

# Domestic Economic Research

## Economic Review 2024 and Outlook 2025

### Economic Stability and Growth Opportunities 2025

#### Key Takeaways

- **Indonesia recorded a solid economic** recovery marked by GDP growth and expansion across all spending sectors.
- **Household consumption is the primary driver** of economic growth.
- **Improvements in the business climate** drive economic growth, which is marked by increases in consumer confidence, business, and real sales indices.
- **Improvement in people's quality of life** is marked by decreased poverty and unemployment rates and improvements in income distribution.
- **Success in maintaining macroeconomic stability** is marked by controlled inflation, a relatively stable rupiah exchange rate, and substantial foreign exchange reserves.
- **Indonesia's manufacturing sector faces pressure** due to the global economic slowdown and declining demand for significant export commodities.
- **Bank Indonesia is actively intervening** by issuing SRBI and adjusting interest rates to maintain exchange rate stability.
- **JCI shows positive performance** with the energy sector as the mainstay.
- **The optimistic target for economic growth** is 5.20% in 2025, supported by domestic consumption.
- **The government will continue implementing fiscal** interventions to support economic growth, such as increasing the social protection and infrastructure budgets.
- **The government will maintain the budget deficit** and debt ratio within safe limits to maintain fiscal sustainability.
- **Prabowo-Gibran government will prioritize improving the quality of human resources** through education, vocational training, and digital skills development.
- **Indonesia's primary export commodities still face challenges** from climate change, protectionist policies in trading partner countries, and global competition.
- **Bank Indonesia is expected to continue easing** monetary policy to support economic growth.

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### Indonesia is showing a solid and sustainable economic recovery.

Indonesia's post-pandemic economic growth has been relatively consistent, with GDP growing by 4.95% YoY in 3Q24 (**Figure 1**). This growth was driven by solid domestic activity, where both domestic (PMDN) and foreign (FDI) investment realization increased by 18.60% YoY in 3Q24 (**Figure 6**). Monetary policy remained stable, with interest rates reduced to 6.00% in September 2024, and inflation was controlled at 1.84% YoY in September 2024 (**Figure 11**). Domestic production activity is maintained, although manufacturing PMI is moving at the threshold of its expansionary zone. Real sector performance is at a safe level, characterized by a stable level of domestic production capacity at 73.13% until 3Q24. This was mainly driven by activity growth in the mining, quarrying, and electrical energy sectors, which experienced increased demand.

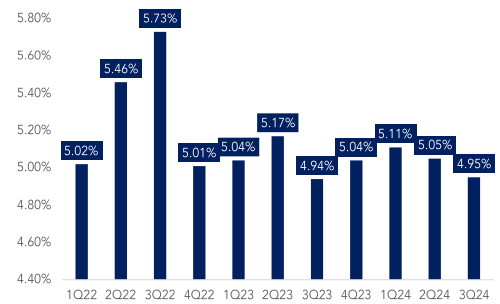
### All Expenditure Components of Indonesia's GDP Demonstrate Positive Growth in 3Q24.

Household consumption, the backbone of the economy, rose by 4.91% year-over-year in 3Q24, buoyed by increased purchasing power among Indonesians (**Figure 2**). This uptick reflects greater confidence in economic stability and increased spending capacity among consumers. The external sector also provided a notable boost, with exports surging by 9.09% YoY, fueled by heightened global demand for Indonesia's non-oil and gas commodities. Imports similarly saw a rise of 11.47% YoY, in line with the expansion of domestic production activities, signaling an increase in raw materials and intermediate goods needed for manufacturing. Meanwhile, the consumption of Nonprofit Institutions Serving Households (LNPR) grew sharply by 11.69% YoY, primarily driven by preparations for significant events like the Pilkada elections and the PON XXI sports event.

### Government increases social protection budget for 2024 to support economic stability.

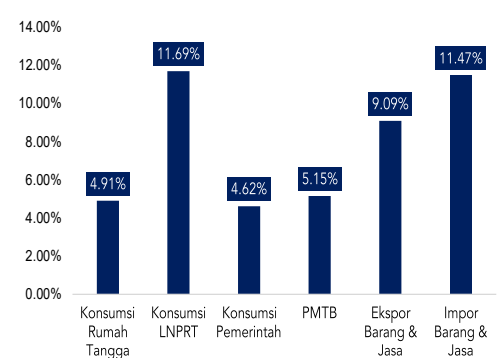
This increase in the Perlinsos fund, reaching IDR 496.80 trillion, reflects the government's intent to shield domestic consumption from potential global disruptions, as household consumption remains a crucial driver of economic growth, with a strong 4.91% year-over-year increase recorded in the third quarter of 2024 (**Figure 2**). Although the 2024 allocation surpasses the budget of recent years (2021-2023), it still falls below the peak levels set in 2020 (**Figure 3**). By expanding the social protection budget, the government aims to maintain economic momentum, sustain domestic purchasing power, and support vulnerable populations against external economic pressures that could otherwise negatively impact consumption patterns.

**Figure 1.** Quarterly GDP Data from 1Q22 to 3Q24



Source : BPS

**Figure 2.** GDP Expenditure Breakdown in 9M24



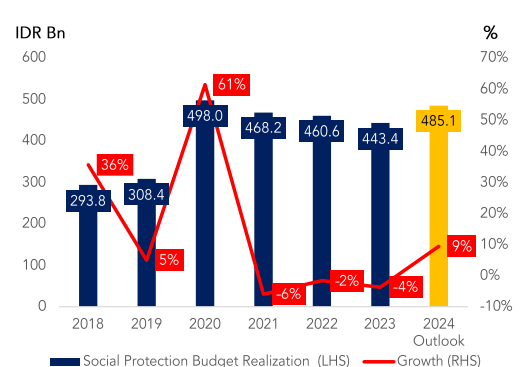
Source : BPS

#### Fact :

Growth in exports up to 2Q24 was supported by an increase in the value and volume of several commodities, such as:

- \* Coal
- \* Nickel
- \* Jewelry
- \* Electrical Machinery and Equipment.

**Figure 3.** Realized Social Protection Budget from 2018 to 2024



Source : Ministry of Finance

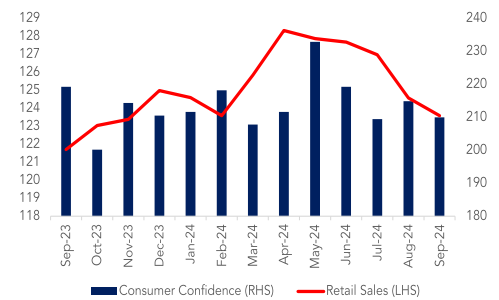
**An improved business climate drove the rapid and robust economic recovery.** This improvement in the business climate is driven by the market's high confidence in the economy, which is positively correlated to the consumer confidence index, business confidence, and actual sales. Throughout 2024, the Consumer Confidence has consistently been above the 100 level. Despite experiencing a decline in February 2024 due to concerns ahead of the General Election, the CCI again showed stability after the Presidential Election, recording an average CCI in January - September 2024 at 124.7 (**Figure 4**).

**The improvement in economic conditions is also reflected in the positive Business Confidence throughout 2024.** The index has shown a positive trend after the pandemic. In 1Q24, the IKB reached 14.10. It then grew to 17.20 in 2Q24 and 14.40 in 3Q24 (**Figure 5**). The improvement in the IKB was due to the political stability after the presidential election, which positively impacted business confidence. With political stability maintained, optimism among businesses continues to rise, creating strong momentum for sustainable economic recovery.

**Real Sales also showed a positive trend.** Until 9M24, the level of public consumption was at a solid level. From 1Q24 to 1H24, the IPR was stable at >200, driven by the momentum of elections and religious holidays (**Figure 4**). Despite a slight decline in 9M24, the IPR level remained stable at 210. The positive IPR trend aligns with the government's policy of increasing the social protection budget (**Figure 3**). This budget increase is expected to maintain people's purchasing power, boost consumption, and maintain domestic economic stability.

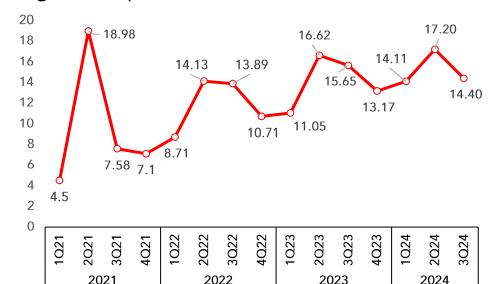
**Foreign direct investment (FDI) experienced impressive growth, doubling in the election year.** FDI saw double-digit solid growth through the 9M24, with quarterly increases of 15.50% in 1Q24, 16.60% in 2Q24, and 18.55% in 3Q24 (**Figure 6**). This positive trend can be attributed to the reduced risk of election-related uncertainty, particularly following the election of the Prabowo-Gibran pair, which is expected to facilitate the consolidation of power and improve investor confidence. Furthermore, Singapore continues to lead as the top source of investment, maintaining its position from 2020 to 2024, with a projected investment value of US\$14.40 billion in 2024. Meanwhile, the United States made a notable entry into the top ranks, securing the fourth position with US\$2.8 billion in investments (**Figure 7**).

**Figure 4.** Consumer Confidence and Retail Sales



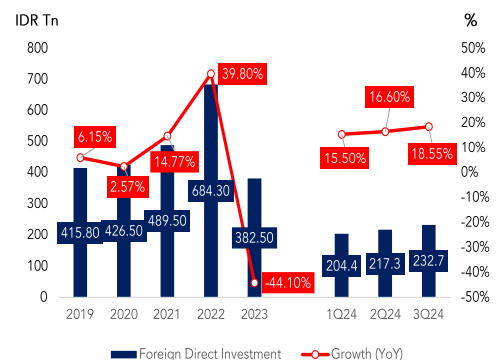
Source : Trading Economics

**Figure 5.** Improvement in Business Confidence Index



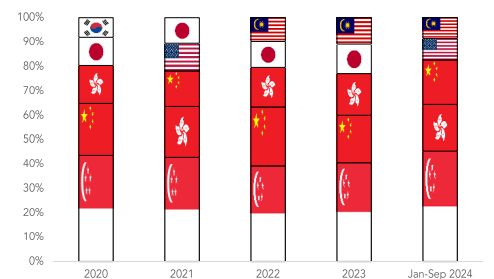
Source : Trading Economics

**Figure 6.** FDI Trends in Indonesia: 2019 to 3Q24



Source : BKPM

**Figure 7.** Top 5 Countries with the Highest Realization in Indonesia



Source : BKPM

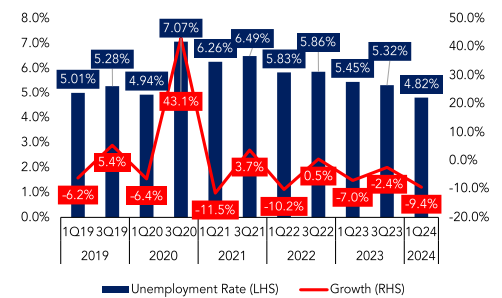
**A solid economy is accompanied by improvements in people's quality of life.** This can be seen from the decline in poverty and unemployment and the improvement in income inequality or the Gini ratio. The poverty rate decreased to 9.03% in 1Q24 (vs 9.36% in 3Q23) (**Figure 9**). In addition, the unemployment rate showed significant improvement, recorded at 4.82% in 1Q24, lower compared to 3Q23 (5.45%) (**Figure 8**) and well below the pre-pandemic average of 2013-2019 (5.99%). The Gini Ratio also showed improvement. The Gini ratio stood at 0.329 in 1Q24 (vs 0.384 in 3Q23 ; 0.409 in 1Q23). This improvement in quality of life is in line with several data, such as stable public consumption and an increase in the Perlinsos budget in 2024, which plays a role in sustaining equitable distribution of welfare and narrowing the income gap..

**Throughout 2024, inflation is at a manageable level.** In Bank Indonesia (BI) assumptions, BI sets the inflation target at 2.5% with a tolerance range of  $\pm 1\%$ . Since the beginning of the year, inflation has tended to stay within these limits. At the beginning of the year, inflation showed an increase of up to 3% due to the high demand for religious holidays (**Figure 11**). However, until 9M24, inflation tended to stabilize at around 2%, demonstrating the effectiveness of BI and the government in keeping inflation at a low level.

**Bank Indonesia raised interest rates in response to the depreciation of the Rupiah exchange rate.** In October 2023, BI raised interest rates by 25bps to 6.00% and another 25bps to 6.25% in March 2024, despite inflation remaining low and manageable. The rate hike in 2Q24 was considered BI's move to alleviate the pressure on the Rupiah exchange rate, which approached IDR16,400 in April 2024 (**Figure 10**). However, in 9M24, BI decided to lower the interest rate to 6.00%, in line with the stable position of the Rupiah exchange rate at around IDR15,200 and external sentiment related to FFR.

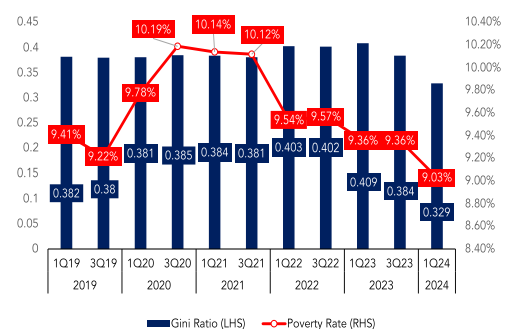
**The rupiah exchange rate experienced significant fluctuations throughout 2024.** It reached its lowest point at IDR 16,479 in March 2024, mainly driven by shifts in expectations regarding the Federal Funds Rate (FFR) cuts in the United States. These expectations led to substantial capital outflows from Indonesia. However, as global financial sentiment shifted and market conditions adjusted, the rupiah stabilized. By the end 9M24, the rupiah exchange rate had settled within the range of IDR 15,200 to IDR 15,700, indicating a recovery as investor confidence improved and external factors became more favorable (**Figure 10**).

