

4th WEEK**AUGUST 2021**❖ **MACRO**

- Federal Reserve Chairman Jerome Powell's conviction that the inflation winds whipping through the U.S. economy this year soon will subside is not universally shared. In fact, a growing contingent within the Fed's virtual halls is raising concern that the supply chain disruptions, burgeoning demand and shortages of labor and supplies could push the current trend well into 2022 and beyond. Patrick Harker, the president of the Philadelphia Fed, said as much Friday in a CNBC interview that aired just before Powell gave his pivotal Jackson Hole symposium speech. The Fed not only has achieved the inflation part of its mandate by keeping the level at well above 2% for a period of time, but it also faces the challenge that those price pressures don't seem to be fading, Harker said. "There's also some evidence that they may not be so transitory, and that's a risk I'm worried about," the central bank official said in an interview about two hours before Powell's speech.
- The World Bank has become the latest international organization to pause aid disbursements to Afghanistan following the Taliban's takeover. The Islamic militant group has controlled the Afghan capital of Kabul for more than a week now. It marked the collapse of the country's government as U.S. and allied troops withdraw from the war-torn country after 20 years. "We are deeply concerned about the situation in Afghanistan and the impact on the country's development prospects, especially for women," a spokesperson for the World Bank told CNBC via email. "We have paused disbursements in our operations in Afghanistan and we are closely monitoring and assessing the situation in line with our internal policies and procedures. As we do so, we will continue to consult closely with the international community and development partners," the same spokesperson said. The World Bank had committed more than \$5.3 billion for development projects in Afghanistan.

Review:

The Fed chief devoted a long passage in the remarks to rebut the notion that inflation posed a longer-term structural problem to the economy. He attributed most of the current price rise to a surge in longer-lasting “durable” goods that in pre-pandemic times actually had a long-running negative inflation rate.

❖ MICRO

- Central banks in the world are discussing the Central Bank Digital Currency (CBDC), including in Indonesia. To create digital rupiah, a legal framework is needed that gives BI authority to issue. The Executive Director of the Head of the BI Communications Department, Erwin Haryono, said that the issuance of digital money required a mature design. Otherwise, it could destroy the banking system. But this digitization is a must before this digital money is actually issued. For example, there must be a digital infrastructure and a legal system to the protection of consumer data that must be built. Therefore, the Central Bank is also trying to transform to keep up with the times. Erwin stated, the first initiative that has been carried out is through the payment system by standardizing the Application Programming Interface (API). This process will accelerate collaboration between banks and banks and banks and non-banks.
- In the midst of the pandemic, Indonesia's financial services sector remained stable and grew positively. Until July 2021, the Financial Services Authority (OJK) recorded an increase in the insurance industry's assets to reach Rp 949.44 trillion or grew 8.11 percent (yoy). "The financial services sector remains stable with data until July 2021 showing positive growth rates, such as in the insurance industry whose assets reached Rp 949.44 trillion or grew 8.11% (yoy)," said OJK spokesman Sekar Putih Djarot quoted from Instagram. @ojkindonesia, Saturday (28/8/2021). In addition to the growth in industrial assets, OJK also recorded other positive growth related to the development of the insurance industry. As of July 2021, life insurance premiums reached Rp 107.61 trillion, while general insurance and reinsurance premiums reached Rp 58.06 trillion.

Risk-based capital for life insurance also reached 653.74% and general insurance 346.73%. This figure is far above the regulatory threshold of 120%. Meanwhile, the investment adequacy ratio for general insurance is 174.64% and life insurance is 111.51%, above the threshold of 100%.

Review:

Furthermore, BI continues to accelerate the digitization of retail payments. This one initiative is carried out by applying the Indonesian Standard Quick Response Code (QRIS) to every transaction of traders and buyers.

❖ **BANKING**

- Consolidation between state-owned banks has always been a hot topic of discussion in recent years. The merger of two state-owned banks is considered to be able to increase strength, especially to compete globally. There are those who think that the duties of state-owned banks often overlap, namely PT Bank Mandiri Tbk (BMRI), PT Bank Negara Indonesia Tbk (BBNI), PT Bank Rakyat Indonesia Tbk (BBRI), and PT Bank Tabungan Negara Tbk (BBTN). But is it true that state-owned banks overlap each other in their operations, and what is the urgency to consolidate and clarify their segmentation? SOE Minister Erick Thohir said that each state-owned bank has a unique and different specialization so that there is no overlap, meaning that each has a special segmentation. Like Bank Mandiri, which is dedicated to focusing on working on the corporate segment and until June 2021, lending to the corporate segment reached Rp 335.1 trillion or grew 2.75%.
- PT Bank Rakyat Indonesia (Persero) Tbk with issuer code BBRI has set an exercise price for additional capital by granting preemptive rights (PMHMETD) or rights issue of Rp 3,400 per share. Based on the prospectus from Bank BRI received by detikcom today, the company offers a maximum of 28,213,191,604 new series B shares with a nominal value of Rp 50 per share. This amount is equivalent to 18.62 percent of the company's issued and fully paid capital after the rights issue. "Each holder of 1 billion

old shares of the company whose name is registered in the company's DPS on September 9, 2021 at 16.00 WIB is entitled to 230,128,553 Preemptive Rights, of which 1 (one) Preemptive Rights has the right to purchase 1 (one) new share at an exercise price of Rp. 3,400 per share," the management wrote in the prospectus, Tuesday (31/8/2021).

Review:

Then BBNI has a special task to work on the international banking and digital banking business. With the strength of BNI, which now has overseas branch offices, it is hoped that it can cooperate with domestic entrepreneurs who do business abroad.

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