



Market Outlook 2024

Research Team
Samuel Sekuritas Indonesia

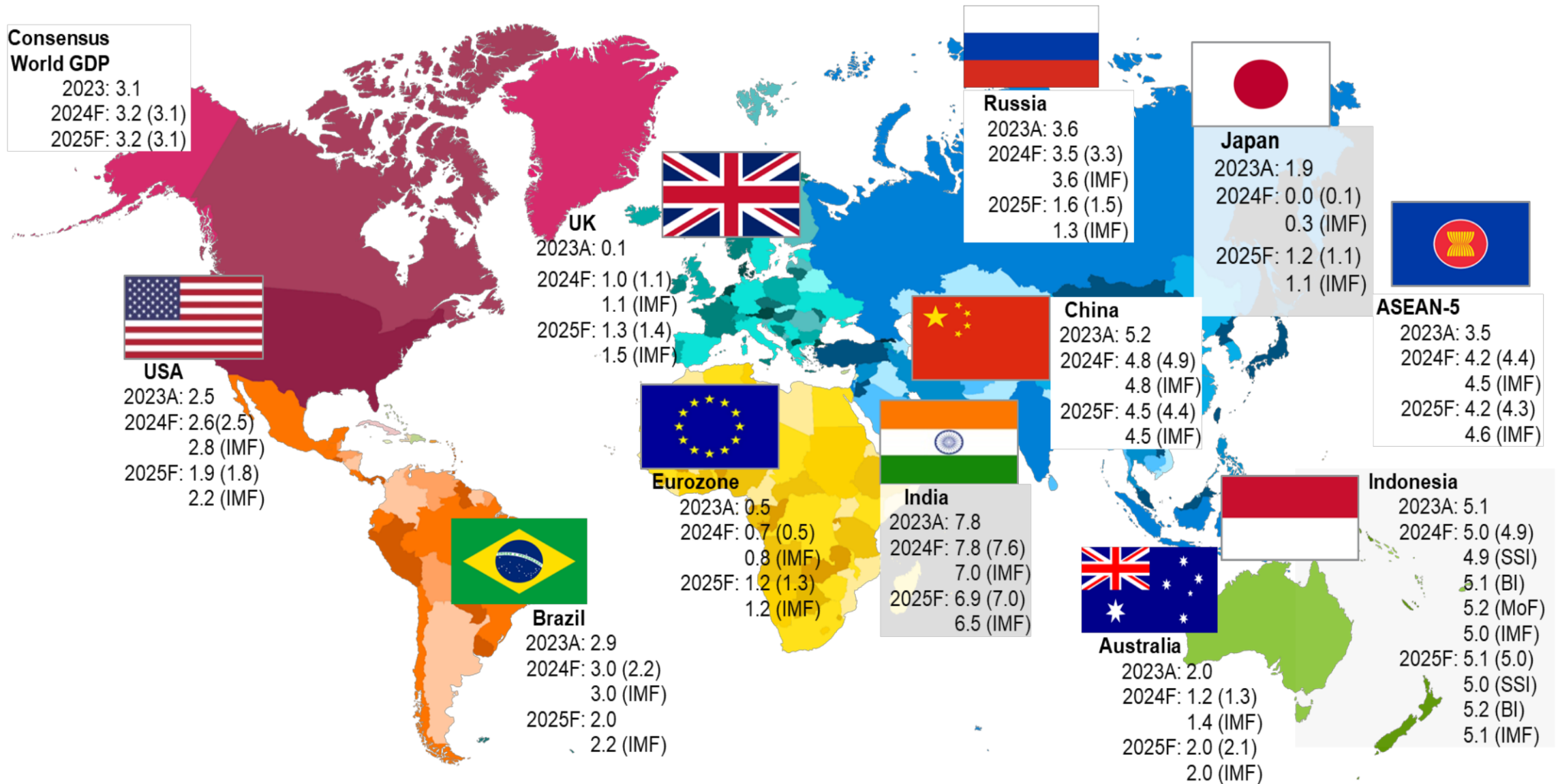
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Global and Regional Environment