**Figure 8. Trends in Decreasing Unemployment: 1Q19 to 1Q24**



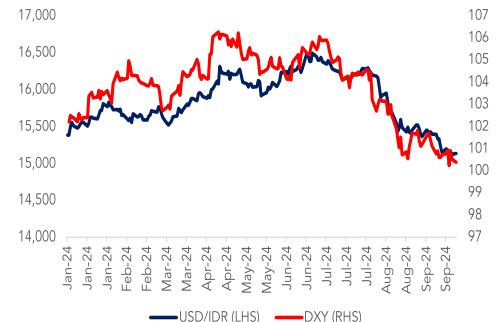
Source : Trading Economics

**Figure 9. Declining Gini Ratio and Improving Poverty**



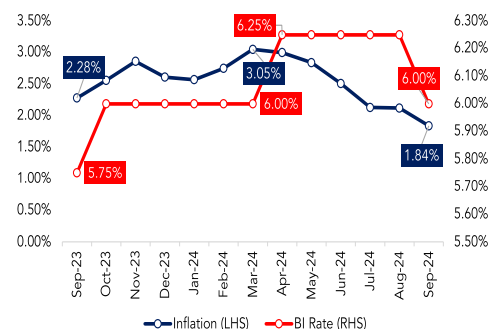
Source : BPS

**Figure 10. DXY Movement and USD/IDR Trends**



Source : Trading Economics

**Figure 11. Inflation and Interest Rate Data: Sep-23 to Sep-24**

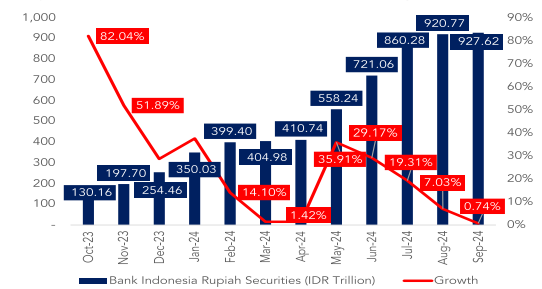


Source : Bank Indonesia



**Bank Indonesia (BI) issues Bank Indonesia Rupiah Securities (SRBI) to save the Rupiah exchange rate.** As of August 2024, BI has issued SRBI amounting to IDR927.61 trillion (**Figure 12**). The massive issuance in the March-June period reflects BI's proactive response in maintaining Rupiah exchange rate stability. With the gigantic SRBI issuance, the Rupiah position was successfully maintained within the range of IDR15,200 - IDR15,700 until the end of October 2024.

**Figure 12.** SRBI Condition: Oct-23 to Sep-24



Source : Bank Indonesia

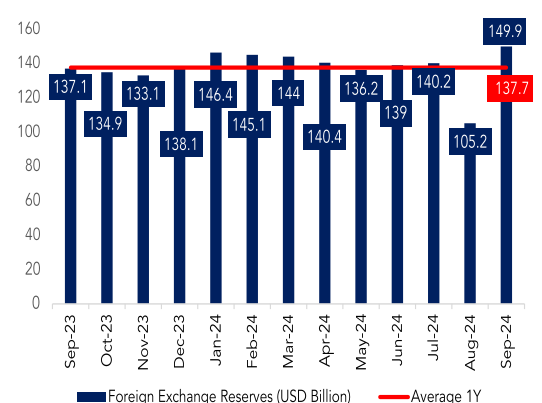
**Table 1.** Ownership of Bank Indonesia Rupiah Securities (SRBI)

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Bank	116.12	159.21	189.28	264.52	296.99	311.72	320.38	384.55	461.29	537.66	534.80	552.07
Non Bank	14.04	37.44	62.36	83.93	87.88	83.37	77.13	159.20	233.90	299.81	327.89	334.13
Resident	0.17	0.17	0.18	0.18	0.19	1.02	1.98	7.02	41.38	63.83	77.32	79.90
Non Resident	13.87	37.27	62.17	83.74	87.69	82.35	75.15	152.18	192.52	235.99	250.58	254.22
Other	-	1.05	2.82	1.58	14.53	9.89	13.23	14.49	25.87	22.81	58.08	41.42
<b>TOTAL</b>	<b>130.16</b>	<b>197.70</b>	<b>254.46</b>	<b>350.03</b>	<b>399.40</b>	<b>404.98</b>	<b>410.74</b>	<b>558.24</b>	<b>721.06</b>	<b>860.28</b>	<b>920.77</b>	<b>927.62</b>

Source : Bank Indonesia | IDR Trillion

**Foreign exchange reserves are within safe limits as of September 2024.** Foreign exchange reserves had decreased from US\$146 billion in February to US\$136.20 billion in May. Despite the significant decline, Indonesia's foreign exchange reserves remain safe. Foreign exchange reserves still cover 6x months of imports and above the international adequacy standard of around 3x. The decline in SRBI issuance in September 2024 returned Indonesia's foreign exchange reserves to a healthier level, reaching US\$149.90 billion. This figure is even higher than the position of foreign exchange reserves in January, which was recorded at US\$146.40 billion and higher when compared to the one-year average of foreign exchange reserves at US\$137.70 billion (**Figure 13**).

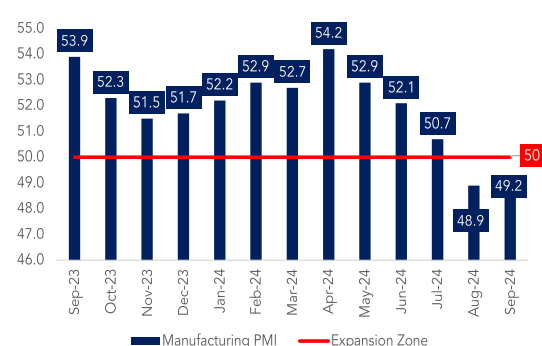
**Figure 13.** Foreign Exchange Reserves Condition: The Past Year



Source : Trading Economics

**Indonesia's Manufacturing PMI Index faced significant pressure throughout 2024.** Although the index was initially in an expansionary zone, it gradually declined, indicating a slowdown in the manufacturing sector. This trend became more pronounced in the year's second half, with the PMI trending downward towards contractionary territory, culminating in the most significant decline during August and September (**Figure 14**). Globally, Indonesia's manufacturing sector was also impacted by the slower-than-expected economic recovery in major trading partners, particularly China. Despite early projections of a rapid recovery, China's economic recovery has been much slower, and its manufacturing sector continues to contract. Similar challenges were observed in other major economies, including the United States and the European Union, where manufacturing activity also contracted, and overall economic growth slowed.

**Figure 14.** PMI Performance Overview: Sep-23 to Sep-24

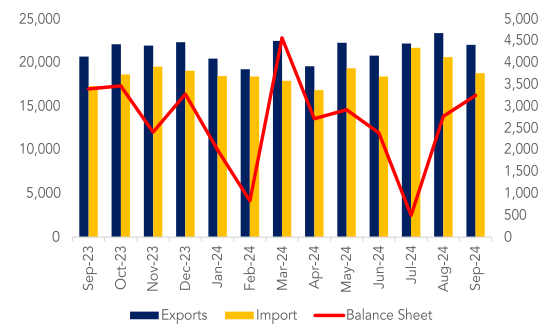


Source : Trading Economics

**Indonesia's trade balance continues to show a positive trend.** In 9M24, the trade balance again recorded a surplus of US\$3.26 billion (vs US\$4.47 billion in 8M24). This surplus marks the 53rd consecutive month of positive achievements. Cumulatively, exports from January - September 2024 increased by 0.32% YoY. Indonesia's overall export performance has started to show improvement.

**Indonesia's leading export commodities are still faced with various challenges.** Geopolitical conflicts will still occur until September 2024. In addition, global demand for Indonesia's primary commodities continues to weaken amid sluggish world economic growth. This condition is reflected in the monthly decline in export value by 5.80% in September 2024 compared to August 2024. Global economic uncertainty and weakening manufacturing activity in several trading partner countries also aggravated Indonesia's export challenges. Economic recovery in trading partner countries has gone slower than expected, resulting in a decline in demand for Indonesia's leading commodities.

**Figure 15.** Export-Import Movements and Trade Balance



Source : BPS

**Fact :**

- China's economic recovery is slower than expected, exacerbated by its NBS PMI Manufacturing condition in the contractionary zone from May to September 2024.
- Other trading partners, such as the European Union and the United States, also show similar conditions with manufacturing PMI in the contractionary area.
- EU Manufacturing PMI stagnated at around 47 levels until 9M24.
- The United States Manufacturing PMI is still in the contraction area in the July-September 2024 period.

**Table 2.** Top Commodities Performance until 9M24

Featured Commodities	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Coal <i>(US\$ Million)</i>	2.41	2.59	2.56	2.61	2.5	2.49	2.49	2.47	2.54
Growth Coal <i>(%)</i>	-19.70%	7.50%	-1.20%	2.00%	-4.20%	-0.40%	0.00%	-0.80%	2.80%
Iron and Steel <i>(US\$ Million)</i>	2.31	1.68	2.13	2.17	2.2	2.1	2.03	1.99	2.2
Growth Iron and Steel <i>(%)</i>	9.50%	-27.30%	26.80%	1.90%	1.40%	-4.50%	-3.30%	-2.00%	10.60%
CPO and Derivatives <i>(US\$ Million)</i>	1.73	1.2	1.56	1.39	1.08	2.18	1.39	1.77	1.38
Growth CPO and Derivatives <i>(%)</i>	-11.70%	-30.60%	30.00%	-10.90%	-22.30%	101.90%	-36.20%	27.30%	-22.00%

Source : BPS

**Table 3.** Performance of Major Trade Partners Until 9M24

Market Share	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
China <i>(US\$ Million)</i>	4.57	4.06	4.75	4.28	4.73	4.66	4.82	5.33	5.35
Growth <i>(%)</i>	-20.80%	-11.20%	17.00%	-9.90%	10.50%	-1.50%	3.40%	10.60%	0.40%
Amerika Serikat <i>(US\$ Million)</i>	1.99	2.1	2.19	1.76	2.18	1.97	2.15	2.61	2.22
Growth <i>(%)</i>	-3.40%	5.50%	4.30%	-19.60%	23.90%	-9.60%	9.10%	21.40%	-14.90%
ASEAN <i>(US\$ Million)</i>	3.26	3.1	3.78	3.35	3.79	3.61	3.71	4.01	3.91
Growth <i>(%)</i>	-2.70%	-4.90%	21.90%	-11.40%	13.10%	-4.70%	2.80%	8.10%	-2.50%
Uni Eropa <i>(US\$ Million)</i>	1.48	1.38	1.42	1.24	1.61	1.21	1.44	1.54	1.56
Growth <i>(%)</i>	13.80%	-6.80%	2.90%	-12.70%	29.80%	-24.80%	19.00%	6.90%	1.30%
Lainnya <i>(US\$ Million)</i>	6.04	5.89	7.22	5.82	6.65	6.92	6.88	6.96	6.33
Growth <i>(%)</i>	-8.50%	-2.50%	22.60%	-19.40%	14.30%	4.10%	-0.60%	1.20%	-9.10%

Source : BPS

**Table 4.** Indonesian Banking Statistics Up to 8M24

Period	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	MoM	YTD	YOY
Total Assets	11,670,488	11,708,017	11,875,828	11,878,090	11,921,366	12,048,215	12,012,401	12,090,887	0.65%	2.76%	9.43%
Total Loans	7,150,426	7,188,333	7,336,880	7,398,760	7,460,641	7,567,757	7,602,991	7,596,921	-0.08%	5.70%	11.64%
NPL	174,879	175,577	176,580	170,021	172,059	168,564	170,099	168,529	-0.92%	3.47%	-6.77%
Third Party Funds	8,415,282	8,440,845	8,601,220	8,653,014	8,698,703	8,722,035	8,686,720	8,649,871	-0.42%	2.27%	7.01%
Current Accounts	2,615,859	2,618,284	2,663,816	2,684,980	2,729,696	2,740,839	2,683,922	2,652,607	-1.17%	-0.37%	10.06%
Savings	2,650,756	2,644,446	2,693,409	2,716,574	3,924,588	2,746,104	2,754,500	2,740,414	-0.51%	2.67%	6.14%
Time Deposits	3,132,090	3,178,114	3,243,996	3,251,459	3,262,361	3,235,092	3,248,297	3,256,850	0.26%	4.18%	5.37%
Net Profit	20,878	39,361	61,872	79,345	101,467	126,525	149,620	171,026	14.31%	-29.71%	6.42%
NIM (%)	4.54	4.49	4.59	4.56	4.56	4.57	4.59	4.60	0.17%	-6.57%	-7.47%
LDR (%)	83.87	84.05	84.23	84.49	84.80	85.74	86.51	86.80	0.33%	3.54%	4.10%
CAR (%)	27.62	27.73	25.96	25.97	26.17	26.09	26.56	26.69	0.46%	-3.83%	-3.81%
NPL Gross (%)	2.45	2.44	2.41	2.30	2.31	2.23	2.24	2.22	-0.84%	-2.12%	-16.49%

Source : OJK

### Banks Grow Moderately Amid High Interest Rate Challenges 1H24.

Banking performance throughout 1H24 recorded moderate growth despite being amid an era of high interest rates. Total bank assets increased by 9.43% YoY (vs. 0.65% MoM; 2.76% YTD), while total loan disbursement reached IDR7,596.921 trillion, growing 11.64% YoY (vs -0.08% MoM; 5.70% YTD). This loan disbursement growth occurred despite interest rates remaining at 6.25%, up 25 bps from 1Q24. However, it should be noted that Non-Performing Loans (NPLs) also increased by 3.47% YTD (-6.77% YoY; -0.92% MoM), indicating an increase in credit risk (**Table 4**). Amidst the increase in lending, the bank's net profit recorded a sharp decline of -29.71% YTD. This decline was influenced by the high Loan to Deposit Ratio (LDR), which reached 86.80%, indicating that the bank disbursed loans more aggressively than it collected deposits. Although the net interest margin (NIM) remained stable at 4.60%, the bank's profitability was affected by high interest rates, raising customer borrowing costs.

On the other hand, Third Party Funds (TPF) recorded a growth of 7.01% YoY (-0.42% MoM; 2.27% YTD), driven by an increase in all TPF elements, such as current accounts, which grew by 10.06% YoY, savings by 6.14% YoY, and time deposits by 5.37% YoY. Although interest rates throughout 1H24 were at a fairly high level of 6.25%, banks were still able to maintain strong loan growth momentum. The increase in loans by 11.64% YoY shows that the real sector is still optimistic and needs financing, both for business expansion and consumption, despite the rising cost of credit.



#### Fact :

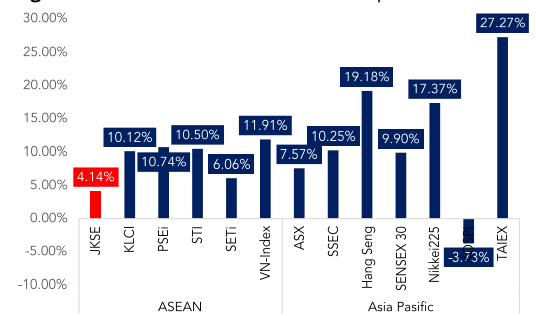
- Bank Indonesia has raised and lowered interest rates by 25bps each.
- Bank Indonesia raised interest rates by 25bps in March 2024 as the rupiah depreciated due to external sentiment.
- Despite the interest rate hike, lending remained stable at a double-digit level.
- By the end of Q3, BI had lowered interest rates by 25bps as the rupiah exchange rate stabilized at Rp15,200, and external sentiment was favorable.

**JCI Resilience Amidst Changes in Capital Flow and Global Dynamics.** Throughout 2024, JCI recorded a positive performance with a gain of 4.14% YTD (as of 31 Oct). While this represents solid growth, the JCI's performance is still lower than its peers in Asia Pacific, such as Japan, India, and Hong Kong, as well as other ASEAN regions, such as Malaysia, Philippines, and Singapore (**Figure 16**).

