

4th WEEK**October 2018**❖ **MACRO**

- Cleveland Federal Reserve President Loretta Mester did not use the exact phrase "data dependent," which was so popular under previous central bank chief Janet Yellen, but on CNBC's "Squawk Box" Friday she repeatedly said that economic numbers "inform our outlook" on interest rates. Her comments came as investors and traders continue to parse statements by current Fed Chair Jerome Powell earlier this month that sparked concerns over a more aggressive path higher for rates and threw markets into turmoil. Mester, a voting member this year on the Fed's policymaking committee, said the wild swings in the stock market are a "risk" to the economic outlook, but they're not changing her mind on growth at this point. Asked whether Powell made a mistake when he said rates were a long way from neutral, Mester acknowledged, "We all try to be very careful with our [policy] communications in public ... knowing that the data is going to inform our views and our medium-term outlook."
- Projects funded by the Asian Infrastructure Investment Bank must not add to the receiving country's debt burden, the lender's president Jin Lique said on Tuesday. "We do not simply lend to the countries for their sovereign guarantees," Jin told CNBC's "Street Signs." "We work actively with the private sector companies in those countries so that our investments would not build up heavy pressure on their debt burden," he added. "It's very important for our members to continually invest in infrastructure and other productive sectors without creating debt burden." Jin's comments came amid mounting criticisms that the push for massive infrastructure building in developing countries has increased their debt in an unsustainable way. Those criticisms were particularly directed at China's mega program called the Belt and Road Initiative.

- Review:

Mester redirected questions about whether President Donald Trump should be criticizing the Fed for increasing rates, bringing the discussion back to the central bank's independence and dual mandate from Congress to use monetary tools to maximize employment and control inflation.

❖ **MICRO**

- Bank Indonesia (BI) guarantees that bank liquidity conditions are currently sufficient. This was confirmed through monetary operations by preparing various instruments. "BI ensures that the liquidity conditions are sufficient in total and per bank group," said BI Governor Perry Warjiyo, as written on Saturday (10/27/2018). At present, banks are facing tightening liquidity due to an increase in the benchmark BI 7-Days Reverse Repo Rate by 150 basis points in 2018. Even so, according to Perry, the increase in benchmark interest rates is not the only major factor in tightening bank liquidity, but global factors also trigger. "Increasing interest rates is not a domestic factor. The domestic factor is to reduce the current account deficit, but others are to maintain the attractiveness," he explained. "We want to ensure that this does not negatively impact the economy or economic stability in the country. BI is always monitoring, which is certain that so far liquidity in the money market and in banking is sufficient," he added.

- The Chairman of the Board of Commissioners of the Financial Services Authority (OJK) Wimboh Santoso held a working meeting with the Commission XI of the Indonesian Parliament. One of the meeting agenda is the submission of the OJK work budget ceiling for 2019. Wimboh said, for the next year's work budget, the OJK submitted a budget of Rp. 5.679 trillion. This figure is up around 14.11 percent compared to this year's budget ceiling. "Referring to the assumption of 2019, we propose a budget ceiling of Rp 5.679 trillion, this budget ceiling increased 14.11 percent compared to 2018," said the House Complex in Jakarta, Monday (10/29/2018). The budget posture, he said, would be divided into three main posts. In the first post, 51.41

percent of the budget was used for strategic expenditure to finance supervision, regulation, consumer protection education licensing, and HR costs. While the second post, which amounted to 36.72 percent, will be used for operations to carry out the main tasks and main tasks of the FSA.

- Review:

There are several steps that BI can take, namely one of which is BI will conduct a monetary operation to maintain the availability of liquidity, both rupiah and foreign exchange. In addition, BI will conduct an auction of Bank Indonesia Deposit Certificates (SDBI).

❖ **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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