

**2nd WEEK****July 2018**❖ **MACRO**

- For the first time, the central bank of the United States (US) gave a strong signal that it would still increase its benchmark interest rate. The gradual increase now needs to keep inflation close to the target amid strong employment in the US. "The FOMC believes, at this time, to gradually increase the Federal Funds rate is the best way," said Federal Reserve Chairman Jerome Powell in front of the Senate Banking Committee on Tuesday (7/17), as quoted by Bloomberg. According to him, the Fed cannot raise interest too slowly because it will increase inflation. But, an increase in interest will quickly weaken the economy and make inflation lag behind the target. Powell said, the Fed estimates employment in the US remains strong and inflation remains close to 2% in the next few years. The Fed has raised interest twice this year to 1.75% -2% in March and June. Powell's statement this time reinforces estimates that the Fed will still raise interest twice more.
- The World Bank offers loan assistance to Indonesia to build a light rail transit (LRT) transportation system in four cities, namely Medan, Bandung, Surabaya and Bali. The offer was delivered by Maritime Coordinating Minister Luhut Binsar Pandjaitan in a coordination meeting on urban transportation held at the Ministry of Maritime Affairs Jakarta, Wednesday, July 11, 2018. Also present at the coordination meeting were the Minister of Transportation (Menhub) Budi Karya Sumadi. "So, there was a good idea from Mr. Menko (Coordinating Minister for Maritime Affairs Luhut Binsar Pandjaitan) because there was an offer from the World Bank to provide loan assistance (loan). Now, we know that the big cities in Indonesia are not maximized, we take the opportunity that, "said Minister of Transportation Budi Karya, who was met after the coordination meeting. Minister of Transportation Budi explained, the Indonesian government will present a proposal on the arrangement of urban transportation at the IMF-World Bank Annual Meeting in Bali in October.

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Powell, at a meeting with the US senate, also expressed his opinion on protectionism being pursued by US President Donald Trump. According to him, trade and tax policies pushed by the White House at this time will trigger economic uncertainty. He also does not believe, the European Union is the enemy of America.

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- Governor of Bank Indonesia (BI), Perry Warjiyo said inflation until the second week of July 2018 reached 0.23 percent on a month to month basis. Meanwhile, year to year inflation in July reached 3.14 percent. "Based on the price monitoring survey until the second week of July, inflation remained low, reaching 0.23 percent on a month-to-month basis," Perry said when giving information after Friday prayers at Bank Indonesia, Gambir, Central Jakarta, Friday, July 13, 2018. Previously, in the first week of June 2018 yesterday BI recorded inflation reaching 0.22 percent month-to-month. While January-June cumulatively 1.53 percent and year-to-year reached 2.75 percent. According to Perry, inflation up to the second week of July which reached 0.23 percent was much lower than last month's inflation of 0.59 percent. In addition, inflation in July was also much lower than the historical average in July for the past 3 years. "Data from us, inflation in July over the past 3 months reached 0.54 percent," Perry said.
  
- Until the middle of this year there were around 27 Fintech peer to peer (P2P) lending companies waiting for the approval of the Financial Services Authority (OJK). They hope to get registered status from the regulator. This is in accordance with OJK Regulation Number 77 / POJK / 2016 concerning Information Technology-Based Lending and Borrowing Services. In general, fintech companies that wish to operate in Indonesia, must meet the requirements of the OJK, namely that they are registered and licensed from the government. Director of Fintech OJK Licensing and Oversight Arrangement Hendrikus Passagi said that around 27 of these fintechs were still being reviewed, whether they had fulfilled the requirements as an officially registered fintech

company or not. "For the time being, there are 27 fintech companies that want to apply for a registered status in the OJK," Hendrikus said in Jakarta on Friday (7/13). Meanwhile, OJK also returned files of around 44 fintech companies that were deemed not to have fulfilled the requirements in terms of the company's shareholding data, the complete identity data of the commissioners and directors.

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Meanwhile, which can be analyzed to date is the exchange rate of the Rupiah against the US Dollar tends to be stable. This is because the policy issued by BI has given confidence to the market. This has been proven to be one of the returns on Indonesian financial markets, particularly Government Securities (SBN) which have competitiveness. Inflows to SBN were recorded from BI data from 2 July to 12 July 2018 reaching Rp 7.1 trillion. Generally, long-term SBN is more than 10 years.

❖ **BANKING**

- PT. Bank Rakyat Indonesia (Persero) Tbk continues to expand its strategic cooperation with the Regional Development Bank (BPD). This time, taking place in Surabaya (13/07), Bank BRI signed a collaboration with PT Bank Pembangunan Daerah Jawa Timur Tbk (bankjatim) concerning the Provision and Utilization of Banking Services. Present at the event were BRI's Managing Director Suprajarto and bankjatim R. Soeroso as Managing Director. Suprajarto revealed that the synergy between Bank BRI and bankjatim aims to increase the penetration of financial services in East Java and increase competitiveness for both parties. "The hope is that this collaboration will improve financial literacy and inclusion for the people in East Java. BRI will provide comprehensive and integrated services for bankjatim in order to increase the business potential of each party," he added. There are several fields cooperated between BRI and bankjatim, including: finance and capital: subdebt (Subordinated Bond Instruments), term loan facility (short-term loan facilities), and trade finance & international banking services, transaction banking: e -channel transactions, co-branding cards, BRI Corporate Cards and BRI Cash Management System (CMS).

- A total of 11 banks reportedly will help finance Freeport's acquisition. The government has not officially released the names of the 11 banks. However, several banks such as Bank Mandiri and Standard Chartered Bank Indonesia reportedly helped in funding the acquisition of 51% of Freeport's shares. As an illustration, Freeport's acquisition value is US \$ 3.85 billion. Reaching this, Alexandra Askandar, Bank Mandiri's Executive Officer for Institutional Relations, said that she could not provide information regarding the bank's participation in financing Freeport's acquisition. "We have not been able to provide information," Sandra told Kontan.co.id on Sunday (15/7). Previously Alexandra admitted that several banks were invited to finance Freeport's acquisition. Dody Rochadi, Country Head of Corporate Affairs, Standard Chartered Bank Indonesia said he could not comment on this. "We cannot comment on this," Dody told Kontan.co.id, Friday (7/13).
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In the future, BRI will continue to explore possibilities and open up opportunities to become strategic partners for various Regional Development Banks (BPD) as an effort to strengthen the banking system and expand financial inclusion and literacy. Bankjatim cooperates in the field of banking services with Bank BRI aiming to create synergies in the framework of providing facilities and utilizing banking services in utilizing their potential.

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