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Indonesia: Driving Investment as the Game Changer

Domestic economy stayed resilient with 5.03% growth in 1Q23. The pace was relatively similar to 1Q22 and 4Q22 which respectively recorded 5.02% yoy and 5.01% yoy, but definitely beat the consensus of 4.97%. Global economic slowdown has impacted the economy via lower trade performance, but the mobility relaxation following the drop of COVID-19 cases seemed to be cushioning the growth through recovery in household consumption.

The recovery in consumption and a rebound in government spending helped growth. On the other hand, net exports and investment growth lagged behind. The global slowdown to some extent has brought some impact to the economy, as reflected in the trade and fixed investment activities which were relatively muted. This indicated the shift of source of growth from external sector (commodity-related export) to domestic sector. Therefore, going forward, to maintain economic resiliency, domestic demand should accelerate faster, which in this case, the trajectory of fixed investment, will be the key game changer of the economy.

Fixed investment or Gross fixed capital formation (GFCF) growth in 1Q23 notably slowed down to 2.11% yoy (vs. 3.33% yoy in 4Q22). The growth was mostly supported by non-building & structure investment, particularly for vehicles. While other component such as building and structure, machine and equipment lagged behind.

Indonesia's investment continue to face downside risks in the second half of 2023. Aside from the continuing global economic slowdown, a crucial aspect to consider for the second half of 2023 is the potential escalation of uncertainty due to the upcoming political year, specifically the general election scheduled for Feb-2024. This looming political event may trigger a heightened sense of uncertainty among various stakeholders.

The government can play a bigger role in accelerating fixed investment. From a structural perspective, the composition of fixed investment in Indonesia is predominantly shaped by investment in buildings and structures, accounting for ~75% of GFCF. Consequently, the trajectory of fixed investment in the country is intricately linked to the government's infrastructure policy and its subsequent initiatives in this domain. By our calculation, in order to maintain economic growth around or above 5% this year, fixed investment must grow at a minimum around 4.75%, where a full realization of infrastructure budget (IDR392 trillion) should be able to bring a recovery in building and structure investment.

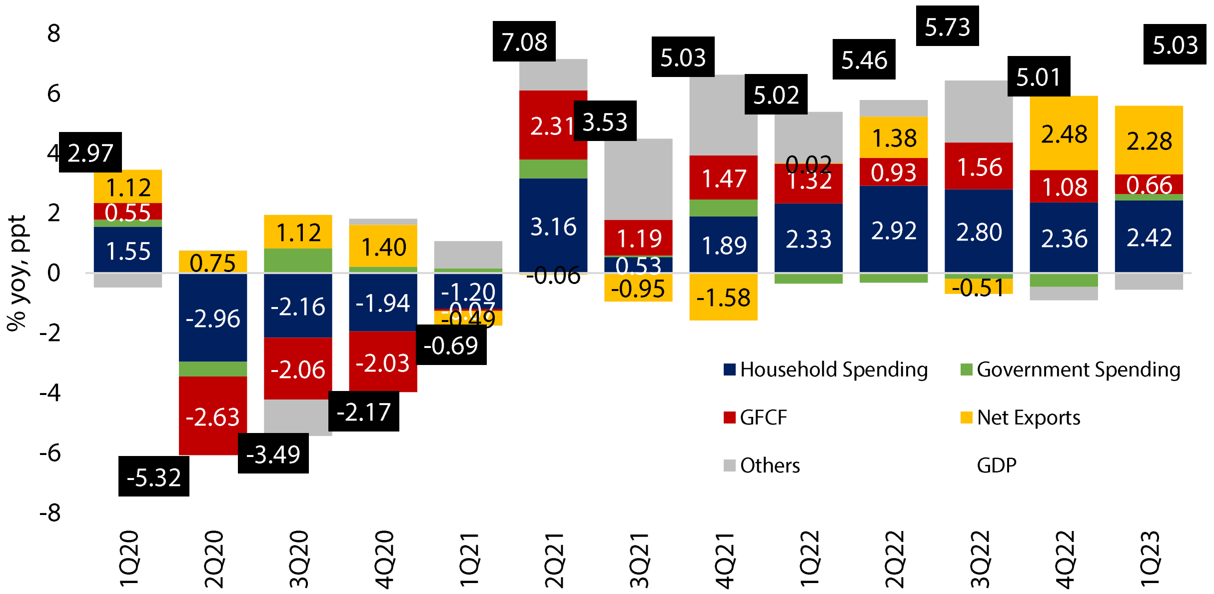
Indonesia’s economic resiliency and its future potential

In the first quarter this year, Indonesia’s economic growth stayed resilient with the GDP growth recorded a 5.03% yoy growth. The growth pace proved to be resilient as compared to the 1Q22 and 4Q22 growth which respectively recorded 5.02% yoy and 5.01% yoy. The realization figure beat market estimates of 4.97% yoy. On quarterly basis, it contracted by -0.92% qoq, down from 0.36% qoq in 4Q22, though, it was more due to the seasonal effect in every first quarter.

Global economic slowdown has yet to significantly impact the economy, as the economic reopening following the drop of COVID-19 cases seemed to be cushioning the growth through recovery in household consumption. Based on the growth component, **the growth driver was mainly the recovery in household consumption and a rebound in government spending**, while net exports and investment growth lagged behind. This indicated the shift of source of growth from external sector (commodity-related export) to domestic sector. Household consumption was resilient enough despite relatively high inflation in 1Q23 as it managed to expand by 4.54% yoy (vs. 4.48% yoy in 4Q22). The recovery was attributed to the revocation of the Restrictions on Community Activities (PPKM) at the end of 2022, which has further boosted mobility and demand. The month of Ramadan starting in the last week of Mar-23 to some degree also has a positive impact on spending.

Government spending rebounded to post a growth of 3.99% yoy in 1Q23 (vs. -4.77% yoy in 4Q22) as material spending was notably up. The government's success in controlling the COVID-19 pandemic provided space for the government to carry out the expansive or pro-growth policies.

FIGURE 1. SOURCE OF GDP GROWTH



Sources: Statistic Indonesia, OCE BMRI

Yet the global slowdown and commodity price correction, has to some extent, impacted the economy, as reflected in the trade and fixed investment activities which were relatively muted. Gross fixed capital formation (GFCF) growth in 1Q23 was down to 2.11% yoy (vs. 3.33% yoy in 4Q22). The growth was mostly supported by non-building & structure investment, particularly for vehicles (24.09% yoy in 1Q23 vs. 17.08% yoy in 4Q22) due to improving distribution and logistics activities. Machine & equipment investment slowed (4.62% yoy vs. 18.36% yoy in 4Q22), following the decline in commodity prices amid the risks of global economic slowdown this year, thus discouraging investment activities. Building & structure investment, meanwhile, remained muted (0.08% yoy vs. 0.11% yoy in 4Q22) as most of the National Strategic Projects will start to resume in 2Q23.

Both export and import activities weakened, following a slowdown in the global trade activities due to the 2023 global economic outlook that is still full of uncertainties, thus weighing on overall global demand. Export growth was down to 11.68% yoy in 1Q23 (vs. 14.93% yoy in 4Q22), and import growth eased to 2.77% yoy (vs. 6.25% yoy in 4Q22).

Going forward, we expect the current trend to continue, where the source of Indonesia's economic growth in 2023 will most likely shift from external sector to domestic sector. The external or trade sector may continue to be impacted by the potential global recession and slowdown. We may see a lower trade surplus this year. Thus, the domestic demand should accelerate to compensate the slowdown in the external sector.

This year, domestic demand has the potential to grow faster. Household consumption in 2023 will still be supported by declining inflation, thanks to the government's success in maintaining food supply and prices. The revocation of PPKM at the end of 2022 also improves public mobility and demand. Government spending, which contracted in 2022, (due to adjustment in COVID-19 spending, as situation improved) is expected to return to record growth in 2023. The government may increase spending for infrastructure allocation and for the preparation for the 2024 National Elections this year. More on the positive side, the government has been able to consolidate and return the fiscal deficit to below 3% of GDP more quickly than planned. This provides room for the government to return to the pro-growth policies.

The game changer now is the prospect of fixed investment or GFCF. Fixed investment, which notably slowed down in 1Q, can still accelerate, supported by government policies particularly the acceleration of infrastructure projects. Thus, we expect the source of GFCF or fixed investment in 2023 will shift from non-building & structure investment, which was mostly driven by commodity-related-investment, to building & structure investment. Building & structure investment holds around more than 70% of total fixed investment. Hence, a recovery in this segment can potentially drive faster growth for the overall fixed investment.

We expect this to happen in 2H23, as the government policies this year were much allocated toward faster infrastructure realization which has been delayed during the pandemic. The government has allocated higher budget for infrastructure in the 2023

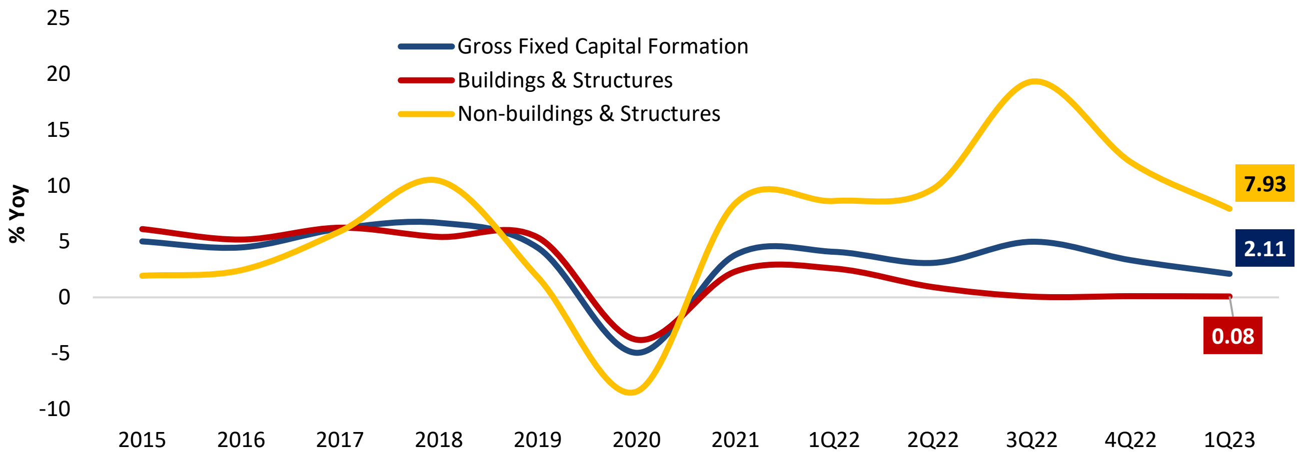
State Budget, which include the continuation of the National Strategic Projects, downstream projects, and the development of the new national capital (IKN).

Slowdown in trade performance may be already a given factor as we can not control the global commodity prices. Yet, the government can still increase stimulus to cushion the economy from the global impact through encouraging household consumption and domestic investment. **Thus, to maintain economic resilience, the key here is to accelerate investment.** Investment need to grow faster for the economy to maintain growth pace or to accelerate amid all the uncertainties.

Indonesia's Fixed Investment Outlook in 2023: The Game Changer

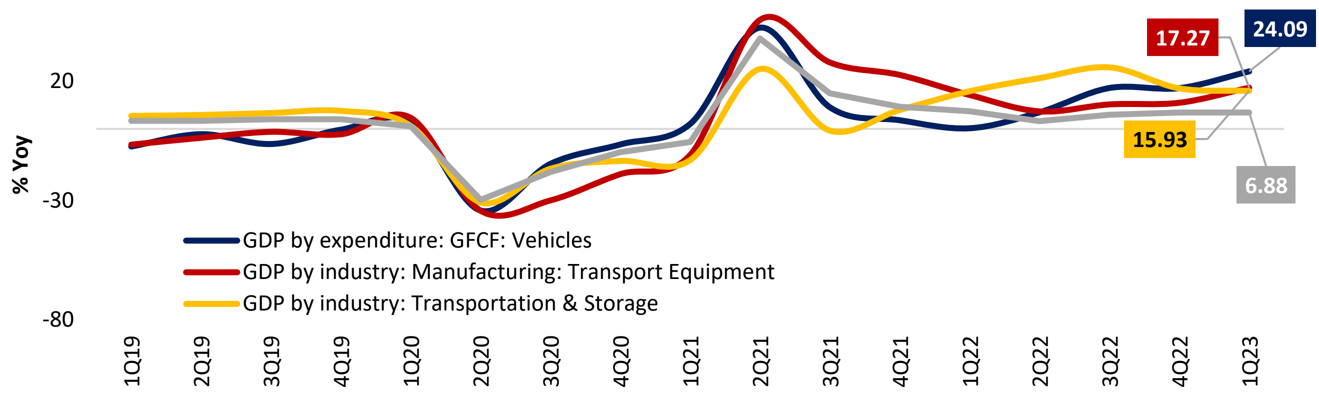
Indonesia witnessed a decline in the growth rate of its gross fixed capital formation (GFCF) or fixed investment, which stood at 2.11% year-on-year (yoy) in the first quarter of 2023, compared to 3.33% yoy in the fourth quarter of 2022. The growth was primarily driven by investments in non-buildings and structure sectors, specifically in vehicles, with a notable increase of 24.09% yoy in the first quarter of 2023, as opposed to 17.08% yoy in the fourth quarter of 2022. This surge in vehicle investment can be attributed to the improvements in distribution and logistics activities. Furthermore, this trend aligned with the rise in public mobility following the government's decision to lift the community activities restrictions (PPKM) at the end of 2022. Sectors related to mobility have consistently demonstrated double-digit growth since the third quarter of 2022, when the PPKM measures were significantly relaxed.

FIGURE 2. INDONESIA'S GROSS FIXED CAPITAL FORMATION/INVESTMENT



Sources: Statistic Indonesia

FIGURE 3. INDONESIA'S MOBILITY-RELATED INVESTMENT AND SECTORS



Sources: Statistic Indonesia

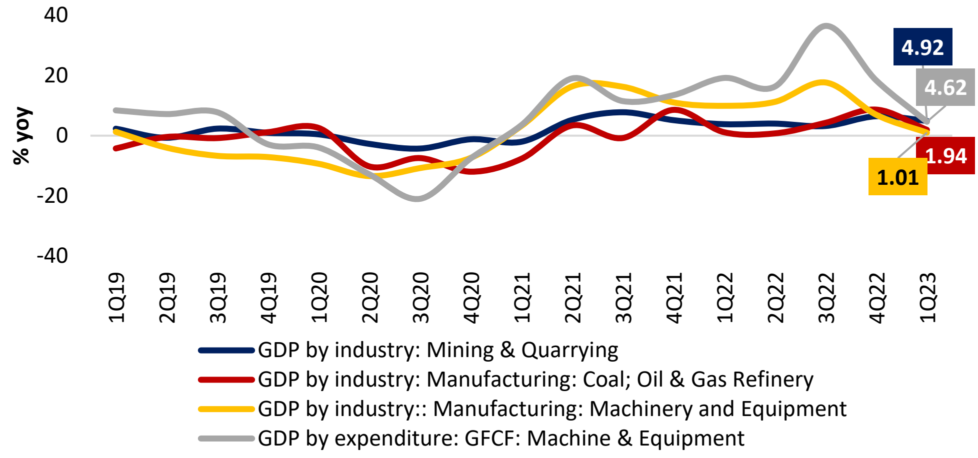
In contrast, the growth of machine and equipment investment experienced a notable deceleration to 4.62% yoy from a robust 18.36% yoy in the fourth quarter of 2022. This decline can be attributed to the decrease in commodity prices, influenced by the prevailing risks of a global economic slowdown this year. The combination of elevated global inflation and aggressive policy rate hikes worldwide has weakened global demand and deterred investment activities. As a result, sectors tied to commodities collectively exhibited sluggish growth in the first quarter of 2023.

FIGURE 4. INDONESIA'S FIXED INVESTMENT COMPONENTS

	2018	2019	2020	2021	1Q22	2Q22	3Q22	4Q22	1Q23	Share (%)
Gross Fixed Capital Formation	**6.68**	**4.45**	**-4.96**	**3.80**	**4.08**	**3.09**	**4.98**	**3.33**	**2.11**	**100**
Buildings & Structures	5.41	5.37	-3.78	2.32	2.58	0.92	0.07	0.11	0.08	74.5
Machine & Equipment	19.73	4.76	-11.54	11.66	19.17	16.30	36.46	18.36	4.62	10.9
Vehicles	8.24	-4.12	-13.07	11.69	0.27	6.96	17.14	17.08	24.09	6.1
Other Equipments	8.34	-3.14	-10.56	9.26	6.04	-4.31	0.11	-2.66	-5.26	1.4
Cultivated Biological Resources	2.72	5.05	2.81	1.16	3.16	3.97	1.95	0.27	3.34	4.9
Intellectual Property Products	-1.35	-0.23	-7.36	4.59	-5.73	6.98	6.23	12.67	5.06	2.1

Sources: Statistic Indonesia

FIGURE 5. INDONESIA'S COMMODITY-RELATED INVESTMENT AND SECTORS

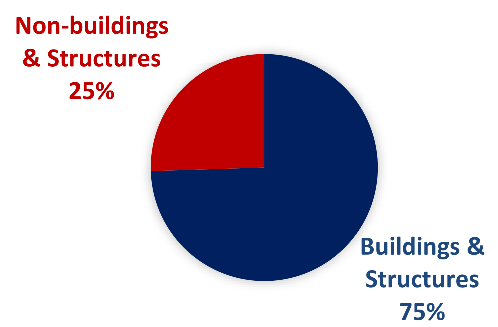


Sources: Statistic Indonesia

Buildings and structure investment continued to exhibit limited growth, registering a modest increase of 0.08% yoy, slightly below the 0.11% yoy in the fourth quarter of 2022. The National Strategic Projects, which were previously stalled due to the pandemic, are anticipated to resume gradually in the second quarter of 2023. This resumption is expected to have a significant impact on fixed investment in the latter half of the year.

What is the biggest catalyst for Indonesia's fixed investment to accelerate? From a structural perspective, the composition of fixed investment in Indonesia is predominantly shaped by investment in buildings and structures, accounting for ~75% of GFCF. Consequently, the trajectory of fixed investment in the country is intricately linked to the government's infrastructure policy and its subsequent initiatives in this domain.