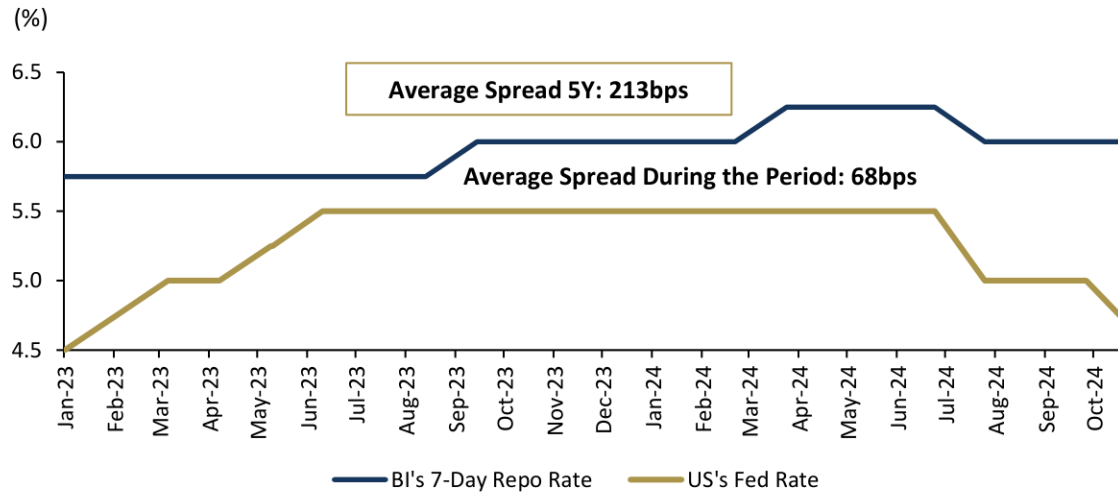
Indonesia: One of the Highest GDP Growth in 2024 – 25F