**Global market dynamics in influencing foreign flows.** At the beginning of the year, the positive expectation of the Fed Fund Rate (FFR) cut managed to drive an inflow of IDR13.51 billion into the domestic financial market, including IDR18.44 billion into the capital market. However, the Government Securities (SBN) market recorded an outflow of IDR4.93 billion. However, the uncertainty related to FFR policy in the March-April period resulted in significant capital outflow from various emerging markets, including Indonesia, with total outflow in the SBN market and capital market reaching Rp59.52 billion (**Figure 17**). This capital outflow pressure caused the JCI to weaken to 6,734. The situation improved again when the unemployment rate in the United States increased, followed by the expectation of a cut in September, which caused foreign flows to return to the domestic market. This inflow supported the recovery of JCI to reach its highest level in 2024 at 7,900.

**The energy sector emerged as one of the main drivers of the JCI until October 2024.** With a strengthening of 31.07% year-to-date (as of 31 Oct), this sector benefited from the increase in energy commodity prices triggered by concerns about potential supply disruptions amid rising geopolitical tensions in the Middle East and Red Sea regions. This uncertainty in the global energy market has resulted in higher demand and prices, driving the performance of energy-related stocks. In addition, the property and health sectors also contributed significantly to strengthening the JCI, with the strengthening of 17.18% YTD (as of 31 Oct) and 13.63% YTD (as of 31 Oct), respectively. The impressive performance of the property sector was driven by conducive policy developments, including the continuation of the Government-borne Value Added Tax (PPN DTP) incentive until the end of 2024, the ongoing 3 million homes program, and lower interest rates. Meanwhile, the healthcare sector benefits from a stable exchange rate and an increased healthcare budget, which will fund initiatives such as free health check-up programs.

**Figure 16.** YTD Performance of IHSG Compared to Peers

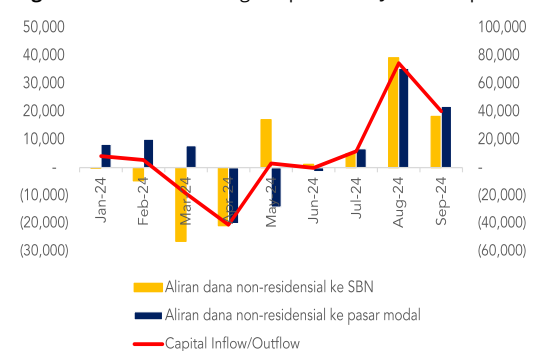


Source : Trading Economics | as of 31 Oct 2024

#### YTD IHSG is lower than peers:

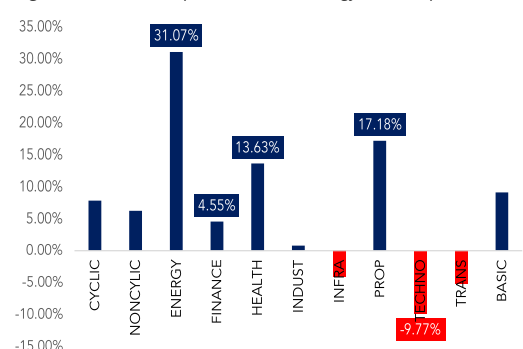
- Concerns about exchange rate stability, potential debt maturities, and an increased fiscal burden have caused the market to be concerned about Indonesia's investment climate.
- The performance of large-cap stocks that declined year on year worsened the situation and triggered sell-off from foreign investors.

**Figure 17.** Trends in Foreign Capital Flow: Jan24 – Sep24



Source : DJPPR, IDX | IDR Billion

**Figure 18.** Sector Comparison in 2024: Energy as the Top Gainer



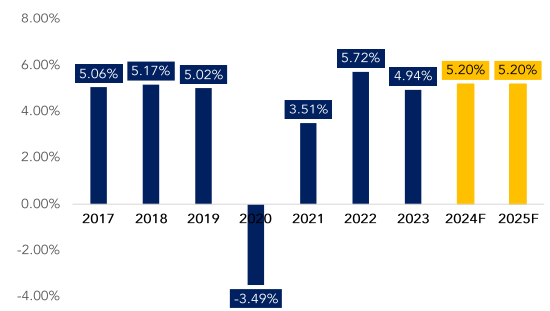
Source : IDX

**Optimism for economic growth amidst the risk of uncertainty.** As the global economic outlook is expected to improve, the Government maintains a relatively optimistic growth target in 2025. The Government set the economic growth projection to reach 5.2%. The upbeat economic growth is supported by strong domestic consumption despite some looming external challenges.

**Domestic consumption is the central pillar of economic growth.** The Government projects that household consumption growth will increase to 5.0% yoy in 2025. The increase in household consumption will be supported by post-election political stability and growing domestic activities. In addition, the Government has intervened by increasing the perlintas budget to ensure that public consumption can stabilize at the level expected by the Government.

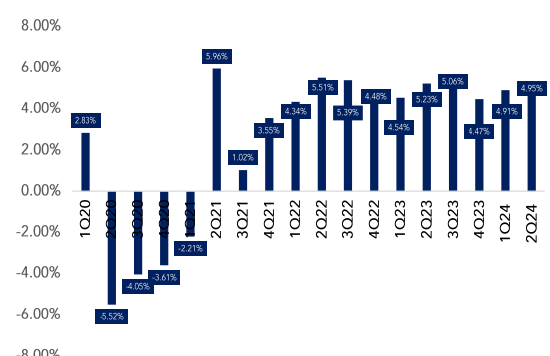
**The low inflation assumption is faced with a number of risk factors.** The low inflation assumed by the Government is faced with domestic dependence on imported raw materials, particularly oil and natural gas, adding to cost pressures on the production side. In addition, inflationary pressure comes from a potential spike in food prices due to the Russia-Ukraine geopolitical conflict and extreme weather conditions (*La Nina*) which are expected to continue until early 2025. The aforementioned factors could negatively impact the prices of key imported commodities which could potentially weaken people's purchasing power due to price hikes in basic goods. Therefore, stable inflation will be key in maintaining people's purchasing power. The government estimates that in 2025 inflation will be at 2.5%. The government expects low inflation to maintain price stability and people's purchasing power.

**Figure 19. GDP Growth Trend: Historical and Projected**



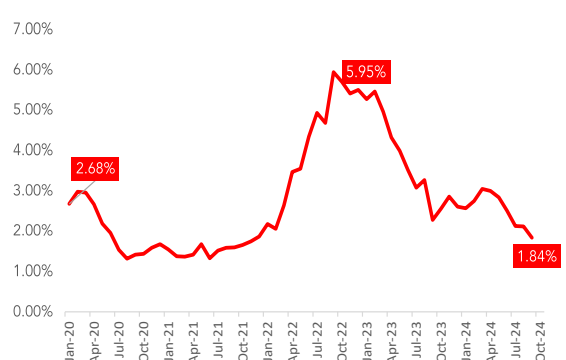
Source : BPS

**Figure 20. Keeping Consumption Level Within Safe Limits**



Source : Trading Economics

**Figure 21. Low Inflation Trend to Maintain**



Source : BPS

**Table 5. Macroeconomic Basic Assumptions**

ASUMSI DASAR EKONOMI MAKRO					
	APBN 2021	APBN 2022	APBN 2023	APBN 2024	APBN 2025
Pertumbuhan Ekonomi (%)	5.00%	5.20%	5.30%	5.20%	5.10 - 5.50%
Inflasi (%)	3.00%	3.00%	3.60%	2.80%	1.50% - 3.50%
Nilai Tukar (Rupiah/US\$)	14,600	14,350	14,800	15,000	15,300 - 16,000
Tingkat Bunga SUN 10 Tahun (%)	7.29%	6.80%	7.90%	6.70%	6.90% - 7.30%
Harga Minyak (US\$/barel)	45	63	90	80	75-85
Lifting Minyak (rbph)	705	703	660	625	580-601
Lifting Gas (rbsmph)	1,007	1,036	1,100	1,033	1,033-1,1047
Tingkat Pengangguran	7.7%-9.1%	5.5%-6.3%	5.3%-6.0%	5.0%-5.7%	4.50%-5.00%
Tingkat Kemiskinan	9.2%-9.7%	8.5%-9.0%	7.5%-8.5%	6.5%-7.5%	7.0%-8.0%
Gini Ratio	0.377-0.379	0.376-0.378	0.375-0.378	0.374-0.377	0.379-0.382

Source : Ministry Finance



**The movement of the Rupiah is still overshadowed by external sentiment.** Economic dynamics in the United States, primarily related to inflation, labor market conditions, and interest rates, significantly influence the Rupiah exchange rate. Uncertainty regarding the direction of monetary policy taken by the Fed to maintain inflation and economic stability adds to volatility in global financial markets. This situation creates pressure on emerging market currencies, including Rupiah, which is highly vulnerable to changes in investor sentiment and foreign capital flows.

**Figure 22.** Rupiah is expected to continue to be volatile



Source : BPS

### Government Steps to Stabilize Exchange Rate

The Government will implement Government Regulation (PP) Number 36 of 2003 concerning DHE, which requires exporters to deposit at least 30% of DHE into the Indonesian financial system. Utilizing the Local Currency Settlement (LCS) facility and the policy on Exported Foreign Exchange (DHE) is expected to support the stability of the rupiah exchange rate, strengthen foreign exchange reserves, maintain domestic forex liquidity, and reduce the impact of exchange rate volatility risks. Therefore, the Government set the rupiah exchange rate in 2025, which is expected to be Rp16,100.

**Potential for Continued FFR Interest Rate Cuts Predicted to Depress SBN Yields.** The continuation of high interest rates throughout 2024 impacts tight global liquidity conditions, thereby increasing the cost of debt in developing countries, including Indonesia. In addition, increasing fiscal pressure in the United States has increased the need for more significant debt issuances, thereby driving up US Treasury (UST) yields. The Fed's prolonged high interest rate policy and rising UST yields have strengthened the US dollar exchange rate against other currencies, adding pressure on developing country bonds. As a result, the Indonesian bond market faces considerable pressure from these external factors. However, following the Fed's interest rate cut in September 2024, further cuts are expected to occur in 2025. With the potential for monetary policy easing by the Fed and a similar stance taken by Bank Indonesia, it is estimated that the 10-year SBN interest rate will fall to 7.1% in 2025, reflecting the easing of global monetary conditions and a more favorable environment for emerging market debt.

**Figure 23.** Comparison of U.S. and Indonesia Bond Yield Movement



Source : TradingEconomics

**The trend of improving people's quality of life will continue.** By 2025, the poverty rate is targeted to fall to 7.0-8.0% from 9.03% in March 2024, while the Gini Ratio is expected to decline from 0.379 to a range of 0.379-0.382. The human resource quality improvement program will be enhanced to expand employment and adjust workforce skills. In addition to HR development, the government targets to increase the exchange rate of farmers (NTP) to 115-120 and fishermen (NTN) to 105-108 by 2025 through access to financing and modernization of the agricultural sector in order to improve the welfare of farmers and fishermen.



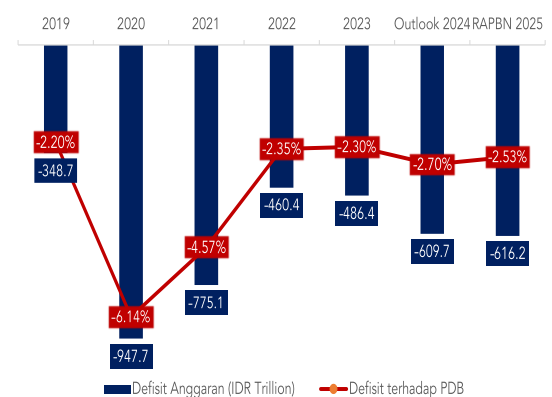
#### The government's way of improving people's quality of life

- The government established the Poverty Reduction Agency (BP Taskin) led by Budiman Sudjamitko. This agency is tasked with accelerating poverty alleviation with an integrated and targeted approach.
- The government plans to transfer energy subsidies directly to people in need.
- The government aims to increase the Human Capital Index (HDI) to 0.56 by 2025 by improving access to and the quality of education and vocational training.
- The government will provide access to modern technology and sustainable practices to increase the productivity of farmers and fishermen.
- The government will strengthen distribution and logistics infrastructure to enable production to be sold at competitive prices.
- The government will provide subsidies for fertilizers and equipment and access to low-interest financing will help reduce the burden of production costs.
- The government will also provide technical training and entrepreneurship education to farmers and fishermen so that they have the skills to manage their businesses effectively and increase their competitiveness in the market.

#### Budget Deficit Will Be Maintained at Around 3% of GDP.

This policy aims to support economic development while still managing the government's financing needs to maintain the debt-to-GDP ratio below 60% so that the country can manage its debt safely without sacrificing financial stability in the future. To meet these high financing needs, the government plans to raise funds of IDR 775.9 trillion through a combination of domestic and foreign loans and the issuance of Government Securities (SBN). Most of these funds will be directed to finance National Strategic Projects (PSN), which are considered crucial for long-term development and economic growth.

Figure 24. Budget Deficit Development and Its Proportion to GDP



Source : Ministry Finance

### Building the foundation of the Golden Indonesia 2045, with the development of quality human resources.

The Prabowo-Gibran administration has emphasized the development of human resources as a top priority. The 2025 State Budget will focus on strategic programs to improve the quality of human resources, including access to and improvement of the quality of education, vocational training, as well as the development of digital skills and entrepreneurship. The government will also prioritize the development of education and health infrastructure that is evenly distributed throughout Indonesia. Food security is an additional focus in the 2025 State Budget, with efforts to strengthen local production and food distribution for sustainable community welfare.

#### 2025 State Budget Allocation for Priority Agenda

1. Education = IDR 722.6 Trillion
2. Social Protection = IDR 504.7 Trillion
3. Infrastructure = IDR 400.3 Trillion
4. Health = IDR 197.8 Trillion
5. Food Security = IDR 124.40 Trillion
6. Law and Security = IDR 372.3 Trillion

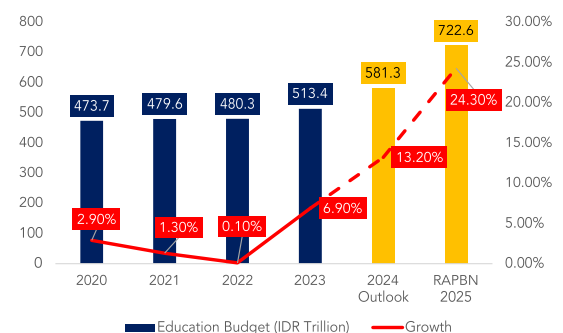
**The education sector budget recorded an increase to Rp722.6 trillion.** This budget is expected to improve access and quality of education from preschool to higher education. The use of the budget includes:

- They are improving educational infrastructure.
- It is providing direct and indirect assistance.
- Implementing the School Operational Assistance (BOS) program for 9.6 million students and the Smart Indonesia Program (PIP) for 20.4 million students.

