



ECONMARK

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Indonesian Consumers and Urban Lifestyle Post-COVID Consumption: Ready to Take Off?

Ending 2022 with renewed hope, despite new difficulties stemming from the US and Europe financial sector's recent upheaval. Nonetheless, 2022 laid solid groundwork for us, and reliable indicators hint at an optimistic future. To begin with, consumers are still resilient. Despite the Omicron explosion in early 2022, consumer spending continued its upward trend. Indeed, when the government reduced the fuel subsidy, which led to rising prices, consumer spending was remarkably stable for at least six weeks (indicated by Mandiri Spending Index). With the mobility restriction policy lifted, we expect consumer spending in 2023 to be at least as robust as in 2022.

Lessons from the past two years; we documented two dynamics in Indonesia's consumer spending. The *first* was characterized by a cyclical increase in consumption, during which the trajectory of consumer spending was highly unpredictable as a result of social restrictions.

Consumer spending pattern resembling the typical level pre-pandemic. This is the *second* characteristic. During the pre-pandemic, consumer spending tended to be stable. The seasonal cycle is generally related to festivities—such as Ramadan & Eid al-Fitr, Christmas, and year-end celebrations. This pattern was clearly visible upon entering 2022. For instance, our MSI reading throughout 2022 showed a similar pattern to BI's Retail Sales Index in 2018 and 2019. This pointed out that spending behavior was already back to normal.

This report delves into the most recent information on consumer spending. The report also documents rapidly changing urban consumer behaviors, including their banking-related lifestyle during the last three years. Overall, we believe the solid foundation of consumption in 2022 will pave the way for a fresh promise for the economy in 2023. The challenges will always come from the risk of rising Global food prices on the back of recovering China and India demand. Furthermore, the pandemic is also significantly affecting the structure of household spending. People will tend to be more defensive if the pandemic were coming back, and vice versa.

Although the overall picture indicates that consumers are resilient, economic shocks and volatility could jeopardize the livelihoods of the vulnerable and poor. As a result, the government's assistance to these groups through social assistance is critical. Past lessons showed that some welfare policies worked well in assisting the poor in mitigating economic shocks.

Reflection from the Pandemic: How COVID Affects Household Consumption

The latest data on consumers (i.e., the first three months) indicated that spending picked up across all regions at the start of Ramadan 2023. Yet, taking a deeper analysis suggests that the **higher spending appears to be driven by inflation.** Thus, inflation seems to hinder buoyant consumption in the first two months.

With high prices during pre-Ramadan, consumers reprioritize their spending. Consumers spent less on durable goods in the last two months of 2023 due to rising prices. Meanwhile, **they tended to reallocate their income to basic necessities,** such as non-durable goods. This reinforces the view that Indonesian consumers are more value-conscious and prefer products that provide good value for money.

As we emerge from the pandemic, we realize that it has not only affected the consumer spending trajectory but also altered the way we spend our money. During the pandemic, social restrictions curbed people from their daily activities. Upon facing a new reality, consumers were compelled to transition to digitalization in their financial dealings. Experience goods, traditionally purchased in person because customers want to try them out first, are increasingly being purchased online. The widespread improvement of digital infrastructure that enables internet access has also contributed to this swift behavioral change. Thanks to this breakthrough, Indonesian consumers are now better equipped to deal with the worst public health crisis of our generation.

Meanwhile, COVID-19 affected almost all layers of communities. The virus has profoundly affected urban communities' way of life. Consumers in urban areas have had to adjust their lifestyles and spending habits as a result of social isolation measures and the elimination of non-essential businesses.

One of the most significant changes during the pandemic has been the rapid adoption of digital technology. Given the restricted physical contact, Indonesian urban consumers turned to online and mobile channels for banking, shopping, and entertainment. This has accelerated the growth of e-commerce and food delivery services, which were essential for consumers during the pandemic. There has also been a rise in demand for contactless payment methods and a general preference for safe goods and services.

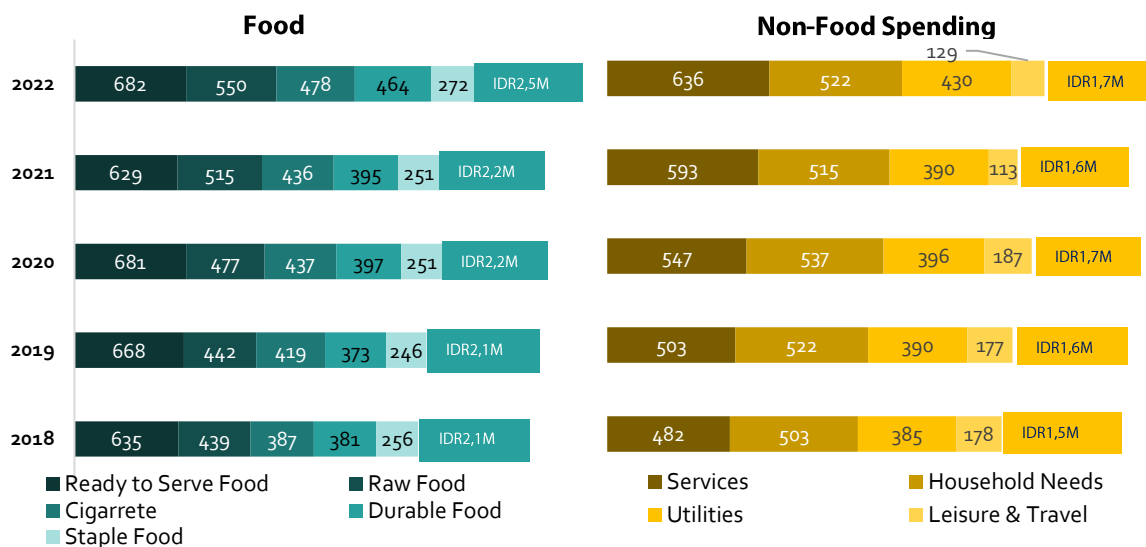
At the same time, banking services have also been transforming. With physical branches closed or operating with limited capacity because of the pandemic, urban consumers have turned to online and mobile banking to meet their banking needs. This has led to an increased usage of digital banking features, such as mobile payments, online account opening, and video banking. The data shows that while core banking products grew at a double-digit rate, the growth of bank branches remained flat. This suggests that digital channels, such as mobile banking apps, play a crucial role in selling financial products.

Households in Indonesia have become more adaptive in responding to the pandemic. As we investigate household consumption, an interesting figure emerges and reflects how consumers go beyond cutting discretionary spending during the

weakened economy. Discretionary spending components—mostly in the non-food category, such as leisure and travel—significantly lowered in 2021. Households also responded to the pandemic by spending less on household needs and utilities. Furthermore, consumption was maintained at the expense of the food component, as ready-to-serve food consumption declined by 8% on average in 2021. That year, we noticed that the average monthly household consumption was steady at IDR 2.2mn.

Consumers and households are more aware of the value of money they could spend. The pandemic has affected people’s lifestyles and perspectives, thus resulting in a change in shopping behaviors. During the pandemic, back-to-basic also applied to consumption activities as households prioritized purchasing staple foods and basic goods. Switching from luxury products to more economical ones was the main theme, as insecurity about future income and the risk of another lockdown lingered and darkened the decision to shop or not. All in all, we think the pandemic brought a positive impact on consumer behaviors, as people now would rethink and reassess spending habits based on their budget and needs. However, note that challenges persist from potentially lower commodity-related revenues and the end of the budget financing agreement (SKBIII) with BI.

FIGURE 1. HOUSEHOLD’S FOOD VS NON-FOOD SPENDING (IDR ‘000/MONTH)



Sources: Susenas 2022

Although the overall picture indicates that consumers are resilient, the current volatility and economic shocks could jeopardize the livelihoods of the vulnerable and poor. As a result, the government’s assistance to these groups through social assistance is critical. Past lessons show that social protection policies work well in assisting the poor in mitigating economic shocks. In 2023, the government continued to finance numerous social assistance initiatives. The Ministry of Finance has included an IDR 476tn social protection budget in this year’s state revenue and expenditure budget (APBN).

This Econmark report delves into the most recent information on consumer spending in 2023. The report also documents rapidly changing urban consumer behaviors, including their banking-related lifestyle during the last three years. Meanwhile, the pandemic is significantly affecting the structure of household spending. Moreover, the government's social protection program has played an important role in mitigating the economic shocks on the most disadvantaged people. Overall, we believe the solid foundation of consumption in 2022 will pave the way for a fresh promise for the economy in 2023.

The Recent Update on Consumer Spending

2022 laid a good basis for 2023. With that basis, we anticipate consumers to remain resilient in 2023. This assessment is based on what occurred in 2022. Despite the impending Omicron explosion in early 2022, consumer spending remained on the mend. Indeed, when the government removed fuel subsidies, causing prices to rise, consumer spending—as measured by the Mandiri Spending Index (MSI)—remained relatively steady for at least six weeks. We believe the consumer spending in 2023 will be at least as buoyant as in 2022 since the government has formally abolished the social limitation policy known as PPKM.

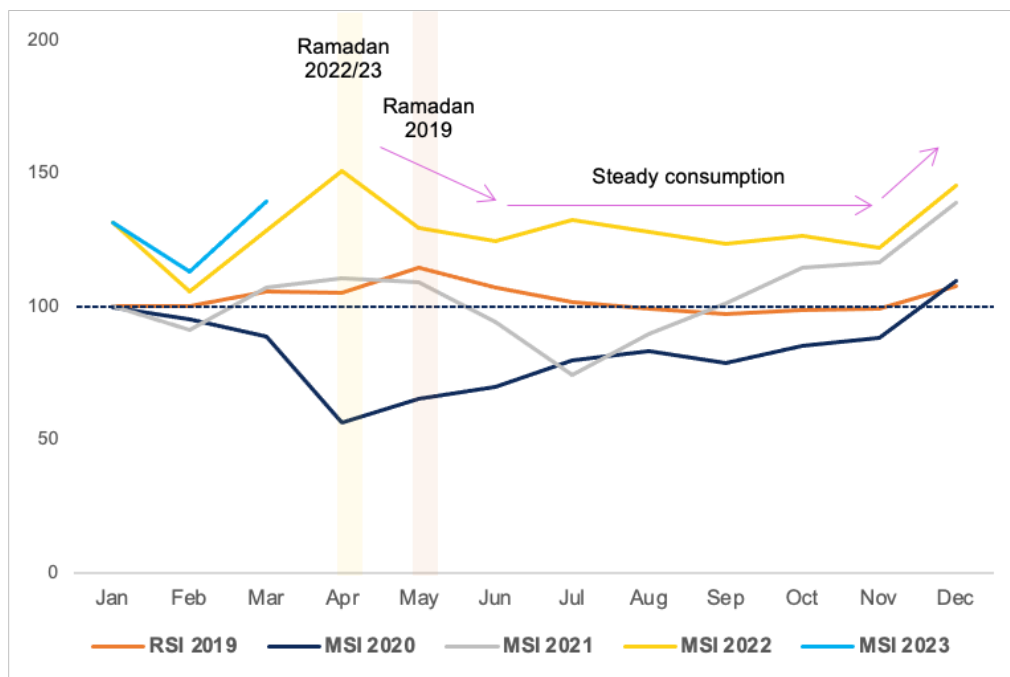
Nevertheless, we pause momentarily and consider at least two consumer spending trends. The *first* is distinguished by quick changes and considerable volatility in consumer expenditure as a result of the pandemic and social restriction laws. The *second* dynamic hints at the normalizing of spending.

The first dynamic spending tended to be volatile. The MSI has seen two spending events since the pandemic began (Figure 1). After a sharp drop in 1Q20 due to the COVID-19 outbreak, the spending value returned to its pre-pandemic level in the first phase. This upward trend lasted three quarters, from 2Q20 to the end of 2020. Spending recovered throughout 2021, particularly following the Delta event in 3Q21, and has now surpassed its pre-pandemic level. The MSI was 130.5 in 4Q21, which was 30.5% higher than the pre-pandemic level. Spending trends in this first episode tended to rise from January to December, especially after social restraints were lifted in May-2020 (post-PSBB) or Aug-2021 (post-Delta).

The second dynamic reflected a typical spending pattern during a normal period.

During this phase, spending patterns resembled those seen prior to the pandemic, indicating that spending has normalized. This has been the case since the second quarter of 2022. In general, the trend of higher spending occurs only twice a year: during Ramadan-Eid and near year-end. Spending is generally stable outside these two periods. This can be seen by comparing spending patterns in 2019 (as represented by BI’s Real Sales Index/RSI as an illustration of spending in pre-pandemic or normal conditions) to the MSI levels in 2022 and 2023. In general, spending fell in the first two months, recovered in March, and has remained stable throughout the year, with the exception of Ramadan-Eid and the year-end.

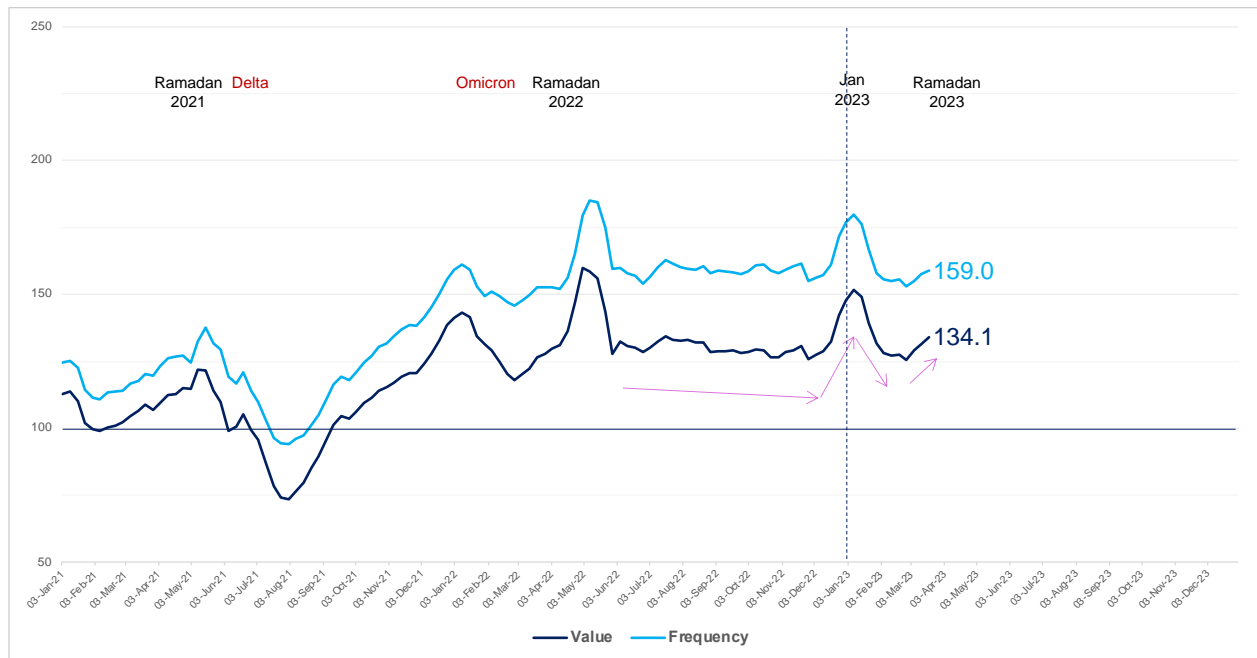
FIGURE 2. THE PHASE OF CONSUMER SPENDING SINCE THE PANDEMIC



Sources: Mandiri Institute, Bank Indonesia. RSI normalized to 100 in Jan-2020

In the days leading up to Ramadan, spending increases. The MSI reached 134.1 (Figure 3) in the third week of Mar-2023 (a week before Ramadan), marking the third consecutive week of improvement since late February. This was 6.2% higher than in the same period last year (126.3) and 6.8% higher than the lowest spending in 2023 at the end of February (125.6). With Ramadan quickly approaching, we anticipate March’s MSI to increase to 139.6, which would be 8.3% higher than in Mar-2022 and 22.96% higher than in Feb-2023.

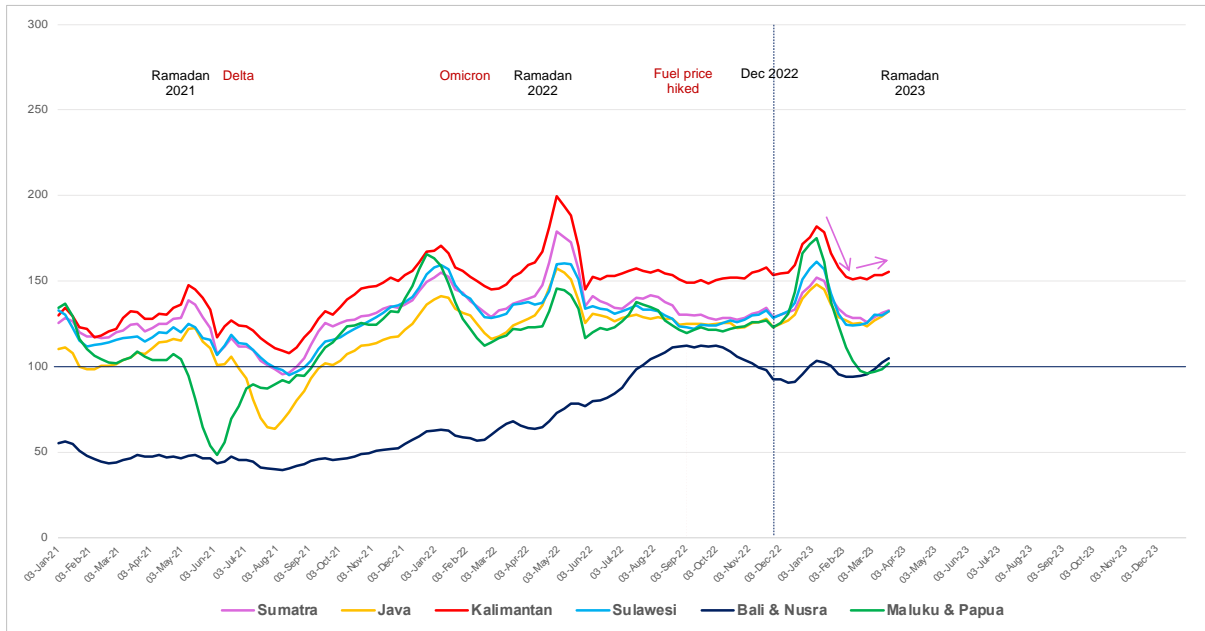
FIGURE 3. MANDIRI SPENDING INDEX (MSI)



Sources: Mandiri Institute

Across regions, spending went up. Figure 3 shows that growth was highest in Bali and Nusa Tenggara, increasing by 10.0% from the end of February and by 54.0% yoy. This increase was primarily attributable to growth in NTB (up 11.3% from the end of Feb-2023) and NTT (up 9.8%). These two regions ranked third and fourth in the nation in terms of consumer spending increase. Bali, a province with reasonably significant growth, had a 9.5% growth rate (ranked 7th), which was lower than those of its neighbors. Central Java (up 8.8%) and Banten (up 8.7%) drove Java’s 7.0% growth since the end of Feb-2023. This was a major factor because Java was responsible for more than two-thirds of all expenditures. After Java, the regions with the highest growth rates were Maluku & Papua (5.9%), Sumatra (5.7%), Sulawesi (5.5%), and Kalimantan (0.3%).

