



# TESTING THE RESILIENCY

INDONESIA ECONOMY





# SUSTAINING >5% GROWTH

*Real GDP growth will also be supported by investment growth*

## Indonesian economy growth assumptions

IDR tn - unless stated	1Q23	2Q23	3Q23	4Q23F	2022	2023F	2024F
Real GDP by Expenditure	2961	3076	3125	3139	11710	12300	12923
<b>Changes YoY</b>	<b>5.0%</b>	<b>5.2%</b>	<b>4.9%</b>	<b>5.0%</b>	<b>5.3%</b>	<b>5.0%</b>	<b>5.1%</b>
<b>GDP Components</b>							
Household Consumption	1582	1631	1624	1660	6187	6496	6828
<b>Changes YoY</b>	<b>4.5%</b>	<b>5.2%</b>	<b>5.1%</b>	<b>5.2%</b>	<b>4.9%</b>	<b>5.0%</b>	<b>5.1%</b>
Government Expenditure	159	224	215	290	870	888	925
<b>Changes YoY</b>	<b>4.0%</b>	<b>10.6%</b>	<b>-3.8%</b>	<b>-0.4%</b>	<b>-4.5%</b>	<b>2.1%</b>	<b>4.2%</b>
Gross Fixed Capital Formation	929	918	988	1020	3687	3855	4045
<b>Changes YoY</b>	<b>2.1%</b>	<b>4.6%</b>	<b>5.8%</b>	<b>5.7%</b>	<b>3.9%</b>	<b>4.6%</b>	<b>4.9%</b>
Domestic Demand	2706	2811	2865	3008	10884	11389	11948
<b>Changes YoY</b>	<b>3.7%</b>	<b>5.5%</b>	<b>4.6%</b>	<b>4.8%</b>	<b>3.8%</b>	<b>4.6%</b>	<b>4.9%</b>
External Balance	136	113	126	141	443	516	570
<b>GDP Growth Contribution</b>							
Domestic Demand	3.7%	5.5%	4.6%	4.8%	3.8%	4.6%	4.9%
External Balance	1.4%	-0.3%	0.3%	0.2%	1.6%	0.4%	0.2%

Source: Bloomberg, SimInvest Research

- Indonesian president, Joko Widodo, works to ensure that priority projects are completed before the end of the current administration's term, which should bode well for government spending in the coming months. Goods export volumes will avoid a decline in 2023, reflecting recent strong private investment in both mining capacity and—more importantly—downstream processing.

### 2024 Authorities' assumption

Economic growth (%)	5.2
Inflation (av; %)	2.8
Exchange rate (Rp:US\$)	15,000
Oil price (US\$/barrel)	82.0

# THE POST-ELECTION CYCLE

*Consumption growth tends to drop steeply in the first quarter after the election but recovered swiftly thereafter*

## Sectoral performance 9M post-election

	2009	2014	2019
Banks	23%	7%	14%
Consumer	58%	12%	4%
Telco	-35%	6%	5%
Industrial estate	-25%	16%	23%
Property	24%	21%	-10%
Retail	39%	2%	-6%
Cigarette	100%	5%	-34%
Media	-13%	-20%	29%
Construction	-10%	38%	-20%
Plantation	55%	-22%	-5%
Auto	58%	-9%	-6%
Cement	56%	-20%	-5%
Tollroad	-8%	-3%	-12%
Coal	30%	-43%	-13%

Source: KPU, LIPI, SimInvest

- With barely four months to go before the February 2024 election, we take a look at sectoral index price performance after three previous elections to identify the best-performing sectors. Interestingly, consumers and banks were the only sectors that outperformed during the nine months after the past three elections. Meanwhile, telecommunication and industrial estates only outperformed after the past two elections.
- In contrast to the general perception, the consumer sector underperformed during the six months leading up to the past three elections, which was mostly due to the market already pricing in the election spending boost. Judging the current situation of the weak mid- to low-income purchasing power, we think the pattern is likely to repeat leading up to the February 2024 election. However, nine months post the election, consumer stocks outperformed in the past three elections.

# TO JUMP HIGHER WE HAD TO FALL HARDER

*JCI expected to trade between 7,600 - 8,050 in 2H24F, based on 13.8x – 15.3x 2024F earnings*