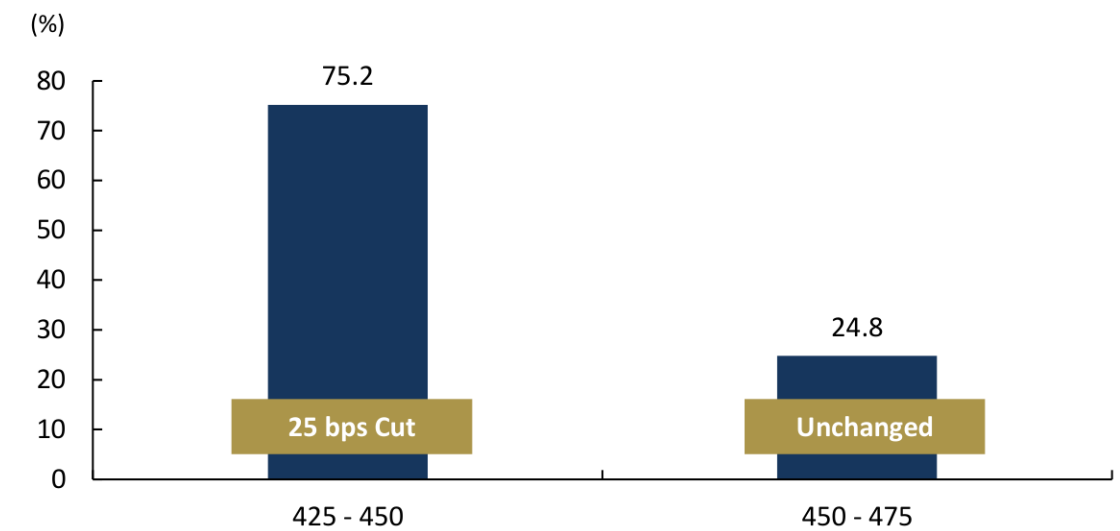


Trump	Implications
<p>Tax</p>  <ul style="list-style-type: none"> • Lower corporate tax to 15% (current 21%) • Extension of Trump's 2017 tax cuts for individuals & businesses 	<p>Tax cut proposal favorable for stock markets in the short term, but inflationary in the long term</p>
<p>Trade</p>  <ul style="list-style-type: none"> • 60% duty on China imports and 10% on rest of the world • Imposition of 200% tariffs on Chinese EVs, double the current tariff 	<ul style="list-style-type: none"> • Tougher on China • Trade war 2.0 is worse, disrupting sectors with high Chinese exposure such as autos, technology and specialty chemicals
<p>Interest Rate</p>  <p>Preference for a Fed chief favoring lower rates</p>	<ul style="list-style-type: none"> • Yield curve could steepen under Trump, with upward pressure on the long end of the yield curve even as short-term rates fall • Potentially negative for rate sensitive sectors like banks and property
<p>Crypto</p>  <ul style="list-style-type: none"> • US as world's crypto-currency leader • A national stockpile of Bitcoins • Lighter regulations 	<p>Positive for crypto stocks and pro Bitcoin</p>
<p>Energy</p>  <p>Pro US oil production</p>	<ul style="list-style-type: none"> • Favors US petroleum and traditional O&G
<p>Defence</p>  <p>Proposal to lift 2025 US defence spending to 5% of GDP vs 3% in 2023</p>	<p>Sustained defence spending</p>

