

2nd WEEK**February 2021**❖ **MACRO**

- Federal Reserve Chairman Jerome Powell on Wednesday painted a dour picture on the state of U.S. employment, saying continued aggressive policy support is needed to fix the myriad issues still facing workers. Addressing the issue will require a “patiently accommodative monetary policy that embraces the lessons of the past” regarding the benefits that low interest rates bring to the labor market, the central bank chief told the Economic Club of New York. Even though the economy has reclaimed more than 12 million jobs since the early days of the Covid pandemic, Powell said the U.S. is “a long way” from where it needs to be in terms of employment. “Fully realizing the benefits of a strong labor market will take continued support from both near-term policy and longer-run investments so that all those seeking jobs have the skills and opportunities that will enable them to contribute to, and share in, the benefits of prosperity,” he said in prepared remarks.
- Mario Draghi has gathered enough support from Italian lawmakers and is now highly likely to lead that country’s next government. Members of the leftist Five-Star Movement opted to back Draghi, prime minister-designate, in an online poll conducted Thursday, with 59.3% supporting the former chief of the European Central Bank. Draghi looks to have a solid majority in Rome and no single party would be able to derail his administration. He will now face confidence votes in Parliament next week and will present his Cabinet to the president on Friday. Draghi was called on to solve a political crisis in the third-largest euro economy. The chaos began when a small party, called Italia Viva, withdrew its support for the fragile coalition government. This meant that the pro-EU Cabinet lost the necessary working majority in the Italian Parliament which raised the prospect of a snap election at a time of a severe health and economic crisis.
- Review:

Powell noted that in the latter years of the record expansion that ended a year ago, wage and employment gains began to be distributed more evenly while the unemployment rate fell, without the threat of high inflation. When the jobless rate fell in the past, the Fed would hike rates as a way to head off inflation, but will not do so now.

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- Governor of Bank Indonesia (BI) Perry Warjiyo said that his party will pursue a policy of low interest rates and loose liquidity. He said BI had lowered interest rates 5 times in 2020. "We will also continue to pursue a low subung policy and loose liquidity. At the governor's board meeting on January 21-22, 2021, we maintained our policy rate at 3.75% after we aggressively lowered the policy rate last year by 5 times 125 bps and this is the benchmark interest rate. the lowest since 2013," he said in a Commission XI meeting, Tuesday (9/2/2021). Furthermore, Perry said, there is still room for this rate cut. He said that his party will continue to look at various possibilities and maintain stability, especially exchange rate stability. And, his side will also see the effectiveness of interest rates in encouraging economic recovery. "If asked whether we still have room for interest rates to fall? There is still room for the chairman, of course we see the possibilities by maintaining stability, especially the stability of our exchange rate and how to more effectively encourage economic recovery," he explained.
- The Ministry of Communication and Informatics (Kominfo) revealed the reason TikTok Cash was blocked by the government. They are considered to have collected public funds without permission. Spokesperson for the Ministry of Communication and Information, Dedy Permadi, emphasized that Kominfo blocked a website based on the violations that the page owner had committed. Dedy explained that the action or blocking was carried out in three ways, namely reports from the public, identification carried out by Kominfo, and official requests from the authorities related to the issues in question. In the case of TikTok Cash itself, as stated by Dedy, the Financial Services Authority (OJK) has sent a letter to Kominfo containing a request to block TikTok Cash.

The letter was sent by OJK to Kominfo today. "Kominfo blocked the site in question (TikTok Cash) on the basis of a request from the institution in question, in this case OJK. They sent a letter to Kominfo dated February 10, 2021," said Dedy to detikINET, Wednesday (10/2/2021).

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Fundamentally, it is still under value, meaning that there is still potential to strengthen due to a low current account deficit, low inflation, attractive interest rate differentials, and a lower risk premium.

❖ **BANKING**

- PT Bank Rakyat Indonesia (BRI) is planned to issue new shares through a rights issue mechanism (preemptive rights / HMETD). This followed the selection of a company coded as BBRI as the holding company for ultra micro. This ultra-micro holding consists of PT BRI (Persero) Tbk, PT Pegadaian (Persero), and PT Permodalan Nasional Madani (Persero) or PNM. In the HMETD scheme the government will take full share by transferring state-owned series B shares to Pegadaian and PNM to BBRI. The payment of all serial shares to Pegadaian and PNM will be carried out in accordance with PP 72/2016 concerning Procedures for State Capital Participation in BUMN. Government participation in this transaction takes the form of non-cash. The government will not inject fresh funds into BBRI from the state budget. The government's share ownership in BBRI will not be diluted. After the holding is formed the government will still control $\pm 56.75\% \leq 60\%$. Meanwhile the public will still control $\pm 40\% \leq 43.25\%$ of BBRI's shares. The value of this corporate transaction will be based on the independent assessment of the KJPP (Public Appraisal Service Office) in accordance with the provisions of the capital market and based on the financial statements as of December 31, 2020.
- The COVID-19 pandemic has been used by many parties, including the government, to transform the economy from conventional to digital. During a pandemic, people are

accustomed to socializing through digital technology. This follows a policy of restricting community activities in order to reduce the spread of COVID-19. The transformation of the conventional economy to digital is also considered effective for MSME players to keep their business in the midst of uncertainty. Chairman of the Indonesian UMKM Association (AKUMINDO) Ikhsan Ingratubun said, MSMEs will certainly be able to survive if they are able to transform. The transformation referred to is first, doing business digitally. Second, transforming in terms of a business model, namely not only trading goods but also services. He gave an example such as MSME actors and grocery traders who became BNI agents.

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But remember, pawnshop and PNM are not just out of sight and control of the government. Even though these two state-owned companies will become BBRI's subsidiaries, the state still has 1 double-color series A share, so it still has voting power for several cases such as the appointment of directors.

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