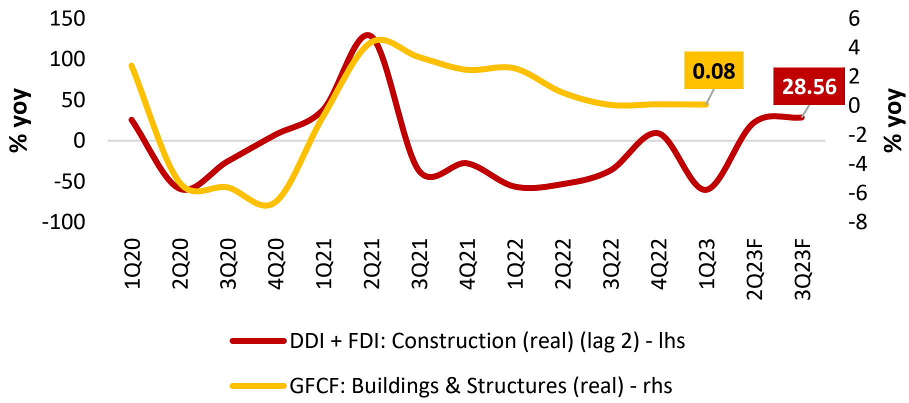
FIGURE 6. SECTORS INDONESIA'S FIXED INVESTMENT STRUCTURE



Sources: Statistic Indonesia

Encouragingly, there is a potential for a notable shift in the composition of Indonesia's GFCF in 2023, with the likelihood of a transition from non-buildings and structures investment (predominantly commodity-related) toward building and structure investment. This anticipated transformation is expected to materialize in the second half of 2023 and is supported by various factors, including a higher allocation for infrastructure in the 2023 State Budget, exhibiting a growth rate of 5.1% compared to a decline of 7.5% in 2022. Furthermore, the momentum is sustained by the continuity of the National Strategic Projects, the advancements in downstream projects, and the development of the new national capital (IKN).

FIGURE 7. BUILDINGS AND STRUCTURES INVESTMENT IN GDP VS. CONSTRUCTION DIRECT INVESTMENT

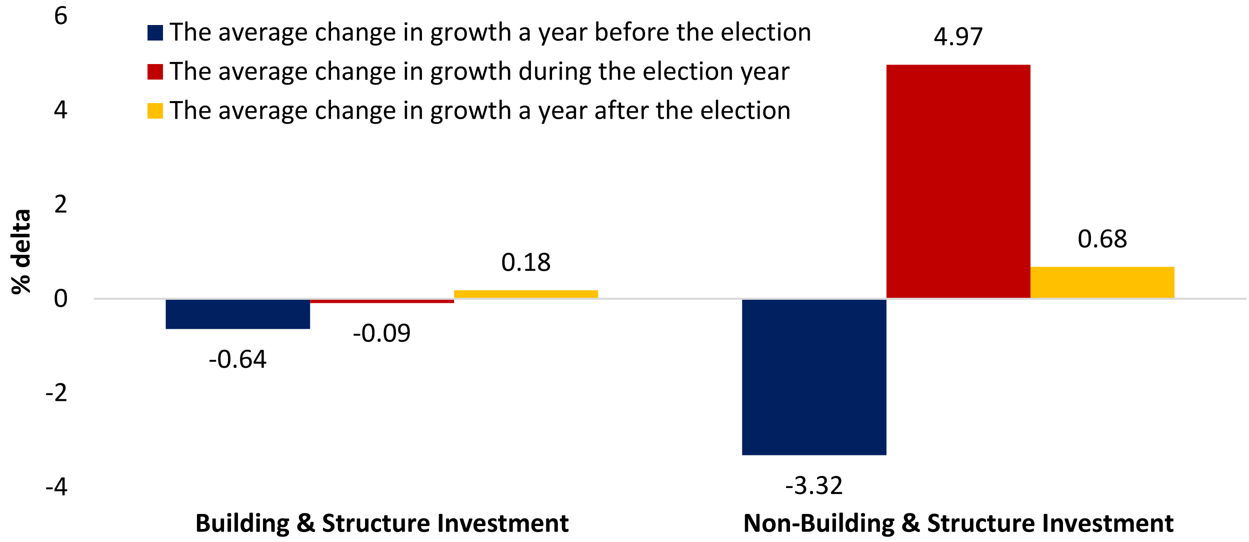


Sources: Statistics Indonesia and Ministry of Investment

Further, by examining the relationship between buildings and structures investment as a component of GDP and the actual realization of direct investment in the construction sector, which encompasses both domestic direct investment (DDI) and foreign direct investment (FDI), we have identified a time lag of two quarters for the effects of direct investment realization in construction to materialize in the buildings and structures investment component of the GDP. This discrepancy primarily arises due to the recording practices of the Ministry of Investment (BKPM), which captures the initial investment commitments, whereas GDP calculations are based on the actual realization of fixed investment. Notably, the first quarter of 2023 witnessed a substantial 28.56% yoy increase in the realization of direct investment in construction, signifying an accelerated pace of buildings and structures investment in the latter half of the year as this investment begins to manifest in the GDP.

Nonetheless, despite the encouraging signs of potential fixed investment recovery, we need to acknowledge a number of external as well as domestic risks that may materialize ahead. What are the downside risks to Indonesia's buildings and structures investment in the second half of 2023? Aside from the continuing global economic slowdown, a crucial aspect to consider for the second half of 2023 is the potential escalation of uncertainty due to the upcoming political year, specifically the general election scheduled for Feb-2024. This looming political event may trigger a heightened sense of uncertainty among various stakeholders. As a result, investors may adopt a cautious "wait and see" approach, exercising prudence before committing to significant investment endeavors. This climate of caution and hesitancy among investors will likely discourage overall investment activities during this period.

FIGURE 8. INDONESIA'S FIXED INVESTMENT PERFORMANCE DURING THE ELECTION



Sources: Statistics Indonesia and OCE BMRI

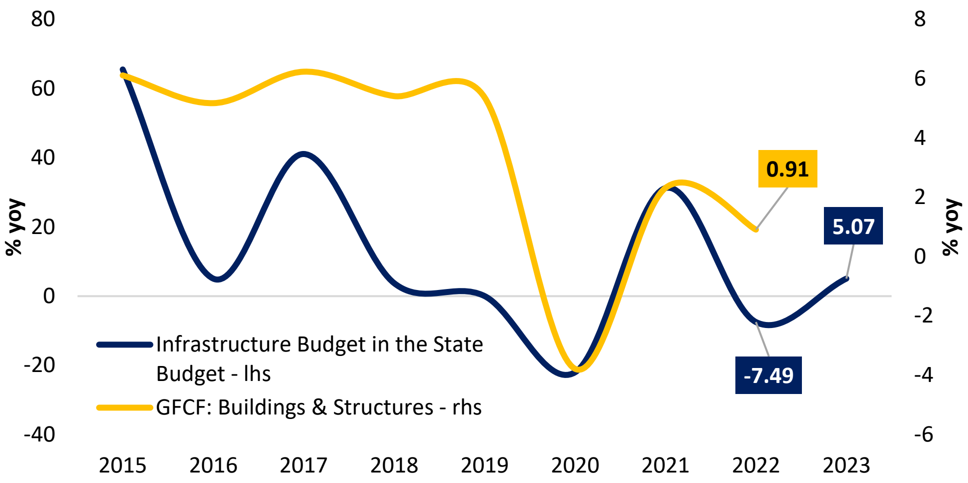
The calculations in this analysis exclusively utilize data from the 2004, 2009, 2014, and 2019 elections, as these were the periods for which investment breakdown data was available. Notably, 2020 was excluded from the analysis due to the extraordinary circumstances surrounding the COVID-19 pandemic.

Leading up to an election year, both buildings and structures investment and non-buildings and structures investment tend to decelerate in growth. This phenomenon can be attributed to the cautious stance adopted by investors who prefer to adopt a "wait and see" approach during politically uncertain times.

During an actual election year, the growth rate of buildings and structures investment tends to continue to decelerate, albeit not so slowly. This can be attributed to the impact of government regime changes, which influence the utilization of the state budget, and the subsequent implementation of policies. In contrast, the growth rate of non-buildings and structures investment will resume its acceleration, particularly in the second half of the year as the political uncertainty dissipates.

After an election's conclusion, the following year typically witnesses accelerated growth rates in both buildings and structures investment and non-buildings and structures investment. This is attributed to the absence of political uncertainty, thus allowing a more stable investment climate.

FIGURE 9. INFRASTRUCTURE BUDGET VS. BUILDINGS AND STRUCTURES INVESTMENT IN GDP



Sources: Ministry of Finance and Statistics Indonesia

Indonesia's Fixed Investment Outlook for the Rest of 2023

Our estimation suggests that GFCF in 2023 will grow by 4.75%, surpassing the 3.87% in 2022. However, it is important to note that this projected figure still falls below the pre-pandemic levels of 5–6% growth.

We observe that the growth of non-buildings and structures investment, which is closely tied to commodities, is susceptible to moderation due to declining commodity prices. Nonetheless, the decline in commodity prices is expected to occur gradually, partly due to China's economic reopening, the OPEC+ oil production cut, reduced production of certain commodities as a result of a higher likelihood of an El Niño this year, and the amelioration of the global energy crisis. These factors collectively act as mitigating forces, tempering the rate of the slowdown in non-buildings and structures investment.

Simultaneously, the growth of buildings and structures investment may accelerate if the government successfully materializes the infrastructure budget outlined in the 2023 State Budget and maintains the momentum of the National Strategic Projects. This is attributable to the low base effect from 2022, during which the National Strategic Projects were postponed and the budget was reallocated toward managing the challenges posed by the pandemic.

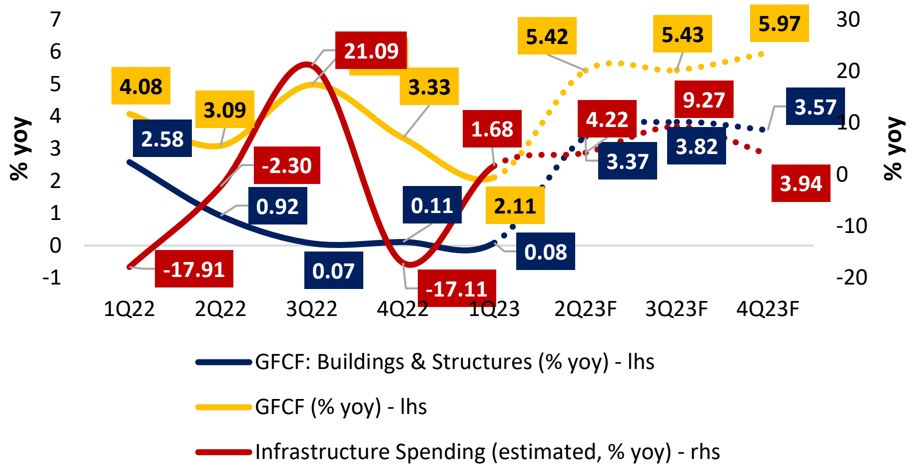
Infrastructure plays a big role in accelerating the fixed investment (GFCF) growth. Non-buildings & structures investment will still be the main driver for the growth this year. It will be mostly contributed by investment in mobility-related sectors, align with improvement in the public mobility post COVID-19 pandemic. Yet, investment slowdown in commodity-related sectors is seen to be milder than previously anticipated. It is due to the decline in commodity prices that is seen to be more gradual because of China's economic reopening, OPEC+ oil production cut, lower production of some commodities amid a high probability of El Nino this year and easing global energy crisis.

However, as around 70% of GFCF is buildings & structures investment, the National Strategic Projects in 2023 reflected in the government's infrastructure budget will be crucial for GFCF to be able to grow more than 3% this year. The good news is that allocation for infrastructure in the 2023 State Budget increases by 5.1% (vs. -7.5% in 2022).

We calculate that to achieve 4.75% growth for GFCF in 2023, buildings & structures investment needs to expand by 2.70%. The forecast figure is well above the last year's growth of 0.91% but much lower compared to 2018 and 2019 growth realization, which respectively were 5.41% and 5.37% (during pre-COVID-19 pandemic period). In 1Q23, buildings & structures investment grew merely by 0.08% yoy but it was already 24.65% of our full year real value forecast (IDR675.75 trillion of IDR2,741.77 trillion). Looking to the seasonal pattern of buildings & structures investment that tends to have bigger realization toward the end of the year, we believe that our forecast figure is still within reach. By taking into account the seasonal pattern, we estimate that buildings & structures investment could grow each by 3.37% yoy, 3.82% yoy, and 3.57% yoy in 2Q23, 3Q23, and 4Q23.

A pivotal thing that could support those growths is the pace of acceleration of the government's infrastructure budget realization. Looking into its pattern, the realization for first, second, third, and fourth quarters on average (2014 - 2022) are 7%, 21%, 42%, and 96%, correspondingly. In 1Q23, the government's infrastructure budget realization reached around 10.82% of the budget, already above its average. **Synchronizing this with our buildings & structures investment growth forecast, we calculate that to accomplish 2.70% growth for buildings & structures investment and thus 4.75% growth for GFCF in 2023, the infrastructure budget needs to respectively be realized by 28.00%, 54.00%, and 100% of the budget in 2Q23, 3Q23, and 4Q23.** This means 17.18% of the budget needs to be used in 2Q23, 26.00% in 3Q23, and 46.00% in 4Q23.

FIGURE 10. ESTIMATION ON INFRASTRUCTURE SPENDING AND GFCF



Sources: Ministry of Finance and Statistics Indonesia, OCE BMRI

Box 1. Indonesia's Direct Investment in Political Years

The historical performance of Indonesia's direct investment:

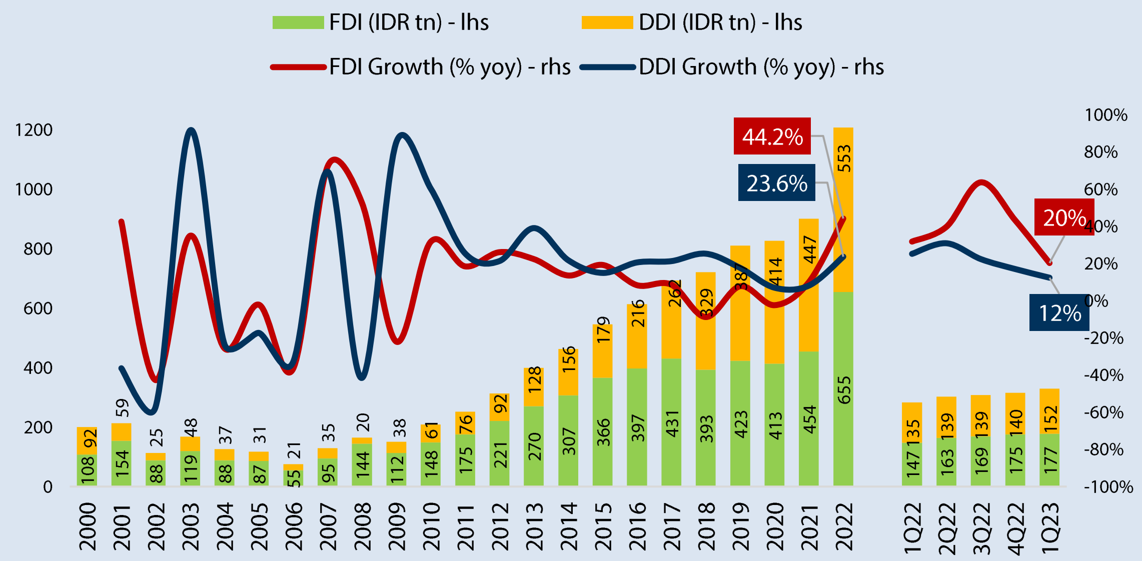
Data from the Ministry of Investment showed that Direct investment (DI) in Indonesia has generally experienced an upward trend since 2000. Direct investment has increased by ~IDR 1,000tn in the last 20 years. In 2022, Indonesia's direct investment reached its highest ever, showing that investors—especially foreign—trust Indonesia's investment climate.

FDI has continue to dominate the realization of direct investment in Indonesia, yet, the proportion is getting smaller. In 2001, FDI dominated the majority of direct investment, contributing 72% of total DI in Indonesia. Meanwhile, domestic direct investment (DDI) had only 28% share. Now, in 2022, the share of FDI is much smaller at 54%, while DDI contributed larger at 46%. This reflects that DDI's performance has been improving much better and catching up with FDI.

The industry of basic metal, metal goods, non-machinery, and equipment is the sector with the largest contribution to Indonesia's DI, with a share of 14% to total DI. That was a significant increase compared to 7% share in 2000 and aligned with the government's effort to enhance the down-streaming industry in this sector to improve the domestic supply chain and value-added exports.

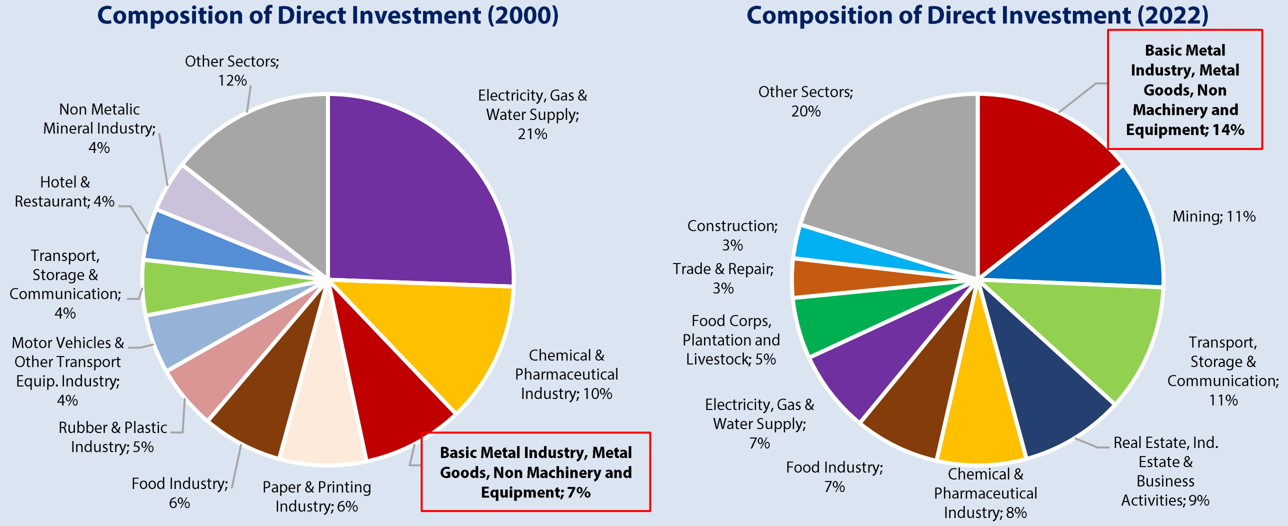
The mining sector had the second-largest DI (contributing 11% to total DI), as Indonesia has abundant mining resources, such as nickel, coal, iron, and steel. These commodities have also been widely used for export and contribute much of Indonesia's tax revenues. Other sectors that also have sizable shares of direct investment are transport storage & communication (11% to total DI); real estate, industrial estate & business activities (9%); chemical & pharmaceutical industry (8%); and the food industry (7%).