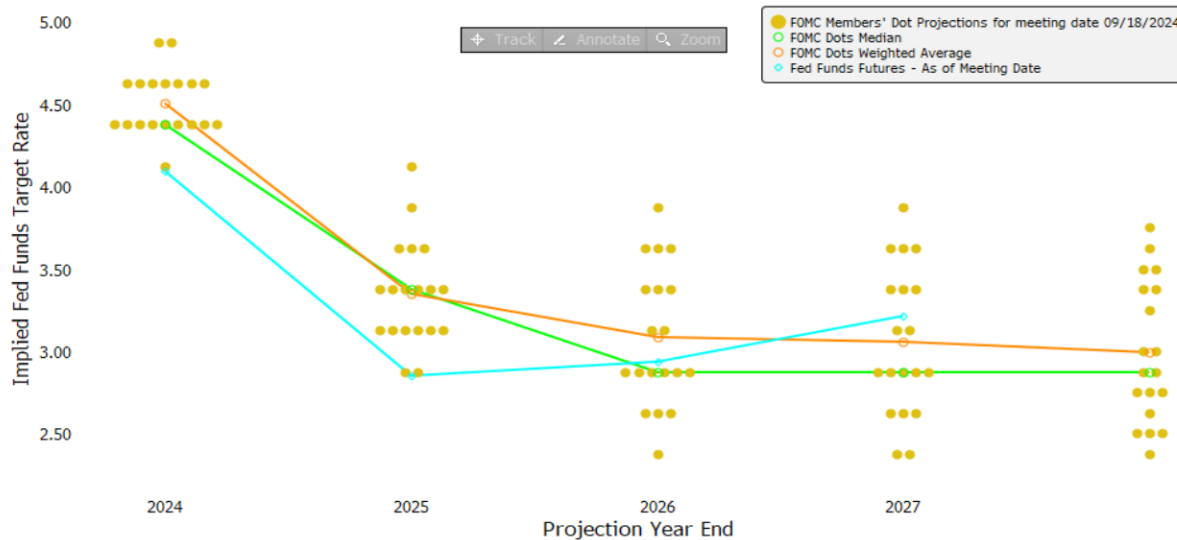
US' Fed Rate and BI's 7-Day Repo Rate



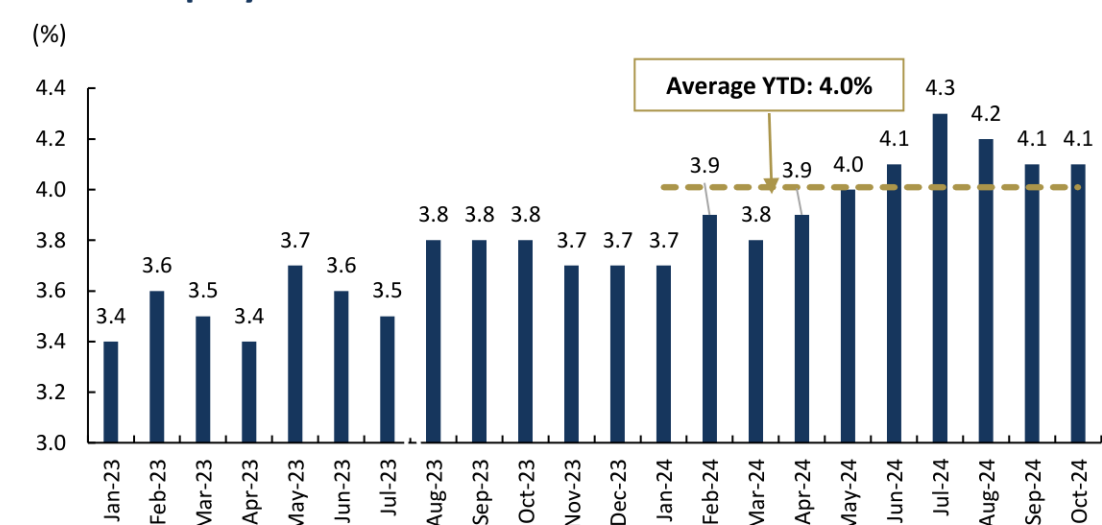
Target Rate Probabilities for Dec 2024 Fed Meeting



