

**3<sup>rd</sup> WEEK****March 2021**❖ **MACRO**

- One of the main reasons Federal Reserve officials don't fear inflation these days is the belief that they have tools to deploy should it become a problem. Those tools, however, come with a cost, and can be deadly to the kinds of economic growth periods the U.S. is experiencing. Hiking interest rates is the most common way the Fed controls inflation. It's not the only weapon in the central bank's arsenal, with adjustments to asset purchases and strong policy guidance also at its disposal, but it is the most potent. It's also a very effective way of stopping a growing economy in its tracks. The late Rudi Dornbusch, a noted MIT economist, once said that none of the expansions in the second half of the 20th century "died in bed of old age. Everyone was murdered by the Federal Reserve."
- The Malaysian economy is set to recover in 2021, with growth projected at 6.5%, driven by a strong recovery in manufacturing and construction, according to the International Monetary Fund (IMF). The recovery is expected to be uneven across sectors, resting on an improvement in both domestic and external demand. Inflation would recover to 2% and the current account surplus is on course to decline as demand for pandemic-related products starts receding and the rebound in domestic demand raises imports. In a statement yesterday, the IMF executive board said Malaysia's economy entered the pandemic from a strong position but has nevertheless been hit very hard.
- Review:  
In the first part of the 21st century, worries are growing that the central bank might become the culprit again, particularly if the Fed's easy policy approach spurs the kind of inflation that might force it to step on the brake abruptly in the future.

❖ **MICRO**

- The Bank Indonesia (BI) benchmark interest rate from January 2020 to January 2021 has fallen to 125 basis points (bps) or 1.25%. The central bank said the policy rate cut was followed by a reduction in the limited prime lending rate (SBDK) and a more aggressive 1-month deposit rate cut. Executive Director of the BI Communication Department Erwin Haryono revealed that the prime lending rate fell 78 bps or 0.78%. "This caused the SBDK spread against the BI7DRR to widen from 5.82% in January 2020 to 6.28% in January 2021," he said in a press release, Monday (22/3/2021). Then, the 1-month deposit rate has fallen 189 bps year on year. So that the spread between the prime lending rate and the 1-month deposit rate has increased from 4.86% to 5.97%. Erwin said that state-owned banks are currently recording 10.8% SBDK in January 2021 compared to other groups, this is still the highest.
- The Financial Services Authority (OJK) said that financial system stability was maintained amidst the economic recovery from the impact of the Covid-19 pandemic. Chairman of the OJK Board of Commissioners, Wimboh Santoso, said stability was maintained because OJK continued to strengthen the supervisory infrastructure for the financial services sector by issuing various supervisory provisions. Since the beginning of the year until March 2021, OJK has issued 7 OJK Regulations (POJK) and 10 OJK Circular Letters (SEOJK) to the financial services industry regarding various provisions in the capital market, banking and IKNB industries. "Based on data up to February 2021, financial system stability is still maintained and able to encourage the economic recovery process that is being carried out by the Government," said Wimboh Santoso in a press release, Friday (26/3/2021).

**Review:**

The aim of accelerating the lowering of prime lending rates is to accelerate the transmission of BI's monetary and macroprudential policies and to expand information dissemination to consumers. Both corporations and individuals are in order to improve governance, market discipline and competition in the banking credit market.

**❖ BANKING**

- PT Bank Rakyat Indonesia, Tbk supports government programs to increase the financial inclusion of Indonesians by up to 90% in 2023-2024. This target is stated in Presidential Regulation No. 114/2020 concerning the National Strategy for Financial Inclusion (SNKI). To support this, BRI sets a vision to become 'The Most Valuable Banking Group In Southeast Asia & Champion of Financial Inclusion' by 2025. Through the vision of 'Champion of Financial Inclusion, BRI assesses the importance of increasing financial inclusion so that the welfare of the community, especially micro-entrepreneurs, small and medium enterprises (UMKM) can also increase. President Director of BRI Sunarso said that the vision to be the leading financial institution in implementing financial inclusion has been announced by the end of 2020. "We finally set up a new vision, we want to become The Most Valuable Banking Group in South-East Asia and from Home to The Best Talent we have changed to become Champion of Financial Inclusion. This is how we contribute to the country," said Sunarso. written statement, Wednesday (17/3/2021).
- PT Bank Negara Indonesia (Persero) Tbk (the Company or BNI) has completed roadshow and pricing activities related to the issuance of US dollar-denominated debt securities. It is known, this publication is planned for completion on 30 March. Director of Finance of BNI, Novita Widya Anggraini, explained that the letter would be issued in the form of Tier 2 Subordinated Notes amounting to US \$ 500,000,000 (five hundred million US dollars) with an interest of 3.75% (three point seven five percent) per year for tenors. 5 years. He also explained that the structure of the Tier 2 Subordinated Notes was prepared following a number of regulations. The regulations include the Financial Services Authority Regulation Number 11 / POJK.03 / 2016 concerning the Minimum Capital Requirement for Commercial Banks (as amended most recently by the Financial Services Authority Regulation No. 34 / POJK.03 / 2016 concerning Amendments to the Financial Services Authority Regulation No. 11 / POJK.03 / 2016 concerning Minimum

Capital Adequacy Requirement for Commercial Banks) and Financial Services Authority Circular Letter Number 20 / SEOJK.03 / 2016 concerning the Feature of Converting to Common Stock or Write Down on Additional Core Capital Instruments and Supplementary Capital.

Review:

Through this new vision, BRI strives to become a financial services institution that creates value enhancement and expansion for all people. Sunarso said that value creation will be carried out not only from an economic perspective, but also in contributing socially to the environment.

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