In addition, the Indonesia Smart Card (KIP) Lecture Program will be continued with a target of 1.1 million students. Another focus is strengthening the link and match of vocational education with industry to increase optimal labor absorption.

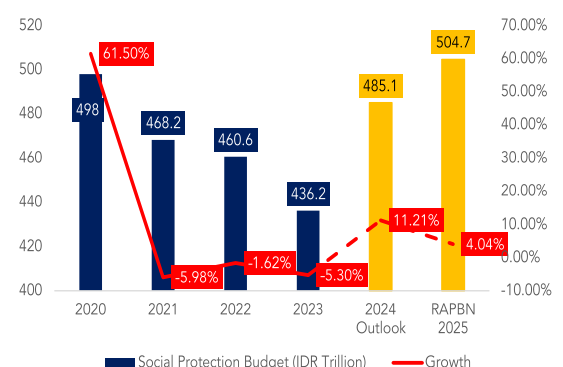
**Social protection budget will reach IDR 504.7 trillion in 2025.** This figure shows a significant increase from 2020 to 2023 during the pandemic. This allocation will continue essential programs such as the Family Hope Program (PKH), Basic Food Card, Indonesia Smart Program (PIP), and Indonesia Smart Card (KIP) Lecture. The increase in the social protection budget is expected to accelerate poverty alleviation and reduce social inequality. In addition, social protection policies will also focus on protecting vulnerable groups.

Figure 25. Increased Budget for Quality Human Resources



Source : Ministry of Finance

Figure 26. Welfare Budget Growth for Social Equality and Protection



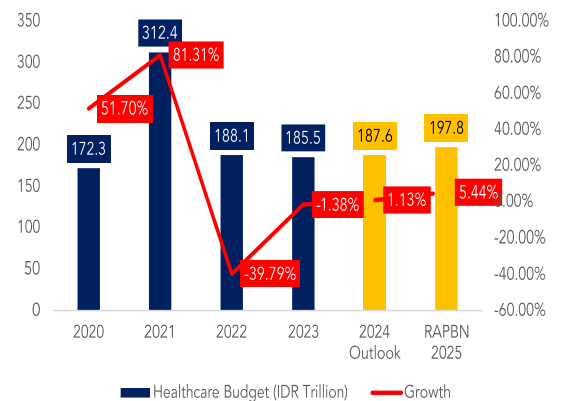
Source : Ministry of Finance

**The health sector is the Government's priority agenda, with a budget allocation of IDR 197.8 trillion.** The budget increase in this sector is a preventive measure to reduce stunting and tuberculosis (TB) cases. With an allocation growth of up to 5.44% YoY, it is expected to build healthy and productive human resources by providing nutritious food for pregnant, lactating, and under-five mothers and accelerating the reduction of stunting. The National Health Insurance (JKN) program will continue to be strengthened by improving access, quality, and availability of health infrastructure. In addition, the government will focus on inter-agency synergy and strengthening local governments' capacity to provide equitable health services.

**The infrastructure budget allocation for 2025 has decreased to Rp400.3 trillion.** The budget covers the construction of irrigation, dams, and school renovations, as well as infrastructure that supports economic transformation and the development of the Capital City of the Archipelago (IKN). This development policy aims to accelerate connectivity, energy, and essential services. In addition, its budget will be prioritized in supporting strategic infrastructure projects, especially in areas in need, such as Papua. The Government hopes to achieve infrastructure development targets that will positively impact society and encourage economic growth in all regions of Indonesia.

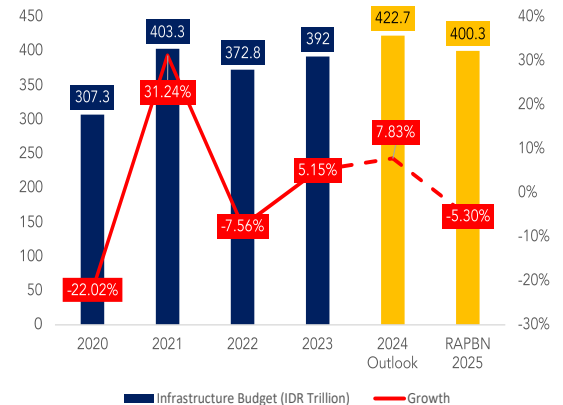
**Government Increased the Food Security Budget to IDR 124.4 Trillion.** The increase aims to increase agricultural productivity and support food self-sufficiency, ensuring the country can meet its domestic food needs. Most of the budget will be allocated to critical initiatives, including land intensification to maximize agricultural yields, agricultural infrastructure development to increase efficiency, and provision of essential facilities such as fertilizers and seeds. In addition, efforts will focus on improving agrarian product distribution channels, ensuring crops reach markets more efficiently and reducing post-harvest losses. A vital component of this budget allocation is the transformation of the agricultural sector through downstreaming and commercialization, which will create value-added opportunities for farmers and fishermen, thereby improving their livelihoods. This policy aligns with Law No. 18/2012 on Food, emphasizing the importance of strengthening the country's food production capacity.

Figure 27. Increase in Health Budget for Stunting and Prevention



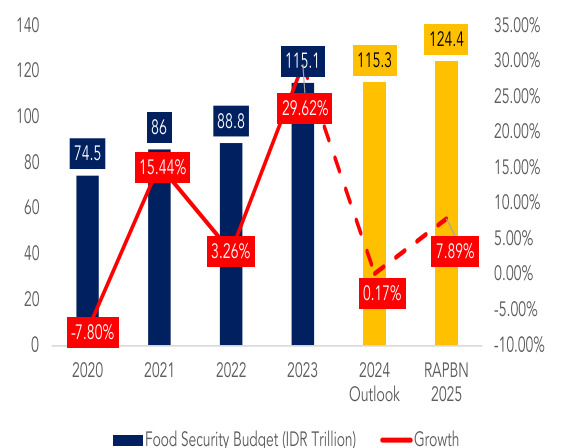
Source : Ministry of Finance

Figure 28. Declining Infrastructure Budget, IKN and PSN Continue



Source : Trading Economics

Figure 29. Increased Budget for Food Security and Agricultural



Source : Ministry of Finance

### Indonesia's leading export commodities still face various challenges.

Indonesia's leading export commodities, such as coal and Crude Palm Oil (CPO), still face various external challenges. Geopolitical conflicts that are expected to remain in a state of solution will disrupt the stability of the supply chain. In addition, commodity challenges also come from China, which is expected to reduce the consumption of renewable energy coal (EBT), threatening global demand for Indonesian coal. On the other hand, CPO, as a major export commodity, also faces significant challenges. International demand for CPO is influenced by increasingly stringent environmental regulations, especially in the European market, which urges environmentally friendly desires and practices. This condition requires Indonesia to implement more sustainable production practices and develop derivative products with higher added value, such as biodiesel, to maintain competitiveness in the global market.

### Safe transitional leadership creates a conducive investment climate.

For example, the transition from President SBY to Jokowi shows how stable policy continuity can maintain investor confidence and encourage FDI growth. Under Jokowi's administration, Indonesia has experienced significant improvements in infrastructure development and strengthening human resources (HR) quality, which are the main attractions for FDI. Now, a safe policy transition from President Jokowi to Prabowo in 2024 is expected to bring similar positive impacts with the continuation of pro-investment policies that have been successfully implemented.

### Historically, FDI Has Grown Solidly Post-Election.

This trend was particularly pronounced after the previous election, where political stability and clear policy direction were crucial factors in attracting foreign investment. With Prabowo's election, which is seen as a continuation of the previous administration's policies, there is optimism that he will uphold successful initiatives, particularly in infrastructure development, which has been a significant draw for foreign investors during Jokowi's tenure. Continuing these policies, including emphasizing critical infrastructure development, is expected to reassure investors that the country's investment climate will remain stable and favorable.



#### Export-Based Industrial Development with Key Commodities:

- **Indonesia has abundant copper reserves, with domestic production reaching 100 million tons/year.** Large projects such as the Freeport smelter in Gresik strengthen this sector by producing copper cathodes and gold and silver as high-value by-products.
- **In the fisheries sector, Indonesia is the third largest shrimp exporter in the world,** with the majority of export shipments to the United States. This demonstrates the market dominance and quality of Indonesian fishery products.
- **Nickel is a strategic commodity essential in the global industry,** especially in manufacturing batteries and electric vehicles. Indonesia leads with the world's largest nickel reserves, making it a significant player in meeting the market's need for environmentally friendly technology.



#### Strategies to increase Foreign Direct Investment (FDI):

- Legal reform and reduction of bureaucratic barriers to provide legal certainty for foreign investors.
- Development of ports, roads, and logistics facilities to improve operational efficiency and attract investors.
- Tax relief, import duty exemptions, and incentives for strategic sectors such as renewable energy and high technology.
- Technology, renewable energy, and mineral downstream industries are prioritized to increase added value and economic diversification.
- Bilateral agreements for investment protection and free trade to increase foreign investment flows.
- Active participation in international forums, exhibitions, and trade missions to introduce



**Bank Indonesiaa decision to cut interest rates is still closely linked to external economic conditions.**

While the country's fundamental economic indicators remain solid, suggesting that BI can implement a more accommodative monetary policy, its actions will depend heavily on global factors, particularly the Federal Funds Rate (FFR) in the United States. Experts are forecasting a 25 basis point (bps) cut by the end of 2024, followed by an additional 25 bps cuts each quarter throughout 2025, for a total of 75 bps cuts by the end of the year. These developments in US monetary policy will significantly impact global financial conditions and, in turn, influence BI's decisions on interest rates. If the US continues to loosen its monetary policy, BI may be better able to lower interest rates in Indonesia, thereby supporting domestic economic growth while managing inflation expectations.

**BI is expected to follow the Fed's steps to lower interest rates.**

However, it is estimated that the steps taken by BI will use a more moderate approach. Solid domestic fundamental conditions include low inflation, robust foreign exchange reserves, and a stable exchange rate, allowing BI to cut interest rates. In addition, political stability after the leadership transition further strengthens the argument for monetary easing. BI is expected to continue the downward trend at the end of this year by 25 bps. In 2025, according to BI's last assessment at the RDG in October, BI is still optimistic that it will cut 3 times with a total cutting room of 75 bps, with a gradual reduction room of 25 bps per quarter.

**Downward Trend in Interest Rates Opens Up Great Opportunities for Sustainable Growth.**

With lower interest rates, borrowing costs become more affordable, encouraging investment and consumption and increasing economic activity, especially in the real sector. Easier access to capital allows businesses to expand, create new jobs, and increase production, leading to a more dynamic and inclusive economy. In response to these favorable conditions, Bank Indonesia has set a credit growth target of 11-13% in 2025, strengthening liquidity and increasing people's purchasing power. This increase in credit distribution is expected to further stimulate investment, especially in sectors such as small-scale infrastructure projects, including village development, fisheries, and agriculture, which are important for sustainable economic growth in rural areas.

**Fact :**

- The Fed made a relatively aggressive cut of 50bps at the September FOMC due to the declining inflation trend and worrying labor market conditions. The unemployment rate in August was recorded at 4.30%.
- BI took the Fed's cut the day before. BI has made a 25bps cut to 6.00%
- The reasonably positive external sentiment and the stable Rupiah exchange rate at around Rp15,200 made BI confident in cutting for the first time this year.

**Table 6.** IHSG 2025 Outlook Based on Projected EPS

Year	IHSG Average PER			Avg. IHSG	Avg. EPS	Avg. EPS Growth
	Average	Highest	Lowest			
2003	8.95	12.58	5.83	508.15	56.78	
2004	12.49	14.01	10.48	794.93	63.65	12.10%
2005	15.19	17.61	13.07	1089.60	71.73	12.70%
2006	16.68	19.22	14.88	1421.18	85.20	18.78%
2007	19.70	24.60	15.74	2167.26	110.01	29.12%
2008	13.61	19.59	6.48	2104.09	154.60	40.53%
2009	27.90	36.24	15.45	1982.12	71.04	-54.05%
2010	18.19	21.21	14.95	3057.05	168.06	136.56%
2011	17.42	19.33	14.62	3727.25	213.96	27.31%
2012	18.81	20.19	17.23	4101.40	218.04	1.91%
2013	19.76	21.99	16.82	4593.14	232.45	6.61%
2014	21.93	23.32	19.41	4908.73	223.84	-3.70%
2015	24.65	28.05	21.73	4908.18	199.11	-11.04%
2016	26.43	29.21	23.68	5030.28	190.32	-4.41%
2017	23.69	25.16	22.48	5739.62	242.28	27.30%
2018	20.77	22.65	19.38	6086.74	293.05	20.96%
2019	20.20	22.77	16.93	6296.09	311.69	6.36%
2020	25.32	39.10	12.60	5248.97	207.35	-33.48%
2021	12.27	14.57	9.97	6222.13	507.10	
2022^	15.40	17.60	13.20	6963.25	452.16	-10.83%
2023	13.40	15.04	11.76	6937.83	517.75	14.51%
2024*	12.49	13.00	11.98	7280.21	582.88	12.58%
<b>Average</b>	<b>13.69</b>	<b>15.74</b>	<b>11.64</b>			<b>12.49%</b>

Source : IDX, Phintraco Sekuritas Research Team | ^Capped Adjusted Free Float Market Capitalization Weighted Average Implemented. \*as of Sep 31st, 2024

**IHSG targeted 8698 in 2025: Considering the various opportunities and challenges faced in 2025**, IHSG is expected to continue strengthening to a new high of 8689 (estimated average PER at 13.26) in 2024. The potential target level of IHSG is obtained based on the relative valuation method using historical data of Price to Earning Ratio (PER) IHSG since 2003 (Table 16) using the capped adjusted free-float market capitalization weighted average method in 2019. We assume average IHSG Earning Per Share (EPS) growth since 2004 by adjusting the capped adjusted free-float market capitalization weighted average method in 2019 of 12.49%. Using this approach, IHSG EPS in 2025 is estimated to be at IDR655.16, and the IHSG target is at 8689.

