

4th WEEK**August 2020**❖ **MACRO**

- The Federal Reserve will have to keep supporting the economy because the recovery from the coronavirus pandemic “is going to be a slow one,” a top official at the central bank said Friday. “There’s more pain out there that we’re going to have to support the economy through,” Loretta Mester, president of the Cleveland Fed, told CNBC’s Steve Liesman during a “Squawk Box” interview. “What that looks like, we’re going to have to take our time to evaluate that, but I think accommodative monetary policy is going to be very important throughout this recovery.” Earlier this year, the Fed slashed rates to near zero as the coronavirus outbreak forced the U.S. economy to shut down. The central bank also launched an open-ended asset-purchasing program, along with other measures, to support the economy during this period. On Thursday, Fed Chairman Jerome Powell laid out a groundbreaking inflation policy framework that would keep rates lower for longer.
- China’s five largest banks reported their biggest profit declines in at least a decade as they brace for further increases in bad loans in an economy weakened by the coronavirus pandemic. The five lenders — Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China and Bank of Communications — released their latest financial report cards last week. All five posted at least 10% year-on-year declines in profit for the first half of 2020 as they set aside more funds for potential loan losses in the coming months — much like many banks around the world. “The banks have been asked to ... perform ‘national service.’ They’ve been asked to support the economy at the expense of their own operational strength,” said Jason Tan, research analyst at CreditSights, told CNBC’s “Squawk Box Asia” on Monday.

- Review:

High frequency data examined by the Fed shows economic activity has slowed a bit since the country started to reopen. It's definitely true that, when the economy started to reopen, we saw better data on hiring and you saw activity increase. But we think the virus is sort of driving things.

❖ **MICRO**

- The Bank Indonesia (BI) price monitoring survey (SPH) week IV August 2020 is estimated to have deflation of 0.94% on a monthly basis. Head of the BI Communication Department Onny Widjanarko revealed that with these developments, the inflation forecast for August 2020 in a calendar year is 0.94% (ytd), and on an annual basis of 1.34% (yoy). "The main contributor to deflation in the reporting period, among others, came from commodities of -0.15% (mtm), red onions of -0.08% (mtm), oranges, tomatoes and eggs of -0.02% (mtm), "said Onny in a press release, Friday (28/8/2020). Meanwhile, the commodities that contributed to inflation were 0.11% (mtm) of gold jewelry, 0.02% (mtm) of cooking oil.) and red chilies by 0.01% (mtm).

- The Financial Services Authority (OJK) has finally responded to the discourse that the transfer of bank supervision will return to Bank Indonesia (BI). Chairman of the OJK Board of Commissioners Wimboh Santoso said that the coordination between the OJK and BI is currently going well. According to him, problem banks must be dealt with immediately. "Our coordination is going well, although we see that there are matters, especially in handling problem banks, there are things that we need to see, how this can be handled immediately," he said in a virtual press conference on Thursday (27/27). 8/2020). He explained that currently to handle problem banks, OJK has a policy. However, liquidity is in BI and the Deposit Insurance Corporation (LPS) handles failed banks so that they do not have a systemic impact.

Review:

Apart from inflation, BI is also paying close attention to the condition of the Indonesian economy, particularly as a result of the spread of COVID-19. BI conveys periodic developments in indicators of the stability of the rupiah value.

❖ **BANKING**

- The government places a IDR 5 trillion national economic recovery fund (PEN) to PT Bank Negara Indonesia (Persero) Tbk or BNI. The target is that credit for working capital assistance will be disbursed up to Rp. 15 trillion, aka 3 times the funds deposited by the government. As of August 24, 2020, BNI has disbursed loans of IDR 12.03 trillion, or 2.4 times the funds placed by the government. "If we look at government programs, PEN and so on, of course we will support it very much. We have secured a placement of Rp 5 trillion from the government and we are committed to growing it up to three times, namely Rp 15 trillion," said VP Investor Relations BNI Roekma Hariadji in a public expose. virtual via Zoom, Friday (28/8/2020). The program is outlined in the Minister of Finance Regulation (PMK) Number 70 concerning the placement of government funds in Commercial Banks, as well as PMK Number 71 and 98 concerning procedures for government guarantees to business actors in the context of implementation. national economic recovery program.
- The COVID-19 pandemic has had a huge impact on the MSME sector in Indonesia. This makes the government have to issue various stimuli in order to re-stimulate the economy in this sector. Bank BRI as one of the implementers of the stimulus has provided credit relief for MSME debtors who have been affected by the pandemic since March 2020. Director of Micro Business of Bank BRI Supari said that BRI Bank continues to be committed to accelerating the distribution of interest subsidies as an effort to strengthen resilience and revive the economy of MSMEs in Indonesia. automatic holidays, "said Supari. BRI Bank has restructured more than 2 million MSME debtors, in the form of relief for postponement of loan principal repayments. Irawati, a

BRI KUR customer who has been running a rice shop in Pasar Baru, Cilegon City for 8 years has benefited this policy.

Review:

Loans disbursed to the small business sector mainly flows to the trade, agriculture and service sectors. BNI is very confident that it can grow according to demand from the government because it is a commitment from management.

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