

**3rd WEEK****October 2018**❖ **MACRO**

- The Federal Reserve's official account of its latest policy meeting, published Wednesday, does not mention any discussion of President Trump's demands that the Fed should stop raising interest rates. But it makes clear that Mr. Trump's economic policies are very much on the Fed's mind. The strength of economic growth, thanks in part to the tax cuts Mr. Trump championed last year, is prompting Fed officials to consider the need to prevent the economy from overheating for the first time since the 2008 financial crisis, according to the minutes of the September meeting of the Federal Open Market Committee. Most Fed officials predicted in September that the Fed would raise its benchmark interest rate to a mildly restrictive level, above 3 percent, by the second half of 2019. "It's time to readjust the policy stance at least to neutral," Charles L. Evans, the president of the Federal Reserve Bank of Chicago, said Friday on CNBC. "Let's see how the economy is performing at that point, and then we might have to do a little bit more after that."
- IMF's Managing Director Christine Lagarde has postponed her trip to the Middle East, according to an IMF statement on Wednesday. Lagarde's visit to the region included attending the Future Investment Initiative, also known as "Davos in the Desert," in Saudi Arabia. The conference is scheduled for Oct. 23 to 25. "The Managing Director's previously scheduled trip to the Middle East region is being deferred," an IMF spokesperson said. The IMF did not give a reason for the postponement. CNBC has reached out to the IMF for clarification. The investing event in Riyadh has seen mounting cancellations since the disappearance and suspected killing of Washington Post columnist Jamal Khashoggi. Turkish officials allege that he was murdered by a team of Saudi operatives, but Riyadh has fiercely denied the claim.

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- Review:

However, the Fed is still unsure about plans for the coming year, and one reason is that Fed officials are also worried that Trump's trade policies could hamper economic growth. The Fed considers that Trump's policies, including tariffs on steel, aluminum and various Chinese goods, have not reduced the aggregate size of economic growth.

❖ **MICRO**

- Bank Indonesia (BI) and the Japanese Central Bank (Bank of Japan) acting as agents of the Japanese Ministry of Finance signed an amendment to the bilateral swap arrangement (BSA) cooperation agreement on October 14 2018. Executive Director of the BI Communication Department, Agusman, said the signing was done in the midst of a series of implementation of the 2018 IMF-World Bank meeting in Bali. Amendments to this cooperation agreement allow Indonesia to swap Rupiah and US (US) and Japanese yen currencies from previously only US dollars. Thus quoted from the written statement Monday (10/15/2018). As the previous agreement, the value of swap facilities is still the same up to USD 22.76 billion. The amendment to the BSA cooperation agreement reflects the strengthening of bilateral financial cooperation between Indonesia and Japan.
  
- The Financial Services Authority (OJK) acknowledges the presence of peer-to-peer (P2P) financial technology (Fintech) companies which had become a frightening specter for the public. This is because online loan providers are closely linked to loan interest rates that are highly valued. The Director of OJK's Fintech Regulations, Licensing and Supervision, Hendrikus Passagi, said that the loan interest arrangement was actually arranged transparently by every fintech P2P lending company. In fact, the interest rate of the loan has also been based on the agreement between the lender (lender) and the borrower (borrower). "The interest rate has to do with the nominal borrowed, how much is the tenor and most importantly how quickly the borrower gets a loan. Yes, what if the

loan is cheap, only five percent but can't guarantee two weeks (loan)," Hendrikus said at a media gathering. in Bogor as written on Saturday (10/20/2018).

- Review:

This encourages the use of local currencies of both countries in Asia in the medium term. Furthermore, it encourages economic growth and trade between Indonesia and Japan.

❖ **BANKING**

- PT Bank Negara Indonesia (Persero) Tbk recorded loan disbursement of IDR 487.04 trillion in the third quarter of 2018. This figure grew by IDR 65.64 trillion or 15.6% yoy from the position in the same period last year of IDR 441.41 trillion. BNI Finance Director Anggoro Eko Cahyo said that the growth was sustained by credit in the corporate business, which rose 18.5% yoy, mainly contributed by manufacturing, trade, restaurants & hotels, and construction. "In the consumer business, payroll loans are still the main driver in growing consumer credit by recording payroll growth of 43.7% yoy," he said at a press conference at BNI Headquarters on Thursday (10/18/2018). Credit cards grew 8.1% yoy until the September 2018 period. Housing loans (KPR) recorded a growth of 9.1% yoy. Meanwhile, BNI's non-performing gross loan (NPL) was 2.0% at the end of September 2018, an improvement compared to the same period in the previous year of 2.8%.
  
- PT Bank Mandiri (Persero) Tbk. or Bank Mandiri recorded a net profit of Rp 18.1 trillion from January to September 2018. Bank Mandiri Corporate Secretary Rohan Hafas said the net profit rose by 20 percent year on year. "The increase in profit was due to an increase in lending of 13.8 to Rp 781.1 trillion, which encouraged the collection of assets to Rp1,173.6 trillion, growing 8.8 percent from September 2017," said Rohan as stated in a written statement in Jakarta, Wednesday, October 17, 2018. Previously, Bank Mandiri recorded a net profit of Rp. 12.2 trillion in the first semester of 2018. This figure is up 28.7 percent compared to the same period last year of Rp 9.5

trillion. Meanwhile, profit growth was mainly driven by fee-based income of Rp. 12.9 trillion, or grew 18.1 percent on an annual basis.

- Review:

The improvement in NPLs came from improved collectibility, settlement of loans, and a decrease in non-performing loans accompanied by improved asset quality management, one of which was by conducting selective and prudent expansion with measurable credit risk management.

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