



Weekly Newsletter

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Data	Unit	26-Aug-22	WoW % Chg	MoM % Chg	QoQ % Chg	YoY % Chg
EUR / IDR	IDR	14,764	↓ -0.81%	↓ -2.65%	↓ -5.90%	↓ -12.83%
USD / IDR	IDR	14,818	↓ -0.12%	↓ -1.18%	↑ 1.28%	↑ 2.79%
JPY / IDR	IDR	108	↓ -0.54%	↓ -1.61%	↓ -6.35%	↓ -17.71%
Malaysia Palm Oil Futures - Delivery Sep	MYR / Ton	4,172.0	↑ 1.93%	↑ 10.17%	↓ -36.14%	↓ -5.01%
Brent Oil WTI Futures - Delivery Nov	USD / Barrel	98.9	↑ 2.92%	↓ -0.56%	↓ -13.37%	↑ 40.92%
Gold Futures - Delivery Sep	USD / Troy Oz	1,735.4	↓ -0.74%	↑ 1.03%	↓ -6.07%	↓ -3.18%
Newcastle Coal Futures - Delivery Sep	USD / Ton	417.4	↑ 0.28%	↑ 0.82%	↑ 3.57%	↑ 144.09%
Nickel Futures	USD / Ton	21,695.5	↓ -5.09%	↑ 0.11%	↓ -20.23%	↑ 15.57%
Jakarta Composite Index	IDR	7,135.3	↓ -0.52%	↑ 3.84%	↑ 3.66%	↑ 17.78%

Source : Investing.com, PKRI

Yield Curve	10Y Yield			10Y-2Y Spread			5Y CDS		
	26-Aug-22	1 Mo Ago	6 Mos Ago	26-Aug-22	1 Mo Ago	6 Mos Ago	26-Aug-22	1 Mo Ago	6 Mos Ago
IDR	7.067%	↓ 7.415%	↑ 6.607%	185.90 bps	↓ 186.45 bps	↓ 247.75 bps	97.0	↓ 132.3	↓ 106.5
USD	3.072%	↑ 2.805%	↑ 1.970%	-30.43 bps	↓ 25.40 bps	↓ 40.03 bps	19.2	↓ 20.5	↑ 11.7

Source : Worldgovernmentbonds.com, PKRI

Macroeconomy

- Despite of improvement in economic condition in 2022, Government of Indonesia (GoI) still face risks from global economic turbulence such as: global inflation, rising interest rate, economic slowdown and potential of stagflation. Nonetheless, Indonesia still records economic growth of 5.4% in 2Q22 supported by state budget that act as a stabilization instrument (shock absorber) and economic driver. 2023 state budget is expected to remain healthy with manageable macro fiscal policy to support national development and achieve target state budget deficit to below 3% of 2023 GDP.
- Bank Indonesia (BI) raised 7DRR by 25bps to 3.75% after maintained at 3.50% in the past three years. This policy was taken as preemptive and forward-looking measure in mitigating risk on rising core inflation as well as expected inflation hike due to increase in non-subsidized oil price and food inflation. BI predicted that 2022 and 2023 inflation will be above BI's target of 3% ± 1%.
- BI has increased stimulus for bank which provide fund to MSME in the form of Statutory Reserve Requirement Easing to max 150bps from previous max 50bps. In addition, number of MSME priority subsector was increased to 46 from 38.
- Based on Ministry of Investment / Investment Coordinating Board's data, there were 34 foreign companies which will relocate or diversify their business to Indonesia with investment amount of USD 9.8bn as of 11Aug22. Compared to 1H22 figure, there were 4 added new companies begin their business in Indonesia from USA, Italia, and Netherland included under chemistry, automotive, and pipe industries.
- Central Bank of China has reduced 1 year tenor lending rate to 3.65% from 3.7% on 22Aug22 to support business and consumption growth.