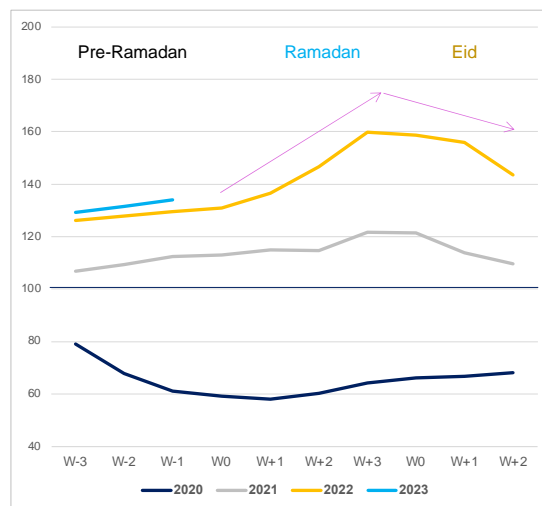
FIGURE 4. MSI, BY REGIONS



Sources: Mandiri Institute

Nevertheless, spending increases remained modest. Despite rising ahead of Ramadan, spending values in the past 3 weeks were only slightly higher than in 2022, growing by an average of 4% over the same period last year (Figure 5). This contrasts with last year when the average spending value was higher than in Ramadan 2021 (15%). Despite higher prices than in 2022, the lower value growth in 2023 might indicate a slowing in the current spending volume. To provide context, the average annual inflation in 2M23 was 5.38%, which was more than double the rate in 2M22 (2.12%).

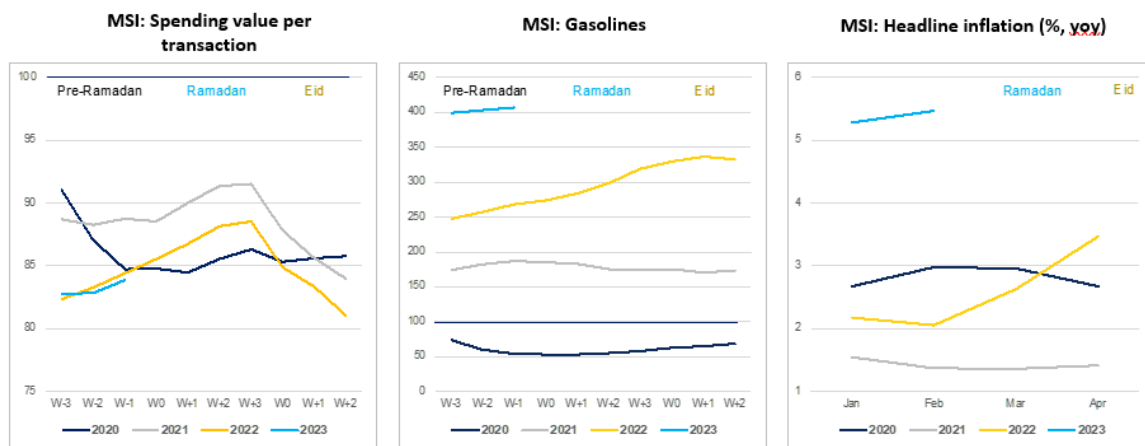
FIGURE 5. MSI TREND FROM PRE-RAMADAN TO EID



Sources: Mandiri Institute

Rising mobility and wariness may reduce average transaction sizes. Currently, The value of spending per transaction is lower than during the pandemic’s early years (Figure 6). We notice that smaller spending tickets are likely associated with greater mobility (Figure 6). That is, consumers do transactions more frequently but with smaller ticket sizes. The growth of spending value is relatively constrained. Online shopping is on the rise because it eliminates the need for physical movement. However, the share of online shopping to the total consumer spending remains small, just ~4.8% in 2022 (estimated based on BI data).

FIGURE 6. MSI BY TYPE

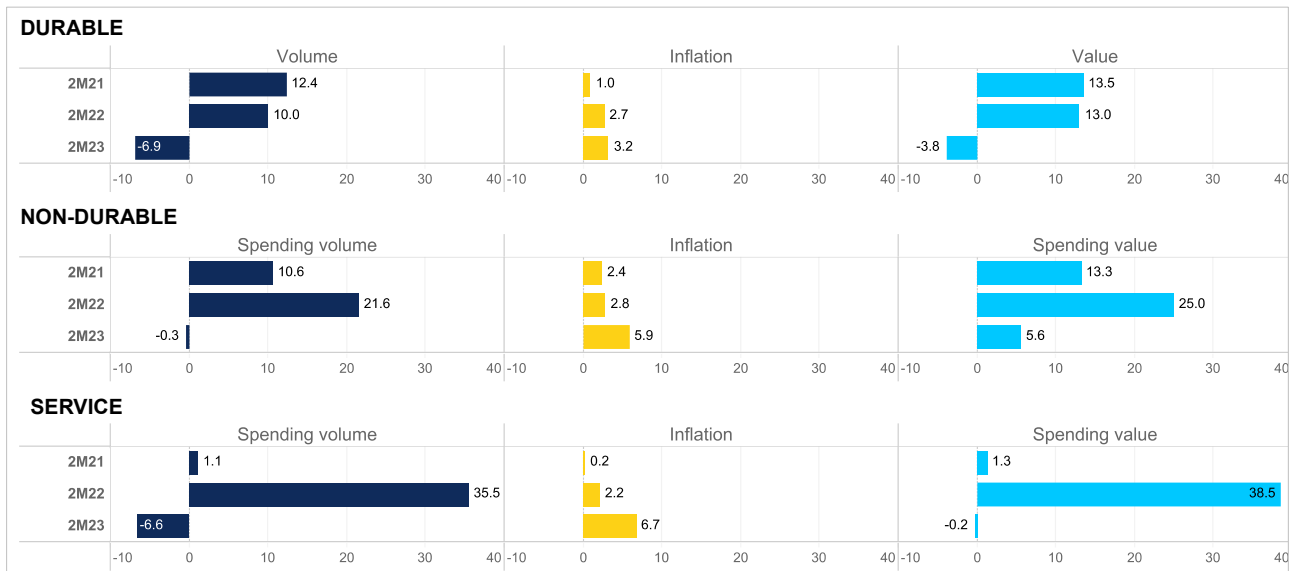


Sources: Mandiri Institute, BPS

Conversely, the relatively high inflation rate may be linked to more cautious consumers, resulting in lower average transaction values (Figure 6). Since the beginning of the war between Russia and Ukraine in Feb-2022, the annual inflation has risen steadily and peaked in Sep-2022. Although inflation is currently falling at a slower rate, it is expected to remain >5% in 2M23 (compared to 2% in early 2022). Consumers may become more prudent as a result of rising inflation, especially for food. Consumers who are wary of spending too much may either cut back on their usual purchases or look for cheaper alternatives.

Price increases affected spending on some goods and services. The recent consumer spending patterns reinforce our view about the cautious consumer phenomenon (Figure 7). As shown by the MSI, spending volume in all categories (durable, non-durable, and services) dropped in 2M23 compared to last year, especially durable (-6.9%) and services (-6.6%). Although the current prices are relatively higher, the spending value (a function of price and volume) will eventually fall when spending volume falls at a greater magnitude. In comparison, spending volume increased in 2M22 and 2M21 when inflation was lower, thus boosting the growth in spending value.

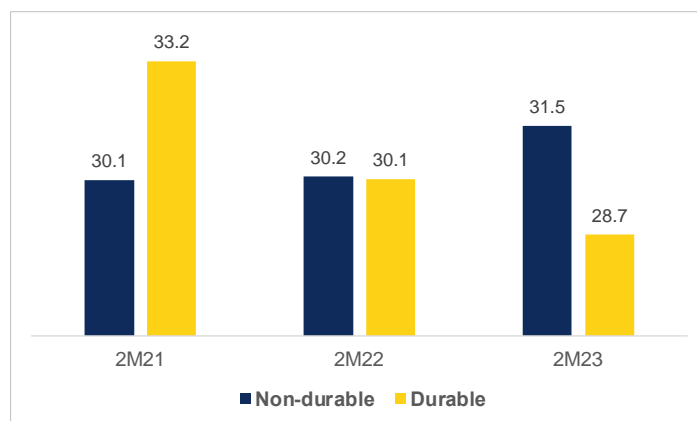
FIGURE 7. IMPACT OF VOLUME AND INFLATION ON OVERALL SPENDING VALUE CHANGE (% , YOY)



Sources: Mandiri Institute, BPS

Shifting spending priorities. While facing a contraction, the volume of non-durable spending fell only modestly in 2M23 (-0.3%) amid a significant increase in prices (Figure 7). As a result, spending value grew positively compared to 2M22 (5.6%). This is reasonable considering that non-durable products, such as food, groceries, and daily household equipment, remain a top priority since they are basic necessities for consumers. In general, the share of non-durable spending has been increasing (Figure 8). In 2M21, it was at 30.1%, and in 2M23, it grew to 31.5%. On the other hand, the share of durable goods has been declining. The share of total spending reached one-third (33.2%) in 2Q21 before falling to 28.7% in 2M23. This suggests a shift in spending priorities toward staple goods while reducing the portion of discretionary spending.

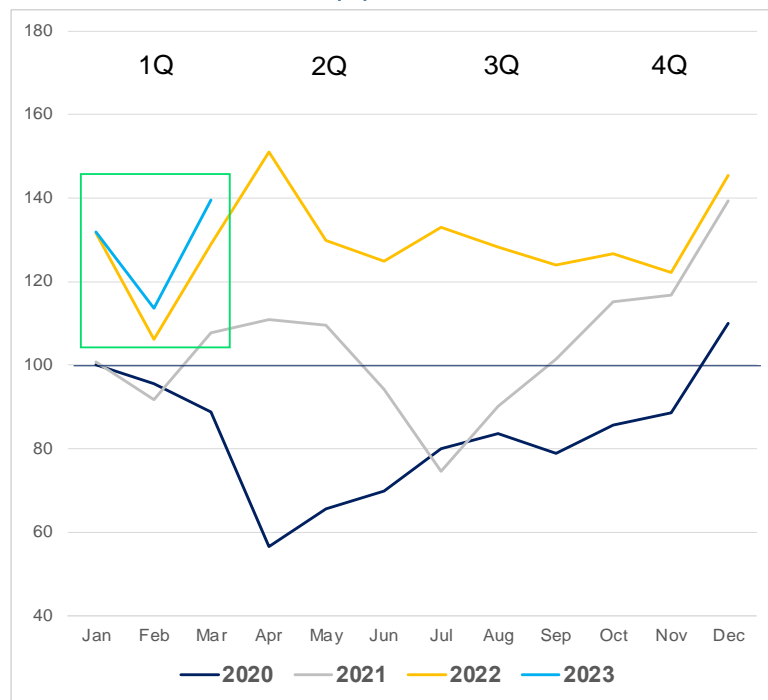
FIGURE 8. SHARE OF TOTAL SPENDING (%)



Sources: Mandiri Institute

Manageable inflation would boost consumer spending. After a relatively stable 2Q23, consumer spending rose in March; this trend is likely to sustain through the end of Ramadan and the beginning of Eid al-Fitr in early May (Figure 9). However, this spending momentum must be maintained by keeping the inflation rate stable, especially in staple goods and transportation, which have the potential to grow quickly ahead of Eid al-Fitr and the massive homecoming season. Sustaining spending momentum in April and early May will lay a solid foundation for strong household consumption growth in 2Q23. If not, inflation, which is still high at the moment, might stifle the accelerated recovery of consumer spending this year.

FIGURE 9. SHARE OF TOTAL SPENDING (%)



Sources: Mandiri Institute

Urban Lifestyle Post-Pandemic

The pandemic has drastically altered the landscape of consumer spending. During the pandemic, social restriction policies limited people's ability to go about their daily lives. As a result of the new reality, consumers are being pushed to conduct transactions digitally. Indeed, experience goods, for which consumers typically require a personal touch and direct experience when purchasing, are now frequently purchased through digital channels. This rapid behavior change has been aided by the extensive development of digital infrastructure, which allows people to connect to the Internet. As a result of the advancement, Indonesian consumers can navigate through the worst public health crisis in their lifetime.

As countries are on a path back to normalcy, thanks to effective government support and the success of many vaccines, consumers return to their typical spending behavior patterns in the pre-pandemic. Yet, some behaviors persist or remain sticky during normalization, and they are related to digital transactions and the digital adoption of certain financial services.

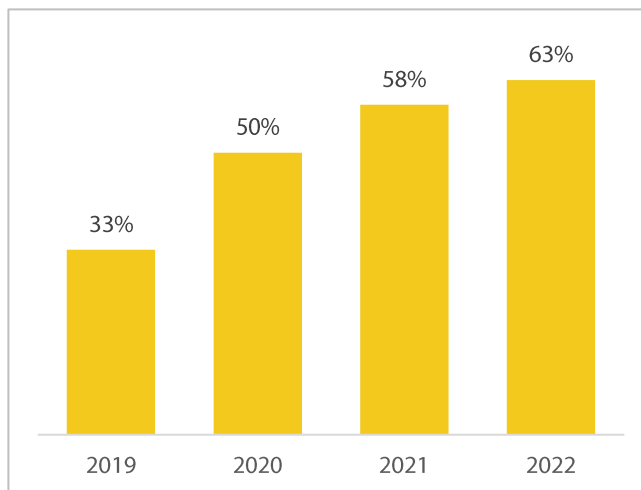
Indeed, the rapid spread of digital technology is one of the most transformative factors. Due to restrictions on meeting face-to-face, Indonesian urban consumers have shifted their banking, shopping, and entertainment habits to online and mobile channels. Due to the pandemic, online shopping and food delivery services have experienced explosive growth.

At the same time, due to the pandemic, banking services have also been severely disrupted. More people in Indonesia are using online banking services. Customers in urban areas have increasingly relied on the Internet and mobile banking as a result of the slow expansion of traditional bank branches.

Therefore, mobile payments, online account opening, and even video banking have all seen a rise in popularity. Banking's primary offerings grew at a double-digit rate, according to the data. Meanwhile, it appears that traditional points of sale, like bank branches, are staying the same. It is clear that digital channels, such as mobile banking apps, are crucial in selling financial products.

According to Badan Pusat Statistik National's socio-economic survey, 63% of adults in Indonesia have internet access. During the pre-pandemic in 2019, the rate was only 33%. As a result, in less than five years, internet penetration nearly doubled. This was a remarkable achievement, though the adoption might have been influenced by the pandemic.

FIGURE 10. INTERNET PENETRATION (% OF ADULT INDIVIDUALS AGED 15+)

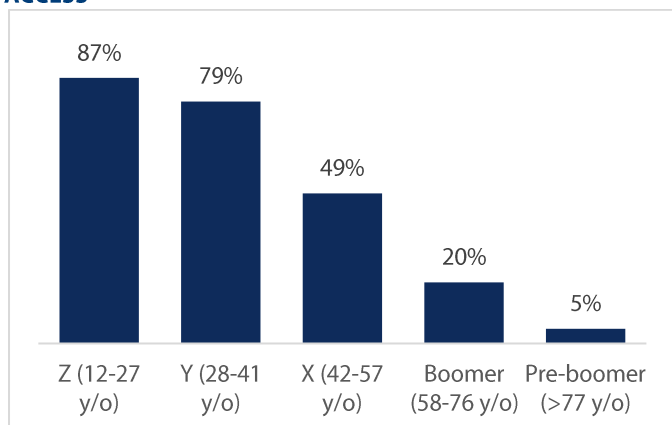


Sources: Susenas, BPS

The younger generation is technologically savvy. Individuals aged 12 to 27 years old have almost universal access to the Internet. That is, internet adoption among them has reached 87%, the highest among any generation. Unsurprisingly, Indonesia has the highest proportion of working-age people with internet access.

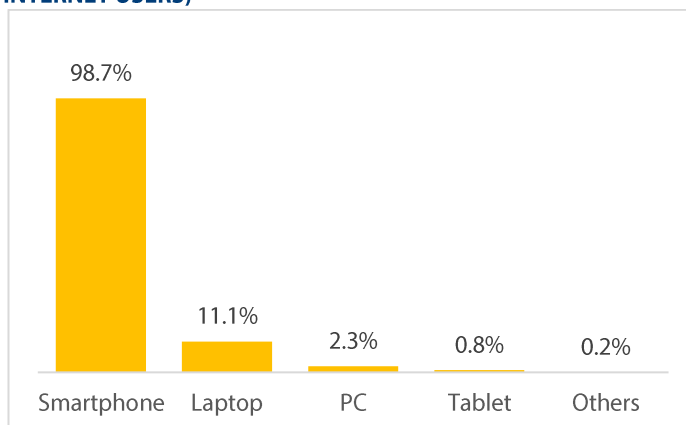
The mobile phone has evolved into the most important device for internet access. As almost everyone owns a mobile phone, most Indonesians access the Internet via mobile phones. According to the most recent data, nearly all Indonesians (98.7%) access the Internet via mobile phones. The fact that a mobile phone is an affordable, powerful, multipurpose, and convenient technological device is the primary reason why it has evolved into a basic piece of daily urban life equipment.

FIGURE 11. PERCENT OF THE POPULATION WITH INTERNET ACCESS



Source: Susenas 2022, BPS

FIGURE 12. DEVICES USED TO ACCESS THE INTERNET (% OF INTERNET USERS)

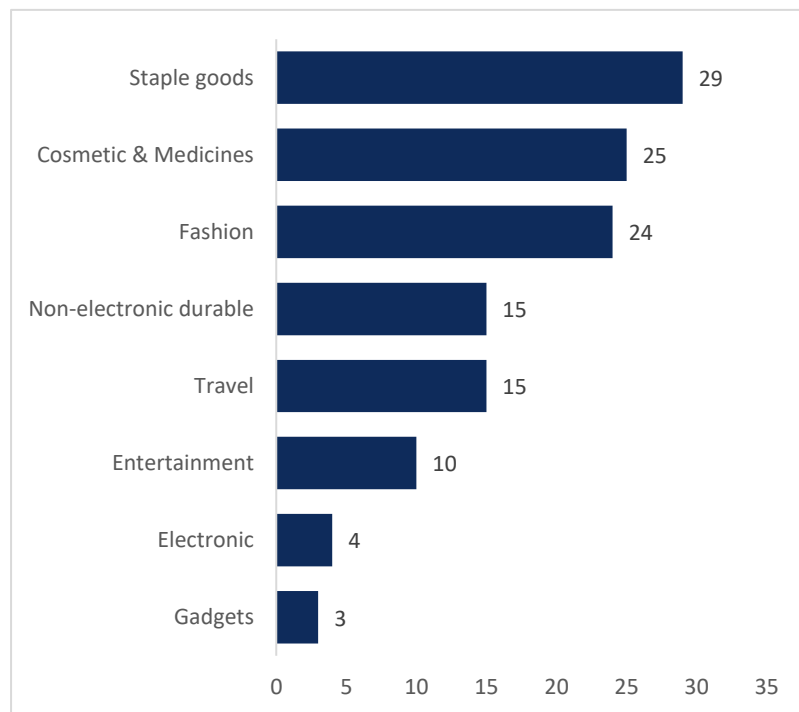


Source: Susenas 2022, BPS

The pandemic has compelled us to buy necessities and other items online. Some behaviors have persisted. According to data from the Mandiri Institute’s Urban Banking Survey, online purchases of staple goods, cosmetics, fashion, and non-electronic durables will increase. It is rather surprising that, as we return to normalcy, people are still willing to buy even experience goods online, such as cosmetics and fashion. Those who continue to buy fashion online outnumber those who visit brick-and-mortar stores by a factor of 24.

Not only are more people making online purchases, but they are also using the Internet to access banking services. Our survey found that urban consumers had an unusually high exposure to financial services. Among the survey respondents, ~88% said they used financial services. The findings support the notion that increased Internet access has led to increased use of Internet banking services. Among those polled, ~71% said they have mobile banking apps. This puts mobile banking apps at the forefront of providing future banking services.