**Table 7.** Average IHSG EPS

StDev -3	3.19%
StDev -2	5.03%
StDev -1	7.92%
Mean	12.49%
StDev +1	17.05%
StDev +2	23.29%
StDev +3	31.80%

Source : Phintaro Sekuritas Research

**Table 8.** JCI WA PER ProjectionPER Pro-

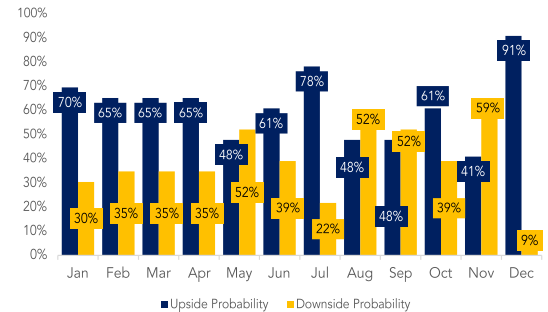
	Lowest	Average	Highest
2024F	13.08	13.65	13.88
2025F	13.26	13.65	14.11
2026F	13.25	13.65	14.13
2027F	13.25	13.65	14.13
2028F	13.25	13.65	14.13

Source : Phintaro Sekuritas Research

**IHSG Seasonality Graph:** Based on IHSG movement data since 2000 (**Table 9**), the months with the highest probability of strengthening are December (91.30%) and July (79.17%). Meanwhile, the probability of strengthening in January (66.67%) tends to decrease and is the same as February (66.67%). This condition indicates a shorter window dressing period in the last two years. In addition, the risk factor of an increase in the benchmark interest rate has depressed the IHSG in January in the last two years.

The months with the smallest probability of strengthening are November (43.48%), followed by May and September, each at 45.83%. The data (**Figure 30**) still validates the window dressing phenomenon in December which triggers strengthening stock prices and generally the strengthening continues until January or what is known as the January Effect. However, this phenomenon did not occur in December 2022 and January 2023 (**Table 9**).

**Figure 30.** IHSG Monthly Upside/Downside Probability (2000-2024\*)



Source : IDX | Phintraco Sekuritas Research | \*October 2024

**Table 9.** IHSG Seasonal Trends and Pattern

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Average 2000-2024	1.65	0.78	0.58	2.45	0.08	1.19	2.33	(1.52)	0.08	0.05	1.39	3.67
2024	(0.89)	1.50	(0.37)	(0.75)	(3.64)	1.33	2.72	5.72	(1.86)	0.61		
2023	(0.16)	0.06	(0.55)	1.62	(4.08)	0.43	4.05	0.32	(0.19)	(2.70)	4.87	2.71
2022	0.75	3.88	2.66	2.23	(1.11)	(3.32)	0.57	3.27	(1.92)	0.83	(0.25)	(3.26)
2021	(1.95)	6.47	(4.11)	0.17	(0.80)	0.64	1.41	1.32	2.22	4.84	(0.87)	0.73
2020	(5.71)	(8.20)	(16.76)	3.90	0.81	3.18	4.99	1.71	(7.03)	5.30	9.44	6.53
2019	5.47	(1.38)	0.40	(0.22)	(3.81)	2.42	0.50	(0.99)	(2.51)	0.96	(3.47)	4.79
2018	3.93	(0.14)	(6.18)	(3.13)	(0.18)	(3.09)	2.36	1.38	(0.68)	(2.43)	3.84	2.28
2017	(0.06)	1.76	3.36	2.10	0.93	1.60	0.19	0.39	0.63	1.78	(0.90)	6.79
2016	0.48	3.38	1.55	(0.12)	(0.87)	4.59	3.97	3.26	(0.39)	1.08	(5.05)	2.87
2015	1.19	3.04	1.27	(7.85)	2.56	(5.85)	(2.20)	(6.10)	(6.34)	5.47	(0.20)	3.31
2014	3.39	4.55	3.20	1.51	1.12	(0.31)	4.30	0.94	0.02	(0.93)	1.18	1.50
2013	3.17	7.68	3.02	1.88	0.70	(4.93)	(4.34)	(9.00)	2.88	4.52	(5.65)	0.42
2012	3.14	1.09	3.44	1.43	(8.32)	3.21	4.70	(1.98)	5.00	2.04	(1.70)	0.96
2011	(7.96)	1.79	6.02	3.83	0.45	1.36	6.22	(7.00)	(7.63)	6.82	(2.00)	2.88
2010	3.04	(2.37)	8.94	6.99	(5.86)	4.18	5.32	0.42	13.60	3.83	(2.86)	4.90
2009	1.62	(3.60)	11.60	20.15	11.26	5.74	14.60	0.82	5.38	(4.05)	2.03	4.88
2008	4.33	3.62	(10.10)	(5.80)	6.03	(3.89)	(1.87)	(6.03)	(14.77)	(31.91)	(1.19)	9.10
2007	2.71	(0.91)	5.17	9.18	4.25	2.64	9.82	(6.60)	7.52	12.04	1.70	2.16
2006	5.93	(0.08)	7.47	10.66	(9.15)	(1.50)	3.21	5.84	7.27	3.13	8.59	5.06
2005	4.50	2.78	0.56	(4.63)	5.63	3.13	5.35	(11.17)	2.76	(1.20)	2.91	6.02
2004	8.82	1.06	(3.29)	6.39	(6.39)	(0.14)	3.42	(0.26)	8.61	4.88	13.72	2.25
2003	(8.71)	2.84	(0.25)	13.32	9.76	2.02	0.59	4.33	12.83	4.68	(1.44)	12.16
2002	15.31	0.22	6.40	10.79	(0.56)	(4.90)	(8.12)	(4.31)	(5.63)	(11.93)	5.69	8.97
2001	2.40	0.47	(10.98)	(6.04)	13.41	7.88	1.37	(1.80)	(10.09)	(2.04)	(1.04)	3.16
2000	(6.06)	(9.28)	1.04	(9.61)	(13.85)	13.44	(4.47)	(5.28)	(9.66)	(3.80)	5.93	(3.03)
<b>Upside Probability</b>	<b>66.67%</b>	<b>66.67%</b>	<b>62.50%</b>	<b>62.50%</b>	<b>45.83%</b>	<b>62.50%</b>	<b>79.17%</b>	<b>50.00%</b>	<b>45.83%</b>	<b>62.50%</b>	<b>43.48%</b>	<b>91.30%</b>
<b>Downside Probability</b>	<b>33.33%</b>	<b>33.33%</b>	<b>37.50%</b>	<b>37.50%</b>	<b>54.17%</b>	<b>37.50%</b>	<b>20.83%</b>	<b>50.00%</b>	<b>54.17%</b>	<b>37.50%</b>	<b>56.52%</b>	<b>8.70%</b>

Source : IDX | Phintraco Sekuritas Research

## Financial Sector: Banking

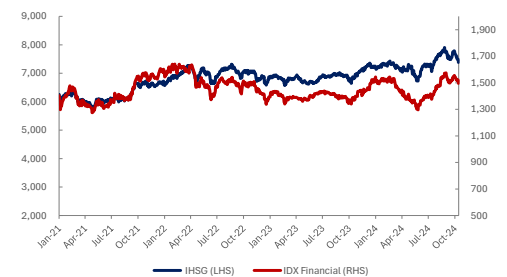
### Monetary Policy Easing to be a Positive Catalyst in 2025

#### Key Takeaways

- **Optimizing Net Interest Margin (NIM) and the opportunity for BI rate cuts in 2025.** BBTN and BBRI have the potential to benefit the most from the high increase in their term deposit rates in 2024.
- **BI projects banking credit growth in Indonesia to be 11%-13% in 2025** compared to 10%-12% in 2024. Government support for improving the investment climate and policy consistency drives this growth.
- **The trend of improving the quality of banking assets will continue in 2025.** Economic activity supported by stable inflation has the potential to improve the micro segment's performance.
- **BI's Macroprudential Liquidity (KLM) Policy can potentially increase banking liquidity in 2025.** BI will expand KLM incentives by reducing bank Minimum Reserves.
- **The contribution of non-interest income will increase in 2025,** along with the development of mobile banking. Ease of transactions through complete in-app features has the potential to increase the level of bank customer transactions.
- **Our top picks in the banking sector are BMRI ([full report](#)); BBRI ([full report](#)); BBKA ([full report](#)); BBTN ([full report](#)); BBNI ([full report](#)); BNGA ([full report](#)).**
- **Our top pick in sharia banking sector are BRIS ([full report](#)) dan BTPS ([full report](#)).**

**Banks in our coverage have the potential to experience an increase in Net Interest Margin (NIM) along with the potential for a decrease in the BI rate in 2025.** BBRI's TD rate in 9M24 of 5.7% is much higher compared to 4.5% in 9M23 and 3.5% in FY23. Meanwhile, BBTN's TD rate of 6.1% in 6M24 is higher than 4.3% in 6M23 and 5.0% in FY23. The BI rate, which increased to 6.25% in April 2024 and remained high for a long time, made these two banks increase their TD rates significantly. So, BBTN and BBRI can benefit the most from the potential for a much lower BI rate in 2025.

IHSG vs IDX Financial

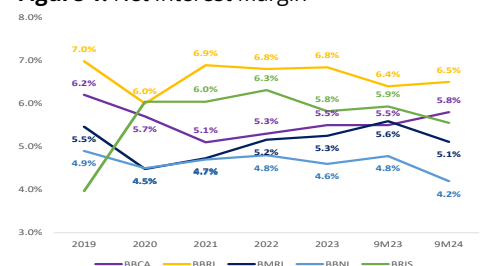


Source : IDX

Stock	Fair Value	Potential Upside
BBKA	11,600	+15.14%
BBNI	6,350	+27.51%
BBRI	5,925	+31.08%
BMRI	7,900	+24.90%
BBTN	1,720	+29.81%
BNGA	2,350	+31.28%
BTPS	1,315	+27.67%
BRIS	3,300	+15.38%

as of November 8<sup>th</sup>, 2024

Figure 1. Net Interest Margin



Source : Company | Phintraco Sekuritas

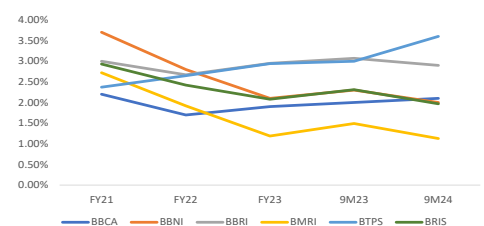
**BI projects banking credit growth in Indonesia to be 11%-13% in 2025 compared to 10%- 12% in 2024.** Credit growth reached 11.65% yoy in August. This was achieved amidst the high BI rate and political uncertainty throughout 1H24. The potential for easing monetary policy, plus high government support for the investment climate and downstreaming in Indonesia, will catalyze credit growth in 2025.

**The trend of improving banking asset quality will continue in 2025.** Tight monetary policy has suppressed economic activity in Indonesia, especially for the lower middle class. As a result, the asset quality of several banks in our coverage has worsened until 6M24. NPL-gross improved in 9M24 along with the certainty of the Fed Funds Rate and BI rate cuts. BBRI's NPL gross fell 170 bps yoy to 2.90% and was lower than 2.95% in FY23. The decline in NPL-gross also occurred in other banks (BBNI 2% in 9M24 vs. 2.3% in 9M23; BMRII 1.13% in 9M24 vs. 1.49% in 9M23; BRIS 1.97% in 9M24 vs. 2.31% in 9M23). Thus, along with the recovery of economic activity in 2025, the improvement in the quality of bank assets has the potential to continue.

**BI's Macroprudential Liquidity Policy (KLM) can increase banking liquidity in 2025.** Based on the BI RDG in October, BI plans to expand the sectors that will receive KLM incentives, namely trade, retail, agriculture, and labor-intensive processing industries. KLM is determined through a reduction in the Bank's current accounts at BI to fulfill the GWM that banks must satisfy so that banks will obtain additional liquidity and have more flexibility in providing credit to customers.

**They increased non-interest income contributions in 2025 along with the development of mobile banking.** Banks in our coverage are actively developing their mobile banking. For example, BMRI with Livin' and Kopra, BBNI with Wondr and BNI direct, BBKA with BCA mobile, and my BCA. The three banks recorded growth in non-interest income, transaction value, and volume in 9M24.

**Figure 2.** Non Performing Loan – gross



Source : Company | Phintraco Sekuritas



## Basic Materials : Cement

### Healthy Consumption, Strong Performance

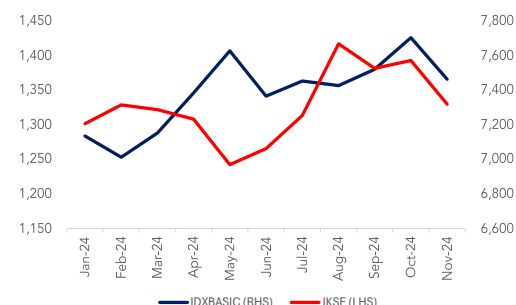
#### Key Takeaways

- ◆ The domestic cement market contracted by 2.4% YoY until September 2024, with demand for bagged cement declining by 4.5% YoY, although bulk cement grew by 2.4% YoY.
- ◆ Government-led infrastructure projects are bolstering optimism for the cement industry's long-term potential. Key initiatives such as the construction of 3 million affordable housing units, the ongoing development of the new Indonesian capital city (IKN), and heightened activity in smelter construction to support industrial downstreaming are anticipated to provide a substantial demand boost, particularly for bulk cement, over the coming years.
- ◆ INTIP performed better than SMGR, with a net profit of IDR607 billion in 3Q24 and a Gross Profit Margin (GPM) of 34.35%, while SMGR recorded a net profit of IDR195 billion with a GPM of 21.84%, which is trending downwards.
- ◆ We recommend overweight for the cement sector with particular attention to INTIP and SMGR, given the positive growth prospects due to the implementation of infrastructure projects and operational efficiencies expected from lower fuel and energy costs.

#### The domestic cement market continued to contract throughout the 9M24.

Through the period, the market recorded a year-on-year (YoY) contraction of 2.4%, with packaged cement demand declining by 4.5% YoY, while bulk cement experienced a moderate growth of 2.4% YoY. The overall decline in sales volume can be attributed to weaker consumer purchasing power alongside rising prices of bagged cement. However, the long-term outlook for the cement industry, especially bulk cement, remains optimistic. Bulk cement demand is anticipated to increase in line with upcoming and ongoing government initiatives, such as the construction of three million homes, the ongoing development of Indonesia's new capital city (IKN), and the expansion of smelter construction activities to advance the downstreaming of the industry. These projects are expected to be significant drivers of demand growth. Furthermore, the recent Bank Indonesia interest rate cut is expected to stimulate the property sector, which in turn, is likely to boost demand for fuel cement. With 2025F GDP growth projected at 5.2% and stable inflation, consumer purchasing power is expected to recover, supporting the long-term development of cement demand.