FIGURE 11. INDONESIA'S DIRECT INVESTMENT



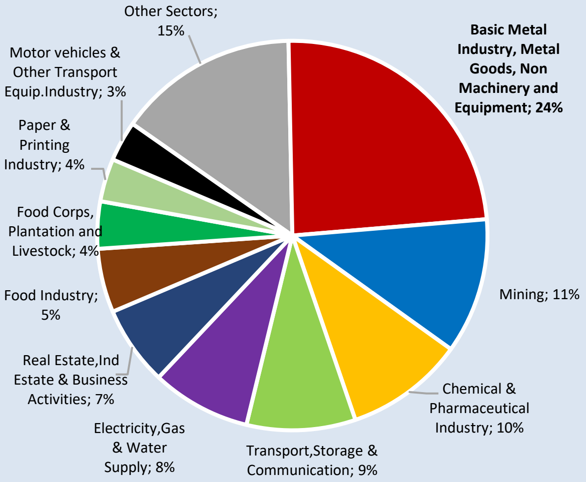
Source: Ministry of Investment

FIGURE 12. COMPOSITION OF INDONESIA'S DIRECT INVESTMENT (2000 VS. 2022)



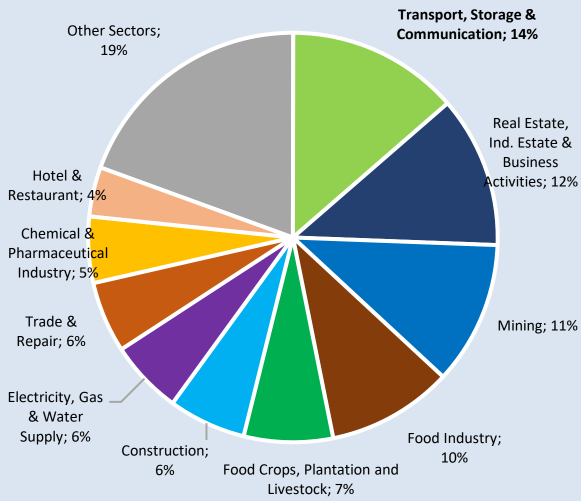
Source: Ministry of Investment

FIGURE 13. COMPOSITION OF FDI (2022)



Sources: Ministry of Investment

FIGURE 14. COMPOSITION OF DDI (2022)



Sources: Ministry of Investment

Indonesia's DI in political years

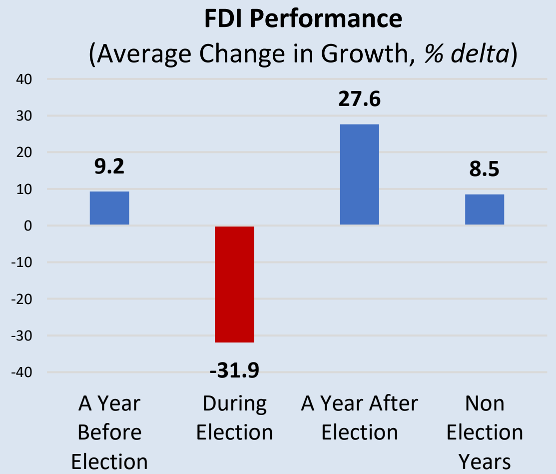
Investment tends to slow down during political years or years when a national general election is held. The political aspect is one of the many factors affecting investors' decision. Based on our calculation, taking the average pattern of elections (in 2004, 2009, 2014, and 2019), in the year of a national general election, FDI and DDI both contracted, with FDI contracting more than DDI. This may be due to the high uncertainties during the political years which led investors' tend to be cautious and prefer to "wait and see" during a general election. Investors might be unsure whether the policies from the upcoming new government reign would support a certain sector, resulting to the contraction.

In election years, growth of FDI contracted by 31.9% in average, while DDI contracted by 3.3% in average. Altogether, we can see that the overall DI in Indonesia contracts in years when an election is held. It contracted by 27.9% in average growth, compared to 10.9% in a year before election. **However, it is important to note that some economic crises also took place in the year before the election was held. For example, i**n 2008 leading up to 2009 national election, global financial crisis happened due to the collapse of Lehman Brothers that impacted the global economies including Indonesia. In 2013, leading up to 2014 election, taper tantrum occurred due to a sudden news that the Federal Reserve was slowing down their bond purchases, resulting to a sharp deppreciation of rupiah and ouflow in financial market. Meanwhile, in 2018 leading up to 2019 election, trade war between China and the US impacted the international trade and economic in a whole. Therefore **the slowdown in investment, may not necessarily only caused by election year, but also various factors preceding the election.** Similar trend may happen in this round of election. We are faced with rising global challenges (economic slowdown, declining commodity prices, global banking crisis), that may also impacted the growth of investment this year.

On a more positive note, data showed that FDI tends to rebound faster a year after the election. It is highlighting the optimism of foreign investors once the new government is formed. Meanwhile, the DDI tends to recover a bit later, as we expect some adjustments in policy direction and focus, particularly for public investment or government projects.

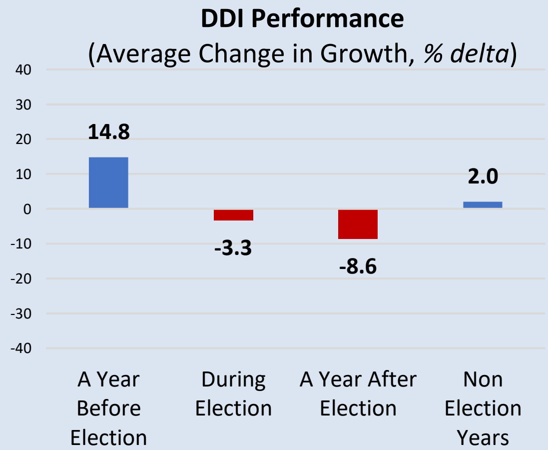
This year will be a crucial political year as next general election will be in early 2024. Anticipation and preparation to the possibility of a slowing down DI is needed, as historical data have shown that DI tended to be performing less in those years.

FIGURE 15. INDONESIA'S FDI



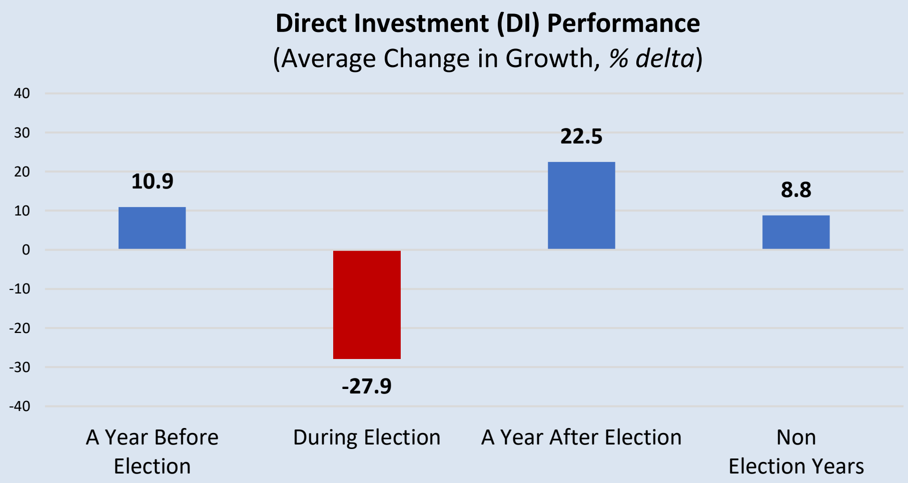
Sources: Ministry of Investment, calculated by OCE BMRI

FIGURE 16. INDONESIA'S DDI



Sources: Ministry of Investment, calculated by OCE BMRI

FIGURE 17. INDONESIA'S DIRECT INVESTMENT



Source: Ministry of Investment, calculated by OCE BMRI

Sector Sales Performance 4M23

Sales weakened across most sectors in Apr-2023 due to Ramadan and Eid al-Fitr. The whole month had only 20 working days. Going forward, we see that the domestic economy, which remains strong, will reinforce the domestic market-oriented sectors, such as retail and automotive. Meanwhile, risks of a global economic slowdown begin to depress the performance of air transport loading activities in the four main airports. In the commodity market, we perceived that commodity prices might be corrected gradually. However, we estimate that the average price of commodities, such as CPO and coal, will still be high compared to the average in recent years

FIGURE 18. SECTOR PERFORMANCE TABLE

Sector	Indicator	Growth (% yoy)							Growth Apr-23 (%Mom)
		4M23	4M22	Apr-23	Mar-23	Apr-22	2022	2021	
Retail[1]	Ace Hardware sales (IDR)	7.6	-0.5	20.8	-0.5	10.0	2.5	-12.5	21.6
Automotive[2]	Total car sales (Unit)	-1.6	30.3	-28.8	2.6	4.8	18.1	66.8	-41.7
	Commercial vehicle (Unit)	-4.6	22.9	-40.1	-0.6	9.9	16.3	58.9	-43.3
	Passenger vehicle (Unit)	-0.5	33.0	-24.7	3.5	3.1	18.8	69.7	-41.2
	Total motorcycle sales (Unit)	28.0	-3.7	-19.4	40.5	-7.1	3.2	38.2	-44.0
Property[3]	Housing Credit (IDR)	1.7[a)]	2.2[b)]	7.2[c)]	7.7[d)]	10.7[e)]	7.8	9.8	0.9[c)]
	Apartment Credit (IDR)	1.8[a)]	2.2[b)]	7.3[c)]	7.8[d)]	10.6[e)]	7.8	9.5	0.9[c)]
	Total	0.0[a)]	1.7[b)]	5.3[c)]	7.0[d)]	14.9[e)]	7.1	14.3	-0.1[c)]
Cement[4]	Domestic sales (Ton)	-11.2	26.0	-30.3	-8.6	-9.6	-3.9	4.5	-38.3
Heavy Equipment[5]	Total domestic sales (Unit)	-7.0	72.1	-20.0	-14.7	26.3	39.7	175.2	-48.5
	UT Agro segment (Unit)	-19.9	122.2	-2.9	-24.7	108.1	86.9	70.3	6.6
	UT Construction segment (Unit)	-26.0	53.9	-17.6	-30.6	-13.9	51.9	43.8	-45.7
	UT Forestry segment (Unit)	19.0	69.5	-31.3	27.0	49.9	57.5	30.4	-68.7
	UT Mining segment (Unit)	13.1	196.3	-9.0	-10.8	107.4	109.0	200.1	-40.1
Sea Transport[6]	Loading and unloading activities in the five main ports (Ton)	6.6[f)]	8.1[g)]	5.1[c)]	7.3[d)]	4.7	10.6	8.5	6.2[c)]
	Passenger departures and arrivals in the five main ports (Passenger)	67.2[f)]	54.6[g)]	53.0[c)]	64.5[d)]	66.5	132.9	22.2	5.3[c)]
Air Transport[6]	Domestic Loading activities in the five main airports (Ton)	-15.1[f)]	19.7[g)]	-19.2[c)]	-18.8[d)]	22.2	30.7	10.6	3.9[c)]

	International Loading activities in the four main airports (Ton)	-29.0[f]	13.6[g]	-25.3[c]	-24.2[d]	-0.2	-4.8	22.6	2.5[c]
	Domestic Passenger departures in the five main airports (Passenger)	31.1[f]	74.5[g]	17.8[c]	55.3[d]	72.6	89.8	-5.5	45.4[c]
	International Passenger departures in the four main airports (Passenger)	733.5[f]	202.3[g]	479.6[c]	864.5[d]	366.3	993.9	-80.8	10.8[c]
Foreign Tourist[6]	Tourist inbound (million visits)	508.9[f]	4.8[g]	470.4[c]	567.3[d]	18.4	204.3	-61.6	15.4[c]
CPO[6]	Volume of exports (Ton)	28.5[f]	-23.5[g]	0.8[c]	41.9[d]	-30.8	-2.4	-1.2	-16.1[c]
	Value of exports (USD)	-8.9[f]	6.1[g]	-31.5[c]	5.2[d]	-1.5	3.8	54.1	-16.4[c]
Coal[6]	Volume of exports (Ton)	41.2[f]	-16.9[g]	11.9[c]	24.8[d]	29.0	9.2	5.0	28.8[c]
	Value of exports (USD)	45.5[f]	63.8[g]	-1.1[c]	34.5[d]	153.8	75.8	88.6	14.8[c]

Notes: a) % YTD Mar-2023 to Dec-2022; b) % YTD Mar-2022 to Dec-2021; c) Mar-2023; d) Feb-2023; e) Mar-2022; f) Jan-Mar 2023; g) Jan-Mar 2022

Sources: 1) ACE Hardware; 2) Gaikindo and AISI; 3) OJK and Bank Indonesia; 4) ASI; 5) United Tractor; 6) BPS.

Retail: ACES's sales improved significantly in Apr-2023, driven by seasonal factors. ACES booked retail sales growth of 20.8% yoy in Apr-2023, compared to -0.5% yoy in Mar-2023 and 10.0% yoy in Apr-2022, triggered by increased sales during Eid festivity. Cumulatively, ACES's retail sales growth accelerated to 7.6% yoy in 4M23 from 2.9% yoy in 3M23. This cumulative 4M23 sales growth was also better than in the same period last year, which had contracted by -0.5% yoy. In addition, ACES's sales growth trend so far has aligned with the trend of the real retail sales index growth for the other household equipment category in the retail sales survey conducted by Indonesia's central bank (BI).

Meanwhile, ACES recorded a same-store sales growth (SSSG) of 15.0% yoy in Apr-2023, rising significantly from the previous month's 1.2% Yoy and bringing up the cumulative 4M23 SSSG to 4.5% yoy (vs. 0.8% yoy 3M23 SSSG). All regions posted strong positive SSSGs in Apr-2023, with Java (ex. Jakarta) leading at 16.7% yoy, followed by Ex. Java (16.0% yoy) and Jakarta (9.8% Yoy). However, cumulatively, ex. Java's 4M23 SSSG was still the strongest (9.7% yoy), followed by Jakarta and Java (ex. Jakarta) at 4.2% yoy and 1.2% yoy, respectively.

We continue to monitor retailer sales developments, including ACES's, to see if the recovery path is in line with expectations. Solid consumer confidence (in line with the sloping inflation rate) and normalized mobility should positively affect household consumption, hence retail sales. However, we see that the inflation rate is still relatively high, making consumers more cautious in spending their money, as they still prioritize spending on daily basic needs. This condition may affect ACES's sales performance in durable goods, in line with the risk of tighter competition amid weakening purchasing power. On the other hand, ACES should benefit from its target market of upper-middle-income people, who are not too affected by purchasing power issues. 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 ~3-4% this year.

Automotive: Auto sales decreased due to the change of the Eid al-Fitr month from May in 2022 to April in 2023. During the festive period of Ramadan and Eid al-Fitr, car sales tend to decrease as the number of working days is reduced due to the annual homecoming. The number of cars sold in Apr-2023 decreased by -28.8% yoy (vs. 2.6% yoy in Mar-2023 and 4.8% yoy in Apr-2022), amounting to 58.9k units. Compared to the previous month, sales contracted by -41.7% mom (vs. 16.2% mom in Mar-2023). This pattern also occurred in both passenger and commercial car segments. Passenger car sales in Apr-2023 reached 45.7k units, indicating a decrease of -24.7% yoy and -41.2% Mom. Meanwhile, commercial car sales decreased by -40.1% yoy and -43.3% Mom, totaling 13.2k units. The contraction in commercial car sales was worsened by the downtrend in commodity prices.

Despite the contraction in April, the accumulated car sales during Jan–Apr 2023 (4M23) reached 341.0k units, slightly down by -1.6% yoy. We expect the sales in May-2023 to normalize and reverse the current negative growth.

A similar story can be seen in the motorcycle market. In Apr-2023, motorcycle sales reached 2.2mn units, decreasing by -19.4% yoy and -44.0% mom. The main difference is that the motorcycle market is experiencing a boost from the normalization in semiconductor supply, which had hampered the market since the COVID-19 pandemic. The accumulated motorcycle sales until Apr-2023 (4M23) were 2.2mn units, growing by 28.8% yoy.

n 2023, we estimate car sales growth to soften, as the sales in the previous year were quite outstanding. We anticipate that car sales might be slightly higher than our previous forecast, ranging 950k-1.05mn units. Meanwhile, we expect the 2023 motorcycle sales to reach 6mn units. Several reasons for this include a strong domestic economy and automakers' attempts to innovate their products. Moreover, the government has introduced electric vehicles for both two-wheelers and four-wheelers this year. We expect four-wheelers to benefit the most from this subsidy. However, several downside risks may undermine the auto sector. *First*, worsening global economic growth may impact consumer confidence, thus eventually reducing auto sales. *Second*, if interest rates rise higher than estimated, the initial cost of owning an automobile will increase.

Property: House ownership credit and apartment ownership credit growth slowed down in Mar-2023. According to BI, house ownership credit grew 7.3% yoy (vs. 10.6% yoy in Mar-2022), while apartment ownership credit grew 5.3% yoy (vs. 14.9% yoy in Mar-2022). In more detail, the highest house ownership credit growth was for small-type houses (building area of ≤21 sqm) and medium-type houses (22-70 sqm), which recorded

35.5% yoy and 9.0% yoy, respectively. In contrast, house ownership credit for large-type houses (building area of >70 sqm) grew 0.4% yoy. On a year-to-date basis, house ownership credit growth in Mar-2023 was 1.7% ytd.

Meanwhile, the highest apartment ownership credit growth occurred in the KPAs for small-type apartments (building area of ≤21 sqm), at 27.2% yoy. It was followed by the KPA growths for medium-type apartments (building area of 22-70 sqm) at 4.1% yoy and large-type apartments (22-70 sqm) at 3.8% yoy. On a year-to-date basis, apartment ownership credit growth in Mar-2023 was 1.8% ytd. Additionally, mortgages are still the main source of financing for buying residential properties. In 1Q23, the KPR ratio in housing finance increased slightly to 74.8% (vs. 69.5% in 1Q22). The rest of housing finance comes from cash payments at 7.3% and cash installments at 17.9%.