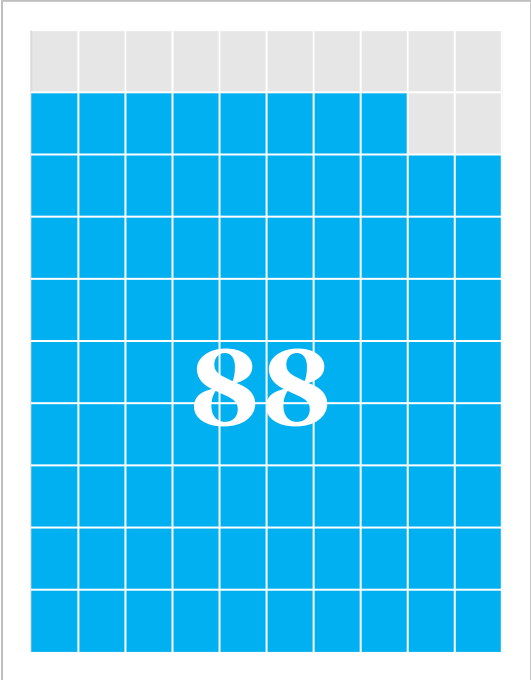
FIGURE 13. PERCENTAGE POINT INCREASE OF INDIVIDUALS THAT CONTINUE TO PURCHASE PRODUCTS ONLINE



Note: This is the percentage point differential between increases and decreases in online shopping

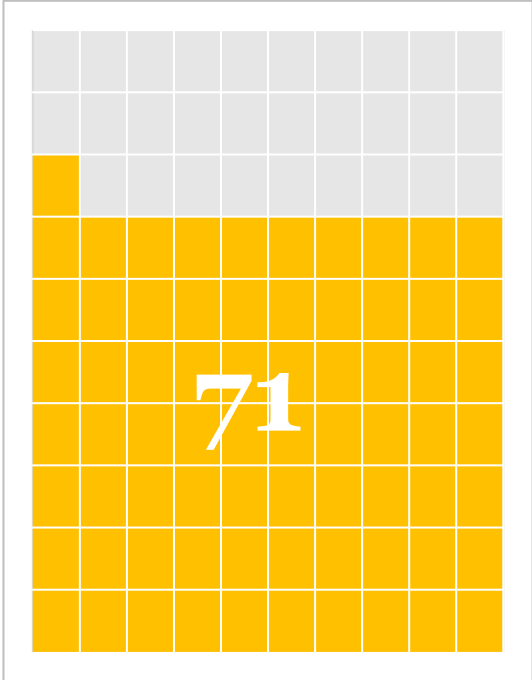
Sources: Mandiri Institute, Urban Banking

FIGURE 14. PERCENT OF RESPONDENTS WHO ARE BANK CUSTOMERS



Source: Mandiri Institute, Urban Banking Survey

FIGURE 15. RESPONDENTS WHO HAVE MOBILE BANKING APPS



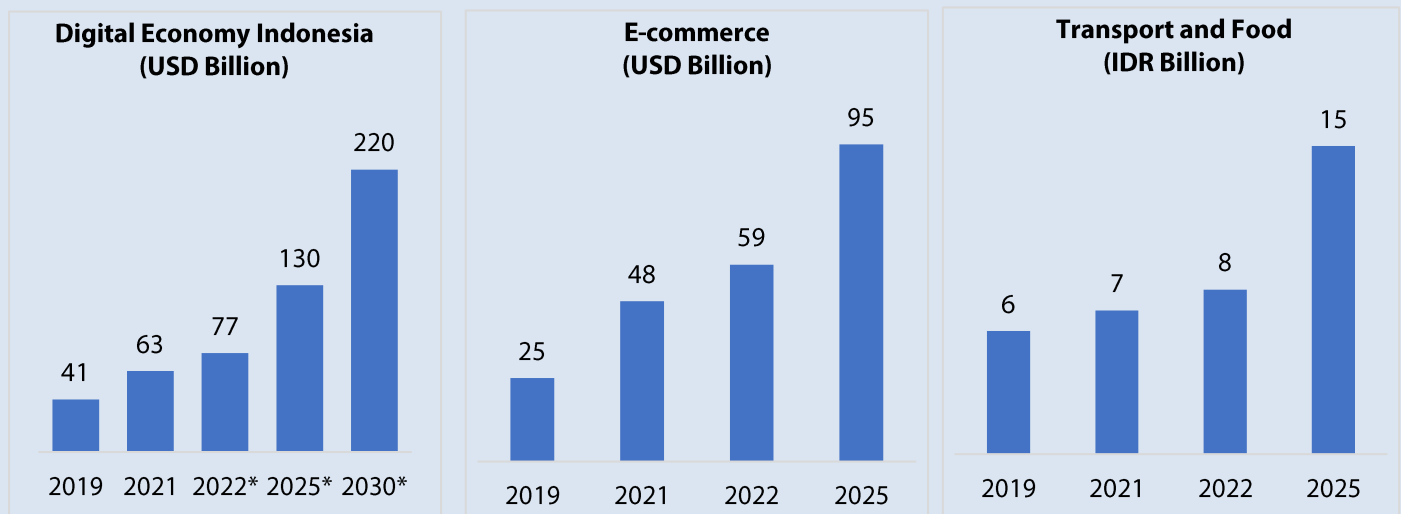
Source: Mandiri Institute, Urban Banking Survey

Box 1. The Pandemic and the Digital Lifestyle Trend

When it comes to internet adoption, Indonesia has been on the rise. The pandemic accelerated the adoption. From that, Indonesia emerges as a country with a vibrant digital economy.

From a widely cited study, by 2022, Indonesia’s digital economy is expected to reach USD 77bn or grow by 22% from 2021 (Google Temasek 2022). Indonesia accounts for ~40% of ASEAN’s total digital economy transactions. Investment in Indonesia’s digital economy sector also grew positively, as indicated by the investment deal value in 1Q22 of USD 3bn, followed by Singapore’s. With the positive performance of the digital economy, its valuation is expected to double to USD 130bn in 2025 and USD220bn-360bn in 2030. The supporting factors behind the rising digital economy are that most of Indonesia’s population is of productive age, that the nation has >2,400 start-up companies (6th rank in the world for the highest number of start-ups), and that its internet penetration rate has reached almost 70%.

FIGURE 16. INVESTMENT BY SECTOR



Source: Google, Temasek Bain 2022

In 2023, digital transformation continued to develop and accelerate. As we return to normalcy, some digital trends appear to stay. The following are the trends in 2023¹:

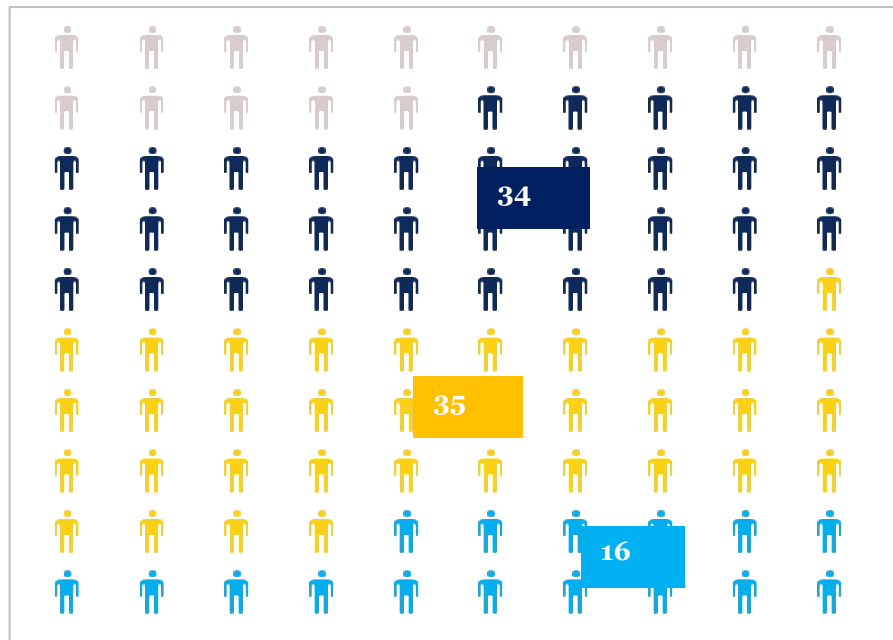
1. Interactive features of shopping will be more popular. In the current marketplace platform, people are more attracted to interactive features (such as live e-commerce and live social media) in making shopping decisions. This feature would provide a unique way of online shopping and add new shopping experiences.
2. Young generations will be more active in online shopping. Young consumers tend to place online channels as the top choice for shopping. Convenience, practicality, and safety in shopping are the driving factors for millennials and Gen-Zs to shop online. This new trend is also supported by various non-cash payment methods, which are heavily used by the young generation. Moreover, certain products—such as beauty & fashion, and, electronics, which were popular in 2022—will be even more popular in 2023.
3. The “boom” of content creators would be an important agent in the digital economy. The digitalization era has also given rise to an abundance of content creators who make videos and market their products. This contributes to economic growth by making it easier for sellers to expand their market. In 2022, one of the major e-commerce companies in Indonesia launched an affiliate program that produces content creators, with a total increase of up to

2.5x compared to 2021. The affiliate program, besides being a platform for content creators, also helps business owners expand their network and reach; thus, there was a threefold increase in product purchases via social media links in 2022 compared to 2021. Observing this trend, 2023 will witness the growth of content creators. This will be a new step for business owners to develop strategies to expand their reach through the program.

4. Consumers from medium and small cities are increasingly adopting online shopping. This is partly due to integrated digital payments through marketplace e-wallets, which provide easy access and convenience in transacting. Indeed, some marketplaces provide pay-later services or vouchers to attract new consumers. Non-urban consumers turned out to be more conscious about these offerings and are attracted to them.

One in every three Indonesians uses digital banking. With ubiquitous internet connection through mobile phones and the extensive use of mobile banking applications, Indonesians can now use financial services and undertake new types of transactions, such as e-commerce. According to Mandiri Institute’s research, ~34% of Indonesians use banking services, including mobile banking, and make online purchases. Only 16% of Indonesian adults who can be classified as non-digital consumers, i.e., those who have never used mobile banking in the previous month, have made an online purchase in the last 3 months.

FIGURE 17. LEVEL OF DIGITAL BEHAVIOR (% OF BANK CUSTOMERS)

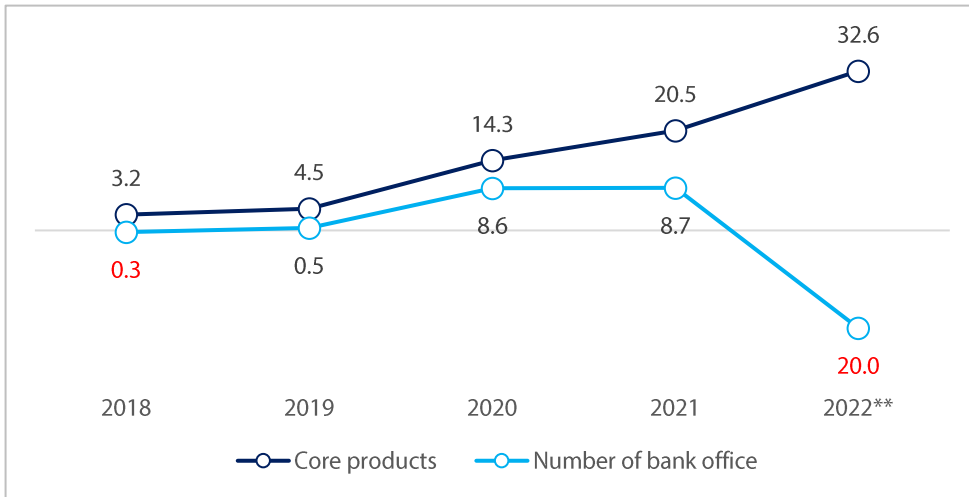


Sources: Mandiri Institute, Urban Banking Survey

The increased adoption of digital technology, partly owing to the pandemic, has far-reaching ramifications for the banking business model. Core banking products—bank accounts, loans, and credit cards—have grown by double digits over the last three years. Core product growth will reach 20.5% per year in 2021. On the other hand, the number of bank branches has remained largely stable. Indeed, there is an indication of shrinkage in bank branches in early 2022, while core product sales increased by 32.6%. It suggests that bank branches may not be a crucial sales channel for core banking goods. Instead, mobile banking seems to be significant.

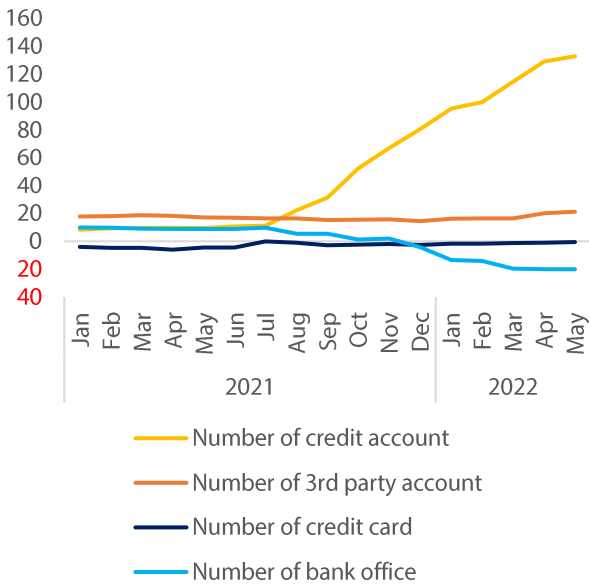
Credits were the most successfully sold core banking product last year. As the country recovers from the pandemic, its economic recovery began on a firm footing. As a result, businesses of all sizes have begun to borrow. As can be seen, credit accounts increased more quickly than other items. Surprisingly, the micro, small, and medium companies (MSME) had the fastest increase across all segments.

FIGURE 18. GROWTH IN THE NUMBER OF BANK OFFICES AND CORE BANKING PRODUCTS* (% , YOY)



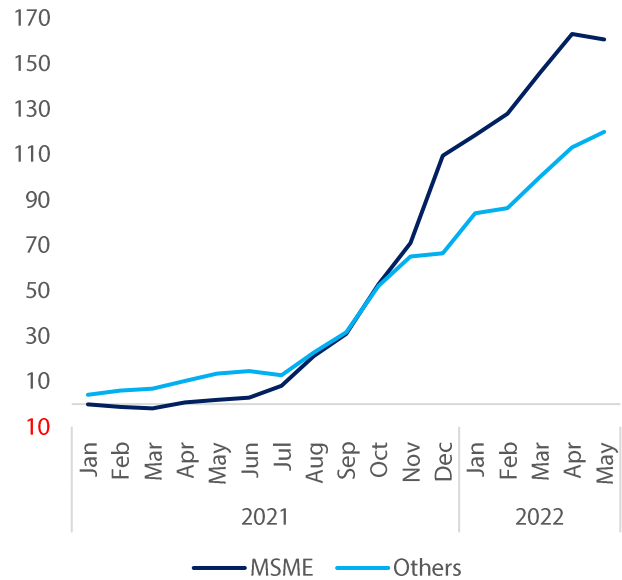
Source: Bank Indonesia; *core banking products include credit accounts, 3rd party accounts, and credit cards; **as of May-2022.

FIGURE 19. GROWTH IN THE NUMBER OF BANK OFFICES AND CORE BANKING PRODUCTS (% , YOY)



Source: Bank Indonesia

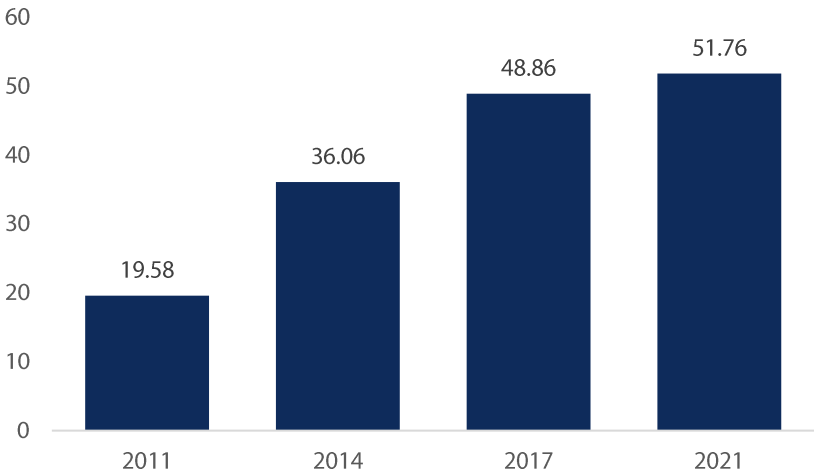
FIGURE 20. GROWTH IN THE NUMBER OF CREDIT ACCOUNTS (% , YOY)



Source: Bank Indonesia

This remarkable urban success in e-commerce and banking service utilization has been a powerful driver of financial inclusion in general. By 2021, more than half of Indonesians had an account at a formal financial institution. In 2011, only 19.6% of Indonesians had a bank account. The government’s efforts to promote financial inclusion through various initiatives significantly contributed to the progress. The growth of digital financial services has been crucial progress. Banks and the government have pushed for the adoption of digital financial services to reach out to underserved and unbanked communities, particularly in rural areas.

FIGURE 21. ACCOUNT OWNERSHIP AT FORMAL FINANCIAL INSTITUTIONS

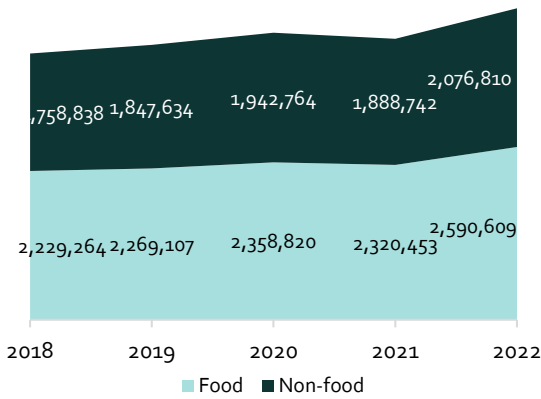


Source: The World Bank Findex Database

Indonesian Middle-Income Class Post-COVID-19

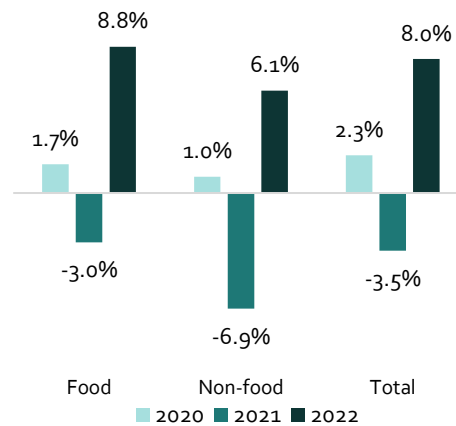
The middle-income class as the main driver of household consumption indicates a strong recovery after the pandemic hit hard in 2021. After declining by 3.5% in 2021, the middle-income class' average consumption jumped by 8.0% in 2022. Both food and non-food consumption trended upward, whereas food consumption recovered faster with 8.8% growth. Overall, this trajectory followed the average national data, wherein consumers still prioritized the food category over non-food due to the uncertain future economy. Upon comparing the nominal values, we noticed that the higher growth of food consumption in 2022 might be attributed to higher inflation than in the previous year. Inflation reached 5.51% yoy in 2022 (vs. 1.87 yoy in 2021), partly due to a 5.83% hike in food consumption.