#### IHSG vs IDX Basic Materials

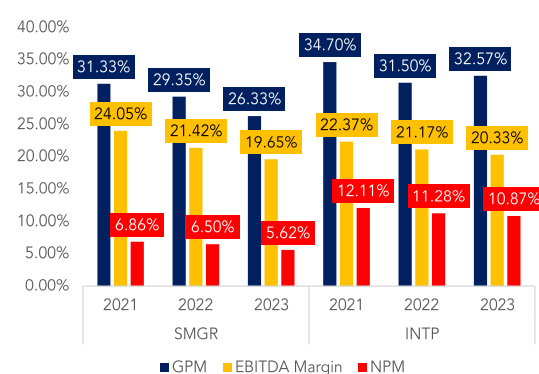


Source : IDX

Stock	Fair Value	Potential Upside
INTIP	8,100	15.74%
SMGR	4,500	21.78%

\*as of November 8<sup>th</sup> 2024

Figure 1. Margin Ratios of Cement Companies

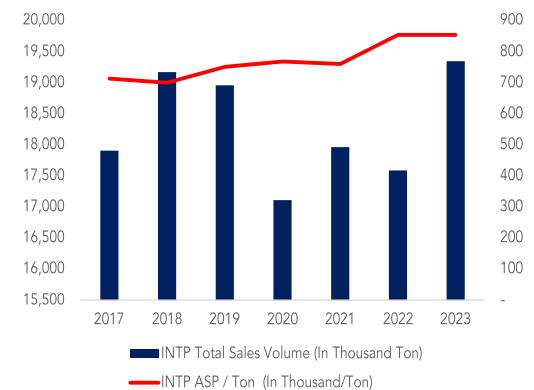


Source : Company | Phintraco Sekuritas Research

**INTP performed better than SMGR.** INTP recorded a net profit of IDR607 billion in 3Q24 (+215.50% QoQ; +13.81% YoY), while SMGR recorded a net profit of IDR195 billion (+1.070% QoQ; -78.18% YoY). One of the key factors supporting INTP's performance was the efficiency of cost of revenue, which experienced a low growth of 3.34% YoY (+16.67% QoQ). On the other hand, SMGR also managed to record efficiency in cost of revenue, but with a lower growth of 1.58% YoY (+20.99% QoQ). Regarding profit margin, INTP recorded a Gross Profit Margin (GPM) of 34.35% in 3Q24. This figure is much higher than the GPM generated by SMGR. SMGR's GPM reached 21.84% in 3Q24 (vs 20.55% in 2Q24; 28.45% in 3Q23). In terms of sales volume, INTP recorded sales of 1.78 million tons (+4.9% YoY) in September 2024, reflecting strong demand in the bagged cement segment (+31.30% YoY). In contrast, SMGR experienced a significant decline in sales volume of -10.2% YoY, indicating the challenges faced by SMGR in maintaining market share, especially amidst tight competition.

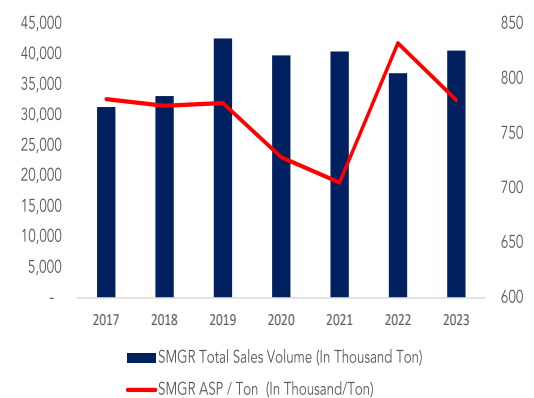
**We recommend overweight for the cement sector,** along with the projected improvement in domestic cement consumption, which is expected in line with GDP growth; it is estimated to reach 5.20% YoY in 2025F. The decline in the cost of revenue trend and the decrease in fuel and energy costs are expected to contribute to operational efficiency and improve the company's margin. We also anticipate significant growth in cement demand thanks to implementing government infrastructure projects, including constructing 3 million houses and continuing the National Capital City (IKN). The government's increase in downstreaming, including the construction of smelters, also increases cement demand. We like INTP (TP: Rp8,100). We also like SMGR (TP: Rp4,500), the ownership of a vast distribution network, and bright prospects in supplying bulk cement to IKN are the reasons we like SMGR. Overall, the cement sector still has quite positive prospects, driven by the positive catalysts that have been conveyed.

**Figure 2. Sales Volume and ASP of INTP**



Source : Company | Phintraco Sekuritas Research

**Figure 3. Sales Volume and ASP of SMGR**



Source : Company | Phintraco Sekuritas Research

## Basic Materials: Metal & Mineral Mining

### Manufacturing Recovery Potential to Boost Performance

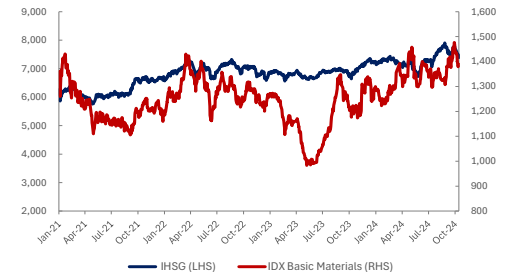
#### Key Takeaways

- **Nickel demand can be maintained through a series of fiscal stimuli from China.** We estimate that nickel prices can be kept at around US\$17,500/ton by the end of 2024 and around US\$20,000/ton in 2025.
- **Gold Rally momentum is maintained and supported by the Fed's Dovish view.** The bullish momentum of gold for the rest of 2024 and 2025 can be maintained with the expectation of gold prices in the range of US \$ 2,700/ton in 2024 and US \$ 2,800/ton in 2025.
- **Copper prices continue to strengthen due to stimulus from central banks.** This will support increased demand for copper through the recovery of limited-supply manufacturing and industrial activities.
- **The 6M24 performance of metals & mining in our coverage was moderate.** MBMA led the way with revenue of US\$921.65 million (48.2% of our FY24F estimate).
- **Production and sales from issuers in our coverage are still in line with management's guidance.** Our coverage issuers are not constrained by the submission of RKAB at the beginning of the year, so they can operate fully.
- **Our top picks are: MBMA ([full report](#)); MDKA([full report](#)); INCO ([full report](#)) dan ANTM ([full report](#)).**

#### Nickel demand can be maintained through a series of fiscal stimuli from China.

Although there is still a view that the global nickel market is still in an oversupply condition, we estimate that nickel prices can be maintained at around US\$17,500/ton by the end of 2024 and around US\$20,000/ton in 2025. Our estimate is based on positive catalysts from the Chinese government, which is planning a fiscal stimulus program to spur the domestic economy to achieve a growth target of 5% in 2024. Through this program, industrial and manufacturing activities can recover, which will not only drive an increase in iron ore and steel but also increase the price and demand for nickel.

IHSG vs Basic Materials



Source : IDX

Stock	Fair Value	Potential Upside
MBMA	760	+47.57%
MDKA	3,040	+35.71%
INCO	4,370	+14.40%
ANTM	1,750	+10.41%

as of November 8<sup>th</sup>, 2024

### Gold Rally Momentum Maintained Driven by Fed's Dovish Outlook.

We estimate that gold's bullish momentum for the rest of 2024 and 2025 can be maintained with gold price expectations of US\$2,700/ton in 2024 and US\$2,800/ton in 2025. This assumption is based on the dovish outlook of major central banks, with the Fed expected to deliver interest rate cuts in the remaining two FOMCs in 2024 and continuing into 2025. In addition, the gold price rally, the uncertainty surrounding the US presidential election, and tensions in the Middle East have increased investors' risk appetite for investing in safe-haven assets.

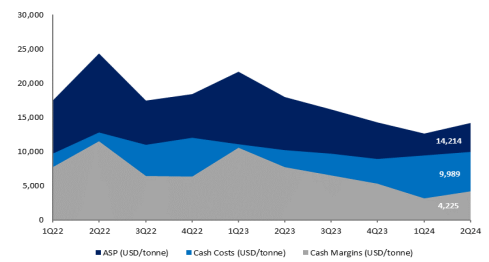
### Copper prices continue to strengthen through stimulus from Central Banks.

After experiencing a decline in October 2024, along with the lack of stimulus provided by the Chinese government, we estimate that copper prices will strengthen again in 2H24 and close at US\$4.40/pound or US\$9,700/ton in 2024. In 2025, we estimate copper prices to reach US\$4.53/pound or US\$10,000/ton. The bullish outlook aligns with market expectations for stimulus from the Chinese government to support the property sector and domestic consumption. In addition, the Fed's interest rate cut of 50bps at the September FOMC Meeting is expected to continue its cuts for the remainder of 2024 to 2026. This will support increased demand for copper through the recovery of manufacturing and industrial activities with limited supply, which will encourage price strengthening.

### Production and sales are still in line with management guidance.

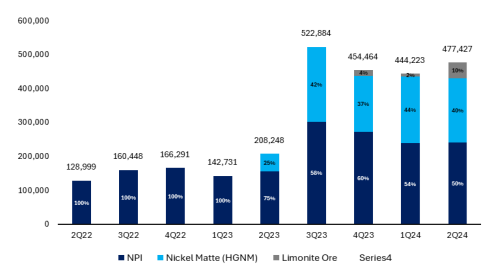
Production and sales from issuers in our coverage align with the guidance provided. Our coverage issuers are unrestricted by the submission of RKAB at the beginning of the year so that they can operate fully. The main obstacle in the operations of our coverage issuers is the Average Selling Price (ASP) of the main nickel product because there is still an oversupply challenge that is suppressing prices. Meanwhile, gold and copper products still received positive sentiment in 6M24.

Figure 1. INCO: Cash Costs, Cash Margins, dan ASP



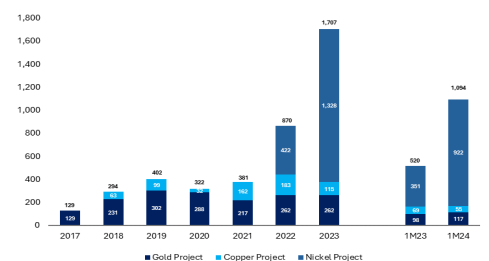
Source : Company | Phintraco Sekuritas Research

Figure 2. MBMA: Pendapatan Berdasarkan Segmen



Source : Company | Phintraco Sekuritas Research

Figure 3. MDKA: Pendapatan Berdasarkan Segmen



Source : Company | Phintraco Sekuritas Research

## Consumer Non-Cyclicals: Food & Beverage

### Solid Performance Will Continue

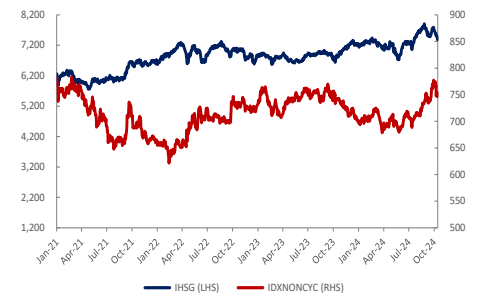
#### Key Takeaways

- **Stock price performance was relatively positive in 9M24.** ICBP rose 16.5%, MYOR 14.1%, and INDF 9.3%. Solid financial performance boosted profitability.
- **ICBP and INDF recorded growth on both the top and bottom lines**, while MYOR grew on the top line but recorded stagnation on the bottom line.
- **Commodity prices were relatively diverse.** The prices of Wheat, Crude Palm Oil (CPO), Cocoa, and Coffee commodities showed diverse movements in 9M24.
- **Free Nutritious Meal Program (MBG).** This program could improve the performance of food and beverage (F&B) issuers.
- **Planned implementation of Excise on Packaged Sweetened Foods (MBDK) in 2025.** This policy could increase the production costs of sweetened beverages.

**The stock price movements of food and beverage (F&B) issuers in our coverage were relatively positive throughout 9M24.** ICBP achieved the largest increase, 16.5%, followed by MYOR at 14.1%, while INDF experienced an increase of 9.3%. This condition indicates that F&B issuers have good performance and have the potential to continue in the future, supported by positive market sentiment.

**Financial performance in 9M24 was solid. All F&B issuers in our coverage recorded sales growth in 9M24.** MYOR's sales growth was recorded at 12% YoY, driven by local and export sales growth. ICBP recorded sales growth of 8.14% YoY, which was driven by sales growth in all segments. Meanwhile, INDF recorded sales growth of 3.64% YoY, driven by sales growth in the consumer-branded product segment. Regarding the bottom line, MYOR's net profit was eroded by the higher cost of goods sold and the increase in Cocoa and Coffee prices. Meanwhile, ICBP and INDF recorded significant net profit growth driven by better non-operational performance, mainly due to strengthening the Rupiah exchange rate against the US\$.

IHSG vs IDX Consumer Non-Cyclicals

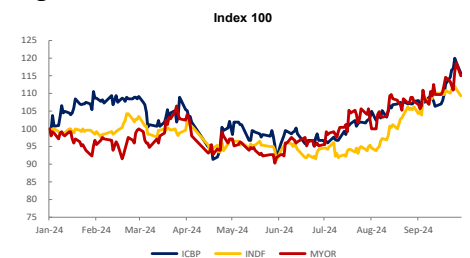


Source : IDX

Stock	Fair Value	Potential Upside
ICBP	13,340	+10.25%
INDF	8,196	+6.44%
MYOR	2,880	+11.20%

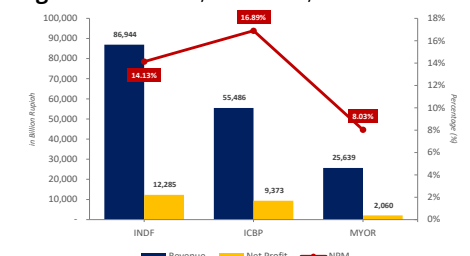
as of November 8<sup>th</sup>, 2024

Figure 1. Share Price Performance in 9M24



Source : IDX

Figure 2. Revenue, Net Profit, & NPM in 9M24



Source : Company | Phintraco Sekuritas Research



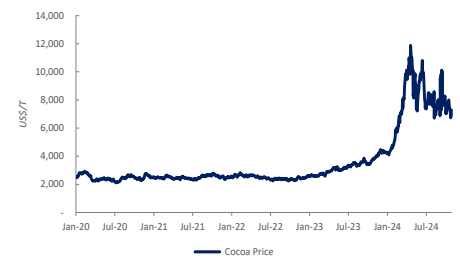
**Commodity price movements tend to be mixed. Throughout 9M24**, the average price of Wheat has declined due to increased supply. Meanwhile, the average cost of Crude Palm Oil (CPO) increased by around 3.8% YoY due to high demand amidst CPO supplies that have not improved. This has caused the gross profit margins of ICBP and INDF to increase. On the other hand, the average price of Cocoa and Coffee has jumped by 155% YoY and 27.6% YoY, respectively, due to weather conditions that disrupt global supply. We assess that this condition can potentially suppress MYOR's profitability if not adequately anticipated.

**The Free Nutritious Meal Program (MBG) has the potential to improve the performance of food and beverage (F&B) issuers.** In the Draft State Budget (RAPBN) for the 2025 Fiscal Year, the MBG budget allocation is around IDR 71 trillion. The program is expected to increase nutritional intake in children while still in the womb and at school age to improve the quality of Human Resources (HR). The program has the potential to have a positive impact on food and beverage (F&B) issuers, especially those related to processed foods, spices, and their supporting products, such as ICBP, so that it can boost company performance.