FOMC Dot Plot



US Unemployment Rate



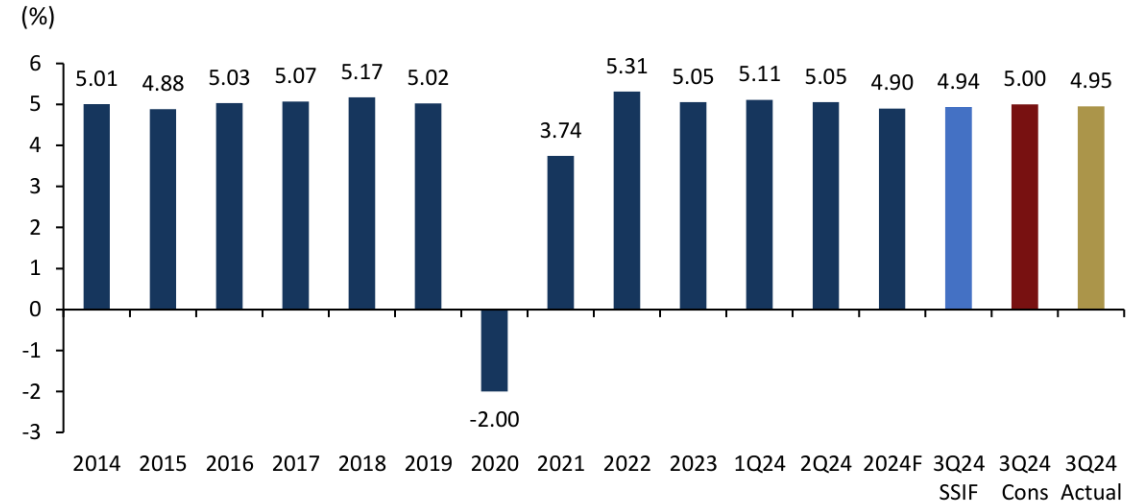
Indonesian Economy Amidst Tension

Glowing in the distance, elusive, solid

Gross Domestic Product 3Q24

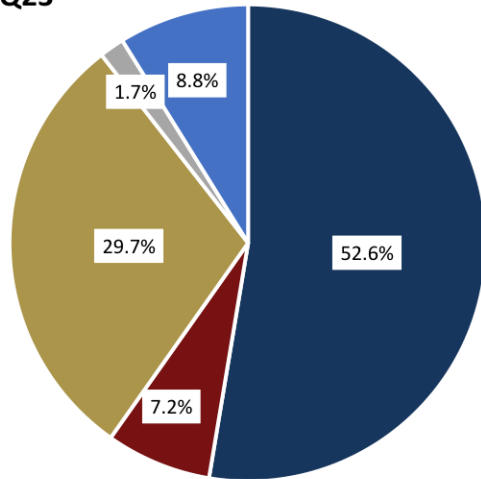
- Indonesia's economy exhibited a tempered growth rate of 4.95% year-on-year (yoy) in the third quarter of 2024, in line with our projection (4.94%) albeit slightly below market expectations of 5.0%. This modest expansion, down from 5.05% in the previous quarter, underscores a slowdown, marking the weakest GDP growth since Q3 of 2023. Private consumption, a primary driver of Indonesia's economic growth, remained nearly stagnant at 4.91% compared to 4.93% in Q2, reflecting subdued household spending despite stable macroeconomic conditions. Contracted PMI, persistent deflation, and low consumer confidence index have become evidence of this restrained phenomenon.
- Trade dynamics were mixed, with exports growing 9.09%—an improvement over the previous quarter's 8.28%—yet falling short of the surge in imports, which accelerated to 11.47% from 7.79%. This widening gap indicates increased domestic demand for foreign goods and services amid the recent appreciation of the IDR. While this suggests strong consumption and investment activity, the IDR has depreciated again, as higher imports weighed on the trade balance. On a positive note, fixed investment grew 5.15%, up from 4.43%, pointing to investor confidence and heightened activity in infrastructure and capital-intensive sectors. Government spending also rose significantly, expanding 4.62% against previous increase of 1.42%, showcasing fiscal stimulus efforts aimed at supporting growth amid external and domestic challenges.
- Sector-wise, production showed mixed results. Notably, there was a deceleration in sectors crucial to the services industry, such as transportation, which grew at a slower rate of 8.64% compared to 9.56% in Q2, and communications, which slowed to 6.86% from 7.66%. Other key sectors, including wholesale and retail trade, insurance and financial services, as well as healthcare, also experienced slower growth. Wholesale and retail trade edged down to 4.82% from 4.86%, and financial services grew just 5.49%, a notable decline from previous quarter's 7.90%. Healthcare services saw similar downtrend, expanding 7.64% compared to 8.56% previously. These shifts reflect moderating activities in consumption-driven sectors, which have been instrumental in sustaining Indonesia's economic momentum over recent years.
- Looking ahead, we expect the economy to grow 4.97% for the entire year, considering the anticipated low government spending in Q4 due to bureaucratic adjustments, which in turn, is leading to sustained low consumption. In 2025, we expect GDP growth to remain relatively flat from current levels on global economic slowdown coupled with the need for enhanced local coordinated efforts from new ministers and ministries to tackle both domestic and overseas challenges.

Indonesia's GDP Growth (YoY)