FIGURE 22. MIDDLE-CLASS CONSUMPTION: FOOD & NON-FOOD (IDR'000 PER MONTH)



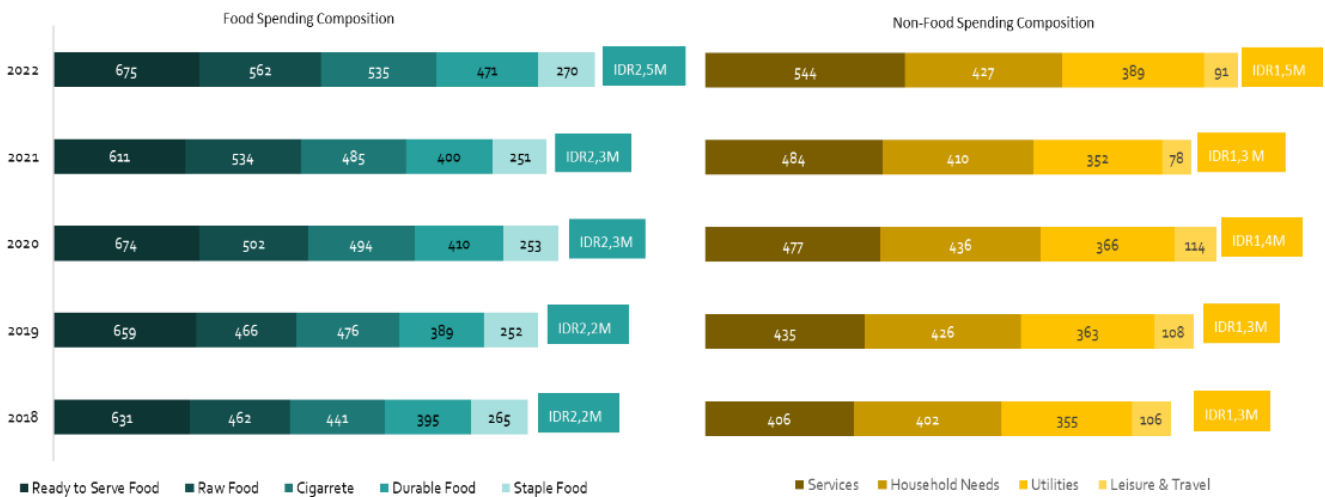
Source: Susenas 2022, BPS

FIGURE 23. MIDDLE-CLASS CONSUMPTION: FOOD & NON-FOOD (IDR'000 PER MONTH)



Source: Susenas 2022, BPS

FIGURE 24. MIDDLE-INCOME CLASS CONSUMPTION COMPONENT (IDR'000 PER MONTH)



Source: Susenas 2022, BPS

Ready-to-serve food remains the biggest component in food spending. However, we see some back-to-basic consumption activities that affect food spending categories. Household in the middle-income class tends to lower their allocation for ready-to-serve food while maintaining other types of food consumption. Furthermore, the consumption rates of cigarettes, durables, and processed foods slightly lowered in 2021. Those figures denote that household and consumer behaviors in Indonesia are quite adaptive in responding to a weakened economy.

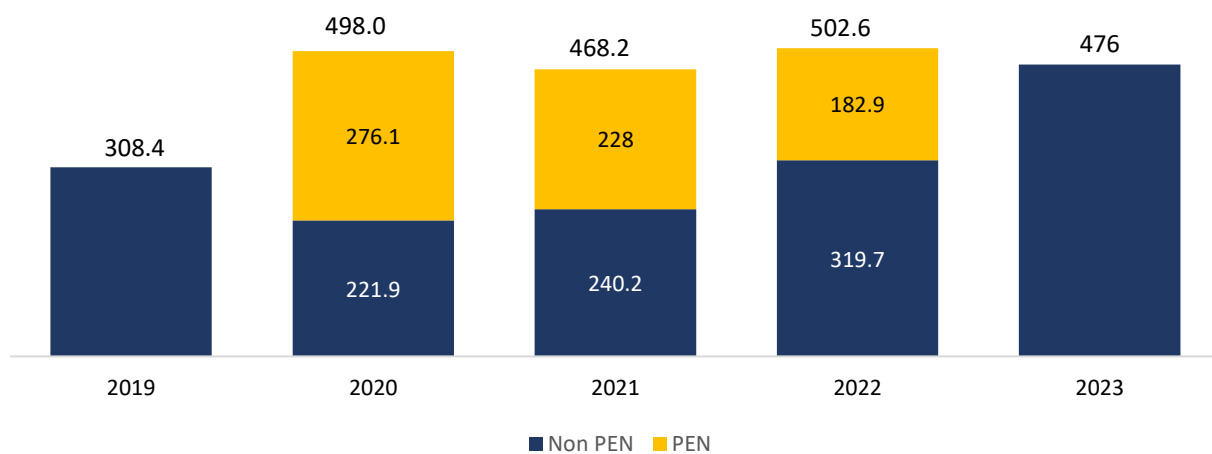
After a significant decline in 2021, spending on leisure and travel has started recovering. Reducing spending and expenses for utilities, household needs, leisure, and travel seems to be the main strategy of the middle-income class during the pandemic. Leisure and travel were the hardest hit, as their spending allocation declined by 31.5% in 2021. Last year, the middle-income class started traveling or allocating some money for leisure activities, although still below the pre-pandemic level. Allocation for those activities went up by 16.7% in 2022.

Key Policies in Maintaining Household Consumption

Although the overall picture indicates that consumers are resilient, economic shocks and volatility could jeopardize the livelihoods of the vulnerable and poor. As a result, the government’s assistance to these groups through social assistance is critical. Past lessons showed that some welfare policies worked well in assisting the poor in mitigating economic shocks.

This year, the government has continued financing numerous social assistance initiatives. The Ministry of Finance has included an IDR476tn social protection budget in this year’s state revenue and expenditure budget (APBN) (Ministry of Finance). In 2022, from a total of IDR 502.6tn allocated for social protection, some were under the National Economic Recovery Program (IDR 182.9tn) and some under other programs (IDR 182tn).

FIGURE 25. THE ALLOCATED SOCIAL PROTECTION BUDGET UNDER THE NATIONAL ECONOMIC RECOVERY PROGRAM AND OTHERS (IDR TN)



Source: MoF

The Family Hope Program (Program Keluarga Harapan) is still the most all-around social assistance. The long-running Family Hope Program (PKH) aims to help 10mn families. Jan–Mar 2023 will be the program’s first phase. Himbara and the Post Office are assisting the government in distributing social assistance this year. The Ministry of Social Affairs’ Integrated Social Welfare Data (Data Terpadu Kesejahteraan Sosial/DTKS) underpins the PKH’s beneficiary data. The DTKS updates monthly in case a PKH beneficiary family (KPM) may no longer receive assistance due to death, disappearance, already earning enough, or other factors.

The Staple Food Card Program, known as Non-Cash Food Assistance (Bantuan Pangan Non-Tunai/BPNT), will continue this year. The BPNT is intended for 18.8mn beneficiary families. The program’s KKS card allows a recipient to spend IDR200k in basic social assistance at Pos Indonesia or a channeling bank. Thus, from Ramadan until Eid, the IDR 600k food program will be distributed.

Direct cash transfer provides significant assistance for the extremely poor. This year, the government has allocated BLT (direct cash assistance) for the extremely poor using the village fund (Dana Desa) to eradicate extreme poverty. This program pays IDR 300k monthly or quarterly. The government also provides the 3-month Ramadan Food Social Assistance to reduce inflation caused by rising market prices during the fasting month. Later, Pos Indonesia will distribute 10 kg of rice to registered recipients. Mar–May will also have some social assistance programs. According to BKKBN data, 2.1mn toddlers or toddlers at risk of stunting will receive eggs and chicken meat from the BKKBN Food Social Assistance. ID Food, a state-owned food company, will help the government distribute goods.

Other social assistance programs are aimed at improving skills by subsidizing learning programs. For example, in the Pre-Employment Card Program (Kartu Pra Kerja), 16.4mn Indonesians have participated in 3 years. The program participants are 51% women and 3% disabled. A study suggests that 33% of the program participants are employed as small business owners or employees. Furthermore, this program gives workers scholarships to take the relevant online training at e-marketplace partners. Among the recipients, 12% are over 50 years old, and 19% are junior high school graduates.

Program Indonesia Pintar or Smart Indonesia Program (PIP) is crucial in assisting students from disadvantaged backgrounds. This year, the Ministry of Education, Culture, Research, and Technology and the Ministry of Religion are administering the PIP. The program aims to have 17.9mn recipients of students from elementary schools (SD) to high schools (or equivalent). The assistance amount remains the same as last year: IDR 450,000 for elementary school students and IDR750,000 for middle school/high school/similar level students. The funds will be disbursed through Himbara (a group of state-owned banks). The Indonesia Smart Card (KIP) is also available to college students. Verification indicates that the KIP program will reach up to 908.9k underprivileged students by 2023.

Providing assistance by subsidizing healthcare costs is also important to help prevent the vulnerable from further impoverishment due to illness. One such program is the Health Insurance Contribution Assistance Program (PBI JK), which uses households registered in the integrated social welfare data (DTKS) as the main beneficiaries. PBI Health Insurance beneficiaries are expected to reach 96.8mn-100mn people this year. Under this program, the beneficiaries enrolled in the PBI JK program no longer have to pay BPJS Health contributions each month.

In addition to the social assistance programs, the government has allocated a budget for social protection, totaling IDR311.8 tn through non-ministerial/institutional (non-K/L) channels. In addition to other expenditure programs and allocations for disaster reserves, this non-K/L social assistance is provided through a subsidy management program for the distribution of electricity, 3-kg LPG cylinders, and KUR interest subsidies.

FIGURE 26. TYPES OF SOCIAL ASSISTANCE AND THEIR BENEFICIARIES

No	Types of Social Assistance	Amount	Beneficiaries	Notes	Institutions
1	PKH (Family Hope Program)	900k-3mn/participant (total: 28.7tn)	10mn beneficiary families (KPM)	The amount of assistance depends on the rights of the recipient. Elderly category: 2.4mn/year Pregnant women category: 2.4mn/year Toddler category: 3mn/year Elementary school category: 900k/year Junior high school category: 1.5mn/year High school category: 2mn/year Disability category: 2.4mn/year	Ministry of Social Affairs
2	Staple Food Card Program	200k/family/month (total 45.1tn)	18.8mn KPMs	This program was formerly called Non-Cash Food Assistance (BPNT). Commodities offered include rice, eggs, fruits, and vegetables.	Ministry of Social Affairs
3	BPNT Social Assistance	600k	-	BPNT Social Assistance or a food program worth IDR 600k will also be disbursed during the holy month of Ramadan until Eid al-Fitr. No further information available.	-

No	Types of Social Assistance	Amount	Beneficiaries	Notes	Institutions
4	Pre-Employment Card	4.2mn/participant (total of 5tn)	1.5mn participants	Details of assistance: Training costs: 3.5mn Post-training incentives: 600k Survey incentives: 100k	-
5	BLT (Direct Cash Assistance) Village Fund	300k/participant/month	-	The Ministry of Home Affairs, through the village government, will distribute 25% of BLT funds from the 2023 Village Fund Budget for people from the lower class every month.	-
6	Smart Indonesia Program (PIP)	SD/MI/equivalent: 450k/year SMP/MTs/equivalent: 750k/year SMA/SMK/MA/equivalent: 1mn/year	17.9mn students	This program is carried out by the Ministry of Education, Culture, Research, and Technology.	Ministry of Education and Culture
7	Indonesia Smart Card (KIP) for College	800k-1.4mn/month	908.9k students	In addition, participants also receive tuition fees adjusted to the accreditation of their study program, including: Accreditation A: a maximum of IDR 12mn/semester. Accreditation B: maximum IDR 4mn/semester. Accreditation C: maximum IDR 2.4mn/semester.	Ministry of Education and Culture

No	Types of Social Assistance	Amount	Beneficiaries	Notes	Institutions
8	Healthy Indonesia Card (KIS)	BPJS contribution assistance	96.8mn KPMs	Beneficiaries do not need to pay monthly fees because they have been subsidized by the government.	Ministry of Health
9	PIP Ministry of Religion	MI level: 450k/year MTs level: 750k/year MA/MAK level: 1mn/year	2.2mn students and 67.8k university students	Recipients are educational institutions under the Ministry of Religion, such as MI (Madrasah Ibtidaiyah), MTs (Madrasah Tsanawiyah), and MA (Madrasah Aliyah).	Ministry of Religion
10	Ramadan Food Social Assistance	Rice 10 kg/family (total 8.25tn)	21.35mn KPMs	This social assistance is distributed by the government to reduce the inflation rate due to rising prices in the market during Ramadan Month until the Eid al-Fitr holiday.	-
11	BKKBN Food Social Assistance	Eggs and chicken meat	2.1mn KPMs	The government is working with ID Food (a state-owned company). Assistance is distributed to KPMs that have toddlers, or toddlers with a risk of stunting based on data from the BKKBN.	BKKBN
12	Social Protection through non-K/L	311.8tn	-	The program is in the form of subsidy management: Electricity subsidies for 40.7mn customers 3 kg LPG subsidies for 8mn metric tons Housing down payment subsidies for 220k housing units	-

Source: BMRI

Sector Sales Performance 2M23

Sales performance across most sectors showed solid recovery in Feb-2023. We see that the domestic economy remains strong and will reinforce the domestic market-oriented sectors, such as retail and automotive. Meanwhile, the risk of a global economic slowdown begins to hinder the performance of air transport loading activities in the four main airports. In the commodity market, we perceive that commodity prices might be corrected gradually. However, we estimate that the average prices of commodities such as CPO and coal will still be quite high compared to their averages in recent years.

FIGURE 27. SECTOR PERFORMANCE TABLE

Sector	Indicator	Growth (% YoY)							Growth Feb-23 (%MoM)
		2M23	2M22	Feb-23	Jan-23	Feb-22	2022	2021	
Retail ¹	Ace Hardware sales (IDR)	4.8	-6.2	5.3	4.5	-10.5	2.5	-12.5	-17.5
Automotive ²	Total car sales (Unit)	9.6	61.7	7.4	11.8	64.6	18.1	66.8	-7.6
	Commercial vehicle (Unit)	11.7	37.1	13.6	9.9	30.0	16.3	58.9	-2.4
	Passenger vehicle (Unit)	8.9	72.5	5.2	12.5	81.1	18.8	69.7	-9.4
	Total motorcycle sales (Unit)	46.7	5.1	56.3	38.6	-2.6	3.2	38.2	-6.5
Property ³	Housing Credit (IDR)	0.8	0.9	7.8	7.7	10.1	7.8	9.5	0.7
	Apartment Credit (IDR)	0.1	0.2	7.0	7.0	13.9	7.1	14.3	0.3
	Total	0.8	0.8	7.7	7.7	10.2	7.8	9.8	0.6
Cement ⁴	Domestic sales (Ton)	-4.9	3.6	-2.6	-7.0	-0.6	-3.3	4.5	-8.5
Heavy Equipment ⁵	Total domestic sales (Unit)	2.7	86.5	-5.5	10.9	92.6	39.6	172.9	-15.1
	UT Agro segment (Unit)	-13.6	166.2	15.5	-35.3	162.7	86.9	70.3	33.3
	UT Construction segment (Unit)	-14.4	99.3	-16.2	-11.0	162.7	51.0	40.1	81.8
	UT Forestry segment (Unit)	44.1	106.2	84.1	12.2	162.7	57.5	30.4	30.8
	UT Mining segment (Unit)	54.4	208.1	48.9	59.0	162.7	109.0	200.1	-21.4
Sea Transport ⁶	Loading and unloading activities in the five main ports (Ton)	7.2	10.1	7.0	7.5	9.5	10.6	8.5	-2.4
	Passenger departures and arrivals in the five main ports (Passenger)	74.9	48.7	64.5	84.6	65.2	132.9	22.2	-16.9
Air Transport ⁶	Domestic Loading activities in the five main airports (Ton)	-18.7	18.5	-30.3	-6.9	25.3	30.7	10.6	-23.9

	International Loading activities in the four main airports (Ton)	-35.2	21.8	-33.6	-36.5	10.9	-4.8	22.6	-10.4
	Domestic Passenger departures in the five main airports (Passenger)	38.7	75.7	57.5	25.4	62.1	89.8	-5.5	-10.5
	International Passenger departures in the four main airports (Passenger)	991.9	122.9	866.7	1,144.6	214.1	993.9	-80.8	-5.4
Foreign Tourist ⁶	Tourist inbound (million visit)	532.9	-2.2	567.3	503.3	-0.6	204.3	-61.6	-4.6
CPO ⁶	Volume of exports (Ton)	44.8	-18.4	41.9	47.7	4.0	-2.4	-1.2	-5.1
	Value of exports (USD)	5.7	11.8	5.2	6.3	40.9	3.8	54.1	1.6
Coal ⁶	Volume of exports (Ton)	70.5	-38.7	24.8	176.7	-8.7	9.2	5.0	4.9
	Value of exports (USD)	96.9	17.8	34.5	247.7	66.5	75.8	88.6	-6.7

Notes: a) % YTD Jan-2023 to Dec-2022; b) % YTD Jan-2022 to Dec-2021; c) Jan-2023; d) Dec-2022; e) Jan-2022
Sources: 1) ACE Hardware; 2) Gaikindo and AISI; 3) OJK and Bank Indonesia; 4) ASI; 5) United Tractor; 6) BPS

Retail: ACES's retail sales performance improved in Feb-2023. ACES's retail sales grew by 5.3% yoy in Feb-2023, accelerating from 4.5% yoy in Jan-2023 and -10.5% yoy in Feb-2022. However, note that the Feb-2023 sales growth was attributable to the low base effect, given the Omicron peak in Feb-2022. ACES's retail sales in Feb-2023 were still below the pre-COVID level, with a lower recovery rate (78.2%) than in Jan-2023 (85.5%), and also lower than in the same period in 2020. Cumulatively, ACES's retail sales grew by 4.8% yoy in 2M23, slightly increasing from 4.5% YoY in 1M23, much better than the -6.2% YoY in the same period last year.

ACES posted better same-store sales growth (SSSG) of 3.1% yoy in Feb-2023 (vs. 2.0% yoy in Jan-2023; vs. -12.6% yoy in Feb-2022), bringing up the cumulative 2M23 SSSG to 2.5% yoy. By region, Jakarta and Ex-Java recorded positive SSSGs of 5.0% yoy and 9.9% yoy, respectively, in Feb-2023. Meanwhile, Java (ex. Jakarta) posted a negative SSSG of -2.0% yoy in Feb-2023. The same composition applies to the cumulative 2M23 SSSG (Jakarta at 3.7% yoy, Ex-Java at 8.3% yoy, and Java ex. Jakarta at -1.9% yoy).

We see that ACES's future sales performance could be better. The solid consumer confidence, which aligns with the sloping inflation rate, and the normalized mobility will be the key drivers for household consumption throughout 2023. ACES's target market of the middle-upper-income class, which is relatively resistant to weakening purchasing power, should favor its sales performance. However, we see a risk of rising competition in similar products. The Indonesian Retail Association (Aprindo) is optimistic that the retail business can still grow in 2023 amid the threat of a global recession, considering

that Indonesia's economy is still mostly contributed by household consumption. Aprindo predicts the retail sector to grow by ~4% this year.

Automotive: Wholesale car sales grew by 7.4% yoy in Feb-2023. The Indonesian Automotive Industry Association (Gaikindo) recorded a Feb-2023 wholesale car sales of 87.0k units, which grew by 7.4% yoy (vs. 64.6% yoy in Feb-2022). The growth in February was slower compared to 11.8% yoy in Jan-2023. The slower growth was mainly due to passenger car sales that grew by 5.2% yoy (vs. 30.0% yoy in Feb-2022), relatively slower than 12.5% in Jan-2023. Despite the slower growth, passenger car sales in Feb-2023 reached 63.5k units, higher than in Feb-2019 (pre-pandemic). On the other hand, commercial car sales grew by 13.6% yoy (vs. 30.0% yoy in Feb-2022), higher than 9.9% YoY in Jan-2022. Commercial car sales reached 23.4k units, the highest in February since 2015.