**The government plans to implement excise on Packaged Sweetened Beverages (MBDK) in 2025.** The policy aims to reduce the public's excessive consumption of sugar or sweeteners to protect health, especially from diabetes and obesity. We assess that this regulation can increase the cost of producing sweetened beverages, so strategic adjustments are needed to maintain profitability. In the short term, the implementation of MBDK excise has the potential to erode the income of F&B issuers, especially for issuers with a high contribution of sweetened beverages to total revenue, such as MYOR, along with adjustments in the community due to the potential increase in the selling price of MBDK.

**Top picks : ICBP ([Full Report](#)), INDF ([Full Report](#)), dan MYOR ([Full Report](#)).**

**Figure 3. Daily Cocoa Price**



Source : Investing.com

**Figure 4. Daily Coffee Price**



Source : Investing.com

## Consumer Non-Cyclicals: Poultry

### Towards a Better Recovery

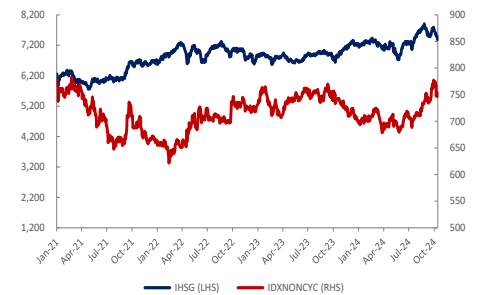
#### Key Takeaways

- **Stock price performance tended to vary in 9M24.** JPFA rose 22.03%, while CPIN fell 6.47%.
- **9M24's financial performance was mixed.** JPFA's net profit rose 126% yoy, while CPIN's net profit fell 10.78% yoy.
- **Chicken meat consumption has the potential to continue.** This is driven by the new government program that could benefit poultry issuers.
- **The government stabilizes the price of live chickens.** This step has potential to reduce price fluctuations in the market.
- **Normalization of raw material prices for poultry issuers.** The new government's efforts to maintain national food security support this.

**The stock price movements of poultry in our coverage tended to vary throughout 9M24.** JPFA had a positive stock price performance in 9M24, which was recorded to have increased by 22.03%. On the other hand, CPIN's stock price performance weakened by 6.47% in 9M24. We assess that JPFA's positive stock price performance has the potential to continue, while CPIN's stock price performance has the potential to improve. This aligns with several relatively positive market sentiments, such as stabilizing Live Bird and DOC prices and normalizing domestic corn prices, which can drive performance.

**Financial performance in 9M24 was relatively diverse.** The economic performance of poultry issuers in our coverage was diverse in 9M24. JPFA's sales grew 9.3% YoY, driven by a significant increase in sales in the Poultry Breeding and Animal Feeds segments. JPFA's net profit increased 126% YoY, driven by sales growth and improvements in non-operational performance. Meanwhile, CPIN recorded sales growth of 5.5% YoY, driven by a significant increase in sales of the Processed Chicken and Day Old-Chick (DOC) segments. On the other hand, CPIN's net profit decreased by 10.78% YoY due to increased operational and non-operational costs. However, CPIN's net profit of 9M24 was still in line with our estimate as it was equivalent to 77% of our FY24F net profit.

IHSG vs IDX Consumer Non-Cyclicals



Source : IDX

Stock	Fair Value	Potential Upside
CPIN	5,850	+20.37%
JPFA	1,990	+15.36%

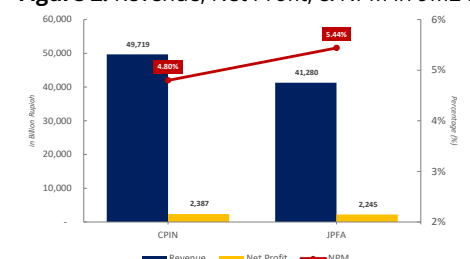
as of November 8<sup>th</sup>, 2024

Figure 1. Share Price Performance in 9M24



Source : IDX

Figure 2. Revenue, Net Profit, & NPM in 9M24



Source : Company | Phintraco Sekuritas Research

### The trend of domestic chicken meat consumption is still positive.

The average domestic chicken meat consumption 2023 increased by 3.03% YoY to 8.2 kg/capita/year. This condition contributed to the decline in domestic stunting rates recorded at 21.5% in 2023, although it is still far from the government's target of 14% in 2024. The new government's Free Nutritious Meal (MBG) program can reduce stunting rates in Indonesia, thereby creating superior Human Resources. We assess that the program can positively correlate with the performance of poultry issuers so that it can drive the company's financial performance both in terms of top-line and bottom-line.

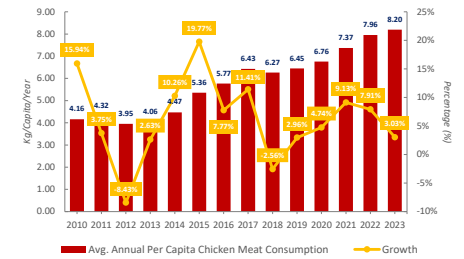
### Stabilization of Live Bird and Day Old Chick (DOC) prices.

The Ministry of Agriculture and the POLRI Food Task Force strategically stabilized Live Bird prices in the market. The minimum price for a Live Bird size 1.6 - 2.0 kg is IDR 20,000/kg. Meanwhile, DOC's price is 25% of the price of Live Bird size 1.6 - 2.0 kg. Companies must absorb more than 30% of their total production to be slaughtered at the Poultry Slaughterhouse (RPHU) to reduce excess supply. Meanwhile, the distribution of DOC is set at a maximum portion of 50% for internal and a minimum of 50% for external to provide opportunities for independent farms. This step can reduce price fluctuations in the market so that it has the potential to offer better margins for poultry issuers, especially for the Live Bird and DOC segments.

**Raw material prices are relatively stable.** Domestic corn prices have been stable in the IDR 5,600-6,000/Kg range since May 2024, and there is an abundant supply due to better harvest results. Meanwhile, the US Soybean Meal (SBM) price fell 22.38% YTD to US\$300/ton due to abundant soybean production in Brazil and Argentina. On the other hand, the government will strive to maintain national food security, so we estimate that domestic corn prices have the potential to be stable in the future. However, the potential for extreme rain (La-Nina) will disrupt food supplies, including corn and SBM.

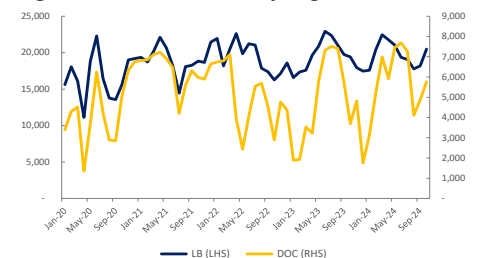
**Top picks : JPFA (Full Report) dan CPIN (Full Report).**

Figure 3. Avg. Chicken Meat Consumption



Source : BPS

Figure 4. LB & DOC Monthly Avg. Price-West Java



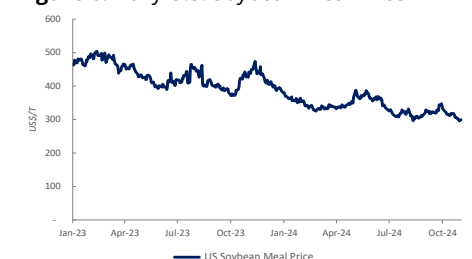
Source : JPFA

Figure 5. Daily Corn Price



Source : BAPANAS

Figure 6. Daily U.S. Soybean Meal Price



Source : Investing.com

## Properties & Real Estate: Properties & Real Estate

### Government Stimulus Becomes Property Sector Booster in 2025

#### Key Takeaways

- **Various incentives that the government will provide in 2025 support the property sector.** The plan to eliminate property tax in 2025 (BPHTB 5% and VAT 11%) will make buying a house easier.
- **The Three Million Homes program can potentially reduce the housing backlog in Indonesia.** According to BPS data, the gap in housing needs will be 9.9 million in 2023.
- **The decrease in the BI rate can potentially increase the distribution of Home Ownership Credit in 2025.** Lower interest rates can increase people's interest in taking KPR.
- **Property price growth has been above 1.5% yoy in the last five years.** The residential property price index (IHPR) growth was 1.82% in 2Q24.
- **Marketing sales realization in 9M24 was higher than in 9M23.** The middle to upper-middle segmentation dominates the achievement of these marketing sales.
- **The issuer's 9M24 coverage performance is better than our FY24F estimate.** BSDE led the achievement by recording a profit increase of 52.72% year over year in 9M24.
- **Our top picks are: BSDE ([full report](#)) ; SMRA ([full report](#)); CTRA ([full report](#)); PWON ([full report](#)).**

IHSG vs IDX Property



Source : IDX

Stock	Fair Value	Potential Upside
BSDE	1425	+33.18%
CTRA	1570	+35.34%
PWON	595	+37.10%
SMRA	770	+24.19%

as of November 8<sup>th</sup>, 2024

**The government will provide various incentives in 2025 to support the property sector.** The government plans to eliminate property tax (BPHTB 5% and VAT 11%) 2025. When the VAT DTP incentive is given in 2024, it will positively impact property issuers. For example, the VAT DTP incentive contributed 26% to CTRA marketing sales in 9M24. In addition, sales of products with a price range of IDR 2 billion to IDR 5 billion were the largest, contributing 61% to SMRA marketing sales in 9M24. BSDE also had a positive impact from the provision of VAT DTP incentives, with a total of 11 projects receiving VAT DTP incentives.

### The Three Million Homes program could reduce the housing backlog in Indonesia.

The ratio of habitable home ownership in Indonesia has only experienced limited growth over the past five years. Interestingly, during the pandemic (2020), there was still an increase in the development of the homeownership ratio in Indonesia by 115 bps yoy to 56.80% yoy. The latest data (2023) shows that the ratio of habitable home ownership in Indonesia has only reached 57.31%, although this figure has continued to increase in the past five years. This is in line with the achievements of various programs provided by the government, such as the One Million Homes Program (PSR).

### The decrease in the BI rate can potentially increase the distribution of Home Ownership Credit (KPR) in 2025.

BI has the potential to continue cutting the benchmark interest rate in line with solid domestic fundamental conditions, including low inflation, strong foreign exchange reserves, and political stability after the leadership transition, providing room for BI to cut interest rates. With a lower BI rate, KPR interest rates also have the potential to fall, so people's appetite for buying a house has the potential to increase.

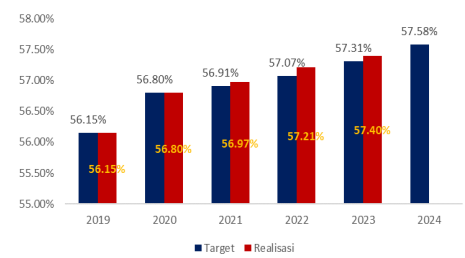
### Property price growth has been consistently above 1.5% yoy in the past five years.

The Residential Property Price Index (IHPR) released by Bank Indonesia in 2Q24 increased to 109.15, growing by 1.76% yoy. The increase in small property prices by +2.15% yoy supported this growth. This increase in IHPR has also continued the upward trend in the last six years. In addition, the relatively large number of public holidays and joint leave in 2025 has the potential to increase recurring income for issuers in the property sector along with the high mobility of the community.

### Marketing sales realization in 9M24 was higher than in 9M23.

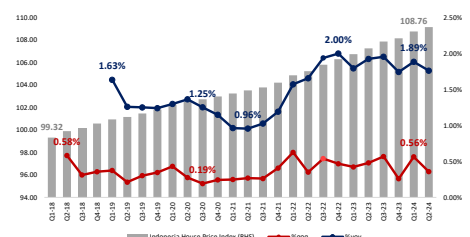
CTRA led the achievement of marketing sales by achieving 78% of the FY24F marketing sales target (IDR8.7 trillion +1.3% yoy) in 9M24. PWON followed, with marketing sales growing by 11% yoy to IDR1.13 trillion (75% of the FY24F target). In addition, the issuer's 9M24 performance in coverage was better than our FY24F estimate. BSDE led the achievement by recording a profit increase of 52.72% yoy in 9M24.

Figure 1. Indonesia Home Ownership Ratio



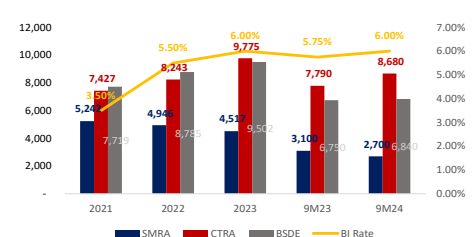
Source : Kementerian PUPR | Phintraco Sekuritas Research

Figure 2. Indonesia House Price Index



Source : Kementerian PUPR | Phintraco Sekuritas Research

Figure 3. Marketing Sales vs. BI Rate



Source : BI | Company | Phintraco Sekuritas Research



# Infrastructures : Telecommunication

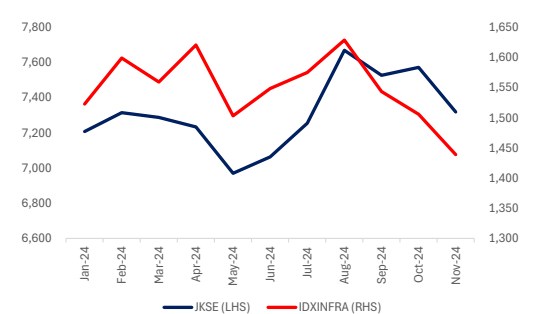
## Customer Experience, A Catalyst for Growth

### Key Takeaways

- ◆ The increasingly competitive telecommunications market has caused the three major players in Indonesia's telecommunications sector to struggle to maintain their customer base.
- ◆ Optimal customer experience is key to winning this competition, with operators significantly increasing the number of towers throughout 2024.
- ◆ The development of digital applications designed to integrate various customer needs and personalize data package offerings is expected to enrich the user experience and increase customer loyalty through more relevant and affordable services.
- ◆ ISAT, EXCL, and TLKM showed mixed financial performance in 3Q24. ISAT recorded the highest net profit growth, while TLKM experienced a decline in revenue and ARPU.
- ◆ We recommend overweight for the telecommunications sector, with ISAT as the top pick, followed by EXCL as the second choice and TLKM as the third choice.

**Huge potential for growth as 5G adoption expands and the Internet of Things (IoT) develops.** This condition is expected to drive higher demand for data-based services such as cloud computing and data centers, which in turn will increase data consumption. However, competition in the Indonesian telecommunications market is expected to become increasingly tight, with the three major players continuing to strive to maintain and expand their customer base. Therefore, optimal customer experience is the main key to maintaining competitiveness. This is reflected in the efforts of telecommunications operators to massively increase the number of towers throughout 2024, such as ISAT with the addition of 9.82% YTD towers, EXCL, which added 3.10%, and TLKM, which added 8.73% (**Figure 1**). In addition, telecommunications issuers also continue to innovate by developing digital applications (myXL, MyTelkomsel, BIMA+, and MyIM3+), which are expected to become a one-stop service platform to integrate various customer needs (**Figure 2**). These applications are designed not only to personalize data package offerings but also to improve user experience.