Our view. We estimate the total growth of KPR and KPA in 2023 to range 6-8%. Morevoer, residentials based on Transit Oriented Development (TOD) will increase. We see several positive catalysts driving the residential property sector in 2023. *First*, housing demand is still high, reaching 11.6mn households in 2022. *Second*, BI has extended its incentive policy for the property sector, namely the Loan to Value of 100%, until Dec-2023. On the contrary, we see several future risks that might restrain the property sector's growth in 2023. *First*ly, the anticipated global economic slowdown influences people to postpone buying property. *Secondly*, building material prices are rising, although they will abate in 2023. *Thirdly*, global interest rates have increased; hence, they could lead to increasing domestic interest rates. For 2023, we estimate BI's reference rate (BI7DRR) to reach 5.75% and the Fed's interest rate to reach 5.25%.

Cement: In line with our expectation, domestic cement sales contracted in Apr-2023**.** Domestic cement sales in Apr-2023 contracted by -30.3% yoy with a sales volume of 3.1mn tons; this contraction was the deepest after May-2020 or after the pandemic (-40.0% yoy). The decline was caused by the seasonal factor of Eid al-Fitr holidays and the infrastructure development, which was restrained at the start of the year. In more detail, cement sales for all segments contracted in Apr-2023. Bagged cement sales contracted more deeply by -32.1% yoy in Apr-2023 (vs. -11.4% yoy in Mar-2023) compared to bulk cement sales' -25.6% yoy (vs. -0.3 % yoy in Mar-2023). For the record, the proportions of bag cement and bulk cement sales were respectively 70% and 30% of the total cement sales in Apr-2023. Cumulatively, during Jan-Apr 2023, domestic cement sales recorded 17.7mn tons or contracted by -11.2% yoy (vs. 26% yoy in Jan-Apr 2022).

By island, all islands experienced a contraction in cement sales in Apr-2023. The deepest cement sales contraction occurred in Java, which amounted to -33.7% yoy, followed by Sumatra, Sulawesi, Bali-Nusa Tenggara, Kalimantan, and Maluku-Papua, at -30.1% Yoy, -25.3% yoy, -24.3% yoy, -22.4% yoy, and -21.7% yoy. By province, all provinces experienced a contraction in cement sales except for Riau Archipelago and East Kalimantan, at 16.2% yoy and 4.3% yoy, respectively.

Our view. We estimate cement sales in 2023 to grow at 2%. We see that some positive catalysts drive 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*, according to

ASI, the construction of the Nusantara Capital City in 2022-2024 is estimated to require 1.6mn tons of cement. In contrast, the risk is the estimated economic slowdown due to a global economic downturn, especially in the US. These conditions lead to postponed property purchases. Another risk is the relatively high price of coal in 2023, even though a correction will keep production costs high. We see that the increase in cement prices this year will be sloping.

Sea transport: Loading and unloading activities' growth in the 5 main ports increased by 5.1% yoy in Mar-2023. That number is lower than in the previous month, which recorded an increase of 7.3% yoy. In more detail, Belawan Port's loading and unloading activities grew by 80.4% yoy, Tanjung Priok Port's by 5.2% yoy, Tanjung Perak Port's by 7.3% yoy, Balikpapan Port's decreased by -10% yoy, and Makassar Port's grew by 8.9% yoy. On a month-on-month basis, there was an increase in Mar-2023 by 6.2% mom.

On the other hand, the number of sea transport passengers increased by 53% yoy in Mar-2023. In more detail, Belawan Port's passengers increased by 94.1% yoy, Tanjung Priok Port's by 83.3% yoy, Tanjung Perak Port's by 68.4% yoy, Balikpapan Port's by 8.2% yoy, and Makassar Port's by 42.9% yoy. On a month-on-month basis, there was an increase in Mar-2023 at 5.3% mom. Freight transport has recovered to pre-pandemic levels, while passenger transport is still recovering, with a 3M23 proportion of 84.6% compared to 3M19.

Air transport: The number of domestic freights decreased by -19.2% yoy in Mar-2023. In more detail, Kualanamu Airport's domestic freights increased by 0.1% yoy, Soekarno-Hatta Airport's decreased by -26.6% yoy, Juanda Airport's increased by 4.8% yoy, Ngurah Rai Airport's decreased by -49% yoy, and Hasanuddin Airport's increased by 14.6% yoy. On another front, international air freights in Mar-2023 decreased by -25.3% Yoy. In more detail, Kualanamu Airport's increased by 14,500% yoy, Soekarno-Hatta Airport's decreased by -32.8% yoy, Juanda Airport's decreased by -14.7% yoy, and Ngurah Rai Airport's increased by 142.1% yoy. Monthly, domestic freights increased by 3.9% Mom, and international freights increased by 2.5% mom.

As for domestic passengers, their number at Indonesia's 5 main airports in Mar-2023 increased by 17.8% yoy. In more detail, Kualanamu Airport's domestic passengers grew by 11.5% yoy, Soekarno-Hatta Airport's by 21.5% yoy, Juanda Airport's by 21.5% yoy, Ngurah Rai Airport's by 13.5% yoy, and Hasanuddin Airport's by 3% yoy. The number of international passengers increased by 479.6% yoy. In more detail, Kualanamu Airport's international passengers grew by 291,811.5% yoy, Soekarno-Hatta Airport's by 208.8% yoy, Juanda Airport by 3,373.6% Yoy, and Ngurah Rai Airport by 3,330.4% yoy. Monthly, domestic passengers increased by 45.4% Mom, and international passengers increased by 10.8% mom.

The number of domestic freight transport has recovered to 2019 levels, while international freight transport has not recovered. Meanwhile, domestic and international passenger transportation is still recovering, with the proportions of domestic and international transportation in 3M23 reaching 76.7% and 74.7%, respectively, compared to 3M19.

Foreign tourists: Foreign tourist arrivals to Indonesia in Mar-2023 increased by 470.4% yoy, with 809,959 foreign tourists. On a month-on-month basis, foreign tourist arrivals in Mar-2023 increased by 15.4% mom. In addition, Bali Province, Indonesia's primary tourism place, received 370,831 foreign visits in Mar-2023, whereas previously, in Feb-2023, there were 323,623 visits.

The tourism sector's recovery will continue to gain momentum. Recent indicators, such as occupancy rate and the number of air passengers, show that the tourism sector's recovery is increasingly consistent. The hands certainly encourage increased community mobility, thus affecting the tourism sector.

The influx of tourists from China due to the opening of China's state restrictions will benefit Indonesia. Foreign tourist visits from China are starting to recover in Indonesia. The proportion of Chinese tourists entering Indonesia in Mar-2023 reached 6.4% vs. 12.8% in Mar-2019. 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 to 8.5mn visits.

CPO: Supply concerns due to El Nino may lift CPO price. In the first five months, the vegetable oil market has been experiencing several turbulences. Starting from higher demand expectations—mostly from major importers, such as India and China—to supply concerns as El Nino is expected to start in mid-2023 on top of the downtrend in commodity prices over higher global interest rates.

The demand for CPO increased compared to 2022 as exports from both main producers (Indonesia and Malaysia) increased during the first quarter. Indonesia's CPO export volume reached 6.0mn tons, increasing by 28.5% Yoy in the first quarter (vs. -23.5% yoy 1Q22). Meanwhile, Malaysia's CPO export increased by 5.7% yoy in 1Q23 (vs. 16.7% yoy in 1Q22). The major contributors to Indonesia's growing CPO export were the major importers, i.e., India, China, and the EU. Indonesia's CPO export to those countries/regions increased by 44.1%, 290.9%, and 31.0% Yoy, respectively.

However, the downtrend in CPO prices has escalated amid supply normalization and concerns surrounding China's economy that may grow weaker than estimated. The average 2023 CPO price as of 29-May is USD 899.4/MT, almost reaching our forecast for the full-year 2023 at USD 891.0/MT. We expect some slight support in the third and fourth quarters, following El Nino, which may hamper vegetable oil markets. We estimate that El Nino may reduce CPO production by ~3–7%, depending on its severity, *ceteris paribus*. Thus, CPO price may rise due to this event, which may occur for around nine months to two years—or even seven years for extreme cases.

Coal: Coal export volume reached a record high in Mar-2023, according to Statistics Indonesia (BPS). The Mar-2023 coal export showed a year-on-year increase of 11.9% in volume, rising from 44.3mn tons in March of the previous year to 49.6mn tons. This positive trend in coal export has been ongoing since Mar-2022. However, in Mar-2023, Indonesia's coal export value decreased by -1.1% due to a slump in the global coal price.

Digging deeper, Indonesian coal exports to China and India, the two largest importers of Indonesian coal, showed slightly different movements. The volume of Indonesian coal exported to China, which has long been the biggest importer, experienced a significant growth of 55.7% yoy in Mar-2023, increasing from 15.3mn tons to 23.8mn tons. This substantial increase was primarily driven by China's commitment to improving its energy security, leading to an effort to increase its coal inventory.

On the other hand, Indonesia's coal export to India in Mar-2023 decreased by -13.8% yoy, declining from 11.6mn tons in March of the previous year to 10.0mn tons. We believe this decline was influenced by India's frontloading efforts to stockpile coal since Jan-2023.

Furthermore, the robust performance of Indonesian coal exports can be attributed to the sustained global demand for coal since the Russian invasion of Ukraine began. This invasion has sparked a race among countries to secure their energy supplies during this period of high uncertainty.

We anticipate the lingering uncertainty in the energy market, particularly for coal, to be the primary factor contributing to the high global coal prices in 2023. Our projections suggest that the average Newcastle Coal price will reach USD 168.8 per ton in 2023 and gradually decrease to USD 117.3 per ton in 2024 and USD 110.0 per ton in 2025. Additionally, we believe that the fear of a recession may further pressure demand in the coal market in 2023.

Heavy equipment: Heavy equipment recorded a significant drop in domestic sales in Apr-2023. According to United Tractors, the domestic heavy equipment sales in Feb-2023 are estimated to reach 1,016 units, marking a yoy decrease of -20.0%. This negative growth trend has persisted since February this year. Furthermore, the cumulative sales of heavy equipment during Jan-Apr 2023 are estimated to reach 6,613 units, or 7.0% lower than the units sold during the same period last year.

By sector, United Tractors' sales showed negative yoy growth across all sectors. The most significant drop was observed in the forestry sector, which experienced a -31.3% decline in Apr-2023. Additionally, sales in the mining, agriculture, and construction sectors were also affected, decreasing by -17.6%, -2.9%, and -9.0%, respectively. Meanwhile, United Tractors managed to maintain a market share of 32% in Apr-2023.

We estimate heavy equipment sales to continue to slow down in 2023, as there will be a decrease in the capital expenditure of sales-generating sectors, such as mining and construction. Although mining production is expected to increase due to soaring commodity prices (driven by the high volatility of the global economic conditions), we believe most of the heavy equipment investment was already made in 2022.

Apr-23 Banking Sector: Slower Growth for Third Consecutive Months

Banking performance in Apr-23 grew at a slower pace. Loan grew by 8.08% yoy (Apr-23), lower than 9.93% yoy (Mar-23). The slowdown was driven more by working capital loan which eased to 6.6% yoy growth (vs 9.5% yoy in Mar-23). Meanwhile, investment loan and consumption loan each grew by 10.12% yoy and 8.68% yoy (vs. 11.40% and 9.20%, in Mar-23, respectively). There was an indication that export-oriented corporations prioritized paying off their loan before determining whether to expand business in the future (BI Statement 2023). Deposit growth also slowed to 6.82% yoy in Apr-23 (vs 7% in Mar-23) due to slowing growth in savings and current accounts, impacted by recovering economic activities. **Banks' liquidity thus far is still relatively stable with the Loan to Deposit Ratio (LDR) reaching 80.85% in Apr-23 (vs. 80.51% in Mar-23).** Banking capitalization remained strong in Mar-23 with Capital Adequacy Ratio (CAR) at 24.69%.

Based on a more detailed data, in Mar-23, the two largest sectors, Wholesale and Retail Trade and Processing Industry recorded a softer growth, each at 5.3% yoy and 6.5% yoy (vs. 5.5% yoy and 9.3% yoy, in the previous month). **The slowdown was probably due to the higher inflation and interest rate (compared to last year) which may discourage business players to hold back their expansion's plan.** As the social restriction is already lifted, the demand for credit for mobility related sectors are rising. Lending for some sectors grew faster. The community, sociocultural, entertainment and other individual services sector grew by 33,6% yoy (vs 27.5% in Feb-23), followed by the financial intermediary sector that grew by 34,8% yoy (vs 29.0% in Feb-23). Meanwhile, consumer credit was still dominated by motor vehicle loans, which grew by 15.43% yoy due to the high demand ahead of the travelling season during the Eid holiday.

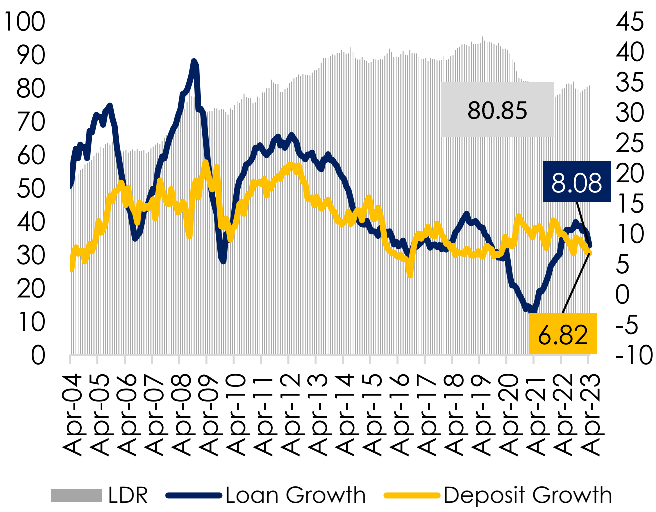
The overall credit quality in Mar-2023 remained under control, as the NPL ratio continue to be contained. The non-performing loan (NPL) ratio remained relatively stable at 2.49% (vs. 2.58% in Feb-23). The sectors with the highest NPLs were the fisheries sector at 6.9%; the accommodation and food supply sector at 4.71%; and the manufacturing industry sector at 3.9%. Amid the rising concern of global economic slowdown, banks continue to focus in mitigating the risk of asset quality deterioration.

Meanwhile the slowdown in deposit in Mar-23 were driven by notable decline in the pace of current account growth. It was recorded at 11.3% yoy growth (vs 16.2% in Feb-23). The decline was due to withdrawals, especially from corporate customers which may indicate increasing spending for business expansion. Similar trend was seen in the saving account which recorded a 4.39% yoy growth (vs 5.18% in Feb-23). Time deposits, on the other hand, recorded faster growth at 5.93% yoy (vs 4.85% yoy), which may be affected by the rising deposit rates. Deposit rates for both IDR and FX (foreign exchange) continued to rise. Since the beginning of the BI Rate increase in Jun-22, the average interest rate of rupiah (for 1M, 3M, and 6M tenor) have gone up by 142 basis points on average.

The average FX deposit rates rose even faster by around 210-250 bps. The increasing FX deposit rates has implications of a rising FX deposits which continue to record double-digit growth at 19.3% yoy. Even though it was slowing down from as high as 25.2% yoy in Feb-22. On the other hand, FX credit growth experienced slow down further to 7.97% yoy (vs 12.83% yoy, in Feb-23) possibly impacted by declining commodity price. This is resulted in a higher FX liquidity as reflected in the FX LDR that decline to 71.2% (vs 72.4% in Feb-23). 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 418.3 mn.

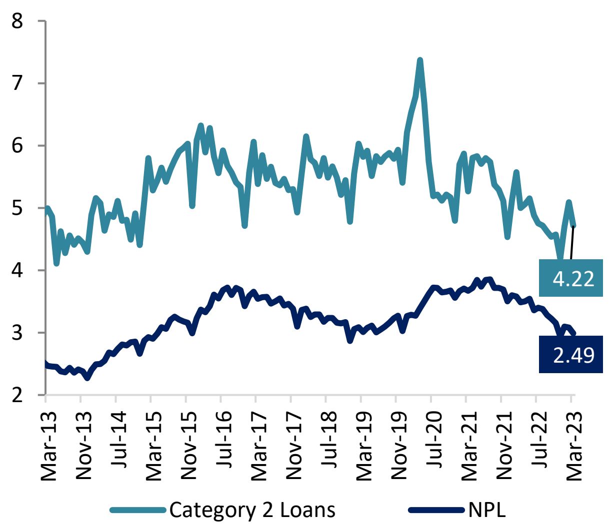
In our view, Indonesia banking sector is still resilient amidst the backdrop of global economic slowdown and banking pressure in the advanced countries. Global slowdown and declining commodity prices may have started to affect credit and deposit growth. Yet, it may be too early to draw conclusion as April's data is distorted by the shorter working days due to the Eid holiday. Nonetheless, domestic banks continue to show relatively sound indicators. Liquidity remains adequate with strong capitalization, and improving asset quality. We maintain our view that credit is expected to grow by 10.1% yoy this year, while deposits to grow by 8.4% yoy.