As for motorcycles, the sales in Feb-2023 grew significantly by 56.3% yoy (vs. -9.9% yoy in Feb-2022), totaling 575.5k units. Thus, the accumulated sales in the first 2 months of 2023 reached 1,190.9k units or rose by 46.7% yoy (vs. 5.1% yoy in 2M22). The higher motorcycle sales were due to pent-up demand, given the high demand in 2022 while the semiconductor crisis halted the number of motorcycles produced. As the crisis subsided in the second half of 2022, manufacturers increased their production to meet the demand.

Recently, the Government of Indonesia has introduced incentives for both 2-wheel and 4-wheel electric vehicles. The government subsidizes IDR 7mn for 200k units of new electric motorcycle sales and 50k units of conventional motorcycle conversion to electric motorcycles. The beneficiaries of the electric motorcycle incentives are those who receive the micro-credit loan (KUR), wage subsidy, or electricity subsidy. For the 4-wheel electric vehicle, the government has reduced the value-added tax of electric vehicles on Hyundai (Ioniq5) and Wuling (AirEV) from 11% to 1%. These incentives will apply until the end of 2023.

We expect the automotive industry to be resilient amid the global turbulence in 2023, with estimated car sales of ~950k–1,050k units. New models, EV incentives, the revocation of mobility restrictions, and the domestic economic recovery will promote automotive sales in 2023. However, several downside risks in 2023 may hamper auto sales, including higher interest rates, a worsening economy, and falling commodity prices.

Property: House ownership credit growth slightly improved, and apartment ownership credit growth was relatively stable in Feb-2023. According to Bank Indonesia (BI), house ownership credit grew by 7.8% yoy (vs. 7.7% yoy in Jan-2023), while apartment ownership credit grew by 7.0% yoy (vs. 7.0% yoy in Jan-2023). In more detail, the highest house ownership credit growth was in the medium house type (building area of 22-70 sqm) and the large house type (>70 sqm), which grew by 9.4% yoy and 6.0% yoy, respectively. In contrast, house ownership credit for the small house type (≤21 sqm) contracted by -8.0% yoy. On a ytd basis, house ownership credit in Jan-Feb 2023 grew by 0.8%.

Meanwhile, apartment ownership credit by KPA for the small apartment type (≤ 21 sqm) had the highest growth at 33.9% yoy. It was followed by the growth in KPA for the large apartment type (> 70 sqm) at 7.8% yoy and the medium apartment type (22-70 sqm) at 3.9% yoy. On a ytd basis, apartment ownership credit in Jan-Feb 2023 grew by 0.1%.

In addition, mortgages are still the main financing source for buying residential properties. In 4Q22, the KPR ratio in housing finance increased slightly to 75.03% (vs. 74.53% in 3Q22). Other home financing options come from cash payments at 6.8% and cash installments at 18.22%.

Our view: We estimate that the residential property sector will slightly decelerate in 2023. The total growth of KPR and KPA in 2023 is estimated at 7.3%, lower than in 2022 at 7.8%. We see several positive catalysts driving the residential property sector in 2023. *First*, the demand for houses is still high. The Susenas-BPS data shows that the national housing backlog in 2022 has reached 11.6mn households. *Second*, BI has extended its incentive policy for the property sector, namely the loan-to-value (LTV) incentive, until Dec-2023.

On the contrary, we see several future risks that might restrain the property sector's growth in 2023. The *first* risk is the pressure of a global economic recession, which has been marked by the fall of several banks in the US. This condition will affect the domestic economy and could weaken consumer confidence, which in turn might cause people to postpone property purchases. The *second* risk is the rising prices for building materials, although they will abate in 2023. An additional side risk is an increase in global interest rates, which could increase domestic interest rates even though the pressure to increase global interest rates will slope down in the future. We estimate the BI reference rate (BI7DRR) in 2023 at 5.75% and the Fed's interest rate at 5.25%. These two risks can delay people from buying property.

Cement: Domestic cement sales contracted in Feb-2023. Domestic cement sales in Feb-2023 contracted by -2.6% yoy, with a sales volume of 4.5mn tons. The contraction in cement sales in Feb-2023 was smaller than in Jan-2023, which contracted by -7.0% yoy. In more detail, bagged cement sales contracted by -9.2% in Feb-2023 (vs. -13.3% in Jan-2022). Meanwhile, bulk cement sales reached 21.9% in Feb-2023 (vs. 4.8% yoy in Jan-2023). For the record, the sales proportions of bag cement and bulk cement were, respectively, at 73.3% and 26.7% of the total cement sales in Feb-2023.

By island, Sumatra, Java, and Sulawesi experienced a contraction in cement sales in Feb-2023. The deepest cement sales contraction was in Sulawesi, at -15.7% yoy, followed by Java and Sumatra, at -6.0% yoy and -0.5% yoy. In stark contrast, there were positive growth rates in the cement sales in Bali-Nusa Tenggara at 30.8% yoy, Kalimantan at 13.8% yoy, and Maluku-Papua at 3.3% yoy. By province, the ones that experienced the highest cement sales growth in Feb-2023 were West Nusa Tenggara (49.2% yoy), East Kalimantan (37.1% yoy), and Bali (27.8% yoy).

Our view: We estimate cement sales in 2023 to grow by ~2-4%. We see several positive catalysts driving cement sales in 2023. *First*, the government's infrastructure budget will increase by 5.0%, from IDR 373.1tn in 2022 to IDR 391.7tn in 2023. *Second*, the construction of the Nusantara Capital City (IKN) in 2022-2024 is estimated to require

1.6mn tons of cement, according to the Indonesian Cement Association (ASI). For the construction of the IKN, the cement sales are reflected in East Kalimantan's cement sales at 37.1% yoy in Feb-2023.

In contrast, the risk lies in the expectation for the future economy, which could worsen due to a possible global economic downturn (recession) after the collapse of several banks in the US. Another risk is that the relatively high coal price in 2023 will keep production costs high. The Cement Wholesale Price Index (WPI) in Feb-2023 rose by 7.9% yoy.

Heavy equipment: Heavy equipment recorded a slight drop in domestic sales in Feb-2023. By using United Tractors' data, we estimate the domestic heavy equipment sales in Feb-2023 to reach 1,661 units or drop by -5.5% yoy, thus ending the positive growth trend since the start of last year. Nevertheless, the cumulative heavy equipment sales throughout Jan-Feb 2023 were estimated to account for 3,624 units, or 2.7% higher than the units sold in the same period last year.

By sector, UT sales had positive yoy growths in all sectors except construction. The construction sector suffered a significant drop of -16.2% in Feb-2023. Meanwhile, the mining, agriculture, and forestry sectors grew by 48.9%, 15.5%, and 84.1%, respectively. UT also experienced a slight drop of 1 ppt to 34% in its market share in Feb-2023.

We estimate heavy equipment sales to decelerate in 2023 as the capital expenditures in the sales-generating sectors, such as mining and construction, will also decrease. Although mining production is expected to increase as commodity prices soar due to the very volatile global economy, we believe that the need to invest in heavy equipment was mostly done in 2022.

Sea transport: Loading and unloading activities' growth in the 5 main ports increased by 7% yoy in Feb-2023. That number is lower than in the previous month, which recorded an increase of 7.5% yoy. In more detail, Belawan Port's loading and unloading activities grew by 38.7% yoy, Tanjung Priok Port's grew by 10.5% yoy, Tanjung Perak Port's decreased by -3.5% yoy, Balikpapan Port's decreased by -11.8% yoy, and Makassar Port's grew by 37.9% yoy. On a mom basis, there was a decrease in Feb-2023 by -2.4%.

On the other hand, the number of sea transport passengers increased by 65.5% yoy in Feb-2023. In more detail, Belawan Port passengers increased by 51.8% yoy, Tanjung Priok Port by 71.8% yoy, Tanjung Perak Port by 86.6% yoy, Balikpapan Port by 36% yoy, and Makassar Port by 52.6% yoy. On a mom basis, there was a decrease in Feb-2023 at -16.9%. We see that the freights and passengers of domestic sea transportation in 2023 will grow more than in the previous year.

Air transport: The number of domestic freights decreased by -30.3% yoy in Feb-2023. In more detail, Kualanamu Airport's domestic freights increased by 7.4% yoy, Soekarno-Hatta Airport's figure decreased by -39.4% yoy, Juanda Airport's decreased by -0.6% yoy, Ngurah Rai Airport's decreased by -48.9% yoy, and Hasanuddin Airport's increased by 2.9% yoy. Meanwhile, the international air freights in Feb-2023 decreased by -33.6% yoy. In more detail, Soekarno-Hatta Airport's figure decreased by -41.8% yoy,

Juanda Airport's decreased by -11.3% yoy, and Ngurah Rai Airport's increased by 420.7% yoy. Monthly, domestic freights decreased by -23.9% mom, and international freights decreased by -10.4% mom.

On the other hand, the number of domestic passengers at Indonesia's 5 main airports in Feb-2023 increased by 57.5% yoy. In more detail, Kualanamu Airport's domestic passengers grew by 38.6% yoy, Soekarno-Hatta Airport's by 61.2% yoy, Juanda Airport's by 65.5% yoy, Ngurah Rai Airport's by 69.6% yoy, and Hasanuddin Airport's by 28.3% yoy. The number of international passengers increased by 866.7% yoy. In more detail, Kualanamu Airport's international passengers grew by 506,926.7% yoy, Soekarno-Hatta Airport's by 378.3% yoy, Juanda Airport by 1,038,200% yoy, and Ngurah Rai Airport by 33,284.5% yoy. Monthly, domestic passengers decreased by -10.5% mom, and international passengers decreased by -5.4% mom.

We estimate that mobility is still on a gradual upward trend, in line with the transition from pandemic to endemic. The revocation of PPKM at end-2022 and the Eid al-Fit holidays will have a positive effect on the recovery of air transport.

Foreign tourists: Foreign tourist arrivals to Indonesia in Feb-2023 increased by 567.3% yoy, reaching 701,931 foreign tourists. On a mom basis, foreign tourist arrivals in Feb-2023 decreased by -4.6% mom. In addition, Bali Province, the primary tourism area, received 323,623 foreign visits in Feb-2023, whereas, in Jan-2023, it had 331,912 visits.

The tourism sector's accelerated recovery will continue. Recent indicators, such as occupancy rates and the number of air passengers, show that the sector's recovery is increasingly consistent. The trends certainly encourage people's mobility, thus affecting the tourism sector. The revocation of PPKM at the end of 2022 will have a positive impact on the recovery of the tourism industry.

The Minister of Tourism and Creative Economy (Menparekraf) said he would add a new target for foreign tourists visiting Indonesia in 2023. The initial target was 7.4mn in Jan-2023, then added by 1.1mn visits, hitting 8.5mn.

CPO: CPO price surge as Malaysian stock decreases while export increases significantly. The Malaysian Palm Oil Board (MPOB) CPO inventory plunged the most in 25 years, from 2.1mn tons in Feb-2023 to 1.7mn tons in Mar-2023. On the other hand, Malaysia's CPO export surged by 32% mom to 1.5mn tons, the highest increase since Sep-2021. Moreover, Malaysia's CPO production has had productivity issues due to bad weather and labor shortages. These conditions pushed the CPO price to this year's highest USD 981.2 per ton on 11-Apr-2023.

Malaysia's increasing export indicates the global demand for CPO is on an increasing trend. This is also true for the demand for Indonesia's CPO. Statistics Indonesia (BPS) recorded that the export volume of CPO and CPO products (HS Code 1511) in Feb-2023 surged by 41.9% yoy (vs. 4.0% yoy in Feb-2022; 47.7% yoy in Jan-2023), reaching 2.1mn tons. The demand for CPO increased because of a price correction in the vegetable oil market and the demand from China, which recently retreated due to its zero-COVID strategy that hurt its economy. On a ytd basis, Indonesia's CPO export volume reached

4.3mn tons, increasing by 44.8% in 2M23 (vs. -18.4% in 2M22). Its demand for CPO in 2M23 mostly came from India, China, and the EU, whose demands increased by 84.2%, 507.4%, and 30.5% yoy, respectively.

We estimate three things that could happen in the palm oil market. *First*, we keep our average price forecast of CPO at USD 891 per ton. For comparison, the average YTD CPO price per 12-Apr-2023 is USD 912 per ton. *Second*, the government may boost CPO export starting in May-2023 after three months of focusing on domestic CPO consumption to maintain domestic cooking oil prices. *Third*, we expect CPO's export volume to increase due to lower CPO prices and low base effects from 2022. However, there are several downside risks in 2023. *Firstly*, the recent banking turbulence in the US and EU may spark fears of worsening global economic prospects. *Secondly*, Australia's Bureau of Meteorology forecasted a 50% chance of El Nino in 2023. Thus, it may hamper the production of vegetable oil, including CPO.

Coal: Coal export volume surged in Feb-2023. According to BPS data, February's coal export shows a volume increase by 24.8% yoy to 38.5mn tons from 38.5mn tons in February last year. This increase continues coal export's positive movement in Jan-2023, which skyrocketed by 176.7% yoy due to the low base effect caused by Indonesia's coal export ban at the start of last year. On a monthly basis, Indonesia's coal export volume in Feb-2023 also increased by 4.9% despite a correction of -6.7% in value due to a slump in the global coal price.

In more detail, Indonesia's coal export to its two most prominent importers (China and India) showed slightly different movements. Indonesia's coal export volume to China, its long-known biggest coal importer, grew significantly by 73.6% yoy in Feb-2023, from 9.3mn tons to 16.1mn tons. This significant increase was primarily attributed to the low base effect, as Indonesia's coal export ban at the start of last year mainly weighed Indonesia's coal export to China. However, China's commitment to improving its energy security and its fully recovered economic mobility also contributed to the sustainability of Indonesia's coal export to China, as China's reliance on coal will remain high for a short period.

Meanwhile, Indonesia's coal export to India in Feb-2023 decreased by -0.24% yoy to 8.4mn tons from 8.5mn tons in February last year. We believe the slight correction was attributed to the persistent coal export to India in February last year, which brought a high base effect for Indonesia's coal export in Feb-2023.

Furthermore, we observe that Indonesian coal export's excellent performance has been primarily attributed to the persistent coal demand worldwide since the Russian invasion of Ukraine began. The invasion has triggered a race among countries to safeguard their energy security amid high uncertainties.

We believe the lingering uncertainty in the energy market, especially for coal, will be the biggest contributing factor to the high global coal price in 2023. We expect the average 2023 Newcastle Coal Price to reach USD 168.8 per ton in 2023, which will gradually drop to USD 117.3 per ton in 2024 and USD 110.0 per ton in 2025. Additionally, we believe recession fears might also add more pressure on coal demand in 2023.

Banking Update March 2023: Loan Acceleration Increased in February 2023

Banking intermediation in Feb-23 was maintained, in which loan increased by 10.64% yoy, amounting to IDR6,375.5 tn. The increase in loan was driven by three factors, namely an increase in MSME loan, household consumption, and adequate liquidity conditions. The maintained liquidity was supported by deposit growth, 8.18% yoy, reaching IDR7,988.5 tn. Thus, the liquidity ratio (LDR) in Feb-23 remained stable at 79.81%. Adequate liquidity could also be seen from the ratio of liquidity instruments to third-party funds (AL/DPK), which was still quite high, reaching 29.09%.

In addition to the three factors mentioned above, the increase in loan demand was also supported by an incentive policy in the form of a reduction in the reserve requirement (GWM) for banks' lending to the priority and inclusive sectors.

Referring to the OJK data for the Jan-23 period that has just been released, banking intermediation remained solid, in which loan in Jan-23 showed an increase of 10.53% yoy to IDR6,310.9 tn. The increase in loan in Jan-23 was driven by investment loan, which grew 12.6% yoy (vs. 12.0% yoy in Dec-22), then working capital, which grew 10.03% yoy (vs. 12.0% yoy in Dec-22), and consumption loan, which grew 9.39% yoy (vs. 9.42% yoy in Dec-22).

The increase in investment and working capital loans shows that Indonesia's economic condition is still well maintained as companies are still confident to expand their businesses and to finance their short-term needs such as salaries and debt. The increase in loan growth is also inseparable from the slow increase in lending rates. Banks are currently still very cautious to raise interest rates.

Liquidity conditions in Jan-23 were maintained, as reflected in the third-party funds, which increased by 8.03% yoy reaching IDR7,953.8 tn. With this increase, banking liquidity conditions in Jan-23 were still relatively loose, with the LDR ratio reaching 78.3% and the ratio of liquidity instruments to third-party funds (AL/DPK) was still quite high, reaching 29.13%.

Meanwhile, the increase in deposit rates was enough to drive the increase in outstanding nominal deposits. This is reflected in the significant increase in average rupiah deposit rates since the beginning of the BI rate hike in Jun-22. The 1M tenor deposit rate rose 108 bps to 4%, the 3M tenor rose 112 bps to 4.33%, and the 6M rose 80 bps to 4.3%.

Banks' foreign exchange liquidity conditions continued to improve, supported by FX deposit interest rates that also increased, in which for terms of 1, 3, and 6 months, on average, they rose above 200 basis points (bps). In addition, the foreign exchange monetary operation instrument of export proceeds (DHE) in the form of DHE foreign exchange term deposit (TD) issued by Bank Indonesia has been in force as of March 1, 2023, which has supported the outstanding foreign exchange deposits. The amount of DHE foreign exchange term deposit transactions in 1, 3, and 6-month tenor deposits has reached USD 294.8 mn.

National banking capital remains strong, reflecting the resilience of domestic banks, especially in the face of the current banking turmoil in America and Europe.

The capital adequacy ratio (CAR) reached 25.93% in Jan-23. Asset quality is also well maintained, as reflected in the non-performing loan (NPL) ratio, which declined to 2.59%.

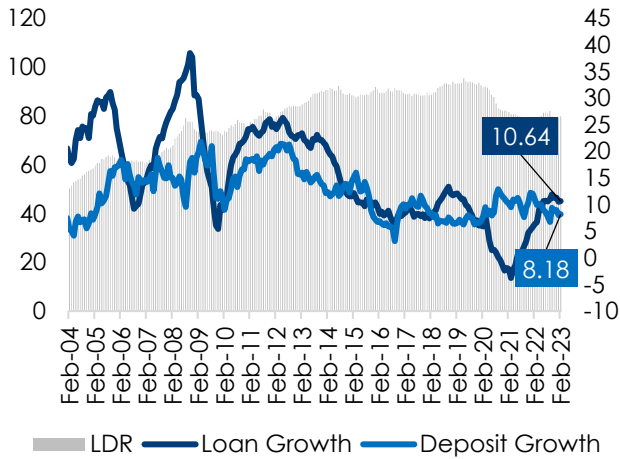
Indonesia's liquidity condition can also be said to be better compared to other countries; this is indicated by the average LCR ratio of banks in Indonesia of 218%, which is much higher than the average of other countries, including the ASEAN region at 123%, the United States at 123%, and Eurozone at 142%. Liquidity Coverage Ratio, or LCR, is the ratio between high-quality liquid assets (HQLA) and total net cash outflow for the next 30 (thirty) days.

By sector, lending in January 2023 to the mining and quarrying sector was still the highest, growing at 40.2% yoy (vs 54.3% in Dec-22), then credit to the financial intermediary sector, reaching 31.2% yoy (vs 36.1% in Dec-22), followed by loan to the government administration and social security sector at 24.2% yoy (vs 27.9% in Dec-22). In addition, loan growth to the mining sector has declined further from last year due to the impact of coal prices, which have fallen by 50% yoy.

The highest contributor to NPLs in Jan-23 was the fisheries sector, reaching 7.1%; then, the accommodation and food supply sector reached 5.5%; the manufacturing sector reached 4.0%; and the wholesale trade sector reached 3.9%. The high NPL in the fisheries sector is influenced by weather conditions, so the income for the capture fishery sector could not be maximized.

