

3rd WEEK**August 2020**❖ **MACRO**

- History will remember Paul Volcker and Jerome Powell as standing on the opposite ends of the inflation canyon, with the former taking desperate actions to try to tamp it down and the latter expected this week to announce an unprecedented effort to crank it back up. Volcker, the Federal Reserve chairman from 1979-87, ushered through a series of inflation-busting interest rate hikes that dragged the country into recession but won the fight against pricing pressures and spurred a powerful economic recovery. Powell, the central bank chief since 2018, is likely to detail a set of measures aimed at pushing inflation higher amid a coronavirus pandemic that has dragged the U.S. economy into one of its darkest hours.

- Today the world's leading chief financial officers have a more positive outlook for China's economy than they do for the economy of the United States. The Q3 CNBC Global CFO Council Survey revealed on Friday. That is the first time in the survey's history that this elite corps of executives were more upbeat on China. In the latest survey, CFOs gave an average outlook of "Stable" for China's GDP, while seeing the U.S. economy as "Modestly Declining." Around the world, GDP outlook was generally improved from the second quarter survey, when no region was seen as stable. This quarter, along with China, the council upgraded the rest of Asia and the Eurozone from "Modestly Declining" to "Stable." Latin America went from "Strongly Declining" to "Modestly Declining". But the U.S. economy was seen as "modestly declining" for the second straight quarter.

- Review:
While the average consumer might find it absurd to want to raise the cost of living, central bankers and economists see too little inflation also as a problem. It often reflects a slow-moving economy with a low standard of living.

❖ MICRO

- Bank Indonesia (BI) will announce the results of the monthly governor board meeting (RDG) for the August 2020 period. One of them is the announcement regarding the benchmark interest rate or BI 7 days reverse repo rate. Currently, the BI benchmark rate is at the 4% level. This interest is the lowest since April 2016. Indeed, since the period July 18 2019, BI has continued to cut interest rates. At that time, the benchmark interest was at the level of 6% then continued to be trimmed until July 16, 2020, to touch 4%. Will it come down again or not? Eric Sugandi, a Senior Economic Researcher at the Strategic Studies Institute (IKS), said that BI is predicted to hold interest at around 4%.
- Financial technology (fintech) services are currently developing in Indonesia, especially in the midst of the current COVID-19 pandemic. The Financial Services Authority (OJK) said fintech could be one of the tools for economic recovery. Deputy Commissioner for the Institute and Digital Finance of the OJK, Sukarela Batunanggar, explained that there are still problems that must be faced by Indonesia's digital economy to develop. He revealed that BI also facilitates credit supply, but if demand for credit is still weak because real sector investors are still not aggressively borrowing due to household consumption who is still depressed.

Review:

Pemangkasan lebih lanjut berisiko menekan rupiah dan tidak banyak manfaatnya untuk mendorong pertumbuhan kredit karena sisi permintaan kredit yang masih lemah (berkaitan dengan melemahnya daya beli masyarakat).

❖ BANKING

- Through the existence of overseas branch offices, PT Bank Negara Indonesia (Persero) Tbk or BNI continues to strive to encourage growth in Indonesia's export volume through lending. To realize this, BNI Hong Kong and Surya Trading Ltd signed a credit agreement in Hong Kong on Thursday (20/8/2020). The signing was also witnessed by the Indonesian Consul General for Hong Kong and Macau, Ricky Suhendar. Chairman

of the BNI Hong Kong Branch Office, Wan Andi Aryadi said that financing to Surya Trading Ltd is a concrete form of BNI to assist micro, small and medium enterprises (MSMEs) in Indonesia to go global, especially entering the Hong Kong market.

- The government places IDR 10 trillion in funds to PT Bank Rakyat Indonesia (Persero) Tbk or BRI for national economic recovery (PEN). According to the President Director of BRI Sunarso, his party has distributed the money in the form of credit with a value of three times the value of Rp 30 trillion. The funds channeled have been received by 716,815 customers. This figure is the realization until August 7. "Reaching the figure of Rp 30 trillion in loans disbursed using Rp 10 trillion in government deposits was reached on August 7 at 11.30 Western Indonesian time, because the data is online on my dashboard, and it is distributed to 716,815 customers," he said in a virtual performance presentation, Wednesday (19/8/2020).

Review:

The Indonesian Consulate General in Hong Kong together with BNI Hong Kong continue to strive to increase the volume of exports of goods from Indonesia. Providing credit to Surya Trading Ltd is one of the realization. The approach process was carried out jointly by the Trade Consul with BNI Hong Kong.

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