Energy Sector

- GoI is discussing three actions on subsidized oil to anticipate rising oil prices by (i) increasing subsidy amount in state budget allocation by IDR 198tn to IDR 698tn (ii) limiting the subsidized oil consumers, or (iii) raising subsidized oil prices. President Joko Widodo to his cabinet has said that these options must be considered carefully as either option has big impact whether to citizen or state budget.
- Separately, GoI is also considering to raise specific gas price (HGBT) to USD 7/MMBTU from USD 6/MMBTU (currently is still in discussion stage with stakeholders) following the increase of gas price in the global market.
- GoI has decided that coal royalty will be effective on 15Sep22. If coal price is below USD 70 per ton, then low, medium, and high calory coal royalty will be 5%, 7%, and 9.5%, respectively which is higher than previous benchmark (3%, 5%, and 7%). The stipulation also implemented progressive rate,

which if the coal price is above USD 90 then the percentage will be 8%, 10.5%, and 13.5%, respectively.

- Gol also has decided to charge nickel royalty. In general nickel royalty will be 10%. If content level is below 1.5% the charge would be 2%, nickel pig iron 5%, and nickel matte 2%.
- National Association of River, Lake and Crossing Transportation (Gapasdap) requested for higher quota of subsidized fuel from Management Body of Oil and Gas (BPH Migas) in the national working meeting held 23-24 Aug 22. The current quota of 1.35% of total subsidized fuel nationwide is deemed very small.
- Perusahaan Listrik Negara (PLN) will be restructured to be one holding and two sub-holding. The holding will focus on transmission, while sub-holding will each handle non-transmission electricity business and power plant.

Finance Sector

- Based on OJK's data, corporate bonds issuance realization reached IDR 107.4tn as of Aug 22 (Dec 21: IDR 104.4tn). The bonds have national rating range A- to AA with coupon rate of 4.0%-9.3%. However, the positive trend would be challenged by the increase in BI's benchmark rate.
- Banks' third-party deposit increased 8.4% yoy to IDR 7,284.4tn as at end-Jul 22 mainly from the growth in current account and saving account, while time deposit account slightly decreased by 0.3% yoy as most of banks tried to release expensive funds.
- Based on OJK's record, there is an increasing number of millennial investors investing in capital market. Total investors reached 9.45mn people until mid of Aug 22 (end-Dec 21: 7.49mn), in which 70% is millennial segment. This is due to the significant growth in financial technology development to ease the transaction in capital market.
- The total transaction value via BI Fast increased significantly to IDR 339tn in 2Q 22 from IDR 139tn in 1Q 22. There are 52 finance entities have joined BI Fast system with total number of transactions reached 1.3mn as of Jun 22. Monthly transaction numbers increase by 20%-30%.
- Indonesia Startup and Venture Capital Association recorded that their asset has grown by 3.8% qoq to IDR 23.9tn as of 2Q 22, which was supported by better venture capital ecosystem.

Transportation Sector

- Indonesia Express, Post, and Logistic Services Association has advised their members to increase tariff minimum of 10% if Gol raise the oil prices since the oil price increase will bring direct impact to their business.
- Majority of logistic companies have proposed to Gol to postpone zero over dimension and overload (ODOL) starting in Jan 23. ODOL policy will impact logistic companies as number of transported goods will be reduced and may increase logistic price.
- Ministry of Transportation plans to decrease flight ticket price by 15% in the next few days as part of initiative to manage inflation and to increase number of passengers in near term as many flight companies would like to increase fleets this year post severe 2020-2021 pandemic.
- Kertajati Airport in West Java is predicted to capture 40,000 umrah traveler during Jan-May 23 period as government plan to implement zonation policy for umrah travel. This policy will support Kertajati Airport business in addition to upcoming plan on making it as maintenance, repair, and overhaul center in West Java

Agribusiness Sector

- Despite abundance supply of rice and demand for export from Saudi Arabia and China, Gol has decided not to export the rice although Gol has made decision to increase rice inventory for anticipating food crisis.
- Gol targets to reduce food loss (loss during production) rate to 6%-7% in near term from current level of 12%-13% by developing food barn in several regions. The latter aims to increase export of several food commodities.