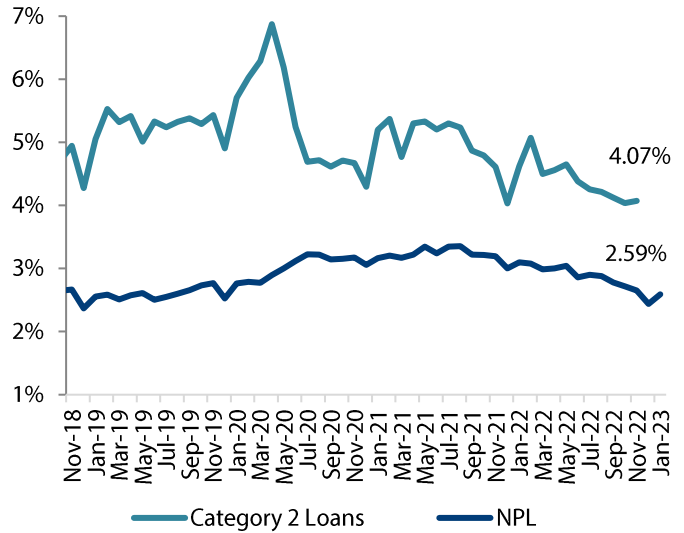
The condition of Indonesian banks is still quite resilient amidst the global banking sector's turmoil. Banking performance is still growing positively, supported by adequate liquidity, strong capitalization, and improving asset quality. However, banks need to continue to be vigilant and implement good risk management to face the increasing risk of global uncertainty. Looking ahead, we expect credit to grow by 10.1% yoy this year, while deposits to grow by 8.4% yoy.

FIGURE 28. LOAN GROWTH, DEPOSIT GROWTH (% YOY), AND LDR (%)



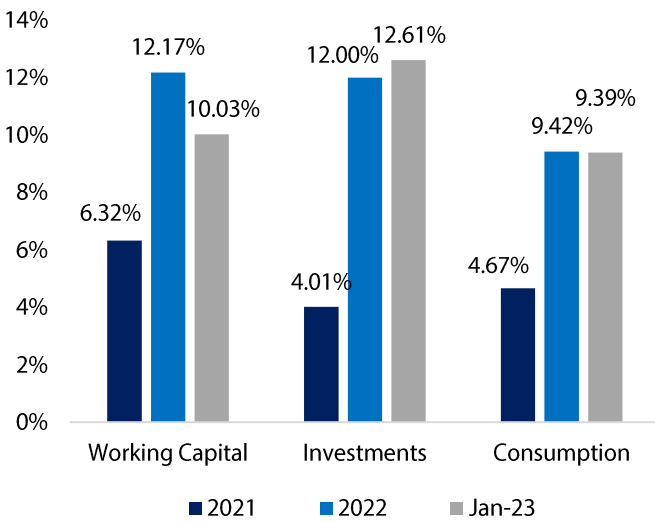
Source: OJK

FIGURE 29. NPL (%)



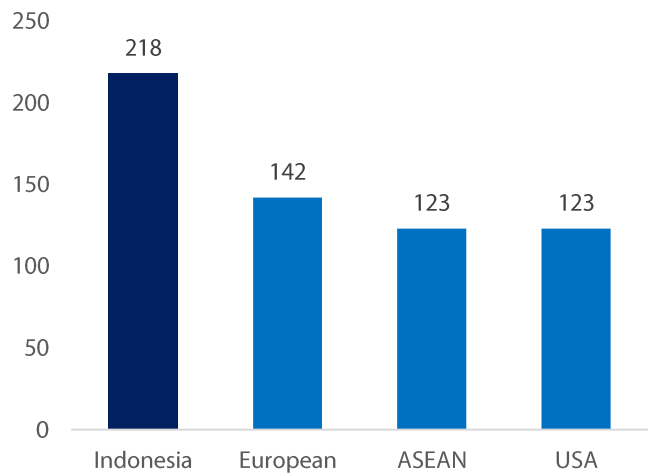
Source: OJK

FIGURE 30. LOAN GROWTH BY TYPE (% YOY)



Source: OJK

FIGURE 31. FX LOAN AND DEPOSIT GROWTH (% YOY)



Source: OJK

January INDOGB Market Recap

Good Start for INDOGB

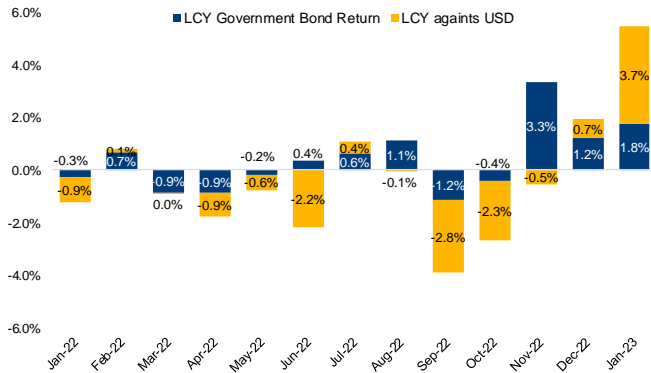
Based on the S&P Government Bond Index, the rupiah government bond market reported positive returns in the first month of this year, totaling gains of 5.48%, mostly due to the strengthening local currency against the USD. The rally in the rupiah government bond market was supported by net foreign fund inflows of +IDR49.7tn mtd (vs. net outflows of –IDR130.8tn in FY2022) as markets reacted after rising risks of US recession and expectations of less aggressive policy tightening from the Fed. Hence, based on Bloomberg, as of 31-Jan, the 10-yr tenor has decreased by 23 bps to 6.71%, while the 2-yr INDOGB yields also decreased by 19 bps to 5.89%. Meanwhile, the 10-yr and 2-yr US Treasury yields decreased by 37 bps and 22 bps to 3.51% and 4.20%, respectively.

Good start for INDOGB. The rupiah government bond market reported positive returns in the first month of this year, reporting gains of 1.8% (vs. net gains of +3.5% in FY2022 and -0.3% in the same month last year), continuing rallies for 2 consecutive months: 3.3% (Nov-2022) and 1.2% (Dec-2022), according to the S&P Government Bond Index and Bloomberg as of 31-Jan. According to Bloomberg, gains in the rupiah government bond market were mostly due to the strengthening local currency against the USD by 3.7%, which led to INDOGB's total returns reaching +5.48%. Note that INDOGB's performance ranked third after Thailand's (+6.57%) and the Philippines' (+6.00%). Meanwhile, Asian local currency government bonds, on average, reported gains of 3.24% during the month (vs. -6.15% in FY2022 and +0.45% in the same month last year). Hong Kong's local currency government bonds performed the worst but still reported slight gains at 0.01% (including LCY returns against USD).

The rally in the rupiah government bond market was supported by massive foreign fund inflows, reaching +IDR49.7tn mtd (vs. net outflows of –IDR130.8tn in FY2022). Despite the massive foreign inflows, the lowering DXY index that stayed <102 (the lowest in almost 8 months, in line with rising risks of a US recession and expectations of less aggressive policy tightening from the Fed) also supported the rupiah to strengthen against the USD. Besides that, the rupiah government bond still offers an attractive yield differential that draws funds from offshore investors.

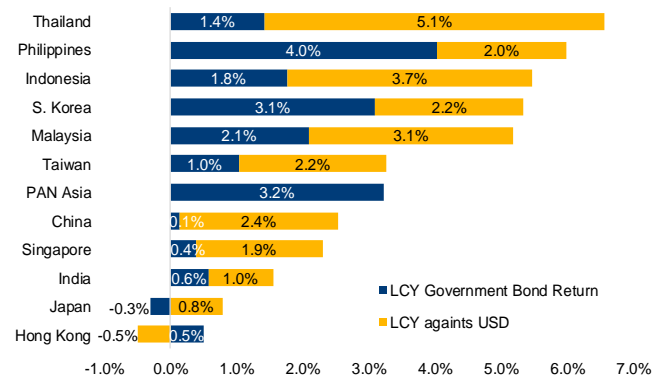
Based on Bloomberg, as of 31-Jan, compared to the previous month, the 10-yr tenor has decreased by 23 bps to 6.71%, while the 2-yr INDOGB yield also decreased by 19 bps to 5.89%. Meanwhile, the 10-yr and 2-yr US Treasury yields decreased by 37 bps and 22 bps to 3.51% and 4.20%, respectively. The slope between the 2-yr and 10-yr UST yields was (still) inverted after warning signs of a recession in the US.

FIGURE 32. IN THE FIRST MONTH OF THIS YEAR, INDOGB CONTINUED REPORTING POSITIVE RETURNS, TOTALING 5.5%



Source: S&P, Bloomberg and Mandiri Sekuritas

FIGURE 33. YTD, INDOGB RETURNS RANKED THIRD AFTER THAILAND'S AND THE PHILIPPINES'



Source: S&P, Bloomberg and Mandiri Sekuritas

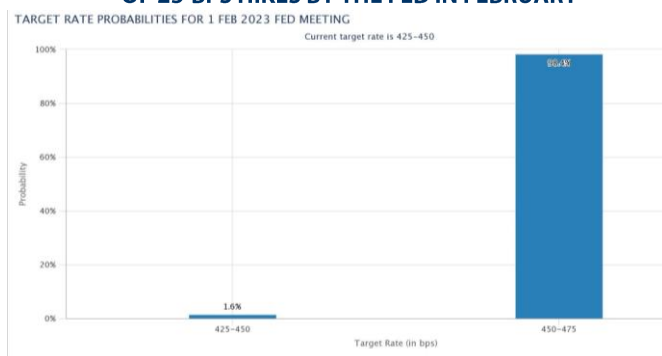
FIGURE 34. NOT ONLY INDONESIA'S, BUT ALMOST ALL EM LOCAL-CURRENCY GOVERNMENT BONDS SHOWED DECREASING YIELDS

Countries	10-yr YTM (%)	Changes (bps)	
		MTD	YTD
Japan	0.50	7	7
Germany	2.57	29	29
United States	3.51	(37)	(37)
Thailand	2.54	(10)	(10)
China	2.90	6	6
Bulgaria	5.63	(42)	(42)
South Korea	3.28	(46)	(46)
Malaysia	3.81	(28)	(28)
Poland	6.03	(83)	(83)
Philippines	6.06	(87)	(87)
Chile	5.40	19	19
Indonesia	6.71	(23)	(23)
India	7.34	2	2
Romania	7.42	(87)	(87)
Hungary	7.95	(103)	(103)
Mexico	8.71	(33)	(33)
Russia	10.39	8	8
South Africa	10.34	(47)	(47)
Colombia	12.20	(81)	(81)
Brazil	13.12	43	43
Turkey	10.66	83	83

Source: Bloomberg and Mandiri Sekuritas as of 31-January 2023

FFR updates: Markets fully price in only a 25-bps rate hike in February. Although the released Fed minutes were the most hawkish since May-2022, they did little to raise rate expectations. However, the released CPI data reported the US headline inflation falling from 7.1% yoy to 6.5% yoy, thus reducing the inflation to 5.7% yoy. Meanwhile, the Personal Consumption Expenditures (PCE) Price Index rose by 5.0% yoy in Dec-2022, slower than the 5.5% yoy in Nov-2022 and the lowest since Sep-2021. It was also slightly lower than the market consensus estimate (+5.1% yoy), while the PCE peaked at 7% in Jun-2022. Note that the PCE Price Index is the Fed’s preferred gauge of inflation, and its rise would support the Fed’s increasingly hawkish stance on tightening its monetary policy and could mean more rate hikes at the Fed’s next policy meeting. The market has priced in 96.3%/74.8% chances of 25-bps hikes by the Fed in February/March (vs. 35.1%/39.3% last month) to bring the FFR target to 4.75-5%.

FIGURE 35. THE MARKET HAS PRICED IN 96.3%/74.8% CHANCES OF 25-BPS HIKES BY THE FED IN FEBRUARY



Source: Federal Reserves

FIGURE 36. FFR HIKES PROBABILITIES IN JANUARY

MEETING DATE	MEETING PROBABILITIES							
	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
2/1/2023	0.0%	0.0%	0.0%	0.0%	95.2%	4.8%	0.0%	0.0%
3/22/2023	0.0%	0.0%	0.0%	0.0%	19.3%	76.9%	3.8%	0.0%
5/3/2023	0.0%	0.0%	0.0%	0.0%	13.6%	59.8%	25.5%	1.1%
6/14/2023	0.0%	0.0%	0.0%	0.0%	12.5%	56.3%	28.1%	3.0%
7/26/2023	0.0%	0.0%	0.0%	3.4%	24.5%	48.6%	21.3%	2.2%
9/20/2023	0.0%	0.0%	1.4%	11.8%	34.1%	37.7%	13.6%	1.3%
11/1/2023	0.0%	0.6%	6.1%	22.0%	35.7%	26.7%	8.0%	0.7%
12/13/2023	0.6%	5.9%	21.3%	35.1%	27.1%	8.9%	1.1%	0.1%

Source: CME Group, Federal Reserves

Domestic factors still support INDOGB. From the domestic side, some economic data released in January still support the positive sentiment for INDOGB: **(1) Indonesia’s Dec-2022 Consumer Price Index went up significantly by 0.66% mom** (vs. 0.09% mom in Nov-2022 or higher than market consensus of 0.54% mom), thus sending Indonesia’s annual inflation to 5.51% yoy (vs. 5.42% yoy in Nov-2022 and 5.39% yoy market consensus). The inflation was mainly driven by the seasonality of the Christmas and New Year holidays, which boosted the demand for food, leisure, recreation, and travel. Public mobility notably improved in Dec-2022. Meanwhile, core consumer prices climbed by 3.36% yoy, the highest in nearly 6 years, compared to the market forecast of a 3.39% rise. **(2) Indonesia’s FX reserves jumped to USD 137.2bn in Dec-2022** (vs. USD134bn in Nov-2022), or equivalent to the financing of 6.0 months of imports, or 5.9 months of import and government external debt services. It remained well above the international reserve adequacy standard of 3 months of imports. According to BI, the increase in Dec-2022 was underpinned, among others, by the tax and service receipts as well as the government’s foreign loan withdrawal. **(3) Indonesia’s trade balance data surged to USD 3.89bn in Dec-2022** from USD 1bn in the same month of the previous year, compared to market expectation of a gain of USD 4.01bn, as exports grew while imports dropped. Exports grew by 6.58% yoy to USD23.83bn in Dec-2022 after a marginally revised 5.47% rise in the previous month and were below market consensus of a 6.65%

rise. Meanwhile, imports dropped by 6.61% yoy, the largest drop in 2 years, reaching a 6-month low of USD 19.94bn and quickening from a 1.89% fall in the prior month, and compared to a market forecast of a 7.58% decline. Throughout 2022, the trade surplus surged to USD 54.46bn from USD 36.42bn in the corresponding period in 2021. Another positive sentiment from the domestic economic data released was Bank Indonesia's reverse repo rate. As reported, **(4) Bank Indonesia (BI) raised its policy rate or the BI-7DRRR by 25 bps to 5.75%** in its board of governor meeting on 18–19 Jan-2023. Deposit and lending facility rates were also hiked by 25 bps to 5.00% and 6.50%, respectively. This was the sixth consecutive hike. The decision to continue increasing the BI-7DRRR was a follow-up to the front-loaded, pre-emptive, and forward-looking measures to ensure that inflation eases further. In its press conference, the central bank was much more dovish than expected, with Governor Perry Warjiyo stating that past rate hikes were now “adequate” to tame inflation and that price pressures had fallen faster than anticipated. Inflation at the end of 2022 was at 5.51%, much lower than the consensus forecast of 6.5%. Likewise, core inflation was at 3.36%, also much lower than BI's forecast of 4.61%. For 2023, BI believes that the core inflation will remain within the 2–4% range in the first semester and that headline inflation will return to the target range in the second semester. BI estimates that the economic growth in 2022 will have an upward bias in the 4.5–5.3% range, driven by strong exports and improving household consumption and non-construction investment. Credit also grew by 11.35% yoy in Dec-2022 (vs. 5.24% yoy in Dec-2021). For 2023, BI projects the economic growth to continue, although it will slightly ease to the midpoint of 4.5–5.3%, and credit growth in 2023 is predicted to be in the 10–12% yoy range.

FIGURE 37. DOMESTIC ECONOMIC DATA RELEASED IN JAN-2023

Indonesia		Browse		18:25:06		01/01/23		01/31/23	
Economic Releases		All Economic Releases				View		Agenda	
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior Revised
21)	01/02 07:30				S&P Global Indonesia PMI Mfg	Dec	--	50.9	50.3 --
22)	01/02 11:07				CPI YoY	Dec	5.39%	5.51%	5.42% --
23)	01/02 11:07				CPI NSA MoM	Dec	0.54%	0.66%	0.09% --
24)	01/02 11:07				CPI Core YoY	Dec	3.39%	3.36%	3.30% --
25)	01/06 10:00				Foreign Reserves	Dec	--	\$137.20	\$134.00 --
26)	01/06 10:00				Net Foreign Assets IDR	Dec	--	1999.4t	1977.4t --
27)	01/09 10:00				Consumer Confidence Index	Dec	--	119.9	119.1 --
28)	01/13 16:44				Local Auto Sales	Dec	--	105354	91081 91275
29)	01/16 11:07				Exports YoY	Dec	7.45%	6.58%	5.58% 5.47%
30)	01/16 11:24				Imports YoY	Dec	-7.99%	-6.61%	-1.89% --
31)	01/16 11:24				Trade Balance	Dec	\$4172m	\$3890m	\$5160m --
32)	01/19 14:20				Bank Indonesia 7D Reverse Repo	Jan 19	5.75%	5.75%	5.50% --

Source: Bloomberg

Foreign fund inflows supported INDOGB. This month's rally in the rupiah government bond market was supported by net foreign fund inflows. According to the bond fund flow data from the DMO with settlement date as of 31-Jan, foreign ownership in government bonds increased significantly to IDR811.9tn or 15.10% of the total outstanding, thus making foreign investors the biggest net buyer of rupiah government bonds, with a net buy of +IDR49.7tn (vs. net sell of -IDR130.8tn in FY2022). It was followed by onshore banks, with a net buy of +IDR27.5tn (vs. net buy of +IDR93.6tn in FY2022), while "Others" investors in the third rank had a net buy of +IDR3.7tn (vs. net buy of +IDR106.2tn in FY2022).

On the other hand, BI has been the biggest net seller of rupiah government bonds YTD, with a total net sell of -IDR14.8tn (vs. net buy of +IDR389.9tn in FY2022). In addition, BI pared back its "operation twist" by no longer purchasing long-term government bonds, as foreign investors have started to come back and helped strengthen the currency and will keep selling shorter-term debts. Nevertheless, BI still had the biggest ownership in rupiah government bonds, owning IDR1,438.8tn or 26.8% of the total outstanding, of which IDR836.6tn was from the burden-sharing program (VR/FRS floating rate series maturing in 2025-2030).

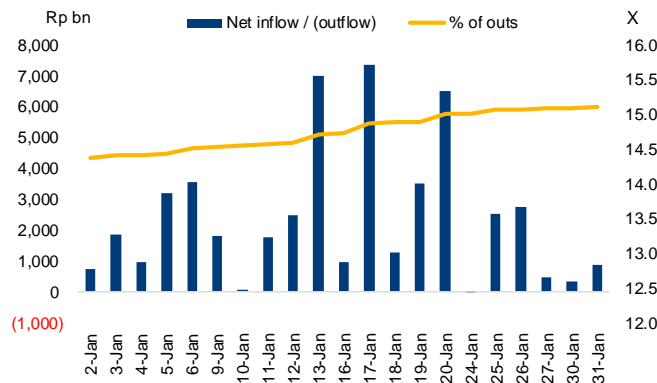
We think demand from onshore may continue solidly this year, following four reasons: **1)** The banking system's ample liquidity still continues. If third-party funds increase in line with the nominal GDP growth (~8%), credit growth will need to increase by >23% to raise the LDR back to >90%. Meanwhile, BI aims to increase credit growth by only 10-12% for 2023-2024. **2)** The still ample liquidity causes a lag in the transmission of the BI rate hike to the banking deposit rates, and the gap between government bond yields and time deposit rates is still relatively wide. Note that the final tax for INDOGB has also been lower than the time deposit in banks (10% vs. 20%) since Aug-2021. **3)** Amid global uncertainties, a diversified investment portfolio is critical, and bonds have become an appealing instrument due to their fixed coupon cash flow while offering lucrative returns and a safe investment capital upon maturity. **4)** Pension fund and insurance's managed funds are estimated to keep increasing along with higher GDP. Based on the regulation, their investment portfolio must place a minimum of 30-50% in bonds.

