

4th WEEK**October 2020**❖ **MACRO**

- With inflation still elusive and a host of questions surrounding an economy that just set a single-quarter record for growth, the Federal Reserve faces a choice of whether to wait for conditions to unfold further, or act now to provide some extra help. Most market participants expect the Federal Open Market Committee to sit on its hands when it holds its policy meeting Wednesday and Thursday. However, officials are expected to discuss the policy options open to them at this point, and with so much uncertainty surrounding the current situation it wouldn't be that big of a surprise to see them make some kind of move. "I just don't see the benefits of waiting until December," said Aneta Markowska, chief financial economist at Jefferies. "A lot has changed in the past two weeks. Almost all the worries they flagged in September have materialized or are in the process of materializing. So they don't have the luxury of time anymore."

The International Monetary Fund (IMF) has said continuing government support is "essential" for the struggling UK economy to recover. The UK can afford it, and support is needed to see it through the coronavirus pandemic and the Brexit transition, the IMF said. Coronavirus infections are climbing rapidly again in the UK and elsewhere. The IMF said the coronavirus recession is likely to be more severe than it had predicted just a few weeks ago. It said the second wave of coronavirus, Brexit uncertainty, rising unemployment and stress on firms' balance sheets would make for a more "muted" recovery than it forecast earlier this month. The UK government should increase public investment and bolster welfare support for people who lose their jobs because of the crisis, she said. The government has been supporting the UK through a number of initiatives, including the jobs furlough scheme that ends on Friday, to and be replaced by a different scheme.

- Review:

However, economists at the Fed and elsewhere worry that the best of the gains are behind while the major tail wind of government stimulus funding has dried up. Rising coronavirus cases are sparking worries of renewed economic pressure as communities face pressure to reinstitute restrictions on businesses.

❖ **MICRO**

- Bank Indonesia (BI) noted that economic liquidity or money supply in a broad sense (M2) remained high in September 2020, supported by the narrow money supply component (M1) and quasi money. From the official statement of BI M2 in September 2020, it was recorded that Rp 6,742.9 trillion remained high at 12.3% year on year, although it was slower than the previous month's growth of 13.3%. This development was due to M1 growth of 17.6% (yoy). "It is lower than the growth in August 2020 of 19.3% (yoy) due to the slowing down of Rupiah demand deposits," wrote the announcement, quoted on Tuesday (27/10/2020). Furthermore, it was stated that the growth of quasi money also slowed, from 11.5% (yoy) in the previous month to 10.6% (yoy) in September 2020. Meanwhile, securities other than stocks in September 2020 recorded a contraction of 13.9% (yoy).), not as deep as the previous month's contraction of 18.7% (yoy).

- The Financial Services Authority (OJK) disclosed the current condition of the Indonesian financial services sector in the midst of the Corona virus (COVID-19) pandemic both from the banking, capital market and non-bank financial industry (INKB). Chairman of the OJK Board of Commissioners Wimboh Santoso said the resilience of the financial services sector is currently in good and controlled conditions. This can be seen in terms of adequate capital and liquidity ratios, as well as a manageable risk profile. "We convey that the resilience of the financial services sector is still in good and controlled condition. It is shown that the bank capital ratio (CAR) was maintained at a high enough level in August 2020, namely amounted to 23.39%,

compared to the second quarter of 2020 which was at the level of 22.5%, "said Wimboh in a press conference of the Financial System Stability Committee (KSSK) which was broadcast via the Ministry of Finance's Youtube, Tuesday (27/10/2020). Then third party funds (DPK) as of August 2020 grew 11.64%, year on year (yoy) an increase compared to quarter II-2020 of 7.95%. DPK is dominated by banks in the category of commercial banks for business group (BUKU) IV or banks with core capital above Rp 30 trillion.

Review:

Based on the influencing factors, M2 growth in September 2020 was driven by increased expansion in government finances.

❖ **BANKING**

- PT Bank Mandiri (Persero) Tbk earned a net profit of IDR 14.02 trillion in the third quarter of 2020. This profit fell 30.93 percent from the previous IDR 20.3 trillion in the third quarter of 2019. In the same period last year, the company's net profit still grew 11, 9 percent on an annual basis. "Bank Mandiri posted a consolidated net profit for the third quarter of 2020 amounting to Rp14.028 trillion," said Bank Mandiri President Director Darmawan Junaidi in an official statement, quoted on Monday (26/10). He said that Bank Mandiri added reserves to anticipate potential economic uncertainty in the future. As of September 2020, the company's consolidated reserve for impairment losses (CKPN) coverage ratio was in the range of 205.15 percent. Meanwhile, in the third quarter of 2019, the CKPN cost was reduced to 6.27 percent. "We built reserves to ensure asset quality is maintained, in anticipation of a decline in credit quality due to the Covid-19 pandemic," he added.
- PT Bank Negara Indonesia Tbk (BNI) recorded a net profit for the third quarter of 2020 amounting to Rp 4.32 trillion, down 63.9% compared to the same period the previous year. BNI Director of Consumer Business Corina Leyla Karnalies said that this decline is part of BNI's efforts to strengthen bank financial fundamentals in the face of future

economic uncertainty. "That is by establishing a more conservative reserve so that the coverage ratio until the third quarter of 2020 is at a level of 206.9%, which is greater than the third quarter of 2019 which was 159.2%," said Corina in her presentation of BNI's performance, Tuesday (27/10/2020).

Review:

Despite increasing reserves, he continued, the company ensures that the company's liquidity is at a safe level. This was supported by the growth of consolidated third party funds (DPK) of 14.92 percent from IDR891.2 trillion to IDR1,024.2 trillion.

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