FIGURE 19. LOAN GROWTH, DEPOSIT GROWTH (% YOY), AND LDR (%)



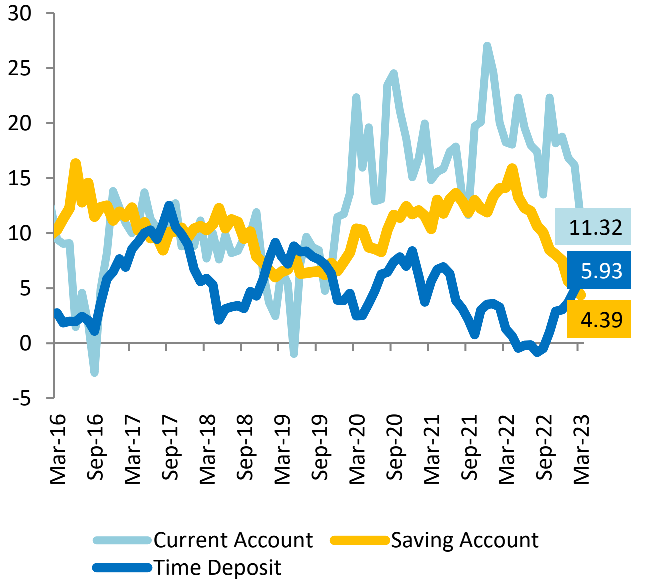
Source: OJK

FIGURE 20. NPL (%)



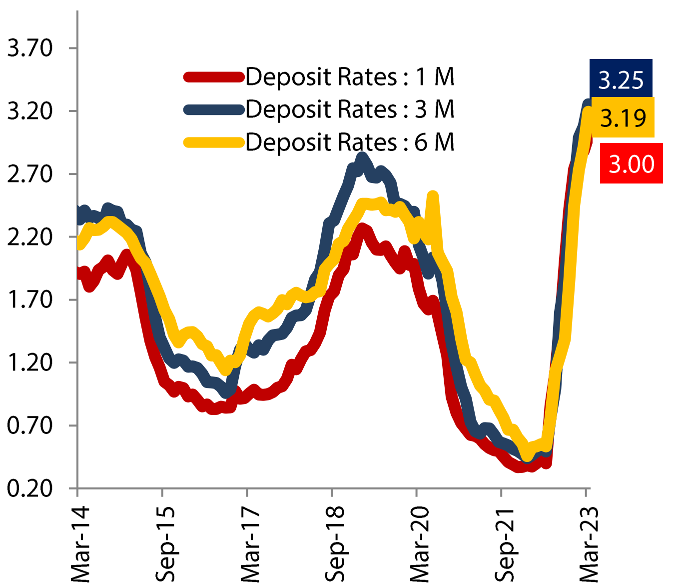
Source: OJK

FIGURE 21. DEPOSIT GROWTH BY TYPE (% YOY)



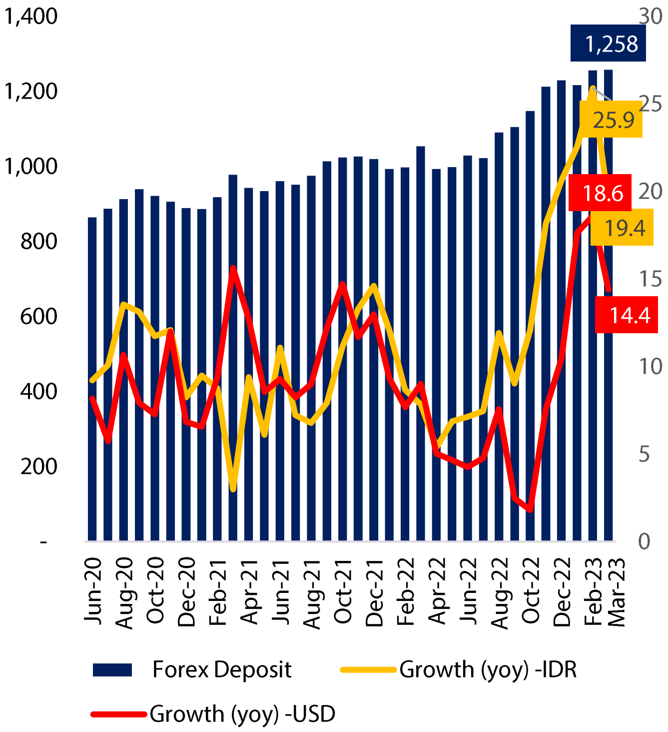
Source: OJK

FIGURE 22. TIME DEPOSIT RATE FOREX (%)



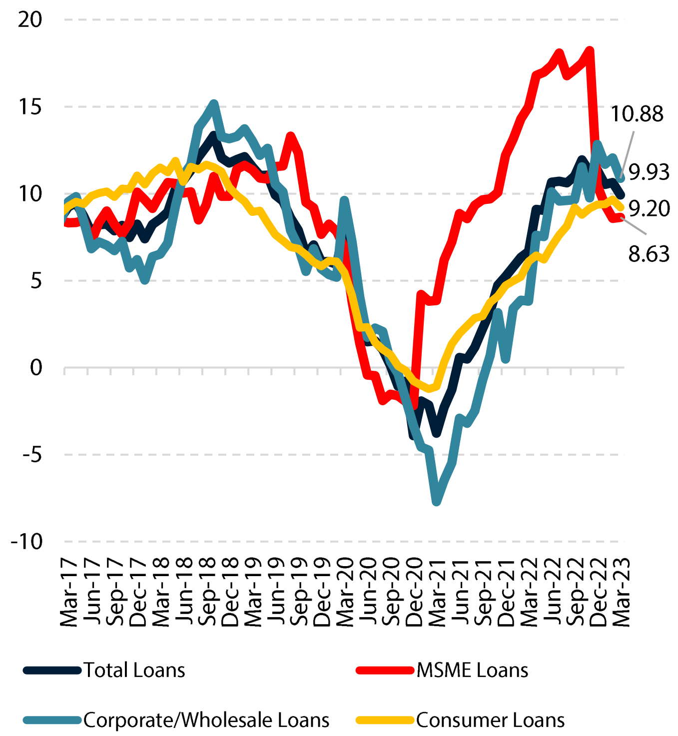
Source: OJK

FIGURE 23. FOREX DEPOSIT (IDR TN-% YOY)



Source: LPS

FIGURE 24. LOAN GROWTH BY SEGMEN (% YOY)



Source: OJK

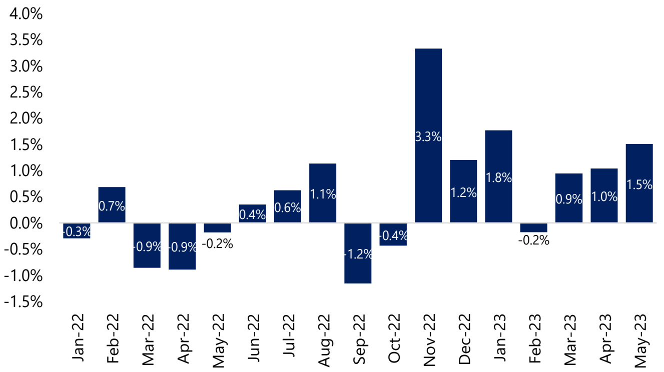
May INDOGB Market Recap
INDOGB Remained Positive, Supported by Foreign Fund Inflows

Rupiah government bonds' performance continued into positive returns in May. According to the S&P Local Currency Government Bond Index as of 30-May, INDOGB posted positive returns of +1.51% mom (vs. net gains of +0.94% and +1.04% in March and April, respectively), thus sending positive returns of +5.08% ytd (the second highest returns after the Philippines'). The rally in the rupiah government bond market was supported by net foreign fund inflows of +IDR7.3tn mtd (vs. net inflows of +IDR59tn in the previous month) as markets reacted after the FOMC meeting in May resulted in a 25-bps FFR hike to a range of 5-5.25%, aligned with the market's expectation

INDOGB continued into positive returns in May. In terms of LCY bond returns this month, INDOGB has continued its positive returns for three months consecutively. According to the S&P Local-Currency Government Bond Index as of 30-May, INDOGB posted positive returns of +1.51% mom (vs. net gains of +0.94% and +1.04% in March and April, respectively), thus sending positive returns of +5.08% ytd, the second-highest returns after the Philippines'. The rally in the rupiah government bond market was supported by net foreign fund inflows of +IDR7.3tn mtd (vs. net inflows of +IDR59tn in the previous month) as the market reacted after the FOMC meeting in May resulted in a 25-bps FFR hike to a range of 5-5.25%, aligned with the market's expectation. Furthermore, the Fed signaled a possibility of holding the FFR level in June by staying focused on the US inflation, labor market, and credit conditions. Meanwhile, there is a recent negative sentiment in the global market related to the US debt ceiling issue as the negotiations continue to take center stage, with the deadline quickly approaching (on 1-Jun, set by the Treasury Department). Encouragingly, the White House and congressional negotiators made progress toward a compromise agreement to raise the debt ceiling for two years. The two sides were only USD 70bn apart on a total discretionary spending figure of >USD 1tn.

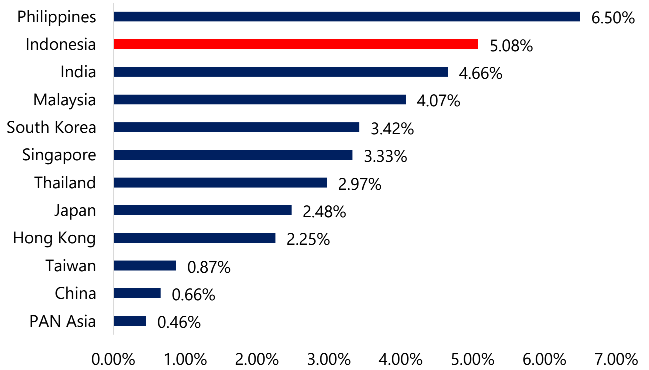
Meanwhile, during the month, the best performance was in Indonesia's government bonds, which reported net gains of +1.58% (vs. net gains of +5.08% ytd), followed by the Philippines' net gains of +1.32% (vs. net gains of +6.50% ytd). South Korea's government bonds had the worst performance in May, with net losses of -1.48% (vs. net gains of +3.42% ytd).

FIGURE 25. INDOGB STILL REPORTED POSITIVE RETURNS IN MAY, REACHING 1.5% MOM OR 5.1%YTD



Source: S&P, Bloomberg and Mandiri Sekuritas

FIGURE 26. IN TERMS OF LCY GOVT BOND RETURN, YTD, INDOGB RETURNS HAVE BEEN IN THE SECOND RANK AFTER THE PHILIPPINES'



Source: S&P, Bloomberg and Mandiri Sekuritas

FIGURE 27. NOT ONLY INDONESIA'S, BUT SOME OTHER EM LOCAL-CURRENCY GOVERNMENT BONDS ALSO SHOWED DECREASING YIELDS COMPARED WITH LAST MONTH

Countries	10-yr YTM (%)	Changes (bps)		
		Weekly	Monthly	YoY
Japan	**0.44**	0.04	0.04	0.20
Germany	**2.34**	(0.10)	0.11	1.24
United States	**3.70**	0.02	0.14	0.87
Thailand	**2.56**	0.05	0.09	(0.31)
China	**2.73**	0.02	(0.05)	(0.08)
Lithuania	**4.50**	0.00	0.58	2.45
Bulgaria	**4.50**	0.00	0.00	2.60
South Korea	**3.65**	0.18	0.29	0.33
Malaysia	**3.85**	(0.03)	0.01	(0.33)
Poland	**6.07**	(0.02)	0.26	(0.55)
Philippines	**5.95**	0.09	(0.20)	(0.59)
Chile	**5.59**	0.02	0.13	(0.81)
Indonesia	**6.39**	**(0.04)**	**(0.13)**	**(0.66)**
India	**7.01**	(0.01)	(0.10)	(0.40)
Romania	**7.11**	(0.04)	(0.33)	(0.79)
Hungary	**8.08**	0.14	(0.10)	0.90
Mexico	**8.89**	(0.01)	0.11	0.25
Russia	**10.75**	0.03	0.15	1.28
South Africa	**11.32**	0.09	1.13	1.49
Colombia	**11.11**	(0.16)	(0.83)	0.47
Brazil	**11.68**	(0.21)	(0.77)	(0.87)
Turkey	**10.23**	1.36	(2.68)	(11.33)

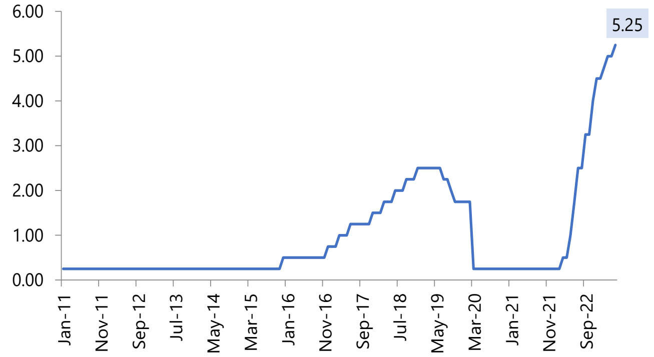
Source: Trading economics and Mandiri Sekuritas as of 30-May 2023

The Fed hiked rate by 25 bps in May meeting. As expected, in its May meeting, the Federal Reserve raised the fed funds rate by 25 bps to a range of 5-5.25%, marking the 10th increase and bringing borrowing costs to their highest since Sep-2007. The market continues to price in a Fed pause in June and still expects at least three rate cuts this year, starting in Sep-2023. We think the FOMC meeting result will give positive sentiment to INDOGB and the rupiah. Maintain Overweight.

Meanwhile, according to the FOMC Minutes of Meeting on 24-May, the Fed confirmed that additional rate hikes would depend on the incoming data. Despite showing some early signs of easing, inflation remains well above target while the economy continues to add jobs at an above-trend pace. This has created diverging views on the future path for the fed funds rate among FOMC members. Nevertheless, the participants agreed inflation was unacceptably high and declining slower than expected. The Fed participants also continued to project a mild recession later this year. Some policymakers saw evidence that the past year's tightening was beginning to have its intended effect. Almost all Fed member participants saw risks to economic growth due to a tightening of bank credit after a string of bank failures.

Note that Fed Fund Futures now expect a 46% chance of a further 25-bps rate hike by July and a 13% chance of a 50-bps rate hike in the same month. The market still expects the FFR to be cut in September and continue lowering to 4.75-5% by YE2023. Meanwhile, the Fed has not committed to any rate cuts in 2023.

FIGURE 28. AS EXPECTED, THE FED HIKED ITS RATES BY 25 BPS IN MAY MEETING



Source: Federal Reserves and Bloomberg

FIGURE 29. FFR HIKES PROBABILITY IN JUN-2023 MEETING

MEETING PROBABILITIES

MEETING DATE	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575
6/14/2023							0.0%	0.0%	0.0%	0.0%	0.0%	67.0%	33.0%	0.0%
7/26/2023		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	40.4%	46.5%	13.1%
9/20/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.5%	42.6%	34.5%	8.4%
11/1/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.6%	25.4%	39.4%	24.4%	5.1%
12/13/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.7%	11.4%	29.5%	35.0%	18.7%	3.6%	0.0%
1/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	7.5%	22.3%	32.8%	25.3%	9.7%	1.5%	0.0%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	6.1%	19.2%	30.6%	26.8%	13.0%	3.2%	0.3%	0.0%
5/1/2024	0.0%	0.0%	0.0%	0.3%	2.7%	10.9%	23.3%	29.2%	21.8%	9.4%	2.1%	0.2%	0.0%	0.0%
6/19/2024	0.0%	0.0%	0.1%	1.3%	6.1%	16.0%	25.8%	26.2%	16.7%	6.4%	1.3%	0.1%	0.0%	0.0%
7/31/2024	0.0%	0.1%	1.3%	6.0%	15.8%	25.5%	26.1%	16.9%	6.7%	1.5%	0.1%	0.0%	0.0%	0.0%
9/25/2024	0.0%	0.6%	3.2%	10.0%	19.8%	25.8%	22.4%	12.7%	4.5%	0.9%	0.1%	0.0%	0.0%	0.0%
11/6/2024	0.5%	2.9%	9.3%	18.8%	25.2%	22.7%	13.7%	5.4%	1.3%	0.2%	0.0%	0.0%	0.0%	0.0%

Source: Federal Reserves

Domestic factors still support INDOGB. From the domestic side, some economic data released in May still support the positive sentiment for INDOGB: ***(1) Indonesia's economy continued to accelerate as its economic growth advanced by 5.03% yoy in 1Q23,*** higher than the 1Q22 and 4Q22 growth of 5.02% yoy and 5.01% yoy, respectively. The realized figures beat the market estimate of 4.97% yoy, and it was the eighth consecutive period of expansion amid faster rises in household consumption (4.54% vs. 4.48% in Q4) and a rebound in government consumption (3.99% vs. -4.77%). The net trade contributed positively, as exports grew by 11.68% and imports by 2.77%. Meanwhile, fixed investment continued to increase but at a slower pace (2.11% vs. 3.33%). ***(2) FX reserves in Indonesia remained solid at USD 144.2bn in Apr-2023*** from March's 16-month high of USD 145.2bn. The decrease was linked to the payment of the government's external debts and foreign currency liquidity needs, in line with the anticipation due to national religious holidays. The central bank noted that the official reserve assets were equivalent to 6.3 months of imports and servicing the government's external debts and remained adequate, supported by external resilience and the maintained macroeconomic and financial system stability. ***(3) Indonesia's trade surplus plunged to USD 3.94bn in Apr-2023*** from USD 7.56bn in Apr-2022 but was above the market expectation of a USD 3.38bn gain, given that exports dropped more than imports. Shipments slumped by 29.4% from a year earlier, marking the second straight month of decrease and the steepest pace since Feb-2009. Meanwhile, imports fell at a softer 22.32% YoY, which was the third contraction in 2023 and the biggest since Oct-2020. Considering the first 4 months of 2023, the trade surplus fell slightly to USD 16.05bn from USD 16.90bn in Jan–Apr 2022. ***(4) BI-7DRRR unchanged for the fourth time, as expected, at 5.25%.*** Bank Indonesia (BI) kept its BI7DRR rate steady at 5.75% for a fourth consecutive meeting in May-2023, in line with market expectations. The overnight deposit facility rate and the lending facility rate were also left at 5% and 6.5%, respectively. BI stated that the current policy stance ensures core inflation remains within the range of 3 ± 1% for the rest of the year while pushing the headline inflation to the target of 3 ± 1% in 3Q. The central bank also noted that economic activities would continue to improve in 2Q23, with the full-2023 growth projected within the 4.5-5.3% range. Meanwhile, the country's balance of payments will likely be in a surplus this year.