FIGURE 38. RALLY IN INDOGB WAS SUPPORTED BY FOREIGN FUND FLOWS, WITH NET INFLOWS OF IDR49.7TN YTD

Type of Investor	Outstanding as of 31-Jan-23			Net Buyer/ (Seller) - Rp tn					
				MTD			YTD		
	SUN	Sukuk	Total	SUN	Sukuk	Total	SUN	Sukuk	Total
Bank (excl. reverse repo)	910.1	381.3	1,291.3	13.5	14.0	27.5	13.5	14.0	27.5
Bank Indonesia	1,318.4	120.4	1,438.8	(17.0)	2.2	(14.8)	(17.0)	2.2	(14.8)
Mutual Fund	124.0	24.3	148.3	1.3	1.2	2.4	1.3	1.2	2.4
Insurance & Pension Fund	671.0	201.8	872.8	(1.4)	1.2	(0.2)	(1.4)	1.2	(0.2)
Foreign	781.0	30.9	811.9	42.9	6.8	49.7	42.9	6.8	49.7
Retail	256.0	86.5	342.5	(2.0)	0.2	(1.8)	(2.0)	0.2	(1.8)
Others	307.9	162.4	470.4	2.0	1.7	3.7	2.0	1.7	3.7
Total	4,368.4	1,007.6	5,376.0	39.2	27.4	66.6	39.2	27.4	66.6

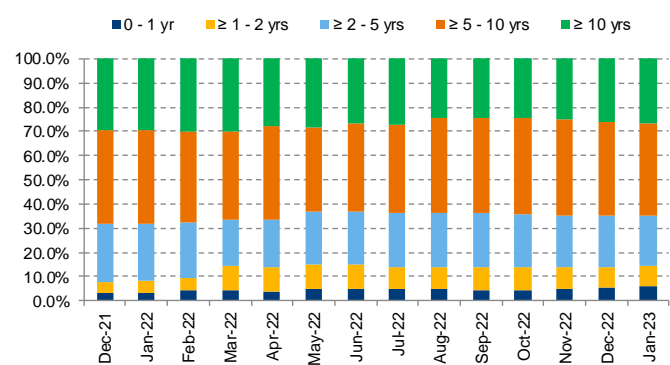
Source: DMO and Mandiri Sekuritas

FIGURE 39. FOREIGN OWNERSHIP CONTINUED TO INCREASE IN LINE WITH FOREIGN FUND INFLOWS TO INDOGB MARKET



Source: DMO and Mandiri Sekuritas

FIGURE 40. AS OF JAN-2023, FOREIGN INVESTORS OWN MORE ON MEDIUM-TO-LONG TENOR INDOGB



Source: DMO and Mandiri Sekuritas

FIGURE 41. BI OWNERSHIP IN GOVERNMENT BONDS

Tradable Bonds	2020	2021	2022	Jan-23
Bank Indonesia ownership SBN	874.9	1,063.7	1,453.6	1,439.5
Primary Market	483.6	358.3	273.1	2.2
Only SPN/ SPNS-before Covid	10.1	-	-	2.2
SKB I	75.9	143.3	49.1	-
SKB II	397.6	-	-	-
SKB III	0.0	215.0	224.0	-
Secondary Market	166.2	5.7	(25.7)	(14.8)
Total Government Bond Buying by BI	649.8	364.0	247.4	(12.6)
Maturing bonds owned by BI	(48.1)	(18.1)	(14.5)	0.0
BI Net Buy YTD Tradable Bonds	601.7	345.9	232.9	(12.6)
Total Net Issuances Tradable Bonds	1,118.0	808.2	630.5	66.0
% BI Net Buy of Net Issuances	53.8%	42.8%	36.9%	-19.1%

Source: DMO and Mandiri Sekuritas Estimates

The government has already issued IDR118.8tn or 10% of the full-year target, assuming a budget deficit of -2.85% of GDP. In the primary market, including global bond issuances, the government has already issued IDR118.8tn or 10% of the full-year target, assuming a budget deficit of -2.85% of GDP. We estimate the total gross bond issuance this year is IDR1,193tn (including global bonds and retail and private placement programs), with rupiah bond issuances through regular auction projected at Rp854tn, or a IDR35.6tn target per 2 weeks' auction. However, our base scenario's total gross issuance may lower to IDR1,000tn, assuming the government increases the loan program to IDR 46.2tn (vs. IDR16.6tn initial target in APBN2023) and optimizes the accumulated excess fund (SAL) of IDR200tn (vs. IDR72.8tn initial target in APBN 2023). These measures may reduce the average per auction every 2 weeks to only IDR27.7tn (back to the pre-pandemic level). We believe it will be very manageable, as the average total issuances per auction for conventional and sukuk are at IDR16.8tn and IDR6.7tn, respectively, while their total bids (excluding GSO) have reached IDR44.1tn and IDR19.2tn on average per auction in 2022.

FIGURE 42. GOVERNMENT HAS ALREADY ISSUED IDR118.8TN-GROSS OR 10% OF THE FULL-YEAR TARGET, ASSUMING BUDGET DEFICIT OF -2.85% OF GDP

Government Securities	APBN 2019	APBN 2020	APBN2021	Govt Bond Issuances Realization 2022	Mansek Forecast 2022	Excess Financing	APBN 2023	Govt Bond Issuances Realization YTD as of 27-Jan-23	Mansek Forecast 2023
Budget Deficit	(348.70)	(956.30)	(1006.50)		(429.50)		(598.20)		(598.20)
% of GDP	(2.20)	(6.09)	(5.70)		(2.40)		(2.85)		(2.85)
Gross Bond Supply	901.9	1,531.7	1,565.1	1,063.6	861.6	202.0	1,193.2	118.8	1,003.5
Gross Local Currency Bonds	753.3	1,372.8	1,375.3	940.7	738.7	202.0	1,014.2	72.0	824.5
Auction Program (incl Sukuk)	680.9	760.8	1,269.1	585.4	383.4	202.0	853.5	70.2	663.8
Retail Bonds (ORI & Sukuk)	48.4	76.8	86.0	107.4	107.4	-	110.0		110.0
Private Placement	23.9	535.3	20.3	247.9	247.9	-	50.7	1.8	50.7
Gross Foreign Currency Bonds	148.6	158.9	189.8	122.9	122.9	-	179.0	46.8	179.0
Source: DMO and Mandiri Sekuritas									
Average per 2 weeks auction	28.4	31.7	52.9		16.0		35.6		27.7
Source of Financing	402.1	1,193.3	1,006.4		429.5		598.2		598.2
Debt Financing	437.5	1,229.6	1,177.4		454.7		696.3		569.2
Government bonds - nett	446.3	1,177.2	1,207.3		408.7		712.9		523.2
Loan program - nett	(8.7)	52.5	(29.9)		46.0		(16.6)		46.0
Investment Financing	(44.4)	(104.7)	(184.5)		(154.2)		(176.0)		(176.0)
Loan Financing	-	1.0	0.4		2.3		5.3		5.3
Liability Financing	(6.3)	(3.6)	(2.7)		(1.1)		(0.3)		(0.3)
Others	15.2	70.9	15.8		127.8		72.8		200.0

Source: DMO and Mandiri Sekuritas

Indonesia meets pledge to return deficit to <3% of GDP a year early. On a press media, Finance Minister Sri Mulyani Indrawati announced that the 2022 budget deficit recorded IDR464.3tn (-2.38% of GDP) as state earnings revenues reached IDR2,626.4tn or up 30.6% from 2021 and ~16% above the target. Meanwhile, the government spent IDR3,090.8tn, or slightly below the planned amount, representing an 11% growth from the previous year. From that amount, IDR551.2tn was spent to subsidize fuel prices and power tariffs. On the financing side, the budget financing also narrowed by 33% yoy to IDR583.5tn; thus, the government's unspent cash (SILPA) reached IDR119tn, and we estimate the accumulated excess fund (SAL) to reach IDR330tn by YE2022, assuming the government used all of the IDR127.8 tn non-debt financing in 2022.

FIGURE 43. BUDGET DEFICIT AT RP464.3TN AS STATE EARNINGS REVENUES REACHED IDR2,626.4TN AND THE GOVERNMENT SPENT IDR3,090.8TN

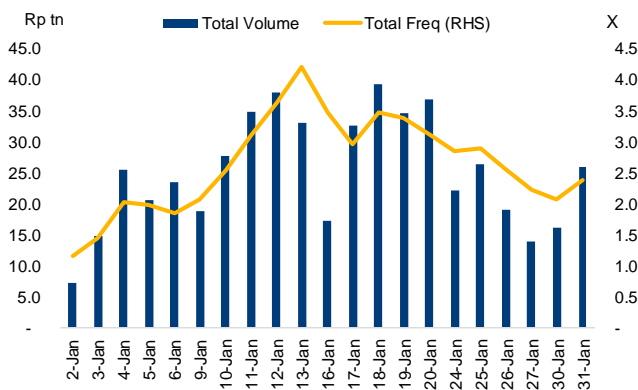
Uraian (triliun rupiah)	2019	2020	2021		2022				
			Realisasi	Growth (%)	APBN	Perpres 98/2022	Realisasi Sementara	% thd Perpres 98/2022	Growth (%)
A. PENDAPATAN NEGARA	1.960,6	1.647,8	2.011,3	22,1	1.846,1	2.266,2	2.626,4	115,9	30,6
1. Penerimaan Perpajakan	1.546,1	1.285,1	1.547,8	20,4	1.510,0	1.784,0	2.034,5	114,0	31,4
a. Pajak	1.332,7	1.072,1	1.278,6	19,3	1.265,0	1.485,0	1.716,8	115,6	34,3
b. Kepabeanan & Cukai	213,5	213,0	269,2	26,4	245,0	299,0	317,8	106,3	18,0
2. PNBP	409,0	343,8	458,5	33,4	335,6	481,6	588,3	122,2	28,3
3. Hibah	5,5	18,8	5,0	(73,4)	0,6	0,6	3,5	610,8	(29,3)
B. BELANJA NEGARA	2.309,3	2.595,5	2.786,4	7,4	2.714,2	3.106,4	3.090,8	99,5	10,9
I. Belanja Pemerintah Pusat	1.496,3	1.833,0	2.000,7	9,2	1.944,5	2.301,6	2.274,5	98,8	13,7
1. Belanja K/L	873,4	1.059,6	1.190,8	12,4	945,8	945,8	1.079,3 *	114,1	(9,4)
2. Belanja Non K/L	622,9	773,3	809,9	4,7	998,8	1.355,9	1.195,2	88,2	47,6
a.I. Subsidi Energi dan Kompensasi	144,4	108,8	188,3	73,0	152,5	502,4	551,2	109,7	192,7
II. Transfer ke Daerah	813,0	762,5	785,7	3,0	769,6	804,8	816,2	101,4	3,9
II. Transfer ke Daerah	813,0	762,5	785,7	3,0	769,6	804,8	816,2	101,4	3,9
C. KESBAMBANGAN PRIMER	(73,1)	(633,6)	(431,6)	(31,9)	(462,2)	(434,4)	(78,0)	18,0	(81,9)
D. SURPLUS/(DEFISIT)	(348,7)	(947,7)	(775,1)	(18,2)	(868,0)	(840,2)	(464,3)	55,3	(40,1)
% thd PDB	(2,20)	(6,14)	(4,57)		(4,85)	(4,50)	(2,38)		
E. PEMBIAYAAN ANGGARAN	402,1	1.193,3	871,7	(26,9)	868,0	840,2	583,5	69,5	(33,1)

Ket:
Tahun 2019-2021 sesuai LKPP
* Pagu akhir Belanja K/L Rp1.133,1 T

Source: MoF

More active trading volume in the secondary market. In line with foreign fund inflows to INDOGB (chased in the secondary market), the average trading volume per day improved significantly to IDR25.1tn (vs. Rp21tn average trading volume per day in 2022). The new benchmark series 10-yr FR0096 and 5-yr FR0095 were the most liquid this month, reaching IDR4.4tn and IDR2.2tn average trading volumes per day, respectively.

FIGURE 44. IN JAN-2023, AVERAGE TRADING VOLUME PER DAY REACHED IDR25.1TN (VS IDR21TN AVERAGE PER DAY IN 2022)



Sources: IDX and Mandiri Sekuritas

FIGURE 45. NEW 10-YR BENCHMARK SERIES FR0096 WAS THE MOST LIQUID BONDS IN THE SECONDARY MARKET

Ran k	Series	Coupon	Maturit y	Liquidity Index Jan-23		
				Vol (Rp tn)	Freq (x)	Score
1	FR96	7.00	Feb-33	92.2	5.1	85.7
2	FR95	6.38	Aug-28	46.4	1.8	43.1
3	FR64	6.13	May-28	37.0	1.4	34.3
4	FR91	6.38	Apr-32	27.4	4.8	25.7
5	FR82	7.00	Sep-30	25.3	1.4	23.5
6	FR81	6.50	Jun-25	24.0	0.7	22.2
7	FR70	8.38	Mar-24	22.7	0.4	21.0
8	FR98	7.13	Jun-38	19.1	2.4	17.9
9	FR77	8.13	May-24	15.1	0.4	14.0
10	FR87	6.50	Feb-31	13.9	1.9	13.0

Sources: IDX and Mandiri Sekuritas Estimates

FX Market Outlook: Capital Inflow Supports Rupiah Strengthening

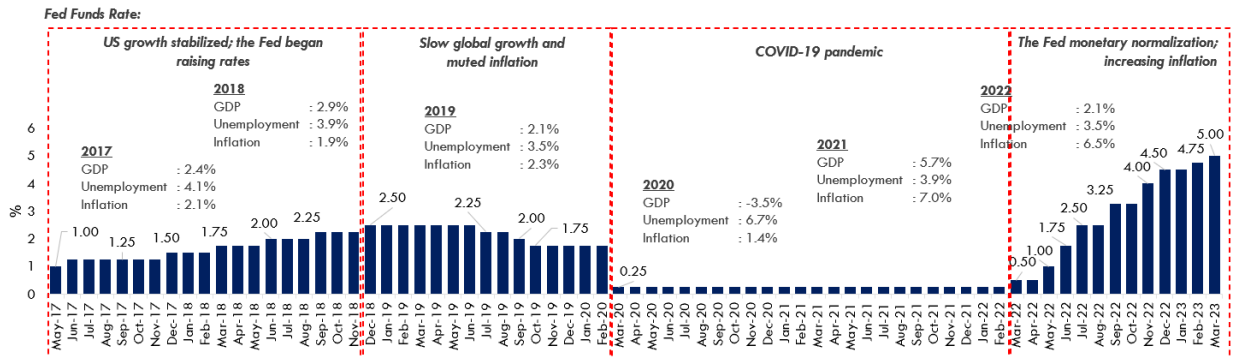
Throughout 2023, turmoil in the financial market increased, including the volatility of the Rupiah, which was at one time high, mainly due to the influence of various external sentiments. High global uncertainty, normalization of Central Bank policies in several countries, and increase in benchmark interest rates as a response to rising inflation will continue in early 2023. In March 2023, the crisis in the banking sector and financial markets in the US and the European Union occurred, resulting in speculation that an increase in the benchmark rate was not as aggressive as before. At the end of March 2023, the Rupiah strengthened to 14,995 against the US dollar or strengthened by 3.7% throughout 2023. Throughout 2023, the Rupiah against the USD moved in the range of 14,748 - 15,638 with a daily average standard deviation of 0.4% and an average daily value of rupiah exchange rate of 15.186 per USD. In the future, market participants will continue to be wary of several ongoing risks, such as the global economic slowdown and plans for a further hike in the US Federal Reserve's benchmark interest rate, which have the potential to affect investors' risk appetite.

External pressures affected exchange rate fluctuations throughout 2023.

Throughout 2023, financial market turmoil began to escalate, preceded by the policy of increasing the benchmark interest rate in response to high inflation, especially in developed countries due to high food and energy prices. In March 2023, the US Federal Reserve's high-interest rate, which had risen to 475 bps since early 2022, pushed market volatility to increase and tended to cause capital outflows. Market participants also see the Fed Funds Rate interest rate will be around 5.5% - 5.75% at the end of 2023. However, unexpectedly, shocks occurred in the US and Europe related to the closure of several banks, which began with bank runs. This condition triggered panic selling in the market because banks in the US and Europe experienced difficulties fulfilling their obligations and were trapped in liquidity problems. As a result of this incident, pressure arose for The Fed's policies to be less hawkish and for interest rate hikes to be lower or not even implemented. After briefly weakening to 15,638, the Rupiah finally reversed direction by strengthening to around 15,000 per USD.

FIGURE 46. FOMC GUIDANCE: FRONT-LOAD RATE HIKE AND QUANTITATIVE TIGHTENING

Indicators	2023		2024	2025	Long-run
	Mar-23 FOMC Projection	As of 28-Feb-23		Mar-23 FOMC Projection	
GDP	0.4%	2022 = 2.1%	1.2%	1.9%	1.8%
Unemployment	4.5%	Feb-23 = 3.6%	4.6%	4.6%	4.0%
PCE Inflation	3.3%	Feb-23 = 5.0%	2.5%	2.1%	2.0%
Policy Rate	5.25%	Mar-23 = 5.00%	4.50%	3.25%	2.5%



Source: The Federal Reserve (FOMC Meeting March 2023), Bloomberg

The Fed has raised its benchmark interest rate by 50 bps in 2023. At the March meeting this year, the FOMC meeting decided again to raise the FFR benchmark rate by 25 bps, continuing the increase in February 2023, which was also 25 bps. The Federal Reserve raised its benchmark interest rate to 4.75% - 5.00%, the highest level in 15 years, or since December 2007. This decision indicates that the fight against inflation is not over despite some promising signs recently. The Fed said it would observe developments in economic data other than inflation before cutting its benchmark interest rate. This is following the statement of the Fed's officials that the interest rate hike will be carried out at least to the level of 5.25% even though the US inflation rate has started to decline, but the Fed sees it is still above the target of 2%. The Fed's interest rate hike is predicted to reach its terminal rate this year even though it has to face the risk of an economic slowdown and even a recession in the future. It is estimated that the Fed Funds Rate will decrease in 2024.

Pressure on the money market eased as the Fed's likelihood of raising its benchmark interest rate aggressively decreased. The rising trend of the USD index is on hold. The USD index weakened to 101-102 levels, much lower than 115, the highest level for the last 20 years. The decline in the USD index indicates the continued weakening of the USD against major currencies. Market volatility is predicted to increase due to concerns over the weakening global economy. In the short term, the depreciation of the USD against most global currencies will continue, mainly if the US banking and financial sector crisis occur again.

