

**1st WEEK****December 2018**❖ **MACRO**

- The Buenos Aires meeting, marking the tenth anniversary of the G 20, may not have ended with a bang, but did offer some reassurance to the world and the markets. The good news is global growth is strong. World leaders re-affirmed their commitment to rules-based international order, while conceding to the US' demand for urgent reform at the World Trade Organisation (WTO). International trade and investment are important engines of growth, productivity, innovation, job creation and development, says the final communique. The recognition of the benefits from multilateral trade at a time when the trade war between the US and China threatens to hurt growth is welcome. The IMF has estimated that about three quarters of a percent of global GDP could be lost by 2020 if threatened tariffs were to remain in place, and the announced tariffs were implemented. So, IMF Managing Director Christine Lagarde's call to world leaders to de-escalate trade tensions, reverse the tariff hikes and modernize the rules based trading system makes sense. India must also continue to work with countries such as the EU, Russia and China to ensure that the WTO does not turn into a toothless institution.
- The Federal Reserve could cause "panic" on Wall Street if it reneges on its widely anticipated December interest rate hike, CNBC's Jim Cramer said Friday. "Because he's promised a rate hike, [Fed Chair Jerome Powell] risks stirring a wave of fear if he doesn't tighten," Cramer said as stocks fell on weaker-than-expected jobs results and trade worries. "Investors will start presuming that something must be wrong, very wrong, that things are worse than they thought." But even if the central bank decides that it's worth taking a more data-dependent approach after the weaker jobs data, its chief has put himself in a difficult position with his recent statements, Cramer said. "No one wants the Fed to tighten going into a slowdown, especially when we might be in a tariff war around the globe. People want the Fed to be flexible. Thanks to his

previous comments, though, Powell's in a lose-lose situation," he said, pointing to Powell's remarks that interest rates were "just below" where they should be.

- Review:

Rightly, the joint communique underscores the need for structural reforms to enhance the growth potential. It says fiscal policy must rebuild buffers where needed, be used flexibly, but warns against excess public debt. India's policy makers should take note, especially with polls slated next year.

❖ **MICRO**

- Bank Indonesia (BI) until November has raised its benchmark interest rate to 175 basis points (bps) or 1.75%. This step was carried out by BI to maintain monetary stability. BI Governor Perry Warjiyo explained that the increase in the benchmark interest rate or BI 7 days reverse repo rate to 6% made bank lending even tighter. For this reason, other policies are needed as a counterweight so that banks can still have a loose space to boost their credit distribution. One of the policies adopted is to loosen the statutory reserve requirement (GWM). Thus, the demand deposit that must be deposited to BI is reduced, which means that the cash supply in the bank is abundant. As a result, banks have enough funds to be channeled in the form of loans to their customers.
- Cooperatives in Indonesia today have images that are not good in the eyes of the public. Because many cases of fraud committed by cooperatives abally. The chairman of the investment alert task force, Tongam L Tobing, said that there were still many investment in the guise of cooperatives in Indonesia. This happens because there are still many people who are easily tempted by the lure of high interest. Tongam exemplifies like the Pandawa Cooperative whose victims reached thousands. "The Pandawa Cooperative is the most famous, the victims are 4,000 people and most are smart people, such as civil servants, military, police and bank employees. They are tempted to offer interest," said Tongam at the Cooperative Ministry, Jakarta, Tuesday (12/04/2018) . In addition to the Pandawa Cooperative in an area in Eastern Indonesia there is a cooperative in a Catholic

church. The abusive cooperative lured the church congregation with 12% deposit interest.

- Review:

At present the banking liquidity conditions are starting to look more lenient because the reserve requirement is relaxed and secondary reserve. So that the increase in interest did not have a major impact on the domestic economy.

❖ **BANKING**

- The government through the Coordinating Ministry of Economic Affairs of Indonesia plans to increase the budget for the People's Business Credit (KUR) 2019. Previously, the KUR 2018 budget was recorded at Rp 123 trillion, in 2019 the budget will be increased to Rp 140 trillion. As one of the KUR channeling banks, Bank BRI welcomed the discourse. This is because KUR has had a positive impact on people's economy in Indonesia. Through the distribution of KUR BRI, during 2016-2018 there were 2.15 million debtors with a total loan of Rp. 52.69 trillion which had succeeded in 'rising class'. The company provides several customer definitions in the 'class up' category, ie first from an unbankable status and then disbursing a KUR loan then becoming bankable and entitled to get a Rural Business Credit (Kupedes) loan. In addition, the second definition is the debtor who repays the previous KUR loan and gets a higher ceiling. Then the third definition is that the debtor who repays the micro KUR and goes up to the class gets a small KUR.
- PT Bank Syariah Mandiri (Mandiri Syariah) has not planned to increase the percentage of financing or credit for the Micro, Small and Medium Enterprises (MSME) group. At present, the percentage achieved by Mandiri Syariah is 20.79 percent, or greater than the requirements required by Bank Indonesia, which is 20 percent for all banks. "We still maintain that first," said Director of Mandiri Syariah Finance and Strategy, Ade Cahyo Nugroho after the press conference of the third quarter financial performance at Wisma Mandiri I, Central Jakarta, Thursday, November 8, 2018. In the third quarter of

2018, Mandiri Syariah still recorded growth financing of 11.11 percent year-on-year (yoy), from Rp 58.72 trillion to Rp 65.24 trillion. This figure is also greater than the total financing during 2017 which was only Rp. 60.69 trillion. However, from the Rp 65.24 trillion figure, the micro segment financing growth is only 4.39 trillion or around 6.7 percent. The growth of the micro segment in the third quarter of 2018 was also only 3.84 percent, lower than the consumer segment which grew by 28.65 percent and retail at 15.43 percent. Kartika said, around 6 months ago it met with a number of investors and analysts. They, he said, saw that Indonesia was not much at risk with Argentina, Turkey, Brazil and others.

- Review:

In accordance with the government's policy to increase the portion of KUR financing to productive sectors, from the results of the study of the 2018 Indonesian Institute of Sciences (LIPI), BRI KUR also proved successful in providing social and economic impacts for BRI KUR debtors in the agricultural sector, hunting, forestry , marine, fishery, processing industry, construction, and production services.

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