Property & Infrastructure Sector

- Gol's infrastructure spending will increase to IDR 392tn in 2023 or grew 7.8% yoy and will prioritize new capital city (IKN). Many construction SOEs are participating in IKN tender and will rely on IKN project as a driver for their contract.

Retail Sector

- Major retail companies recorded good performance in 2H22. PT Mitra Adi Perkasa Tbk has recorded 34.908% yoy net profit growth in 1H22 and the performance is expected to remain resilient as at end-2022 despite the threat of fuel price hike and inflation due to mid high consumer segment and the festive season/ year end in Dec22. PT Ramayana Lestari Sentosa Tbk recorded sales and net revenue growth of 8.1% yoy and 107.5% yoy in 1H22. PT Sumber Alfaria Trijaya Tbk has added 600 new kiosks in 1H22 and already allocates capex amounting IDR 3.4tn- 3.5tn in 2022 for business expansion (target additional 1,000 new kiosks). However, the potential of increase in subsidized fuel price and inflation hike would pressure the performance of retail companies in 3Q22 and 4Q22.

Manufacture Sector

- World Semiconductor Trade Statistics (WSTS) estimated that sales value of semiconductor this year will only grows by 13.9% yoy, lower than with the previous projection which reached 16.3% yoy. Meanwhile, for next year they predicted sales value of semiconductor will only increase by 4.6% yoy, the lowest growth since 2019 or pre-pandemic. In its report, the WSTS estimated semiconductor sales value in the global market on this year will be USD 600bn.

Mineral Sector

- Global mining companies is now focusing on mineral asset (copper, zinc and nickel) in-line with the electric vehicle business growth. England-based, Rio Tinto, has increased the offers to Turquoise Hills Resources Ltd (to USD 3.1bn from initial USD 2.7bn) for taking over the largest copper mining in Mongolia. Australian-based, BHP Group also offers USD 5.8bn to acquire all shares of OZ Minerals (copper and nickel mining) , but it is still rejected as the offering is deemed too low. Based on PWC Mine 2022 report, Indonesia has copper production of 810 thousand tons and reserve of 24,000 thousand tons (production and reserve in thousand tons for some other countries - Chile: 5,600 & 200,000; Peru: 2,200 & 77,000; USA: 1,200 & 48,000; China: 1,800 & 26,000; Congo: 1,800 & 31,000; Australia: 900 & 93,000).

IT Sector

- State expenditure is the important factor to minimize various cybercrimes that could negatively affect national economic. Based on Kaspersky lab' data, in Jul21-Aug22, there was 7.2bn cybercrimes (35% in Asia Pacific region; 3% from Indonesia). The 2023 state budget for National Cyber and Code Body (BSSN) is forecasted to decrease to only IDR 507.8bn in 2022 from IDR 924.4bn in 2018 due to reallocation for managing pandemic. However, it will gradually increase to IDR 624.4bn in 2023.
- Recently, PT Perusahaan Listrik Negara (Persero) Tbk and PT Telkom Indonesia Tbk (Indihome) experienced customer data leak. Directorate General of Application and Information of Telecommunication and Information Ministry has called both entities for more detail explanation. They would be potentially sanctioned if proven to do violation on the obligation to do customer data protection.

Jewelry Sector

- As of 1H22, jewelry export has surpassed FY21 figure. Jewelry export figure reached USD 2.4bn in 1H22 or almost twice of FY21 of "USD 1.2bn. Main jewelry export destination was Switzerland of 35%, USA 26%, and UEA and Hongkong each 11%. Previously, Indonesia was 14th biggest exporter gaining 2.5% market share according to Trademap.org. In addition to increase participation in national & international exhibition to increase export amount, Gol would push the export destination country to lower import duty.

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