FIGURE 30. DOMESTIC ECONOMIC DATA RELEASED IN MAY-2023

Indonesia | Browse | 21:44:05 | 05/01/23 - 05/26/23

Economic Releases | All Economic Releases | View Agenda Weekly

	Date Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	05/02 07:30				S&P Global Indonesia PMI Mfg	Apr	--	52.7	51.9	--
22)	05/02 11:00				CPI YoY	Apr	4.39%	4.33%	4.97%	--
23)	05/02 11:00				CPI NSA MoM	Apr	0.37%	0.33%	0.18%	--
24)	05/02 11:24				CPI Core YoY	Apr	2.90%	2.83%	2.94%	--
25)	05/05 09:13				GDP YoY	1Q	4.97%	5.03%	5.01%	--
26)	05/05 09:13				GDP QoQ	1Q	-1.00%	-0.92%	0.36%	--
27)	05/08 10:00				Net Foreign Assets IDR	Apr	--	1977.9t	2036.8t	--
28)	05/08 10:00				Foreign Reserves	Apr	--	$144.20	$145.20	--
29)	05/09 10:01				Consumer Confidence Index	Apr	--	126.1	123.3	--
30)	05/11 10:00				Bloomberg May Indonesia Economic Survey (Table)					
31)	05/12 17:58				Local Auto Sales	Apr	--	58911	101048	101212
32)	05/15 11:00				Trade Balance	Apr	$3332m	$3940m	$2910m	--
33)	05/15 11:00				Exports YoY	Apr	-19.31%	-29.40%	-11.33%	-11.63%
34)	05/15 11:00				Imports YoY	Apr	-5.98%	-22.32%	-6.26%	--
35)	05/23 10:00				BoP Current Account Balance	1Q	$2500m	$3000m	$4300m	$4200m
36)	05/25 14:20				Bank Indonesia 7D Reverse Repo	May 24	5.75%	5.75%	5.75%	--

Source: Bloomberg

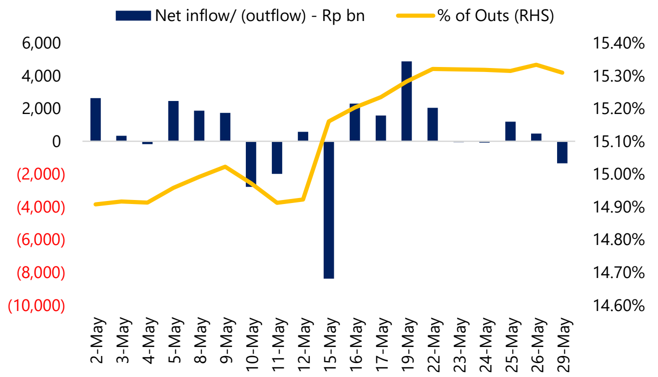
Foreign fund inflows continued to INDOGB. This month's rally in the rupiah government bond market was supported by net foreign fund inflows. According to the bond fund flow data from the DMO with settlement date as of 29-May, foreign ownership in government bonds increased significantly to almost IDR830tn (vs. IDR822.7tn at the end of the previous month) or reached 15.31% of the total outstanding, thus making foreign investors the biggest net buyer of rupiah government bonds, with a net buy of +IDR7.3tn mtd (vs. net buy of +IDR4.2tn in Apr-2023) or +IDR67.8tn ytd. It was followed by insurance and pension funds (+IDR58.4tn), mutual funds and retail investors (+IDR22tn each), and "*other*" investors (+IDR6.2tn). Meanwhile, BI and onshore banks reported net sell of -IDR40.3tn and -IDR24tn, respectively, according to the DMO settlement on 29-May. Note that there is no more BI burden-sharing program in 2023, but BI maintains its operation twist. In our calculation, BI has already been net selling its bonds in the secondary market, totaling IDR41.5tn ytd. Our tracking data indicate that BI has already sold its short-term bonds amounting to IDR67.2n since 2022. Another note, there was also a debt-switching program totaling IDR20tn at the end of last year. So, in total (including BI's maturing bonds), we calculated that BI has already reduced its short-term government bond ownership by IDR101.7tn.

FIGURE 31. RALLY IN INDOGB WAS SUPPORTED BY FOREIGN FUND FLOWS, WITH NET INFLOWS OF IDR67.8 TN YTD

Type of Investor	Outstanding as of 29-May-23			Net Buyer/ (Seller) - IDR tn					
				MTD			YTD		
	SUN	Sukuk	**Total**	SUN	Sukuk	**Total**	SUN	Sukuk	**Total**
Bank (excl. reverse repo)	891.2	348.7	**1,239.9**	(62.3)	(42.3)	**(104.6)**	(5.4)	(18.6)	**(24.0)**
Bank Indonesia	1,291.0	122.3	**1,413.2**	(6.8)	0.4	**(6.4)**	(44.4)	4.1	**(40.3)**
Mutual Fund	137.9	29.9	**167.9**	(0.2)	1.2	**0.9**	15.2	6.8	**22.0**
Insurance & Pension Fund	693.6	237.8	**931.4**	(0.3)	1.9	**1.5**	21.2	37.2	**58.4**
Foreign	812.9	17.1	**830.0**	15.8	(8.6)	**7.3**	74.8	(7.0)	**67.8**
Retail	260.6	105.6	**366.3**	(3.3)	(0.3)	**(3.5)**	2.6	19.4	**22.0**
Others	307.4	165.4	**472.8**	(11.3)	0.8	**(10.4)**	1.5	4.7	**6.2**
Total	**4,394.7**	**1,026.8**	**5,421.5**	**(68.4)**	**(46.9)**	**(115.3)**	**65.5**	**46.6**	**112.0**

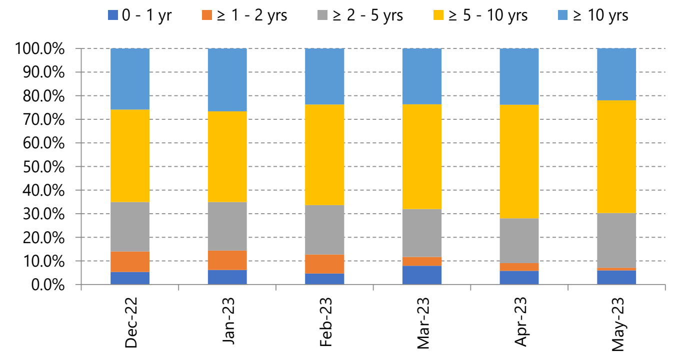
Source: DMO and Mandiri Sekuritas

FIGURE 32. FOREIGN OWNERSHIP CONTINUED TO INCREASE IN LINE WITH FOREIGN FUND INFLOWS TO INDOGB MARKET



Source: DMO and Mandiri Sekuritas (data as of 29-May)

FIGURE 33. AS OF MAY-2023, FOREIGN INVESTORS OWN MORE ON MEDIUM-TO-LONG TENOR INDOGB



Source: DMO and Mandiri Sekuritas

Ytd, the government has issued IDR400tn-gross or 33.5% of the full-year 2023 financing target, assuming the government's initial budget deficit target of -2.8% of GDP. In the primary market, including global bond issuances, the government has issued Rp400tn or 33.5% of the full-year financing target (assuming a budget deficit of -2.8% of GDP government initial target) or already 52.5% (assuming our estimated budget deficit outlook at 1.7% of GDP). Using the historical average revenue pattern in the last 4 years, we estimate the total revenues to reach IDR2,426.4tn (-7.6% yoy or 98.5% of the full-year government revenue target). Meanwhile, the total spending may reach IDR2,775.4tn (-10.2% yoy or 90.7% of government revenue full-year target). Thus, this year's outlook may have a budget deficit of <2% of GDP.

Higher excess budget continues; potentially lower bond issuance target. Given the surplus in the state budget and its financing being maintained at IDR223.9tn, the excess financing (SILPA/*sisa lebih pembiayaan anggaran*) recorded IDR458.6tn, much bigger than Apr-2022's IDR245.8tn and Mar-2023's IDR332.2tn. Therefore, we estimate the excess budget (SAL/*saldo anggaran lebih*) continued to increase and reached IDR763tn in Apr-2023, assuming the SAL usage target last year was IDR127.8tn and that this year's SAL (IDR72.8tn) is spent proportionally and equally every month. We reiterate our view that the bond supply risk for this year is still manageable, although there is no more BI-MoF burden-sharing program, aligned with the lower budget deficit outlook, the government's still ample cash position, and the solid onshore and offshore demands. We estimate the bond issuances through regular auction to be only <IDR14tn on average per 2 weeks.

FIGURE 34. THE GOVERNMENT HAS ISSUED RP400TN–GROSS OR 51% OF THE FULL-YEAR 2023 FINANCING TARGET, ASSUMING THE GOVERNMENT'S INITIAL BUDGET DEFICIT TARGET OF -28% OF GDP

Government Securities	APBN 2019	APBN 2020	APBN2021	APBN2022	Excess Financing	APBN 2023	Govt Bond Issuaces Realization YTD as of 30-May-23	Mansek Forecast 2023	Mansek Forecast 2023	Mansek Forecast 2023	Issuances target needed
Budget Deficit	**(348.70)**	**(956.30)**	**(1006.50)**	**(429.50)**		**(598.20)**		**(598.20)**	**(461.80)**	**(356.80)**	
% of GDP	(2.20)	(6.09)	(5.70)	(2.40)		(2.85)		(2.85)	(2.20)	(1.70)	
Gross Bond Supply	**901.9**	**1,531.7**	**1,565.1**	**1,063.6**	**202.0**	**1,193.2**	**400.0**	**1,003.5**	**867.1**	**762.1**	**373.3**
Gross Local Currency Bonds	**753.3**	**1,372.8**	**1,375.3**	**940.7**	**202.0**	**1,014.2**	**342.0**	**824.5**	**712.4**	**626.2**	**284.2**
Auction Program (incl Sukuk)	680.9	760.8	1,269.1	585.4	202.0	853.5	292.3	663.8	558.6	477.7	185.5
Retail Bonds (ORI & Sukuk)	48.4	76.8	86.0	107.4	-	110.0	43.7	110.0	110.0	110.0	66.3
Private Placement	23.9	535.3	20.3	247.9	-	50.7	6.1	50.7	43.8	38.5	32.4
Gross Foreign Currency Bonds	**148.6**	**158.9**	**189.8**	**122.9**	**-**	**179.0**	**58.0**	**179.0**	**154.7**	**135.9**	**89.1**
Average per 2 weeks auction	**28.4**	**31.7**	**52.9**	**24.4**		**35.6**		**27.7**	**23.3**	**19.9**	**13.4**
Source of Financing	**402.1**	**1,193.3**	**1,006.4**	**429.5**		**598.2**		**598.2**	**461.8**	**356.8**	
Debt Financing	**437.5**	**1,229.6**	**1,177.4**	**454.7**		**696.3**		**569.2**	**432.8**	**327.8**	
Government bonds - nett	**446.3**	**1,177.2**	**1,207.3**	**408.7**		**712.9**		**523.2**	**386.8**	**281.8**	
Loan program - nett	(8.7)	52.5	(29.9)	46.0		(16.6)		46.0	46.0	46.0	
Investment Financing	(44.4)	(104.7)	(184.5)	(154.2)		(176.0)		(176.0)	(176.0)	(176.0)	
Loan Financing	-	1.0	0.4	2.3		5.3		5.3	5.3	5.3	
Liability Financing	(6.3)	(3.6)	(2.7)	(1.1)		(0.3)		(0.3)	(0.3)	(0.3)	
Others	15.2	70.9	15.8	127.8		72.8		200.0	200.0	200.0	

Source: DMO and Mandiri Sekuritas Estimates

The biggest budget surplus. From the May-2023 APBN KiTa Press Conference: until the end of April-2023, the state budget recorded a bigger surplus of IDR234.7tn (+1.12% of GDP) vs. surplus of IDR103.1tn or +0.55% of GDP in Apr-2022 and vs. +0.61% of GDP in Mar-2023. Revenue realization to the FY target is still 3 ppt higher than in Apr-2022. Revenue realization reached IDR1,000.5tn (+17.3% yoy) or 40.6% of the target in the 2023 State Budget (vs. 29.2% yoy in Mar-2023 and 45.9% yoy in Apr-2022). The slowing revenues were due to lowering main commodity prices and slower export and import activities. Tax revenue still grew by 21.3% YoY, though not as high as last year's 51.4% yoy. Meanwhile, customs revenue dropped drastically by -12.8% yoy (vs. +37.7% yoy). However, compared with the budget revenue FY target in Apr-2022, this year's revenue realization is still higher, at ~3 ppt (40.6% vs. 37.6%).

On another side, the government spending realization increased by only 2% yoy to IDR765.8tn (vs. +5.7% yoy in Mar-2023 and +3.8% yoy in Apr-2022) or 25% of the target in the 2023 State Budget (vs. 24.2% realization in Apr-2022). The slowing government spending in April was somewhat affected by the many national holidays and leave days (only 12 effective work days); thus, many budget disbursement papers around 18-Apr could not be processed in the same month.

FIGURE 35. UNTIL THE END OF APRIL-2023, THE STATE BUDGET RECORDED A BIGGER SURPLUS OF IDR234.7TN

	(IDR tn)	Apr-22 Realization	Growth yoy (%)	2023 Budget	Apr-23 Realization	Realization to APBN (%)	Growth yoy (%)
A	**Government Revenue**	**853.2**	**45.9**	**2,463.0**	**1,000.5**	**40.6**	**17.3**
	Tax and Excise Duties Revenue	**675.7**	**49.0**	**2,021.2**	**782.7**	**38.7**	**15.8**
	I. Tax Revenue	567.3	51.4	1,718.0	688.1	**40.1**	**21.3**
	II. Excises Duties	108.4	37.7	303.2	94.5	**31.2**	**-12.8**
	Non Tax Revenue	**177.3**	**35.0**	441.4	217.8	**49.3**	**22.8**
B	**Total Spending**	**750.5**	**3.8**	**3,061.2**	**765.8**	**25.0**	**2.0**
	Central Govt. Expenditure	508.0	3.7	2,246.5	522.7	**23.3**	**2.9**
	I. Spending K/L	253.6	-9.0	1000.8	257.7	**25.7**	**1.6**
	II. Spending Non K/L	254.4	20.4	1245.6	265	**21.3**	**4.1**
	Regional Transfer and Village Funds	242.4	4.0	814.7	243.1	**29.8**	**0.3**
C	**Primary Balance**	**220.5**	**-704.3**	-156.8	374.3	**-238.8**	**69.7**
D	**Surplus/Deficit**	**102.7**	**-174.3**	-598.2	234.7	**-39.2**	**128.5**
	% to GDP	**0.52**		**-2.84**	**1.12**		
E	**Govt. Financing**	**143.2**	**-63.9**	598.2	223.9	**37.4**	**56.3**

Source: MoF

FIGURE 36. USING THE HISTORICAL AVERAGE REVENUE PATTERN IN THE LAST 4 YEARS, WE ESTIMATE THE TOTAL REVENUES TO REACH IDR2,426.4 TN(-7.6% YOY OR 98.5% OF GOVERNMENT REVENUE FULL-YEAR TARGET); THE TOTAL SPENDING MAY REACH IDR2,775.4TN

Source: MoF and Mandiri Sekuritas

Trading volume in the secondary market remained solid. In line with foreign fund inflows to INDOGB which chased in the secondary market, average trading volume per day remained solid at IDR29.2tn (vs. IDR29.7tn in the previous month and Rp26.1tn average trading volume per day ytd). The benchmark series of 10-yr FR0096 and 5-yr FR0095 reported as the most liquid series in this month, reaching IDR3.7tn and IDR2tn average trading volume per day, respectively.

FIGURE 37. THE 10-YR BENCHMARK SERIES FR0096 WAS THE MOST LIQUID BOND SERIES IN THE SECONDARY MARKET

Rank	Series	Coupon	Maturity	Liquidity Index May-23		
				Vol (Rp tn)	Freq (x)	Score
1	FR0096	7.00%	15-Feb-33	66.3	2.9	641.4
2	FR0095	6.40%	15-Aug-28	36.8	1.2	355.9
3	FR0070	8.40%	15-Mar-24	25.6	2.9	248.1
4	FR0086	5.50%	15-Apr-26	23.4	2.1	226.4
5	FR0091	6.40%	15-Apr-32	23.3	6.5	225.8
6	FR0098	7.10%	15-Jun-38	23.3	2.2	225.7
7	FR0087	6.50%	15-Feb-31	23.3	2.0	225.5
8	FR0081	6.50%	15-Jun-25	21.7	1.2	210.1
9	FR0068	8.40%	15-Mar-34	20.1	0.7	194.3
10	FR0080	7.50%	15-Jun-35	15.8	0.8	153.1

Source: Mandiri Sekuritas Estimates

FX Market Outlook: Facing External Pressures

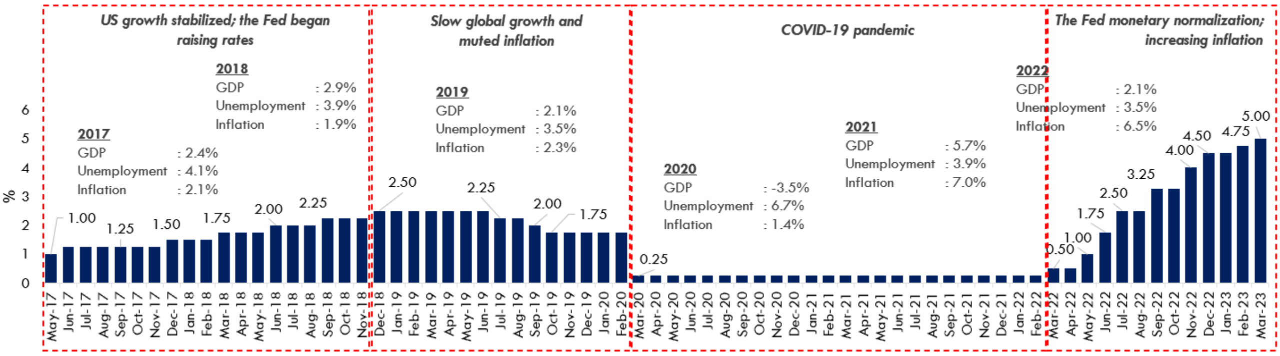
Turmoil in the financial market increased, including the volatility of the Rupiah, which was at one time high, mainly due to the influence of various external sentiments. High global uncertainty, normalization of Central Bank policies in several countries, and references to increasing interest rates 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, increasing interest rates benchmark rate is not as aggressive as before. At the end of May 2023, the Rupiah weakened to a level of 14,900 after strengthening to 14,600 in April 2023 due to increasing market pressure due to high inflation in the US, which would last for a long time. Market participants will continue to be wary of several ongoing risks, such as the global economic clean-up and plans for a further hike in the US Federal Reserve's benchmark interest rate, which could 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, shocks in the US and Europe unexpectedly related to the closure of many banks, which began with bank runs. This condition triggered panic selling in the market because banks in the US and Europe experienced difficulties in 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. However, at the end of May 2023, market players again speculated that an increase in the FFR could occur in line with US inflation which is having difficulty falling to the 2% target of the US Central Bank (stubborn inflation).

FIGURE 38. 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%

Fed Funds Rate:



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

The Fed has raised its benchmark interest rate by 75 bps in 2023. At the May meeting this year, the FOMC meeting decided to raise the FFR benchmark rate again by 25 bps, continuing the hikes in February and March 2023, which rose by 25 bps. The Federal Reserve raised its benchmark interest rate to a range of 5% - 5.25%, 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%. Based on the Fed projection in March 2023, the potential for the Fed Funds Rate to decrease is estimated to occur in 2024. Meanwhile, judging from the latest market consensus indications, there is still a chance for the Fed to raise its benchmark interest rate again to a range of 5.5% - 5.75% in line with stubborn inflation, and there is also a potential reduction this year (estimated in 4Q23) towards 4.75% by the end of 2023.

