

2nd WEEK**June 2020****❖ MACRO**

- The Federal Reserve kept interest rates near zero and indicated that's where they'll stay as the economy recovers from the coronavirus pandemic. "We're not thinking about raising rates. We're not even thinking about thinking about raising rates," Fed Chairman Jerome Powell said. "What we're thinking about is providing support for the economy. We think this is going to take some time." Along with the rate decision, central bankers projected Wednesday that the economy will shrink 6.5% in 2020, a year that saw an unprecedented halting of business activity in an effort to combat the coronavirus pandemic. However, 2021 is expected to show a 5% gain followed by 3.5% in 2022, both well above the economy's longer-term trend. The central bank repeated its commitment from the April meeting that it "expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals." The Fed also said it will continue to increase its bond holdings, targeting Treasury purchases at \$80 billion a month and mortgage-backed securities at \$40 billion.
- The global economy is on track for a more significant contraction than the International Monetary Fund estimated in April, the institution's chief economist said Tuesday. When European countries were in their first weeks of lockdown, the IMF said the global economy would suffer the worst financial crisis since the Great Depression of the 1930s. At the time, it forecast a contraction by 3% in 2020. Now, despite some economies beginning to reopen, the fund has warned that the decline could be even worse. "For the first time since the Great Depression, both advanced and emerging market economies will be in recession in 2020. The forthcoming June World Economic Outlook Update is likely to show negative growth rates even worse than previously estimated," Gita Gopinath, the IMF's chief economist, said in a blog post. The fund also said the current

crisis, which it dubbed the Great Lockdown, is “unlike anything the world has seen before.”

- Review:

It is said the economic projections were made with the “general expectation of an economic recovery beginning in the second half of this year and lasting over the next couple of years, supported by interest rates that remain at their current level near zero.”

❖ **MICRO**

- Indonesia's foreign debt (ULN) in April 2020 was recorded at US \$ 400.2 billion. This figure grew 2.9% compared with March 2020 growth of 0.6%. Bank Indonesia (BI) data shows that external debt consists of public sector debt (government and central banks) of US \$ 192.4 billion and private sector debt (including SOEs) of US \$ 207.8 billion. Government external debt recorded a contraction. At the end of 2020, there were US \$ 189.7 billion or grew 1.6% year on year, reversing the previous month's contraction of 3.6%. "This development was influenced by capital inflows on Government Securities (SBN), and Global issuance Government Bonds as part of meeting financing needs, including in the context of handling the COVID-19 outbreak, "wrote the official statement of BI, Monday (06/15/2020).

- Chairman of the Board of Commissioners of the Financial Services Authority (OJK) Wimboh Santoso invited the public to be eager to face the new normal situation. This is so the national economy returns to work. Although new is normal, Indonesian people must also follow strict health protocols as a means of self-protection. "Detikers, wherever they are. The COVID-19 pandemic worldwide is not yet clear when it ends, vaccines are still being developed. But the wheels of the economy must keep moving," Wimboh told AFP on Friday (12/06/2020). He revealed OJK as the regulator that regulates the financial services industry, protecting consumers in full support delivered by the government of President Joko Widodo (Jokowi) to run the new normal scenario.

Review:

The management of Government external debt must be carried out carefully and accountably to support priority spending which is currently focused on efforts to deal with the COVID-19 outbreak and economic stimulus.

❖ **BANKING**

- Bank Rakyat Indonesia (BRI) has realized credit restructuring to 2.6 million customers with a total debit of Rp 160.5 trillion in the period 16 March-31 May 2020. According to BRI President Director Sunarso, restructuring must continue to be carried out, especially for MSME customers who provide employment support for 92% of the workforce in Indonesia. "MSMEs in Indonesia absorb and employ 92% of the Indonesian workforce. So empowering and maintaining MSME sustainability is tantamount to maintaining and improving workforce," Sunarso said in the BPP HIPMI webinar, Tuesday (6/16/2020). However, in restructuring This, BRI needs liquidity assistance from the government. Especially if BRI wants to expand the category of customers receiving credit restructuring.
- To deal with the new normal situation, PT Bank Mandiri Tbk focus on developing digital services. Bank Mandiri President Director Royke Tumilaar explained that digital services were projected to be one of the main drivers of sustainable growth. He said the Mandiri Online application, one of the leading digital services of Bank Mandiri, until March 2020, active users reached more than 3.6 million users, growing 62% compared to the same period last year from that number, the transaction value that occurred reached Rp229.5 trillion . "We are committed to maintaining sustainable business growth and consistently providing better added value to shareholders. For that reason, we focus on anticipating a future where one of them is developing digital banking solutions in line with changing consumer behavior that tends to turn to digital channels , "Royke said in a video conference on Monday (6/8/2020).

Review:

Maintaining credit growth in MSMEs is important. So if the situation is depressed and doesn't have liquidity, will it be able to expand? If banks do not have liquidity, eventually they cannot expand according to the regulator, because if they want to expand what funds are used?

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