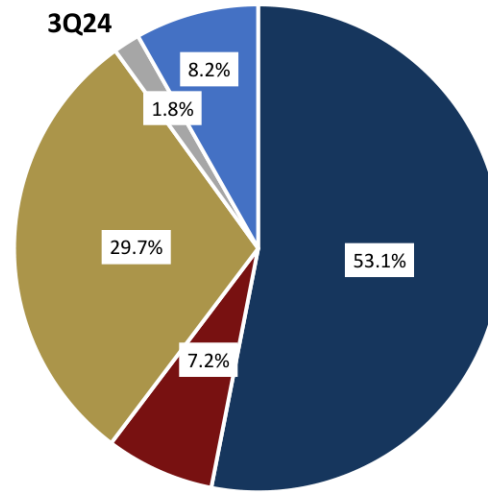
Distribution of GDP, 3Q23 vs 3Q24

3Q23



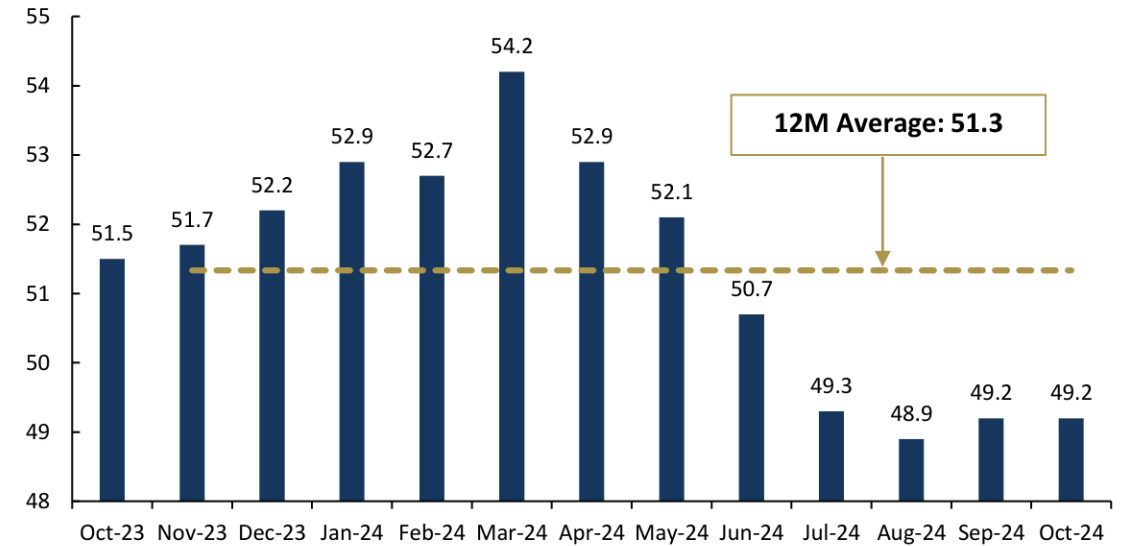
■ Household Consumption ■ Government Spending
■ Investment ■ Net Export
■ Others