The USD Index has again increased to the range of 103-104 levels, indicating that the Greenback is starting to strengthen against major currencies. The uptrend of the USD index is starting to pick up. Market volatility is predicted to increase due to concerns over the issue of US debt defaults, in line with the negotiations on the debt ceiling, which have not provided certainty before the end of June 2023. In the short term, the appreciation of the USD against the majority of global currencies will continue, especially if speculation of a further increase in US interest rates resumes. It has occurred in line with the inflation rate, which is still difficult to reduce. Previously, pressure on the money market eased in line with the possibility that the Fed will no longer raise its benchmark interest rate after reaching the terminal rate of 5.25%.

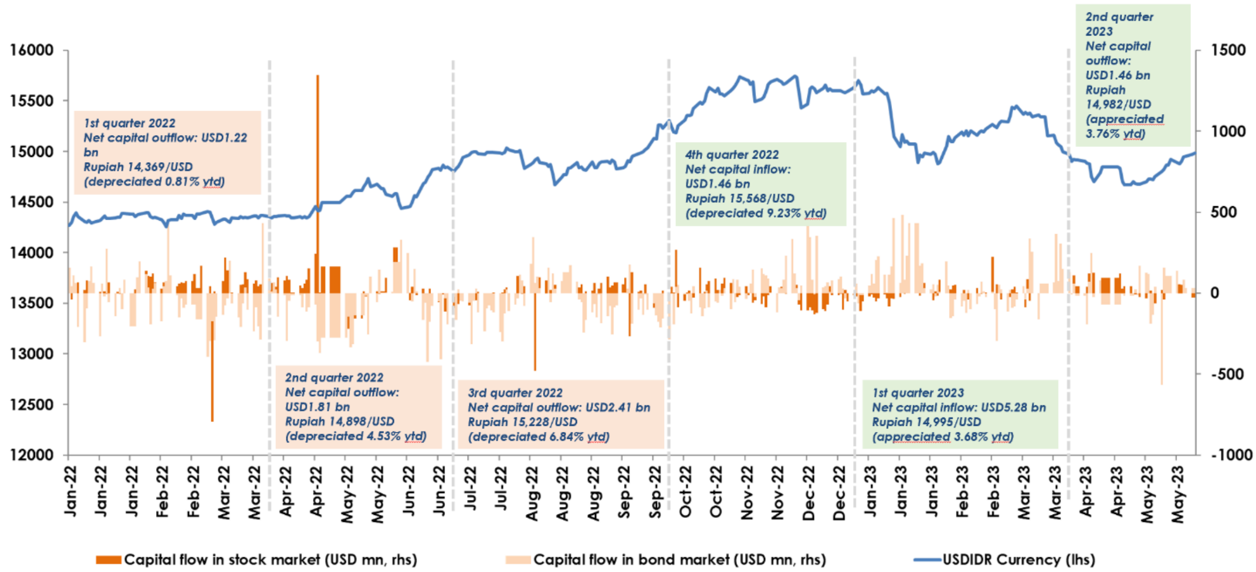
FIGURE 39. PROBABILITIES OF FED FUNDS RATE MOVES

MEETING PROBABILITIES FROM THE MARKET VIEW															
MEETING DATE	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	525-550	550-575
6/14/2023								0.0%	0.0%	0.0%	0.0%	0.0%	42.2%	57.8%	0.0%
7/26/2023			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	26.0%	51.8%	22.2%
9/20/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.2%	32.2%	44.7%	16.9%
11/1/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.3%	20.0%	38.8%	30.0%	7.9%
12/13/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%	12.3%	30.1%	34.0%	18.1%	3.7%
1/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	8.7%	24.1%	32.7%	23.5%	8.6%	1.2%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	7.0%	20.5%	30.7%	25.6%	12.0%	2.9%	0.3%
5/1/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	7.7%	21.1%	30.5%	24.9%	11.5%	2.8%	0.3%	0.0%
6/19/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	5.2%	16.0%	26.9%	27.0%	16.6%	6.1%	1.2%	0.1%	0.0%
7/31/2024	0.0%	0.0%	0.0%	0.0%	0.7%	4.5%	14.3%	25.1%	27.0%	18.3%	7.8%	2.0%	0.3%	0.0%	0.0%
9/25/2024	0.0%	0.0%	0.0%	0.2%	2.0%	7.9%	18.1%	25.8%	24.0%	14.6%	5.8%	1.4%	0.2%	0.0%	0.0%
11/6/2024	0.1%	1.0%	4.5%	12.2%	21.3%	25.0%	20.0%	10.9%	3.9%	0.9%	0.1%	0.0%	0.0%	0.0%	0.0%

Source: CME Group, as of May 30, 2023

Maintain stability and promote growth. In line with the reduced pressure to increase benchmark interest rates on global banks, Bank Indonesia is also predicted to stop raising interest rates in 2023 after reaching the level of 5.75%. Assuming there is no further increase in administered prices and inflation can decline again to around 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 with a greater focus on maintaining stability, encouraging economic growth, and ensuring that inflation returns to the target target of 2% - 4%. In this regard, Bank Indonesia ensures that it continues and strengthens the policy mix to promote macroeconomic and financial system stability, as well as promote growth, which includes: 1) Strengthening 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, especially imported inflation, through a triple intervention; 3) Continuing the twist operation through the sale of SBN in the secondary market for short tenors in order to increase the attractiveness of dividend-shared SBN yields; 4) Continuing the policy of transparency of prime lending rates (SBDK) by in-depth study of the response of banking Third Party Funds (DPK) interest rates to policy interest rates; 5) Continuing the expansion of QRIS implementation domestically and in collaboration with other countries; and 6) Strengthening cooperation, facilitating the implementation of investment and trade promotions in priority sectors in collaboration with related agencies

FIGURE 40. RUPIAH VS CAPITAL OUTFLOW



Source: Bloomberg

Economic growth has kept the Rupiah from weakening further. The development of the domestic economy in 1Q23 was satisfactory and managed to grow by 5.03%. Indonesia's economic growth will remain strong, driven by increased domestic demand and investment. Household consumption is predicted to remain strong in line with increased mobility across regions, retail sales, and improving consumer confidence. The April 2023 trade balance surplus was recorded at USD 3.94 billion, continuing the surplus for the last 35 months. The April 2023 surplus is higher than the March 2023 surplus of USD 2.83 billion. Throughout 2023, the trade transaction balance recorded a surplus of USD 16.05 billion. With the ongoing economic recovery and growing export performance, although the trade balance surplus will begin to shrink, we predict that the current account balance will be manageable to a small deficit of around -0.65% of GDP, and economic growth is predicted to grow by 5.04% in 2023 to maintain the external resilience of the Indonesian economy. The still domestic solid fundamentals are a factor that can hold the Rupiah from weakening further. In the short term, the Rupiah has the potential to move to the range of 14,900 - 15,000 due to persistently high external pressure.

The dollarization issue is hotly discussed. What about Indonesia? Adopting de-dollarization for a country can increase economic independence because reducing dependence on the USD in transactions will decrease the financial risks associated with exchange rate fluctuations. Reducing USD exposure and adopting LCS can also reduce and spread the risks of market volatility. Equally important, the de-dollarization trend may encourage more usage of national/local currencies for transactions. Yet, the de-dollarization process is neither risk-free nor easy to implement. The USD remains the main currency in international trade and a significant reserve currency for many of the world's central banks and international investors. The USD portion was the highest in global fx reserves composition (above 50%). In the global payment system from SWIFT data, USD is still the main currency of payment, with more than 40% share of the total. Therefore, countries trying to de-dollarize must have a well-thought-out and sustainable strategy to strengthen their local currencies. Several risks must be addressed, including financial instability, market liquidity, higher inflation, and political tensions with the US. The Government must consider many factors, such as additional costs and extra time, economic and political stability, the ability to create and maintain the competitiveness of its currency, and the firm strategy to attract foreign investment continuously. De-dollarization must be carried out measurably, prudently, and accompanied by appropriate policies to minimize the risks and optimize the benefits.

FIGURE 41. SEVERAL FACTORS THAT AFFECT RUPIAH MOVEMENT

Sources: Bank Mandiri, The Federal Reserve, Bloomberg

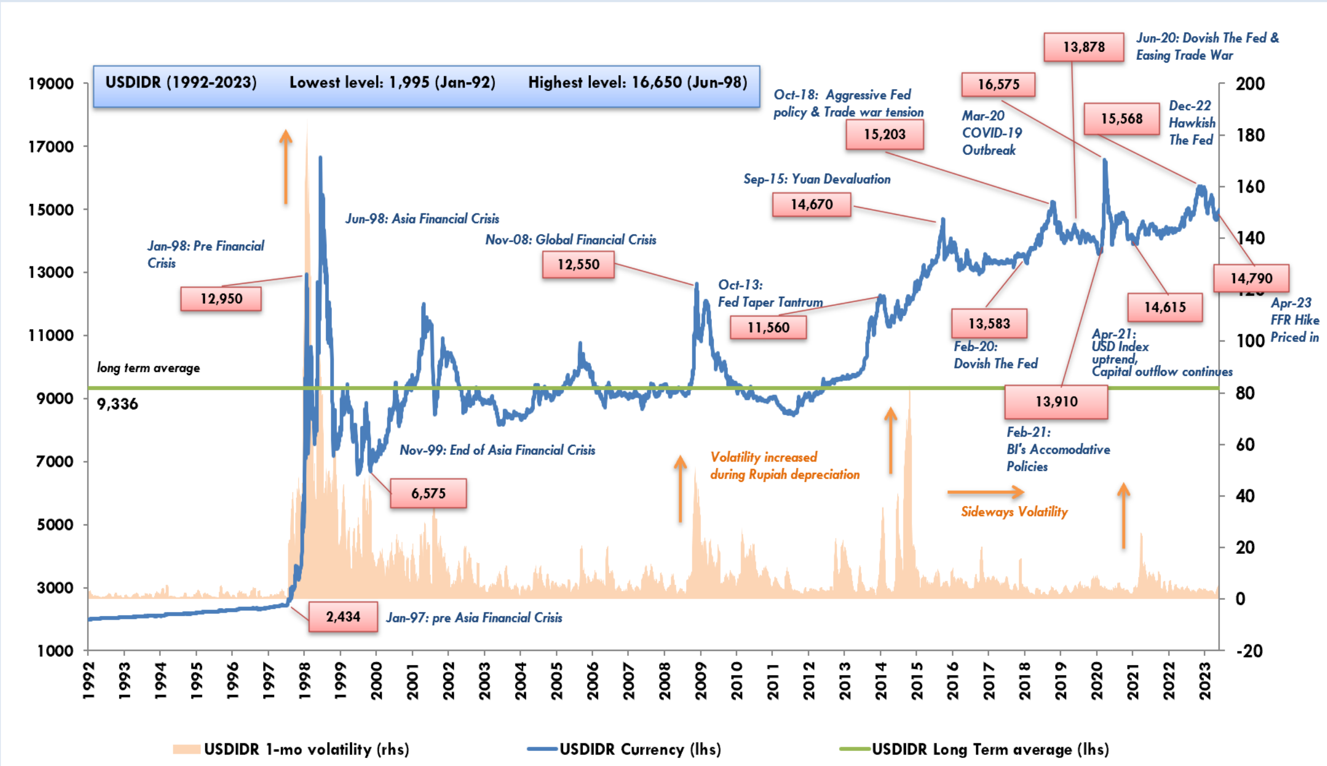
In Indonesia, the Government has also considered policies to reduce the use of USD in international trade. The policy that can be taken is to increase the use of local currency in international trade. Bank Indonesia has also taken steps to strengthen the Rupiah. In recent years Local Currency Settlement (LCS) with other countries has been carried out. LCS implementation has a strategic role in supporting transaction efficiency, developing the local currency market, and ultimately stabilizing the rupiah exchange rate. One example of an LCS conducted by Indonesia was with Japan. In the initial implementation in 2020, the monthly transaction value only reached the equivalent of USD 9.8 million, then increased up to 10 times in 2021. Apart from Japan, Indonesia also conducted LCS with several of Indonesia's major trading partners: Thailand, Malaysia, Japan, and China. Increasing trade transactions and direct investment with Indonesia supports cooperation with these countries. Increased use of local currency can help reduce risks to Indonesia's economic stability and transaction costs.

Still related to the policy of strengthening the local currency, several central banks have also collaborated with Bank Indonesia through the Local Currency Bilateral Swap Agreement (LCBSA). In 2018, Singapore agreed on bilateral financial cooperation with Bank Indonesia worth USD 10 billion. The agreement between Bank Indonesia and the Monetary Authority of Singapore (MAS) includes a bilateral swap agreement in the LCBSA, which allows the exchange of local currencies between the two central banks with a total value of USD 7 billion (IDR 100 trillion). In 2022, Bank Indonesia and Bank Negara Malaysia also agreed to renew the LCBSA to RM 8 billion (IDR 28 trillion), effective for three years and is an update to the agreement first decided in 2019. Most recently, at the 42nd ASEAN Summit 2023, ASEAN Country Leaders agreed to strengthen each country's Regional Payment Connectivity (RPC) and Local Currency Transactions (LCT), which aims to develop a stable financial sector as a foundation for regional economic integration. In addition, these initiatives can also increase bilateral trade between the two countries and strengthen economic relations between these countries.

Our view: The fundamentals of the domestic economy can keep the Rupiah from fluctuating. Currently, market pressure is still dominated by external factors, especially the follow-up policy of the Fed. Global economic conditions that have to struggle with inflationary pressures that have not decreased drastically can trigger further increases in interest rates. In the short term, the Rupiah will still tend to move between 14,800 and 15,100 per USD. However, changes to the Fed's policy stance could occur at any time, and fears of a weakening global economy could create additional pressure on the money market. Bank Mandiri's economic research team predicts that the Rupiah will continue to move according to its fundamentals in the long term, supported by strong domestic economic fundamentals. We estimate that the Rupiah will be 14,864 (with an average of 15,031 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.

Rupiah Long-Term Trend

EVENT ANALYSIS DURING CRISIS: RUPIAH DEVELOPMENT 1992-2023

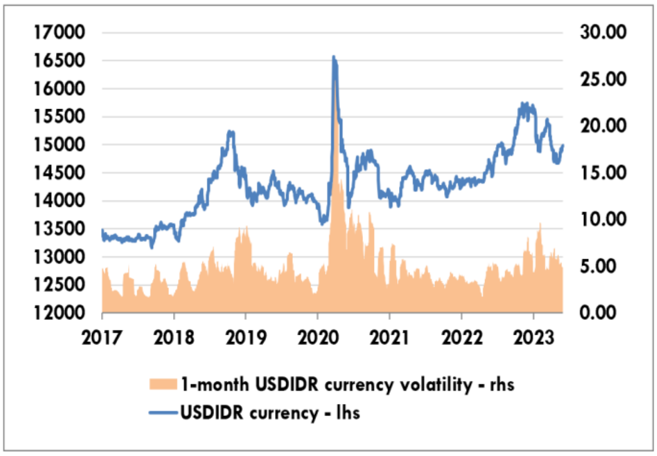


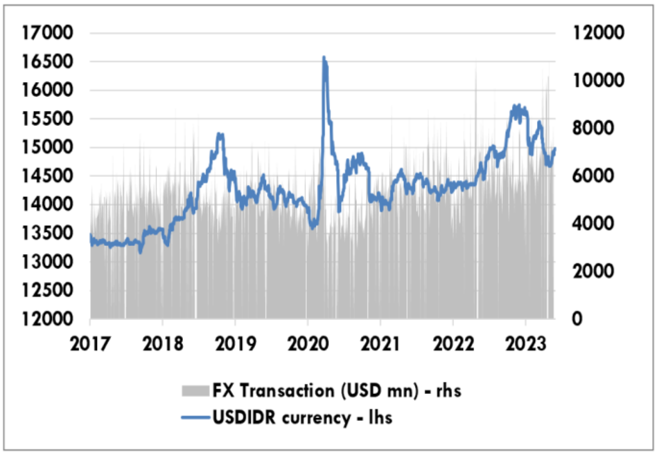
Macro Indicator	Asia Financial Crisis		Global Economic Crisis		Europe Crisis	End of Commodity Boom	FFR Taper Tantrum	China Yuan Devaluation	Hawkish The Fed & US-China Trade War	COVID-19 Pandemic	End of 2020	End of 2021	End of 2022	Mar-23	Latest Data*
Year	1997	1998	2007	2008	2010	2012	2013	2015	2018	Mar-20	2020	2021	2022	2023	2023
USD Index	99.65	94.17	76.70	81.31	79.03	79.77	80.04	98.63	96.17	99.05	89.94	95.67	103.52	102.51	101.66
(% yoy)	13.08	(5.50)	(8.31)	6.01	1.50	(0.51)	0.33	9.26	4.40	1.81	(6.69)	6.37	8.21	4.27	(1.26)
USD/IDR Currency	5403	8000	9393	11120	9013	9638	12170	13788	14390	16310	14050	14253	15568	14995	14670
(% yoy)	128.65	48.07	4.42	18.39	(4.16)	6.30	26.27	11.33	6.06	14.53	1.33	1.44	9.23	4.36	1.19
5-yr Credit Default Swap			152.83	691.36	128.25	123.97	236.85	229.92	137.45	210.40	67.78	75.30	99.57	96.47	95.91
(% yoy)			26.57	352.37	(33.21)	(40.36)	91.06	43.42	61.24	129.27	0.09	11.09	32.24	14.85	(5.13)
VIX (Volatility Index)	24.01	24.42	22.50	40.00	17.75	18.02	13.72	18.21	25.42	53.54	22.75	17.22	21.67	18.70	15.78
(% yoy)	14.77	1.71	94.64	77.78	(18.13)	(22.99)	(23.86)	(5.16)	130.25	290.52	65.09	(24.31)	25.84	(9.05)	(52.75)
10-yr US Treasury Yield	5.74	4.65	4.02	2.21	3.29	1.76	3.03	2.27	2.68	0.67	0.91	1.51	3.87	3.47	3.42
(bps yoy)	(67.60)	(109.40)	(67.90)	(181.09)	(54.33)	(11.88)	127.08	9.82	27.88	(173.55)	(100.43)	59.69	236.47	112.96	48.84
10-yr USD Government Bond Yield			6.52	12.28	4.58	2.95	5.47	4.75	4.54	3.23	2.02	2.17	4.80	4.80	4.69
(bps yoy)			0.00	576.10	(76.70)	(103.50)	251.80	67.40	101.20	(65.20)	(87.70)	15.30	262.50	168.60	82.70
10-yr IDR Government Bond Yield			10.02	11.89	7.61	5.19	8.45	8.99	8.03	7.91	5.89	6.38	6.94	6.79	6.53
(bps yoy)			(15.70)	187.10	(245.40)	(83.60)	326.10	119.70	170.60	28.10	(117.70)	49.60	55.80	5.50	(45.40)
Foreign Ownership in SBN (IDR tn)			78.16	87.61	195.76	270.52	323.83	558.52	893.25	926.91	973.91	891.34	762.19	818.53	822.69
Foreign Ownership in SBN (% to total)			16.36	16.67	30.53	32.98	32.54	38.21	37.71	32.71	25.16	19.05	14.36	14.89	14.86
BI rate / BI 7D RRR	20.00	35.52	8.00	9.25	6.50	5.75	7.50	7.50	6.00	4.50	3.75	3.50	5.50	5.75	5.75
(bps yoy)	725.00	1552.00	(175.00)	125.00	0.00	(25.00)	175.00	(25.00)	175.00	(150.00)	(125.00)	(25.00)	200.00	225.00	225.00
Fed Funds Rate	5.50	4.75	4.25	0.25	0.25	0.25	0.25	0.50	2.50	0.25	0.25	0.25	4.50	5.00	5.00
(bps yoy)	25.00	(75.00)	(100.00)	(400.00)	0.00	0.00	0.00	25.00	100.00	(225.00)	(150.00)	0.00	425.00	450.00	450.00
JIBOR 3-month			8.01	12.13	6.64	5.02	7.84	8.86	7.70	4.88	4.06	3.75	6.62	6.76	6.76
(% yoy)			(17.84)	51.39	(6.05)	(4.76)	56.10	23.48	40.47	(32.27)	(26.34)	(7.54)	76.45	80.30	80.42
LIBOR 3-month			4.70	1.43	0.30	0.31	0.25	0.61	2.81	1.45	0.24	0.21	4.77	5.19	5.30
(% yoy)			(12.27)	(69.70)	20.82	(47.33)	(19.58)	139.71	65.71	(44.21)	(87.51)	(12.27)	2179.58	440.02	297.23
PUAB 3-month						4.90	9.25	8.82	7.85	4.85	4.35	3.75	6.40	6.40	6.40
(% yoy)						(31.37)	88.78	26.00	49.52	(31.21)	(20.91)	(13.79)	70.67	70.67	70.67

