter net profits compared to a year ago as they beefed up reserves in anticipation of the challenges ahead. The trio — DBS Group Holdings, Oversea-Chinese Banking Corp and United Overseas Bank — warned last week that the global environment remains uncertain even though some business activity has picked up as economies reopen from coronavirus lockdown measures. Singapore, a small Southeast Asian country, is a major financial center exposed to global and regional economic shocks. But its financial system has remained resilient, thanks to regulatory oversight which the International Monetary Fund once described as "among the best globally." The three banks are major players

in Asia, and are favored by investors for their steady profitability and close ties to the region's growth story.

- Review:

One factor causing Clarida to hold to his forecast is the expectation for more rescue funding from Congress. Though an impasse between congressional Democrats and the White House allowed extended unemployment compensation benefits to expire, talks are ongoing and leaders in Washington have expressed a likelihood that some compromise will be reached.

❖ **MICRO**

- The Indonesian economy has also been affected by the COVID-19 pandemic. Bank Indonesia (BI) has a number of moves to withstand economic pressures due to this pandemic. BI Governor Perry Warjiyo revealed that from the monetary side, BI lowered the BI 7-Day Reverse Repo Rate (BI 7DRR) by 25 bps to 4%, the Deposit Facility rate was 25 bps to 3.25%, and the Lending Facility rate was 25 bps to 4.75% in July 2020. "This decision is consistent with forecasts of low inflation, maintained external stability, and as further steps to promote economic recovery during the COVID-19 pandemic," Perry said in a press conference on Wednesday (5/8/2020). also strengthening the policy mix by continuing to stabilize the Rupiah exchange rate policy in accordance with the fundamental value and market mechanisms to promote national economic recovery by emphasizing strengthening the synergy of monetary expansion and accelerating the Government's fiscal stimulus.

- Indonesia's economic growth in the second quarter of 2020 was recorded to experience contraction. Based on data from the Central Statistics Agency (BPS) the economy is minus 5.32%. Even so, the Financial Services Authority (OJK) claims that the financial industry is currently in good condition and under control. Chairman of the OJK Board of Commissioners Wimboh Santoso said this was due to adequate capital and liquidity as well as a maintained risk profile. He said the capital adequacy ratio (CAR) in

conventional commercial banks in the second quarter of 2020 was still quite high, namely at 22.59%, an increase compared to the first quarter of 2020 of 21.72%. "The capital adequacy ratio is still quite high," Wimboh said in the KSSK virtual press conference, Wednesday (5/8/2020). He revealed that currently sufficient liquidity is well maintained, as reflected in the ratio of Liquid Assets to Non Core Deposits (AL / NCD) as of July 28, 2020, which rose to a level of 130.53%. Even though the first quarter of 2020 was recorded at 112.9%, this figure is still above the threshold of 50%.
Review:

BI is committed to funding the 2020 State Budget through measurable purchases of SBN in the primary market, both through market mechanisms and directly as support for efforts to cover health costs, social protection, as well as sectoral K / L and local governments to support the National Economic Recovery program (PEN).

❖ **BANKING**

- Since 2018, BNI's Overseas Branch Office (KCLN) New York has been registered as a member of Fedwire, a local clearing facility at the United States central bank. The BNI representative office, which was established in 1978, plays an important role as a source of funding in US dollars and as an investor relations, representing the central BNI in the global market. Head of BNI New York Branch Aidil Azhar said, as a member of Fedwire, BNI New York can process payment transactions directly without the need to go to a correspondent bank. Payment transactions are in the form of commercial payments, both in the form of remittances, trade finance, and bank to bank payments related to treasury services. BNI KCLN New York, continued Aidil, can assist Indonesian banks in making transfer transactions. When a bank sends money in USD to a bank in the US or outside the US, the money will be channeled through BNI New York.

- One of the state-owned banks, PT Bank Mandiri (Persero) Tbk, responded to the lowering of the Bank Indonesia (BI) benchmark interest rate by lowering interest rates. President Director of Bank Mandiri Royke Tumilaar said the company had lowered deposit and credit interest rates. "Counter deposit rates have fallen and credit rates have also been lowered between 0.5-1% per annum," he told detikcom, Tuesday (11/8/2020). Royke said that in the future the company will continue to reduce interest rates and make efficiency in running operations. Based on data on the basic lending rate (SBDK) as of July 8, Bank Mandiri's corporate credit interest was recorded at 9.85%, retail credit 9.8%, micro credit 11.5%, non-mortgage consumption credit 11.95%, and KPR consumption credit. 10.2%. Currently, Bank Mandiri is also encouraging the national economic recovery program (PEN) by continuing to channel credit to sectors that are already growing. "We also remain focused on government programs to support national economic recovery," he added.

Review:

BNI KCLN New York as the representative of BNI abroad also has a mission to be a source of funding (funding) US dollars at competitive prices. BNI KCLN New York is expected to raise funding to support local businesses in the US and those related to Indonesia.

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