3Q24



■ Household Consumption ■ Government Spending
■ Investment ■ Net Export
■ Others

Indonesia Manufacturing PMI



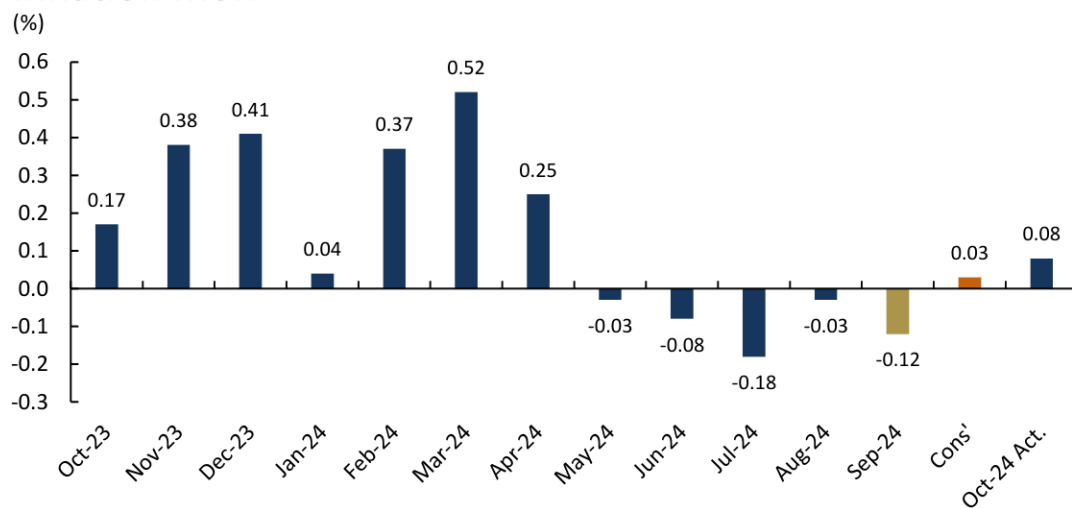
Indonesia October Inflation

- Slightly below our projection of 1.76%, Indonesia's inflation in October 2024 exhibited a notable cooling, with the annual inflation rate falling to 1.71%, marking its lowest point since October 2021. A major factor in this trend has been the tempered rise in food prices, which showed the smallest increase in 15 months at 2.35%, down from September's 2.57%. This moderation can be largely attributed to well-stocked rice supplies on the back of unusually delayed harvest season that pushed yields from March to May. This delay, while non-traditional, has contributed to easing food price pressures in recent months, offering some relief to households.
- A closer look at sectoral inflation reveals a mixed but overall easing picture. Price increases in recreation and culture showed only slight moderation (1.53%, down from 1.55% in September), as did education (1.90%, down from 1.94%). Meanwhile, transport prices dipped into negative territory, dropping to -0.08% from a previous 0.92%, indicating lower fuel or logistics costs, possibly due to increased discounting to stimulate demand. However, slight upticks were seen in inflation across sectors like health (1.71%, up from 1.69%), clothing (1.20%, up from 1.18%), and accommodation services (2.36%, up from 2.25%), reflecting pockets of persistent demand or supply constraints in these areas. Prices in housing and furnishing, however, remained stable at 0.60% and 1.08%, respectively, underscoring steady demand and supply conditions in these essentials. Interestingly, communication services continued to experience deflation, holding steady at -0.28%, most likely reflecting relatively sluggish demand.
- On a monthly basis, the Consumer Price Index (CPI) saw a slight rise of 0.08% in October, marking the first monthly increase in half a year, following 0.12% decrease in September. This marginal rise indicates that, while general price levels remain restrained, specific factors—likely seasonal or temporary in nature—are influencing price movements.
- We observe this softer inflation materialization having occurred predominantly on the back of slowing consumption effect - this, coupled with below-50 PMI, is a potential obstacle to achieving the government's 5%+ economic growth target in FY2024 (SSI's projection: 4.95 %; consensus: 5.0%).

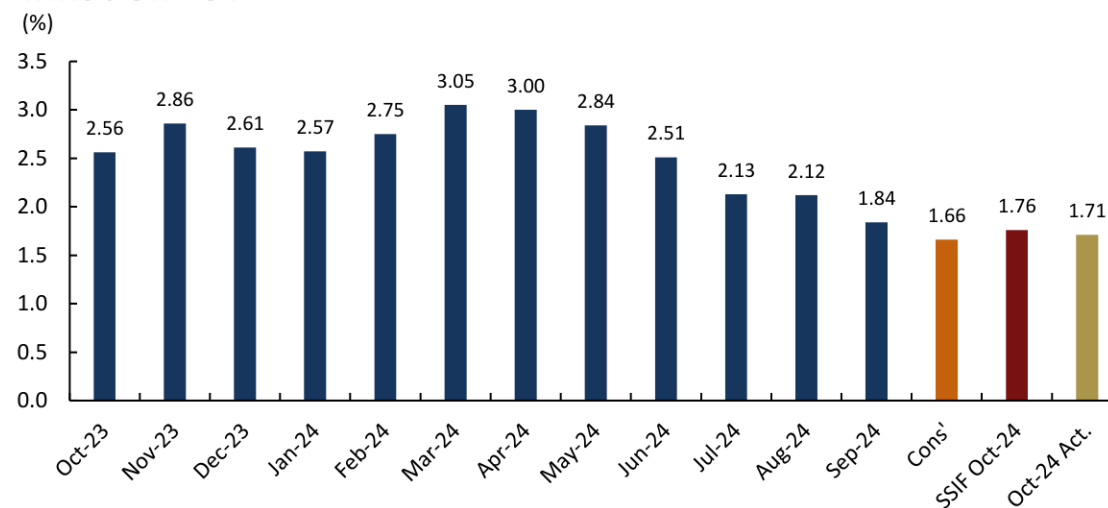
Inflation Based on Spending Category YoY

	Breakdown	Inflation	Contribution to Inflation
	Headline Inflation	1.71	1.71
1	Food, Beverages and Tobacco	2.35	0.67
2	Personal care and other services	7.06	0.43
3	Food beverages services/restaurants	2.36	0.23
4	Education services	1.90	0.11
5	Housing, water, electricity and household fuels	0.60	0.10
6	Clothing and Footwear	1.20	0.06
7	Furnishings, household equipment and routine household maintenance	1.08	0.06
8	Health	1.71	0.05
9	Reaction, sport and culture	1.53	0.03
10	Transport	-0.08	-0.01
11	Communication and financial services	-0.28	-0.02