*Source: Bloomberg, OCE Bank Mandiri Calculation, * as of 30 May 2023*

Higher Rupiah Volatility Ahead

RUPIAH TREND AND DEVELOPMENT AGAINST USD





Rupiah Volatility & FX Transaction (2017 - 2023)

Indicator	2017	2018	2019	2020	2021	2022	2023*	2023F
USD/IDR (eop)	13,568	14,390	13,866	14,050	14,253	15,568	15,202	14,864
USD/IDR (avg.)	13,383	14,234	14,144	14,543	14,295	14,854	15,068	15,031
Volatility (avg.)	3.15	5.01	4.52	9.24	4.30	4.40	6.33	
FX transaction (USD bn)	1,191.18	1,267.63	1,258.33	1,146.77	1,427.14	1,499.80	637.35	

*Source: Bloomberg, CEIC (*as of 30 May 2023)*

Equity Market Update

Despite slowing growth trajectories, we remain positive on Indonesia equity given the undemanding valuation at 13.6x forward PE with a 4.0% dividend yield. While global recession risks and the current US debt-ceiling issues could elevate JCI's volatility, we would use any material pullback as entry opportunities considering the sound macro fundamentals and earnings growth visibility on relative terms. Despite the softer fiscal spending up to April, there is room for an acceleration in 2H23 considering the better-than-expected fiscal revenue run-rate, the large unused fiscal budget, as well as the already peaked inflation rates. We remain OW on JCI.

May's equity performances. Up to 24 May 2023, JCI Index delivered a 2.5% negative return compared to end-April position, underperforming the government bond market (BINDO Index) that had a 0.1% negative return with the 10Y local currency government bond yield slightly declining from 6.5% at end-April 2023 to 6.4% on 24-May-2023. Thanks to banks' outperformance, MSCI Indonesia Index delivered a smaller negative return of just 0.7%. On a USD adjusted basis, JCI remains among the best performing market in Southeast Asia with a 2.5% return, as compared to the Philippines' PSEi Index (+0.5%), Singapore's FTSE Straits Times (-1.6%), Thailand's SE Thai (-7.8%), and Malaysia's FTSE KLCI (-9.1%).

Sector outperformers and underperformers. Consumer Cyclicals delivered the best MTD return up to 24-May-2023, gaining 6.4%, largely driven by the strong share price returns posted by mid-upper retailers including ACES, MAPI, and MAPA. While the former, which is widely under-owned after nearly two years of bad performances, was largely driven by the strong SSSG recovery in April to 15% Yoy, the latter two experienced substantial valuation multiple re-rating that we think is likely associated to the continuation of strong core EPS growth in 1Q23 and the overhang removal after the divestment of CVC's remaining stakes in MAPA. Property, which is rate-sensitive in nature, also outperformed with a 4.0% MTD return, followed by Consumer Non-Cyclicals (+2.0%) as margin recovery should further translate into EPS growth accelerations, and Transport & Logistics (0.0%). Infrastructures and Financials delivered flat returns MTD, with Industrials down -1.8%. The three underperformers, relative to the JCI's 2.5% negative return, were Basic Materials (-12.8%), Technology (-3.6%), and Healthcare (-2.9%).

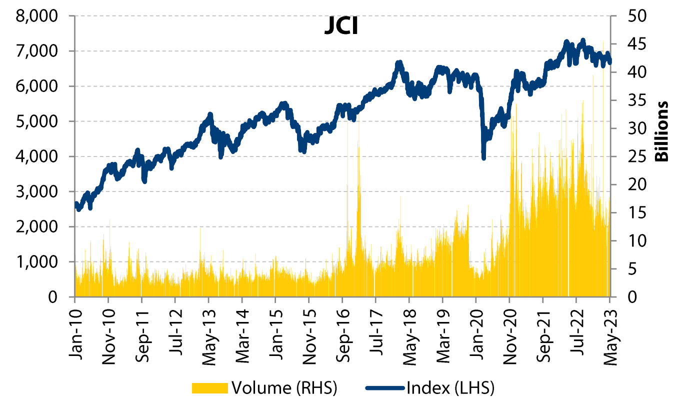
Foreign flows. On adjusted basis (ex-irregular crossings), foreign investors registered small net outflows of IDR0.3 tn mtd as compared to IDR11.5trn inflows in April 2023. ytd, net foreign flows remained positive at IDR15.6 tn, albeit far lower than 5M22 net inflows of Rp58.5trn. Within the bond market, foreign inflows continued at IDR2.6trn mtd, albeit smaller than March/April at IDR14.2tn/IDR4.2tn, with ytd net inflows amounting to IDR 63.1tn against net outflows of IDR95.6tn in 5M22 and IDR129.1tn in 2022. By stocks, top 10 mtd net inflows, based on regular market transactions, were in BBRI, BBCA, BBNI, MDKA, ANTM, ICBP, TLKM, ASII, BUMI, and MEDC, while the largest 10 net outflows were in ARTO, BMRI, UNTR, ADRO, SMGR, BTPS, MNCN, GIAA, ITMG, and ADMR.

Growth trajectories: slowing. About 92% of our coverage universe have reported 1Q23 results, with a better-than-expected earnings growth slowdown amidst the improvement in beat/miss ratios. Aggregate PATMI growth moderated to +2% yoy in 1Q23 from +12% Yoy in 4Q22 but remained strong ex-Tech at +25% yoy. The overall PATMI is on track to reach the street's FY23 estimates; as such, neither material upgrades nor downgrades are likely. ytd, consensus 2023 EPS based on Factset has been lowered by 1.4%. The weak 4M23 fiscal spending means a likely soft Ramadan festive season, hence an unlikely strong 2Q23 earnings growth. Regardless, the abundant fiscal buffer and the already peaked inflation rates should provide room for policy easing (i.e., fiscal spending accelerations) should domestic growth risks and the global recession risks accelerate.

Valuations. According to Factset's consensus data, JCI Index's forward PE now hovers at 13.6x, with forward dividend yield at 4.0%. Relative to the 10Y government bond yield of 6.7%, JCI's 7.4% earnings yield + 4.0% dividend yield are thus attractive, hence our OW view on Indonesia equity.

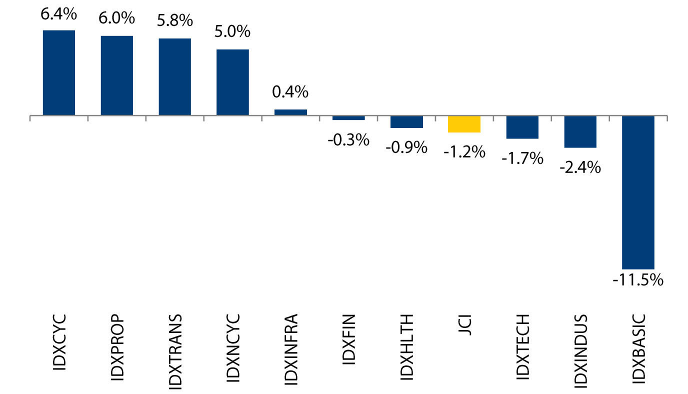
Preferences are unchanged, while enlarged subsidies would reduce mass-market pricing power risks. We remain bullish on Banks and Consumer Cyclicals, with Commodities being our inflation-hedge especially if China reopens that may push up the upside risks in energy prices. The government's decision to raise energy subsidies has lowered the risks of RON90 fuel price adjustment, providing some cushions to mass market purchasing power. As such, further rotations into consumption proxies including Consumer Non-Cyclicals could take place, especially if investors have priced in the margin disruption risks from the cost inflation. We retain our 7,800 index target for JCI this year.

FIGURE 42. JCI



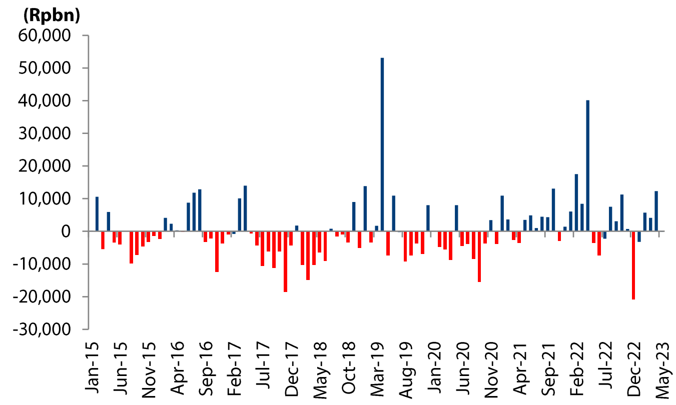
Sources: Bloomberg and Mandiri Sekuritas

FIGURE 43. TRADING SUB-INDEX OUTPERFORMED THE INDEX (MOM)



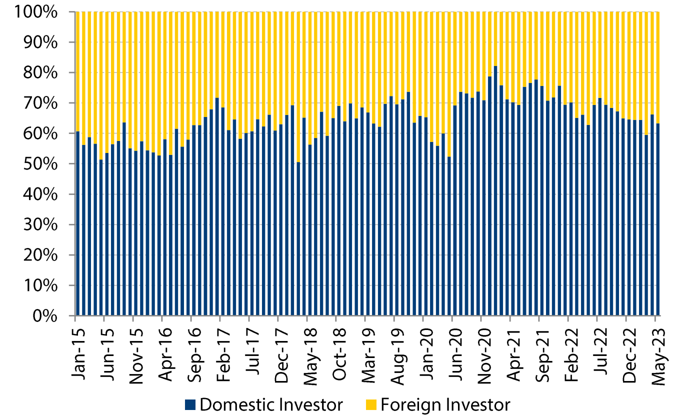
Sources: Bloomberg, Mandiri Sekuritas

FIGURE 44. NET FOREIGN INFLOWS (IDR BN)



Sources: IDX and Mandiri Sekuritas

FIGURE 45. TOTAL TRADING BY INVESTOR TYPES



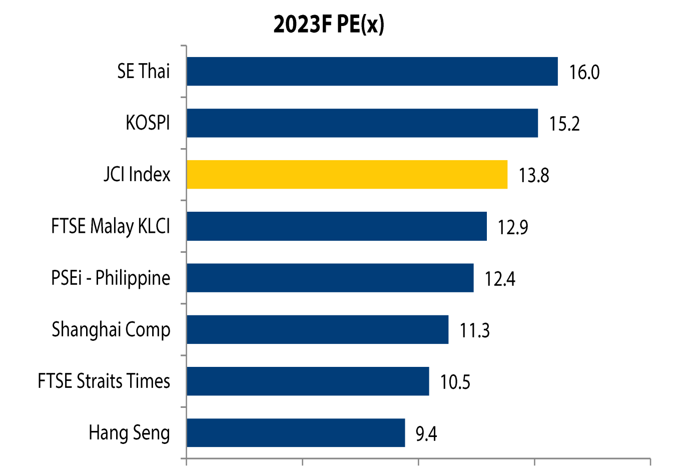
Sources: IDX and Mandiri Sekuritas

FIGURE 46. MONTHLY JCI PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010	3.0	-2.4	9.0	7.0	-5.9	4.2	5.3	0.4	13.6	3.8	-2.9	4.9
2011	-7.9	1.8	6.0	3.8	0.5	1.3	6.2	-7.0	-7.6	6.8	-2.0	2.9
2012	3.1	1.1	3.4	1.4	-8.3	3.2	4.7	-2.0	5.0	2.1	-1.7	0.9
2013	3.2	7.7	3.0	1.9	0.7	-4.9	-4.3	-9.0	2.9	4.5	-5.6	0.4
2014	3.4	4.6	3.2	1.5	1.1	-0.3	4.3	0.9	0.0	-0.9	1.2	1.5
2015	1.2	3.0	1.3	-7.8	2.6	-5.9	-2.2	-6.1	-6.3	5.5	-0.2	3.3
2016	0.5	3.4	1.6	-0.1	-0.9	4.6	4.0	3.3	-0.4	1.1	-4.6	2.9
2017	0.0	1.7	3.4	2.1	0.9	1.6	0.2	0.4	0.6	1.8	-0.9	6.8
2018	3.9	-0.1	-6.2	-3.1	-0.2	-3.1	1.3	2.4	-0.7	-2.4	3.8	2.3
2019	5.5	-1.4	0.4	-0.2	-3.8	2.4	0.5	-1.0	-2.5	1.0	-3.5	4.8
2020	-5.7	-8.2	-16.8	3.9	0.8	3.2	5.0	1.7	-7.0	5.3	9.4	6.5
2021	-2.0	6.5	-4.1	0.2	-0.8	0.6	1.4	1.3	2.2	4.8	-0.9	0.7
2022	0.8	3.9	2.7	2.2	-1.1	-3.3	0.6	3.3	-1.9	0.8	-0.2	-3.1
2023	-0.2	0.1	-0.6	1.6	-2.9							
Avg	0.6	1.5	0.4	1.0	-1.2	0.3	2.1	-0.9	-0.2	2.6	-0.6	2.7

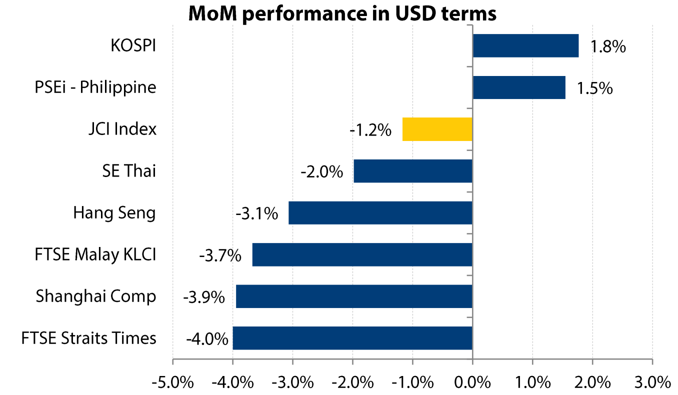
Sources: Bloomberg and Mandiri Sekuritas

FIGURE 47. REGIONAL MARKET VALUATION



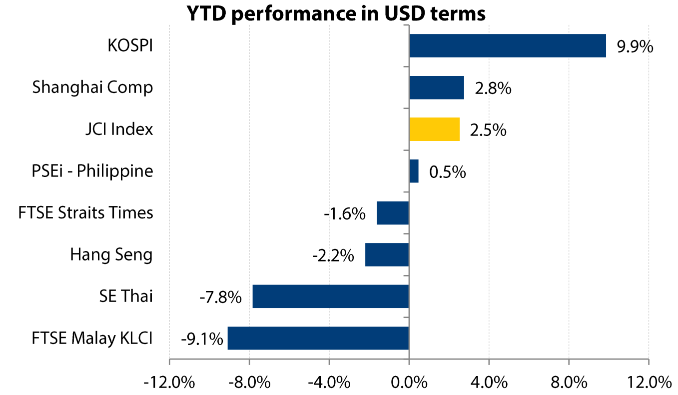
Sources: Bloomberg and Mandiri Sekuritas

FIGURE 48. REGIONAL MARKET PERFORMANCE



Sources: Bloomberg and Mandiri Sekuritas

FIGURE 49. REGIONAL MARKET PERFORMANCE



Sources: Bloomberg and Mandiri Sekuritas

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	5.00
Real Consumption: Government (% yoy)	6.75	1.16	5.31	-0.14	2.12	4.82	3.27	2.12	4.24	-4.51	4.20
Real Gross Fixed Capital Formation (% yoy)	5.01	4.45	5.01	4.47	6.15	6.68	4.45	-4.96	3.80	3.87	4.75
Real Exports (% yoy)	4.17	1.07	-2.12	-1.66	8.9	6.51	-0.48	-8.42	17.95	16.28	8.04
Real Imports (% yoy)	1.86	2.12	-6.25	-2.41	8.07	12.14	-7.13	-17.60	24.87	14.75	7.14
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	21,503.18
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	1,432.17
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	5,130.76
External Sector											
Goods Exports (% yoy)	-2.81	-3.73	-14.93	-3.12	16.90	7.01	-6.79	-3.00	42.49	25.64	2.20
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	62.67	43.971
Current Account (% of GDP)	-3.19	-3.09	-2.04	-1.82	-1.59	-2.94	-2.71	-0.42	0.30	1.00	-0.65
Current Account (USD bn)	-29.11	-27.51	-17.52	-16.95	-16.20	-30.63	-30.28	-4.43	3.51	13.13	-9.34
IDR/USD (period average)	10,439	11,875	13,394	13,305	13,384	14,247	14,141	14,543	14,321	14,874	15,031
IDR/USD (year end)	12,170	12,385	13,788	13,473	13,568	14,390	13,866	14,050	14,253	15,568	14,864
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

Source: Mandiri Group estimate

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