1st WEEK

March 2021

❖ MACRO

- While the Federal Reserve may not raise its benchmark interest rate for years, there are growing expectations it may tweak policy soon to address some of the recent tumults in the bond market. The moves could happen as soon as the upcoming March 16-17 Federal Open Market Committee meeting, according to investors and economists who are watching recent action closely and expect the central bank to address some distortions that have occurred. One possible move would the third iteration of Operation Twist, a move the Fed last made nearly a decade ago during market tumult around the time of the European debt crisis. Another could see an increase in the rate paid on reserves to address issues in the money markets, while the Fed also might adjust the rate on overnight repo operations in the bond market.

- Christine Lagarde, the first woman to head up the European Central Bank, has said she hopes young women today don’t have to experience sexism like she did early on in her career. Lagarde was speaking with Ursula von der Leyen, the president of European Commission, on the ECB podcast Monday to mark International Women’s Day. Reflecting on her early career, Lagarde said that while she was working on a deal at a law firm with a team of men as the only female partner, a client asked her for a coffee. In response, Lagarde said she told him “Yes, of course but you’re going to get it yourself.” “And he was like shellshocked and it took a couple of my associates to explain to him gently that I was not the secretary making coffee, I was actually the partner leading the team,” she said.
- Review:

  The mechanics of Operation Twist involve selling shorter-dated government notes and buying about the same dollar amount in longer-duration securities. The objective is to nudge up shorter-term rates and drive down those at the longer end, thus flattening the yield curve.

❖ **MICRO**

- Bank Indonesia (BI) recorded Indonesia's foreign exchange reserves at the end of February 2021 amounting to US $ 138.8 billion. Executive Director of the BI Communication Department Erwin Haryono said that this figure was an increase compared to the January period of US $ 138 billion. "The position of foreign reserves is equivalent to financing 10.5 months of imports or 10.0 months of imports and servicing of government foreign debt, and is above the international adequacy standard of around 3 months of imports," Erwin said in a press release, Friday (5/3). /2021) .Erwin said that Bank Indonesia assessed that the foreign exchange reserves were able to support the resilience of the external sector and maintain macroeconomic and financial system stability. The increase in the position of foreign reserves in February 2021 was mainly influenced by the withdrawal of government loans and tax revenues.

- The Financial Services Authority (OJK) revealed that the owner of the bank or controlling shareholder (PSP) must commit to supporting bank finances to increase core capital. Chief Executive of OJK Banking Supervision Heru Kristiyana said that banks must be ready to face the current competition and dynamics, especially in the era of volatility, uncertainty, complexity and ambiguity (VUCA). "So we can no longer expect a bailout, like in the past. That is in the past. Now all the problems faced, then financial difficulties must be covered by the bank owner," Heru said, Thursday (4/3/2021) He revealed that there are several options that bank owners can take to increase their capital, one of which is by conducting a rights issue to meet the minimum capital requirement.

  Review:

  In the near future, Bank Indonesia considers that foreign exchange reserves will remain adequate, supported by stability and maintained economic prospects, along with various policy responses to promote economic recovery.

❖ **BANKING**

- BRI recorded a significant growth in lending for the micro, small and medium business (MSME) segment throughout 2020. This growth made BRI the only bank in Indonesia that has an MSME loan ratio of up to 82.13 percent of the company's portfolio. Based on data from performance reports throughout 2020, the total credit disbursed by the BRI Group last year reached Rp. 938.37 trillion or grew by 3.89 percent on an annual basis (yoy). This figure is better than the national credit growth in 2020, which is estimated by OJK to be in the range of minus 1 to 2 percent. In addition, BRI micro credit growth throughout 2020 grew by double digits reaching 14.2 percent yoy. Meanwhile, small and medium enterprise loans rose 3.9 percent and consumer loans increased 2.3 percent over the same period. If detailed, throughout 2020 BRI has distributed credit to micro segment debtors worth IDR 351.3 trillion. This amount reached 40 percent of BRI's total loan portfolio of Rp 938.37 trillion.

- The government has launched a number of national economic recovery (PEN) programs through banking. One of the state-owned banks that has become a channeling partner for the assistance program is PT Bank Mandiri Tbk. So, how will the disbursement be realized during 2020? President Director of PT Bank Mandiri Tbk. Darmawan Junaidi revealed that by the end of 2020, the distribution of PEN loans from Bank Mandiri reached Rp.66.6 trillion. debtor, "said Darmawan in a hearing with Commission XI DPR RI, Jakarta, Thursday (4/1/2021). Furthermore, the Director of Finance of Bank Mandiri, Sigit Prastowo, detailed that the total amount of PEN funds had been distributed to several segments, one of which was MSMEs. "In the MSME segment, Bank Mandiri disbursed Rp 42 trillion to more than 265 thousand debtors. Meanwhile, in the non-MSME segment, Bank Mandiri distributed Rp 24.6 trillion to more than 3 thousand debtors," said Sigit.

  Review:

  One of the efforts that must be made to revive the Indonesian economy is by leveraging the distribution of productive credit. This must be done massively, especially for the

MSME segment which is the backbone of the national economy. BRI has been trying to boost micro credit growth so far, especially in 2020, and BRI will continue to do this in the future.