

4th WEEK**July 2018**❖ **MACRO**

- In his rare and scathing criticism, President of the United States (US) Donald Trump expressed his frustration with the Federal Reserve's central bank and said the Fed could disrupt the economic recovery of Uncle Sam's country. Trump is very rarely commenting on the Fed in charge of determining reference interest rates which will ultimately be felt by various types of consumer credit. Fed officials, including Governor Jerome Powell, have raised the benchmark interest rate twice this year and plan to increase it twice more by the end of the year. In his exclusive interview with CNBC International, Trump said he disagreed with the Fed's policy despite stating he had placed a highly competent person at the central bank, Powell. "I'm not happy," he said. "Because [our economy] is improving and every time you get better they want to raise interest rates again. I'm not too - I'm not happy with that. But at the same time I let them do what they think is best."
- The European Central Bank (ECB) has decided to keep key interest rates for the euro area. Eurozone base interest rates remain at 0.00 percent, with marginal lending rates and deposit rates at 0.25 percent and minus 0.40 percent respectively. "Our advanced guidelines have been very effective and we see no need to change our language," ECB President Mario Draghi told a news conference in Frankfurt, Germany, as quoted by Xinhua on Saturday, July 28, 2018. In addition, he added, the ECB stressed again that the purchase of monthly net assets will be cut to 15 billion euros (USD17.6 billion) from October to the end of December 2018. In fact, Draghi said, the fundamental strength of the euro zone economy confirms the ECB's belief that inflation convergence will be sustainable.

- Review:

The President's view of interest rates has been widely known and his comments today are a reaffirmation of the views and comments he has made publicly for a long time.

❖ **MICRO**

- Bank Indonesia (BI) price monitoring (SPH) survey shows inflation in the fourth week of July 2018 at 0.25%. This figure is higher than the SPH results in the first week of July which was 0.13%. With the figure of 0.25%, inflation in July is projected year to date of 2.15% and 3.16% year on year. "It's still very comfortable. "The target is 3.5% plus minus 1%," Mirza said at a press conference in the BI building, Jakarta, Friday (27/7). He explained, although there was a slight increase from the results of the first week of July 2018 SPH, if compared with the average Eid period plus one month in 2015-2017 it was 0.2%, the number 0.25% was not bad. From the average for the three years, Mirza said, the highest was 0.39% in 2015. Meanwhile, the lowest was in 2016 which was deflation of -0.02%. "So actually (inflation in July 2018) is below the highest point and there really is," he said.

The Board of Commissioners of the Financial Services Authority (OJK) assesses that the stability of the financial services sector and the condition of liquidity in Indonesia's financial markets in July was still maintained amid uncertainty in financial markets triggered by negative sentiments from the escalation of the US and Chinese trade wars that have weakened global financial markets. This was revealed in the results of the OJK monthly commissioner meeting in July. In addition, the global economy also faces challenges of reduced liquidity in line with continued normalization of the Fed's policies and US June 2018 inflation in the Personal Consumption Expenditure which has reached the target of 2%. This development has caused pressure on global financial markets, especially in emerging markets. In line with the development of these global conditions, the domestic financial market is also under pressure. The JCI in June 2018 weakened

by 3.08% and closed at 5,799.2, with non-resident investors recording net sell of Rp 9.1 trillion.

- Review:

The cause of inflation in the fourth week of July was an increase in the prices of a number of commodities, such as chicken eggs, chicken meat, and cayenne pepper. He noted, chicken egg inflation reached 14% compared to June 2018, chicken meat 6.9%, and cayenne pepper 19%. Meanwhile, commodities experiencing deflation were beef which experienced deflation of -1.34%, garlic -4.7% %, and red chilli by -6.6%.

❖ **BANKING**

- PT Bank Negara Indonesia (Persero) Tbk (BNI) obtained a People's Business Credit (KUR) ceiling from the Government in the amount of Rp. 13.5 Trillion. In the first semester of 2018, 70% of the ceiling or Rp. 9.5 trillion was distributed. To continue optimizing the distribution of KUR, BNI is increasingly focusing on working on the potential of the production sector. To that end, BNI signed a Memorandum of Understanding and Collaboration with Perum Perhutani, PT Perkebunan Nusantara (PTPN) XII and PT. Indonesian Insurance Services (Jasindo) related to Forest Area Utilization in the area belonging to Perhutani for Coffee Plant Cultivation Activities to Support Food Security. Present at the event were Director of the BNI Small Business and Network Catur Budi Harto, Head of BNI's Small Business Business Division Bambang Setyatmojo, as well as the Perhutani Board of Directors, PTPN XII, and Jasindo. Director of the Small Business and Network of BNI Catur Budi Harto said, for Coffee Farmers in this Horseshoe area BNI has disbursed KUR more than Rp. 12.4 billion to 1,257 farmers and this number will continue to increase considering that in the Perhutani region there are more than 18 thousand farmers who manage an area of 13,930 hectares.

- Bank BRI once again made a brilliant achievement in the international arena by commemorating the 2 of 100 companies in ASEAN with a 5 times increase in Wealth Added Index (WAI) since the beginning of 2018. Meanwhile for the domestic market, BRI is currently ranked first as companies that provide the best wealth index for shareholders nationally. The ratings received by BRI are not unfounded, ranking as a company with a WAI number 2 in Asean is pinned by Stern Value Management Consulting Firm. Wealth Added Index (WAI) is a method of measuring company performance as an indicator to determine the increase in wealth generated by the company above the minimum return expected by investors. In the calculation of WAI, the expectation of return is based on the potential cost and added to the risk borne by the investor, which is then translated into the cost of equity (CoE).
- Review:
Through the collaboration between BNI, Perhutani, PTPN XII and Jasindo, farmers can obtain various benefits, namely, first, farmers get guidance, access to finance, and market access for people's coffee harvests. Second, the quality and productivity of people's coffee increases. Third, farmers can cultivate properly and maintain the continuity of coffee crop production and environmental sustainability. Fourth, the level of security of gardens improved along with the increasing welfare of smallholder coffee farmers. And most importantly, farmers get a more definite and higher selling price

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