

4th WEEK**July 2020****❖ MACRO**

- The Federal Reserve is expected to again promise to do whatever it takes to fix the economy as it works on what more it can do. The Federal Open Market Committee winds down its two-day July meeting Wednesday with a 2 p.m. ET statement. That will be followed by a press briefing by Fed Chairman Jerome Powell, who could provide an update on the Fed's view on the economy and the extraordinary actions it has taken so far.. "I don't think we're going to learn a ton at this meeting, but I think behind the scenes, it will be pretty interesting around the work they're doing and setting up for the September meeting," said Rick Rieder, BlackRock chief investment officer of global fixed income. He said the Fed could be considering such things as yield-curve control, providing forward guidance on inflation and interest rates, and more asset purchases. "I don't think we're going to learn specifically about any of that. I think the press conference will be interesting," said Rieder. "I think they are going to continue to err on the side of doing more rather than doing less. They are going to continue to emphasize the uncertainty."
- The International Monetary Fund warned back in April that inequality was likely to rise during the pandemic. Gita Gopinath, the Fund's chief economist, told CNBC at the time that "when you have a deep recession of this kind, there is always unfortunately tremendous loss of income for people at the lower end of the income scale." The institution expects the world economy to contract by 4.9% in 2020, with some nations in both developed and emerging worlds seeing gross domestic product (GDP) drops above 10%. Data available prior to the pandemic showed us that South Africa, Brazil, Zambia and Colombia were among the most unequal societies worldwide in terms of income. Meanwhile, between 1990 and 2015, Guinea-Bissau, Costa Rica, China and the United States actually saw income inequality getting worse.

- Review:

The Fed said to be extending its lending programs to businesses, governments and individuals until the end of the year. They had been set to expire Sept. 30. The Fed's many facilities and programs, created during the Covid crisis, cover such markets as commercial paper, corporate bonds and municipal bonds, as well as provide credit to businesses. It is also buying mortgage securities and Treasuries.

❖ **MICRO**

- Provisions on the Interbank Money Market Based on the Sharia Principles (PBI) of PUAS were enhanced by Bank Indonesia (BI). This is in accordance with Bank Indonesia Regulation (PBI) Number 22/9 / PBI / 2020 dated July 20 which revokes PBI Number 17/4 / PBI / 2015. Executive Director of the BI Communication Department Onny Widjanarko revealed that this new provision took effect on July 22, 2020. "The improvement of the PUAS PBI includes the addition of a new PUAS instrument in the form of an Interbank Sharia Fund Management Certificate (SiPA)," he said in a press release, Monday (27/7/2020). Apart from that, this provision also simplifies the PUAS regulation which was originally regulated in 1 (one) PBI and several Bank Indonesia Circular Letters (SE BI) changed to 1 (one) PBI and 1 (one) Member Regulation of the Board of Governors (PADG).

- Capital Market Observer Hans Kwee said, the role of the Financial Services Authority (OJK) is very dominant in enhancing the integrity of the capital market. Even the OJK was able to move quickly when the Indonesian stock market experienced a number of problems due to frying stocks. "When people manipulate the market, this is the same as in one country there is TNI-police but there is still crime. The authorities have done many things, when people want to fry shares, the role of authority is very important in the market because if you let it be like a big snowball," he said during the Financial Sector Update Webinar in Jakarta, Tuesday (28/7/2020). For example, continued Hans

Kwee, is the share buyback policy without having to the AGM as a response to the OJK in facing the pressure from the impact of the COVID-19 pandemic. According to him, this policy is good because it can improve the welfare of shareholders. Through a buyback, a company can buy shares at a low price so that it will be profitable.

Review:

The issuance of these provisions aims to support the implementation of monetary operations based on sharia principles and maintain adequate liquidity on the interbank money market based on sharia principles.

❖ **BANKING**

- President Director of PT Bank Rakyat Indonesia Tbk (BRI) Sunarso said that Indonesia had gone through several crises in the last 20 years. For example, in 1998, Indonesia experienced a monetary crisis with a fall in the rupiah exchange rate against the US dollar to a minus tens of percent of the banking capital adequacy ratio (CAR), followed by a minus performing loan (NPL) of up to 48 percent. He said that 10 years later, Indonesia was again hit by a crisis with the failure of large corporations. This has an impact on the rupiah exchange rate and bank interest rates. Then 5 years later there was another global crisis and Indonesia was again affected by the rupiah exchange rate and inflation, but banking CAR was still 18.62%. At that time, large corporations consuming foreign currency credit were affected. BRI which focuses on MSMEs is not affected. "The current crisis is caused by disease and not regional domestic but globalizing, disease is not selective," he said in a virtual discussion, Wednesday (29/7/2020).
- State-owned banks are currently involved in the National Economic Recovery (PEN) program. President Director of PT Bank Mandiri Tbk Royke Tumilaar revealed that currently as of July 27, 2020, the distribution of PEN to Bank Mandiri had reached Rp. 16.2 trillion. "The number of customers who have been distributed is 27,854 with a value of Rp. 16.2 trillion from the target of Rp. 21.4 trillion," he said in a virtual discussion, Wednesday (29/7/2020). He revealed that the realization of credit

restructuring affected by COVID-19 currently has reached IDR 118.4 trillion with a total of 538,376 customers. The existing pipeline is IDR 132.7 trillion with a total of 547,075 customers. Bank Mandiri also provides interest subsidies of around Rp 51.55 billion. "Covid-19 assistance to 486,103 KPM or 81% or as much as Rp 284 billion. Then there are 2,886,272 KPM of groceries with a value of Rp 2.56 trillion," he said.

Review:

The economic pressure that has occurred due to this pandemic has indeed attacked all segments, from MSME customers to corporations. Therefore, BRI, whose customers are mostly from MSMEs, was restructured.

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