IHSG vs IDX Infrastructures

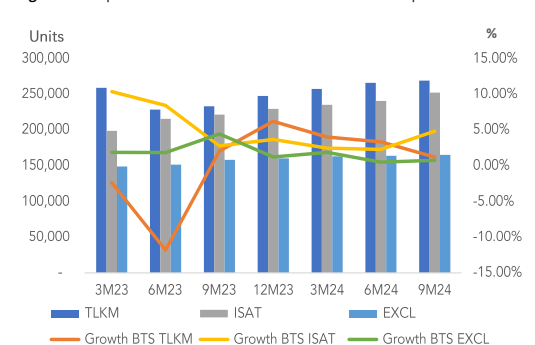


Source : IDX

Stock	Fair Value	Potential Upside
ISAT	3,000	27.33%
EXCL	2,900	23.79%
TLKM	3,440	20.06%

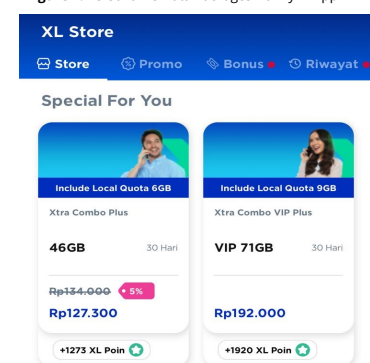
\*as of November 8<sup>th</sup> 2024

Figure 1. Comparison of BTS Infrastructure between Telco Companies



Source : Company | Phintraco Sekuritas Research

Figure 2. Personalize Data Packages via MyXL App



Source Phintraco Sekuritas Research

### Telecommunication issuers under our coverage have released their Q3 financial reports with mixed results.

ISAT posted revenue of IDR13.84 trillion in 3Q24 (-2.16% QoQ; +8.20% YoY), with blended ARPU growing 8.65% YoY to IDR37.7 thousand in 9M24, despite a slight decrease in subscriber base of 0.7% YoY to 98.70 million. EXCL posted solid revenue of IDR8.28 trillion in 3Q24 (-3.52% QoQ; +2.18% YoY), driven by blended ARPU increasing 4.88% YoY to IDR43 thousand in 9M24. Meanwhile, TLKM posted revenue of IDR36.93 trillion in 3Q24 (-2.47% QoQ; -2.52% YoY), with blended ARPU dropping to IDR44,500 in 9M24 (-6.90% YoY). In terms of EBITDA, EXCL posted the most solid EBITDA margin at 52.38% in 3Q24, while ISAT had a slightly lower EBITDA margin at 47.83% in 3Q24. TLKM experienced a significant decline in EBITDA (-11.32% QoQ), although its EBITDA margin remained quite high at 50.80% in 3Q24. In terms of net profit, ISAT recorded the best performance with a net profit growth of 40.50% YoY in 3Q24, superior to EXCL, which experienced an increase of 14.33% YoY, and TLKM recorded a net profit of IDR5.91 trillion in 3Q24 (-16.87% YoY; 3.61% QoQ).

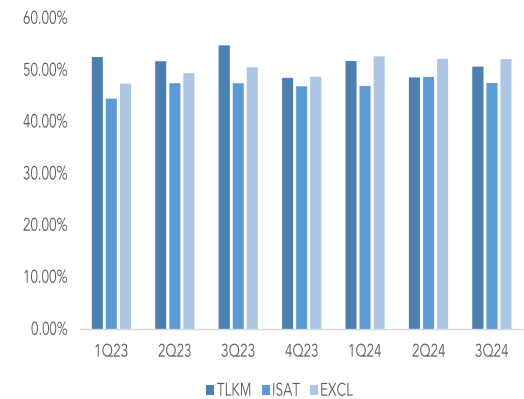
We maintain our overweight recommendation for the telecommunications sector, which is in line with the digitalization trend and rapid demand for artificial intelligence (AI), which is expected to drive growth in data needs in the future. ISAT (TP: 3,000, which implies EV/EBITDA of 5.67x/5.30x in FY25F/26F). We chose it as the first top pick because it has succeeded in expanding its customer base, as well as massively adding thousands of towers throughout 2024 to improve customer experience. In addition, ISAT has been at the forefront of AI innovation. EXCL (TP: 2,900 implying EV/EBITDA of 4.40x/4.28x in FY25F/26F) is our second choice due to its solid performance recorded until 9M24. We also like EXCL due to its strategic move in the Fixed Broadband (FBB) sector after acquiring LinkNet, which makes it a serious competitor for IndiHome. We also look forward to the realization of the EXCL-FREN merger, which we expect will bring a positive impact. Lastly, we also keep our eyes on TLKM (TP: 3,440 implying EV/EBITDA of 4.80x/4.70x in FY25F/26F) due to its large customer base, which is expected to improve revenue growth in the future.

Figure 3. ARPU and Subscribers of Telco companies



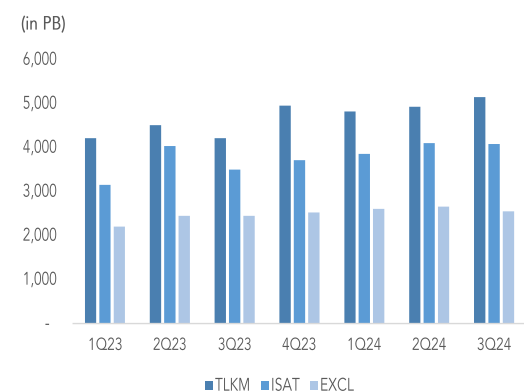
Source : Company | Phintraco Sekuritas Research

Figure 4. EBITDA Margin Telco Companies



Source : Company | Phintraco Sekuritas Research

Figure 5. Total Data Traffic Telco Companies



Source : Company | Phintraco Sekuritas Research

# Infrastructures : Tower

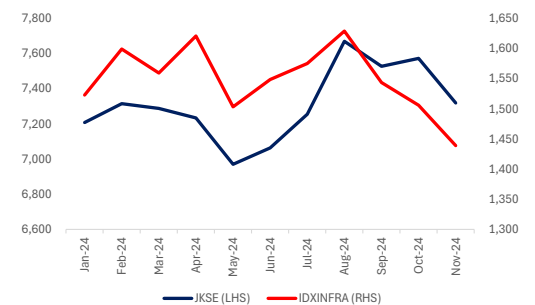
## Optimizing Growth Potential Outside Java

### Key Takeaways

- ◆ Indonesia has a significant potential for data consumption growth, driven by low smartphone penetration.
- ◆ The tower sector has a large opportunity due to the growing digitalization trend. Network expansion outside Java is also seen as important to take advantage of the region's growth potential.
- ◆ TOWR and MTEL recorded solid financial performance. MTEL has a higher EBITDA Margin (83.18%) with a net profit of IDR468 billion (+14.80% YoY).
- ◆ TOWR excels in the fiber segment, with a length of 215,671 km (vs. MTEL: 39,714 km). Meanwhile, MTEL has the advantage of having the largest tower portfolio in ASEAN, and 58% of its towers are outside Java.
- ◆ The tower sector receives an overweight recommendation due to its growth prospects and solid performance. MTEL (TP: IDR720) was chosen as the main favorite thanks to its strong tower portfolio and financial ratio, while TOWR (TP: IDR860) was the second choice due to its fiber optic business advantage.

**Data consumption is expected to increase along with the growing trend of digitalization.** Growing digitalization creates a greater need for data transmission, especially for fast and stable internet access. Although Indonesia shows positive growth in internet usage, penetration outside Java is still relatively low. Data from the Indonesian Internet Service Providers Association (APJII) in 2024 indicates that the Sulawesi region (68.35%) and Maluku & Papua (69.91%) have internet penetration rates below Java (83.64%) (Figure 7). This shows considerable room for growth for telecommunications issuers and tower providers. In addition, in facing increasingly tight competition in the telecommunications industry, operators are trying to maintain and increase market share by adopting one of the strategies: infrastructure expansion through the construction of Base Transceiver Stations (BTS). The presence of BTS will expand internet access and reduce latency and directly improve customer experience. Therefore, with the increasing trend of digitalization, the demand for telecommunications towers is expected to increase, thus driving the growth of the tower industry as a whole.

IHSG vs IDX Infrastructures

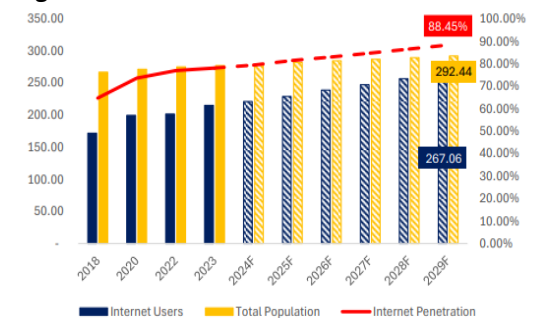


Source : IDX

Stock	Fair Value	Potential Upside
MTEL	720	18.75%
TOWR	860	12.21%

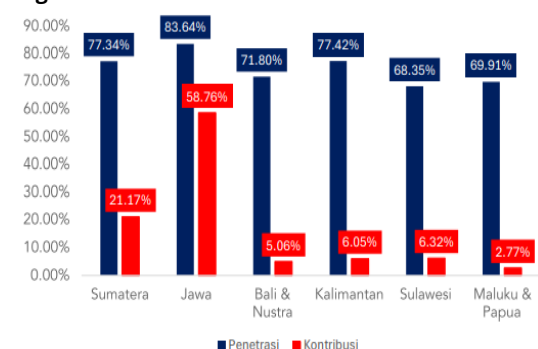
\*as of November 8<sup>th</sup> 2024

Figure 1. Internet User in Indonesia



Source : APJII | Phintraco Sekuritas Research

Figure 2. Penetration Internet in Indonesia

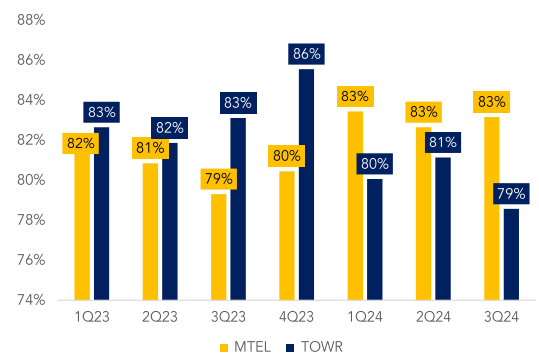


Source : APJII | Phintraco Sekuritas Research

**Both tower issuers under our coverage have reported their third-quarter financial performance.** TOWR recorded an EBITDA of IDR2.60 trillion, with slower growth (+2.69% QoQ) compared to MTEL (+6.19% QoQ), which recorded an EBITDA of IDR1.97 trillion. Regarding EBITDA margin, MTEL recorded a higher EBITDA Margin (83.18% in 3Q24) than TOWR (78.58% in 3Q24). MTEL's success in recording solid EBITDA was supported by an increase in the number of tenants of 3.52% YTD (+6.69% YoY) with a tenancy ratio reaching 1.51x. In contrast to TOWR, TOWR reported tenant growth of 7.15% YTD with an increase in its tower portfolio of 15.75% YTD; this massive increase was due to the acquisition of IBST, which was carried out in 1H24. TOWR has an advantage in fiber segmentation. TOWR's fiber portfolio growth was recorded at 18.33% YTD (TOWR: 215,671 km vs MTEL: 39,714 km). In terms of net profit, TOWR posted a net profit of IDR842 billion (-12.13% YoY; +4.27% QoQ). Meanwhile, MTEL recorded a net profit of IDR468 billion (+14.80% YoY; -13.76% QoQ). The increase in financial costs also suppressed the net profit of both issuers, but MTEL showed better profit growth.

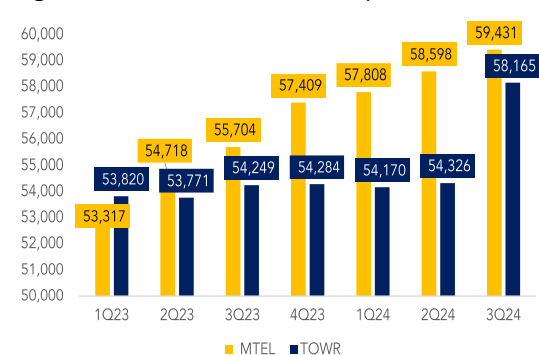
**We maintain our overweight recommendation for the tower infrastructure sector.** This is based on two main factors: 1) potential growth space and 2) solid financial performance. We still make MTEL (TP: IDR720) our top pick, based on several reasons: 1) MTEL has the most extensive tower portfolio in ASEAN, with 58% of the total towers located outside Java; 2) low tower lease ratio (MTEL: 1.51x; TOWR: 1.64x), indicating room for growth; and 3) healthy financial ratios compared to peers (Net Gearing Ratio <1). We also favor TOWR (TP: Rp860) as our second pick, thanks to its significant fiber optic business ownership compared to peers (TOWR: 215,671 km vs. MTEL: 39,714 km). Overall, we view the sector positively as there are significant growth opportunities driven by the increasing trend of digitalization. In addition, to maintain and increase market share, telecommunications operators must expand their networks to areas outside Java with significant growth potential.

**Figure 3. EBITDA Margin Tower Companies**



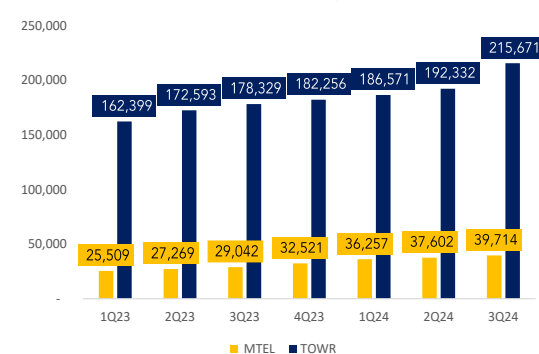
Source : Company | Phintraco Sekuritas Research

**Figure 4. Total Tenants Tower Companies**



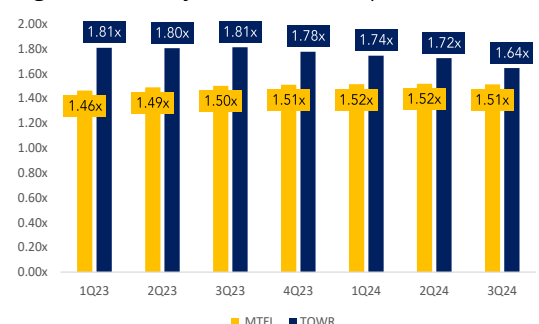
Source : Company | Phintraco Sekuritas Research

**Figure 5. Total Fiber Tower Companies**



Source : Company | Phintraco Sekuritas Research

**Figure 6. Tenancy Ratio Tower Companies**



Source : Company | Phintraco Sekuritas Research

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