FIGURE 47. PROBABILITIES OF FED FUNDS RATE MOVES

MEETING PROBABILITIES FROM THE MARKET VIEW														
MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525
5/3/2023								0.0%	0.0%	0.0%	0.0%	0.0%	34.0%	66.0%
6/14/2023			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	34.3%	65.4%
7/26/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	17.2%	49.7%	33.0%
9/20/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	11.4%	38.6%	38.7%	11.2%
11/1/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	6.9%	27.9%	38.7%	22.1%	4.4%
12/13/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	5.6%	23.8%	36.6%	25.2%	7.8%	0.9%
1/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.8%	21.1%	34.6%	27.0%	10.5%	1.9%	0.1%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%	19.6%	33.4%	27.7%	12.0%	2.7%	0.3%	0.0%
5/1/2024	0.0%	0.0%	0.0%	0.0%	0.9%	7.5%	22.5%	32.2%	24.4%	10.0%	2.2%	0.2%	0.0%	0.0%
6/19/2024	0.0%	0.0%	0.0%	0.5%	4.2%	15.0%	27.4%	28.3%	17.2%	6.1%	1.2%	0.1%	0.0%	0.0%
7/31/2024	0.0%	0.0%	0.4%	3.9%	14.0%	26.2%	28.2%	18.2%	7.1%	1.6%	0.2%	0.0%	0.0%	0.0%
9/25/2024	0.2%	1.8%	8.0%	18.9%	27.0%	24.2%	13.8%	4.9%	1.1%	0.1%	0.0%	0.0%	0.0%	0.0%

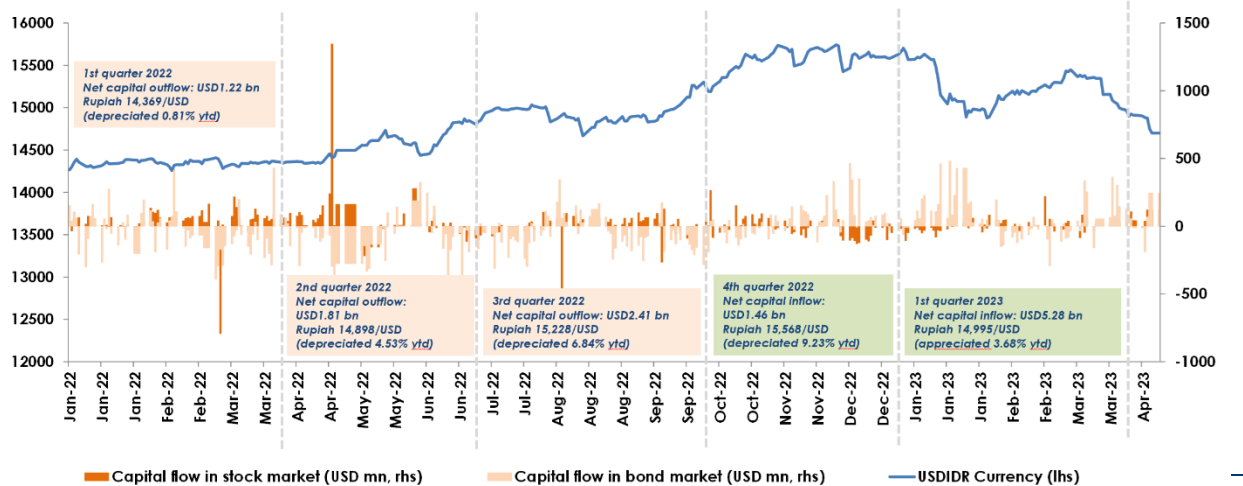
Source: CME Group, as of April 10, 2023

Follow-up policies to maintain stability and promote growth. In line with the decrease in the magnitude of the increase in benchmark interest rates at global banks, Bank Indonesia is also predicted to reduce interest rate hikes in 2023, not as aggressively as the increase in 2022. Assuming no further increase in administered prices and inflation can fall back to the range of 4%, we see the BI7DRRR will be at 5.75% at the end of 2023. Bank Indonesia will also continue its monetary policy in 2023, focusing on maintaining stability, encouraging economic growth, and ensuring inflation returns to the target of 2% - 4%. In this regard, Bank Indonesia will continue to strengthen the response of the policy mix to maintain stability and momentum for economic recovery with various steps, which include:

1. Strengthen monetary operations to increase the effectiveness of monetary policy transmission;
2. Strengthening the stabilization of the Rupiah exchange rate as part of efforts to control inflation, mainly imported inflation, through intervention in the foreign exchange market with spot transactions, Domestic Non-Deliverable Forwards (DNDF), as well as buying/selling Government Securities (SBN) in the secondary market;
3. Continuing the twist operation through the sale of SBN in the secondary market for short tenors to increase the attractiveness of SBN yields, especially for foreign portfolio investors, to strengthen the stability of the Rupiah exchange rate;
4. Strengthening the management of export proceeds through monetary operation instruments Export Proceeds Foreign Exchange (DHE) in the form of term deposits (TD) foreign currency DHE as instruments for placement of DHE by exporters through banks to Bank Indonesia following the market mechanism that has been in effect since 1 March 2023;

5. Continuing the policy of transparency of prime lending rates (SBDK) with an in-depth look at aspects of banking profitability;
6. Strengthen the digitization of payment systems to increase transaction efficiency and digital economic ecosystems;
7. Strengthening payment system policies in dealing with the month of Ramadan and Idul Fitri 1444 H;
8. Strengthen international cooperation by expanding cooperation with central banks and other partner country authorities and facilitating the implementation of investment and trade promotions in priority sectors in collaboration with relevant agencies.

FIGURE 48. RUPIAH VS CAPITAL OUTFLOW



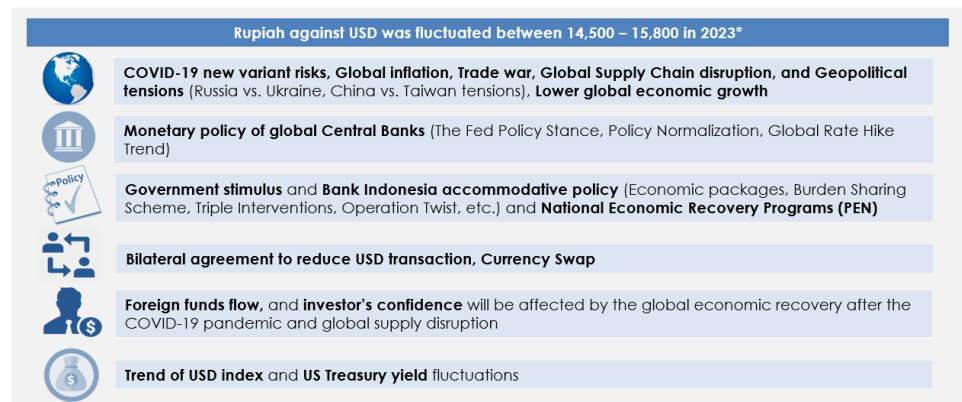
Source: Bloomberg

Maintained economic growth is a positive factor for the Rupiah. The development of the domestic economy throughout 2022 was entirely satisfactory and managed to grow by 5.31%. Indonesia's economic growth will remain strong, driven by increased domestic demand and investment. Household consumption is predicted to stay strong with increased mobility across regions, retail sales, and improving consumer confidence. Indonesia's trade balance surplus during January - March 2023 also continued to be recorded at USD 12.25 billion (ytd) to maintain the Indonesian economy's external resilience. Based on the latest data, the strengthening of the Rupiah was also driven by improving domestic economic data such as increased consumer optimism, increased retail sales with a real sales index, decreased foreign debt, and improved performance of the domestic processing industry. The IMF also revised Indonesia's economic growth to 5% in 2023 from 4.8%, and Bank Indonesia recorded the position of Indonesia's foreign exchange reserves at the end of March 2023 reaching USD 145.2 billion, an increase compared to the position at the end of February 2023 of USD 140.3 billion. Tax revenues and the withdrawal of foreign government loans influenced the growth in the position of foreign exchange reserves. These foreign exchange reserves can support external sector resilience and maintain macroeconomic and financial system stability. Going

forward, it is estimated that foreign exchange reserves will remain adequate and be able to support the strength of Indonesia's external sector.

Our view: Harnessing the strengthening momentum. Market pressure is still dominated by external factors, especially the follow-up policy of the Fed. Global economic conditions which have to struggle with inflationary pressures that have not decreased drastically will still be a trigger for further interest rate hikes. In the short term, the Rupiah will still tend to move between 14,600 and 15,000 per USD. However, changes in The Fed's policy stance that could occur at any time and fears of a weakening global economy could become Bank Mandiri's economic research team, predicting that the Rupiah will continue to move according to its fundamentals in the long term supported by strong domestic economic fundamentals. In this week's Governor's meeting, we estimate that 25 bps will increase the BI7DRRR to 5.75%. We also estimate a rupiah of 15,285 (with an average of 15,220 per USD) by the end of 2023, even though there are upside risks and market volatility will still occur in the medium term due to more aggressive monetary policy changes from several global Central Banks.

FIGURE 49. SEVERAL FACTORS THAT AFFECT RUPIAH MOVEMENT

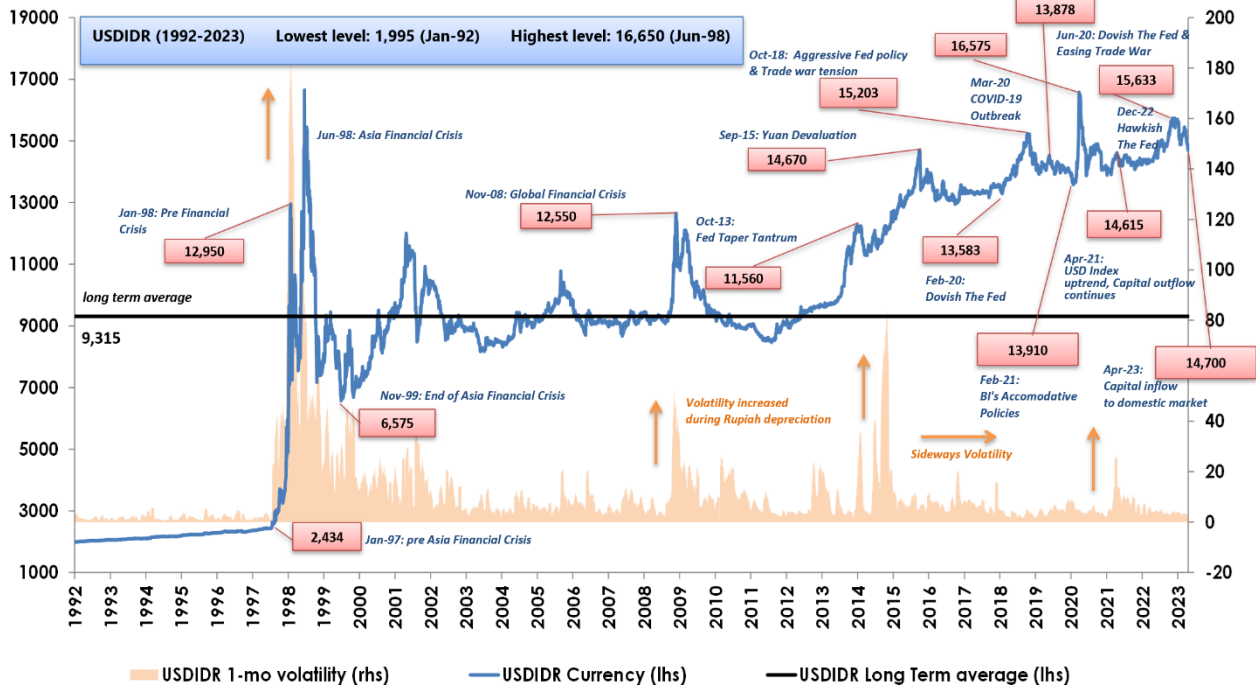


Sources: Bank Mandiri, The Federal Reserve, Bloomberg



Rupiah Long-Term Trend

EVENT ANALYSIS DURING CRISIS: RUPIAH DEVELOPMENT 1992-2022



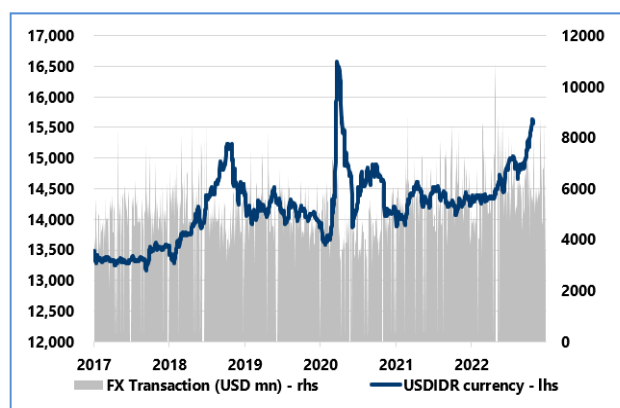
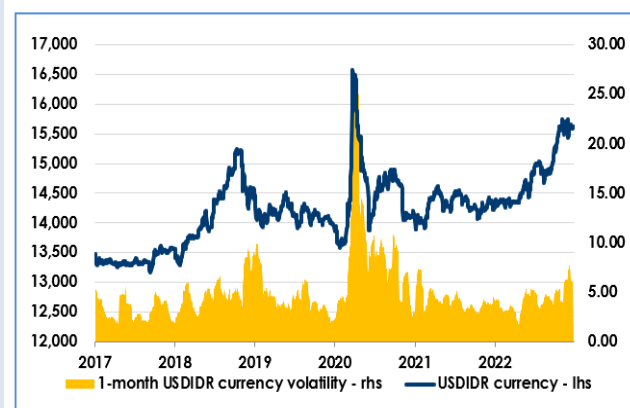
Macro Indicator	Asia Financial Crisis		Global Economic Crisis			Europe Crisis	End of Commodity Boom	FFR Taper Tantrum	China Yuan Devaluation	Hawkish The Fed and US-China Trade War	COVID-19 Pandemic*	End 2020	End 2021	End 2022 Russia - Ukraine War	SVB*
	1997	1998	2007	2008	2009	2010	2012	2013	2015	2018	Mar-20	2020	2021	2022	Mar-23
ID GDP Growth (%)	4.70	(13.13)	6.35	6.01	4.63	6.22	6.03	5.56	4.88	5.17		(2.07)	3.70	5.31	
Change (bps yoy)	(312)	(1783)	85	(34)	(138)	159	(14)	(47)	(13)	10		(709)	210.3	(365)	
ID Inflation Rate (%)	10.27	77.54	5.44	11.06	2.78	6.96	3.65	8.08	3.35	3.16	2.96	1.68	1.87	5.51	5.47
Change (bps yoy)		6726.99	(115.46)	561.79	(828.00)	417.14	(67.74)	442.80	(500.62)	(44.66)	42.92	(90.23)	18.98	363.5	341.4
USD Index	99.65	94.17	76.70	81.31	77.86	79.03	79.77	80.04	98.63	96.17	99.05	89.94	95.67	103.52	103.90
Change (% yoy)	13.08	(5.50)	(8.31)	6.01	(4.24)	1.50	(0.51)	0.33	9.26	4.40	1.81	(6.69)	6.37	8.21	(6.23)
USD/IDR Currency	5403	8000	9393	11120	9404	9013	9638	12170	13788	14390	16310	14050	14268	15568	15450
Change (% yoy)	128.65	48.07	4.42	18.39	(15.43)	(4.16)	6.30	26.27	11.33	6.06	14.53	1.33	1.44	9.23	(0.95)
5-yr CDS Indonesia			152.83	691.36	192.00	128.25	123.97	236.85	229.92	137.45	210.40	67.78	90.80	99.57	100.22
Change (% yoy)			26.57	352.37	(72.23)	(33.21)	(40.36)	91.06	43.42	61.24	129.27	0.09	11.09	32.24	(27.79)
VIX (Volatility Index)	24.01	24.42	22.50	40.00	21.68	17.75	18.02	13.72	18.21	25.42	53.54	22.75	24.83	21.67	23.90
Change (% yoy)	14.77	1.71	94.64	77.78	(45.80)	(18.13)	(22.99)	(23.86)	(5.16)	130.25	290.52	65.09	(24.31)	25.84	(4.17)

Source: Bloomberg, OCE Bank Mandiri Calculation



Lower Rupiah Volatility

RUPIAH TREND AND DEVELOPMENT AGAINST USD



Rupiah & FX Transaction (2017 – 2023F)

Indicators	2017	2018	2019	2020	2021	2022	1Q23F	2Q23	3Q23F	4Q23F
USD/IDR Currency (eop)	13568	14390	13866	14050	14253	15568	15213	14995	15277	15285
USD/IDR Volatility (average)	3.15	5.01	4.52	9.24	4.30	5.32	5.35	5.42	5.30	4.88
FX Transaction (USD bn, ytd)*	1,191.18	1,267.63	1,258.33	1,146.77	1,427.14	1,477.09*	-	-	-	-

Source: Bloomberg, OCE Calculation

FIGURE 50. MACROECONOMIC INDICATORS AND FORECAST

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F
National Account											
Real GDP (% yoy)	5.56	5.01	4.88	5.03	5.07	5.17	5.02	-2.07	3.70	5.31	5.04
Real Consumption: Private (% yoy)	5.43	5.15	4.96	5.01	4.94	5.05	5.04	-2.63	2.02	4.93	5.15
Real Consumption: Government (% yoy)	6.75	1.16	5.31	-0.14	2.13	4.80	3.25	2.12	4.24	-4.51	1.64
Real Gross Fixed Capital Formation (% yoy)	5.01	4.45	5.01	4.47	6.15	6.67	4.45	-4.96	3.80	3.87	6.75
Real Exports (% yoy)	4.17	1.07	-2.12	-1.66	8.91	6.48	-0.87	-8.42	17.95	16.28	7.07
Real Imports (% yoy)	1.86	2.12	-6.25	-2.41	8.06	12.04	-7.69	-17.60	24.87	14.75	10.01
GDP (IDR tn) - nominal	9,546.13	10,569.71	11,526.33	12,401.73	13,589.83	14,838.76	15,832.66	15,443.35	16,976.69	19,588.45	21,286.47
GDP (USD bn) - nominal	912.59	890.56	860.85	931.85	1,015.62	1,042.19	1,119.10	1,059.04	1,186.36	1,319.10	1,403.41
GDP per capita (USD) - nominal	3,667.70	3,531.64	3,369.80	3,601.98	3,878.03	3,932.58	4,192.77	3,928.69	4,350.68	4,783.27	5,027.71
External Sector											
Goods Exports (% yoy)	-2.81	-3.73	-14.93	-3.12	16.90	7.01	-6.79	-3.00	42.49	25.65	2.03
Goods Imports (% yoy)	1.35	4.51	19.75	4.39	-16.20	-20.58	8.85	18.09	-39.92	-21.60	10.94
Goods Balance (USD bn)	5.83	6.98	14.05	15.32	18.81	-0.23	3.51	28.30	43.81	62.68	41.55
Current Account (% of GDP)	-3.19	-3.09	-2.03	-1.82	-1.60	-2.94	-2.71	-0.42	0.30	1.00	-1.10
Current Account (USD bn)	-29.11	-27.51	-17.52	-16.95	-16.20	-30.63	-30.28	-4.43	3.51	13.22	-15.44
IDR/USD (period average)	10,439	11,875	13,394	13,305	13,384	14,247	14,141	14,543	14,321	14,874	15,220
IDR/USD (year end)	12,170	12,385	13,788	13,473	13,568	14,390	13,866	14,050	14,253	15,568	15,285
Other											
BI rate (% year end)	7.50	7.75	7.50								
BI 7 days reverse repo rate (% year end)				4.75	4.25	6.00	5.00	3.75	3.50	5.50	5.75
Headline Inflation (% yoy, period average)	6.40	6.40	6.40	3.50	3.81	3.20	3.03	2.04	1.56	4.21	4.62
Headline Inflation (% yoy, year end)	8.08	8.36	3.35	3.00	3.61	3.13	2.72	1.68	1.87	5.51	3.60
S&P's Rating - FCY	BB+	BB+	BB+	BB+	BBB-	BBB-	BBB	BBB	BBB	BBB	BBB
S&P's Rating - LCY	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB	BBB	BBB	BBB	BBB

Note: N = nowcasting; & F = forecast

Source: Mandiri Group estimate

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