

2nd WEEK**January 2021**❖ **MACRO**

- Long-dormant inflation could rebound more quickly than anticipated as the economy shakes off the effects of the coronavirus pandemic, Kansas City Federal Reserve President Esther George said Tuesday. Current measures show that inflation remains subdued, as it has been for most of time since the financial crisis of 2008. However, George noted that the Fed's preferred inflation gauge is weighed down by some of the sectors hardest hit during the Covid-19 crisis. That means it may not accurately represent the real state of inflation, which could rise quickly once the virus is under control and some industries, particularly those in the services and hospitality area, recover. "In contrast to these sectors, price inflation for many other categories of consumption (particularly goods) has moved up, sometimes quite sharply," George said in prepared remarks. "Such a scenario does not suggest higher inflation is a near-term threat, but rather that inflation could approach the Committee's average inflation objective more quickly than some might expect."
- The World Bank Group's Board of Executive Directors approved today a US\$246 million new project to provide emergency cash transfers and access to social services to approximately 786,000 poor and vulnerable Lebanese reeling under the pressure of Lebanon's economic and COVID-19 crises. The Emergency Crisis and COVID-19 Response Social Safety Net Project (ESSN) will also support the development of a comprehensive national social safety nets system to allow a better response to ongoing and future shocks. Lebanon has been facing compounded and unprecedented crises. A severe economic and financial crisis led to a projected 19.2% decline in GDP in 2020, triple digit inflation and a projected increase in poverty to 45% and in extreme poverty to 22%. Approximately 1.7 million people are estimated to fall under the poverty line, of which 841,000 people will be under the food poverty line. The situation has been further compounded by the COVID-19 pandemic with the recent alarming surge in the

number of infected cases, a severely strained health and medical system and the devastating economic impact of lockdowns on jobs and livelihoods.

- Review:

To the extent that a postvaccine bounce-back boosts demand and prices in these sectors, including airfares and hotel accommodation, inflation could move up quickly.

❖ **MICRO**

- Bank Indonesia (BI) has again released data from the Business Activity Survey (SKDU). As a result, business activities still contracted in the fourth quarter of 2020, even though it had improved compared to the previous quarter. "The SKDU results indicate that business activities improved in the fourth quarter of 2020, although it is still in the contraction phase," read a written statement from BI, Wednesday (13/1/2021). This is reflected in the value of the Weighted Net Balance (SBT) of business activities in the fourth quarter of 2020 amounting to -3.90%. This figure is better than -5.97% in the third quarter of 2020. BI said this improvement occurred because it was driven by the performance of a number of sectors that grew positively, namely the Transportation and Communication sector; Finance, Real Estate and Corporate Services; Electricity, Gas and Clean Water, and Services. In addition, the Trade, Hotel and Restaurant sector: the manufacturing sector and the construction sector are showing signs of improvement. "The improvement in the condition of business activities is supported by the increasing demand during the National Religious Holidays (HBKN) Christmas and New Year, the availability of raw materials for production, and an increase in the number of new customers in the electricity subsector," he explained.

- The Financial Services Authority (OJK) said that the stability of the financial services sector in 2020 was well maintained despite economic pressures due to the COVID-19 pandemic. Chairman of the OJK Board of Commissioners Wimboh Santoso said that currently the OJK has prepared a further stimulus policy to safeguard the financial services industry. This is in accordance with the Master Plan for the Indonesian

Financial Services Sector (MPSJKI) 2021-2025. Wimboh said that this pandemic has also disrupted the global economy and financial markets. The national economy contracted quite deeply, thus suppressing the performance of the real sector and reducing people's income. Therefore, to anticipate this impact the OJK issued forward looking and countercyclical policies aimed at reducing market volatility, providing space for the real sector to survive, and maintaining system stability. finance as a whole.

Review:

Respondents estimate that business activities will record positive performance in the first quarter of 2021. Based on the economic sector, the increase is predicted to occur in all economic sectors, especially the financial sector, Real Estate & Corporate Services sector, as well as the Agriculture, Plantation, Animal Husbandry, Forestry and Fisheries sectors.

❖ **BANKING**

- PT Bank Rakyat Indonesia (Persero) Tbk through the BRI Micro & SME Index (BMSI) has recorded the positive impact of various assistance for MSME players from the government since the COVID-19 pandemic hit. Through the first MSME Index in Indonesia, BRI also sees optimism regarding economic recovery in 2021. The results of the BMSI survey per Q3 2020 recorded that 58.2% of micro-entrepreneurs had a significant impact on the loan interest subsidy stimulus to keep their business running normally. Then, there are 11.8% of micro and small business actors whose business operations can increase after receiving interest subsidies from the government. "The large number of MSME players who can survive after receiving a stimulus proves that various assistance programs for MSME businesses play an important role in maintaining sector stability. MSME and national economic conditions. MSMEs have become the main pillar of Indonesia's economic growth, so the stimulus in this segment must be provided in sufficient, affordable, easy and fast distribution. BRI is committed to continuing to channel various assistance and incentives to MSMEs effectively and

efficient, "said the President Director of BRI Sunarso in a written statement, Sunday (10/1/2020).

- PT Bank Negara Indonesia (Persero) Tbk (BNI) is focusing on improving its digital channel capabilities so that it can provide services to customers through one complete platform. Digital development is not only carried out internally in the bank, but also to facilitate third party partners by using application programming interface (API) services. This was explained by the Director of BNI Consumer Business, Corina Leyla Karnalies in Jakarta, today. "To support the development of banking digitization, BNI has designed various strategic initiatives, including accelerating integrated development, which in our opinion is the current focus on how to have an omni channel. With this omni channel, it will enable customers to carry out various transactions, from digital management to digital credit card services, "said Corina in a written statement, Thursday (14/1/2021).

Review:

The various national economic recovery (PEN) programs that have been rolling out until now also have an impact on business optimism. The BMSI Business Sentiment Index (ISB) noted that MSMEs' expectations of improving economic conditions began to increase.

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