## JCI P/E band



Source: Bloomberg, SimInvest

## JCI target 2024F

2023F EPS	470
2024F EPS	526
Growth YoY (%)	12

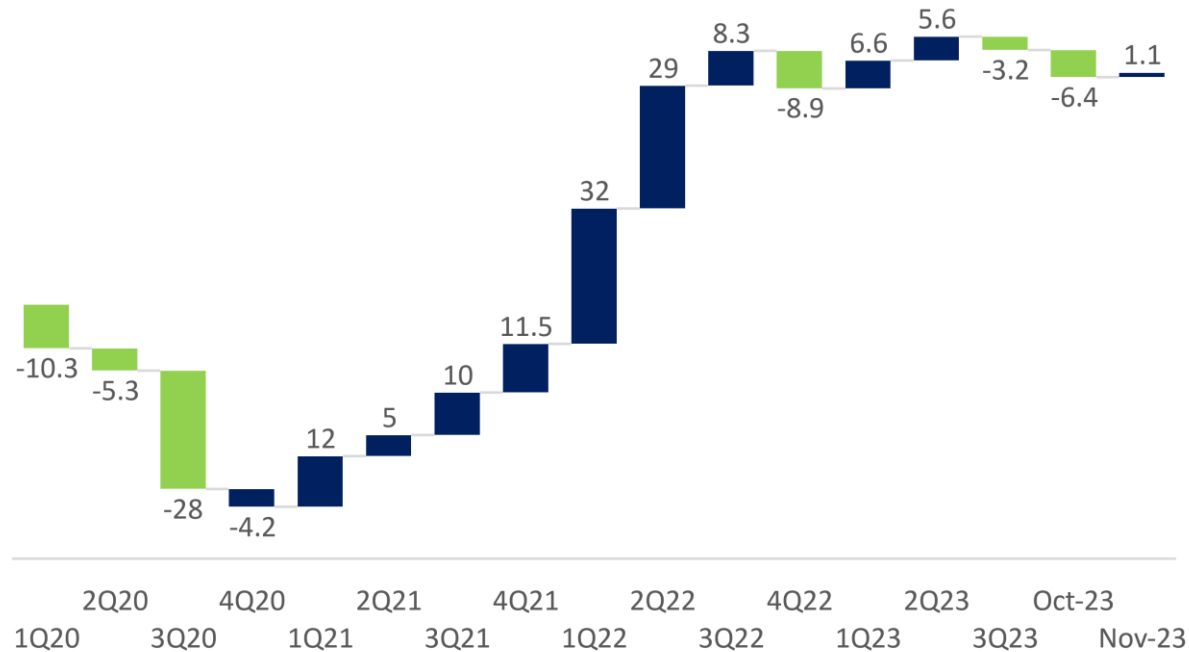
	Current	Bear	Base	Bull
Implied P/E	13.5	12.2	13.8	15.3
JCI value	7094	6700	7600	8050
Upside/Downside (%)		-5.6	7.1	13.5

- Our P/E multiple valuations for the JCI are rather conservative, as the upper target is based on historical mean P/E. The domestic resiliency and the sentiment boost from the upcoming elections should be the major re-rating catalysts for the JCI.

# THE EQUITY FLOWS

*The Indonesian equity outflow was minor compared to historical standards*

## Foreign position on Indo equity (IDR Tn)



Source: Bloomberg

- Heavy sell-off from equity occurred during 3Q23 amounted to IDR3.2 tn and continued to October with net sell reaching IDR6.4 tn. However, we deem that the outflow was minor compared to historical standard, considering foreign investors were heavily invested in Indonesian stocks, especially during 1Q-2Q22 where net buys reached IDR60 tn combined.
- Foreign investors has turned into net buyers in Nov-23 albeit on smaller amount compared to what the sold in the previous month. It should be a good base, as we expect more inflows towards the elections in Feb-24.

# THE EQUITY FLOWS

*Foreign investors still heavily invested in the Indonesian equity*

## Foreign Flows (IDR Tn)

	2022	11M23
BMRI	8.1	1.1
BBNI	6.3	2.0
BBRI	5.0	6.5
TLKM	3.4 -	1.8
ARTO	2.7 -	0.7
AMRT	2.0	0.3
ICBP	1.9	2.5
ASII	1.2	1.1

## Foreign Flows (IDR Tn) & stock returns

	Flow YTD	Return YTD		Nov-23 Flow	Return 6M
BBRI	6.5	11%	BBRI	1.3	-1%
ICBP	2.5	4%	BMRI	0.9	15%
BBNI	2.0	14%	AMRT	0.3	6%
BMRI	1.1	19%	TLKM	0.3	-8%
ASII	1.1	1%	BBNI	0.2	17%
ISAT	1.1	51%	ARTO	0.2	30%
BUKA	0.8	-21%	GOTO	0.2	-14%
ACES	0.5	43%			

Source: Bloomberg

- Foreign investors are heavily invested in banks + ASII, while temporarily reducing exposure on both TLKM, but still have substantial positions. Consumer names only left ICBP and AMRT as the long-term investment counters.

# THE WINNING ELEVEN TOP-PICKS

*Our top picks are based on the earnings growth momentum scorecard*

## SimInvest Research Top-picks

No.	Company name	Ticker	Market. Cap (IDR tn)	Forward P/E	Share Price (IDR)		Upside (%)	Dividend		EPS Growth (%)		ROE
					Last	Target		Payout (%)	Yield (%)	2023F	2024F	
1	Bank Rakyat Indonesia	BBRI	810	12.1	5,350	6,300	17.8	86	5.4	16	13	19.0
2	Astra International	ASII	233	7.1	5,750	7,800	35.7	78	9.7	8	5	16.1
3	Indofood CBP	ICBP	123	12.7	10,525	13,500	28.3	56	2.1	97	7	23.1
4	Telkom Indonesia	TLKM	380	13.5	3,830	4,700	22.7	82	4.5	26	8	18.8
5	Sumber Alfaria Sejahtera	AMRT	121	48.9	2,900	3,400	17.2	28	0.7	-23	12	30.1
6	Bank Jago	ARTO	48	225.5	3,490	4,500	28.9	N/A	N/A	425	155	0.3
7	Adaro Minerals	ADMR	52	10.2	1,275	1,700	33.3	N/A	N/A	-6	9	47.0
8	Ace Hardware Indonesia	ACES	13	16.4	835	1,000	19.8	67	3.4	6	12	11.7

Source: Bloomberg, SimInvest Research

- We favor a mix of quality companies that could maintain earnings growth momentum towards 2024 and an attractive dividend yield.

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