Inflation MoM



Inflation YoY

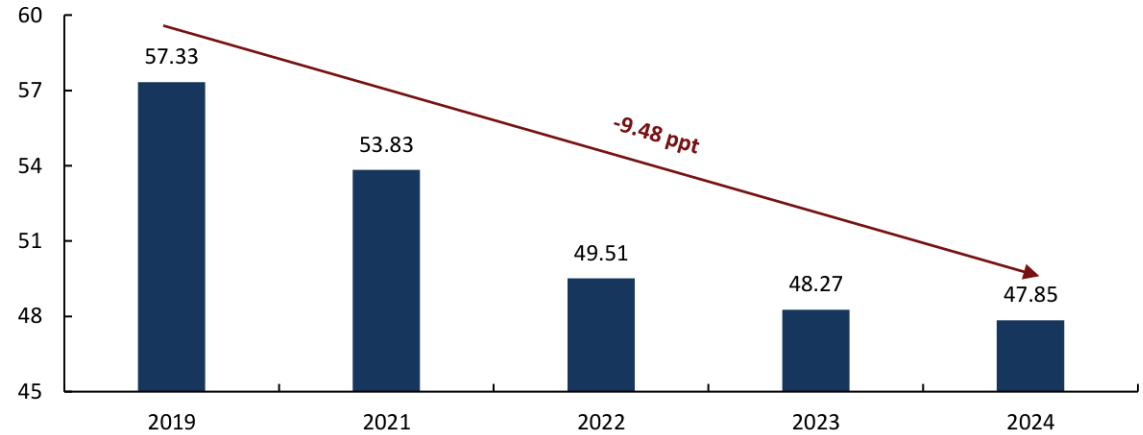


Indonesia's Middle Class Income Decline

- The middle-class comprises those earning between IDR 2,040,262 and IDR 9,909,844 per month, living in urban areas with formal jobs and secondary education, declined from 57.33% in 2019 to 47.85% in 2024.
- From 2019-2024, spending on food, housing, and other goods/services remained a priority for the middle class, but overall spending patterns shifted because taxes rose from 3.5% to 4.5% and other goods/services spending fell from 21.2% to 18.4%.
- The middle class experienced a significant decline of 16.54%, while the population vulnerable to poverty grew by 23.14%, a trend that began during the pandemic and has continued to reshape income distribution.

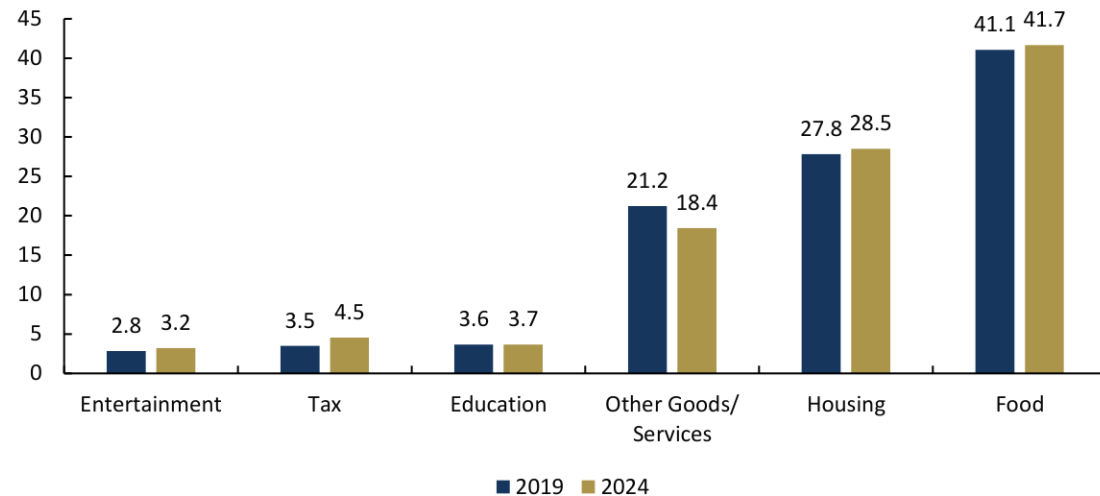
Decline in Middle Income Class in Indonesia

(% of Indonesian population)

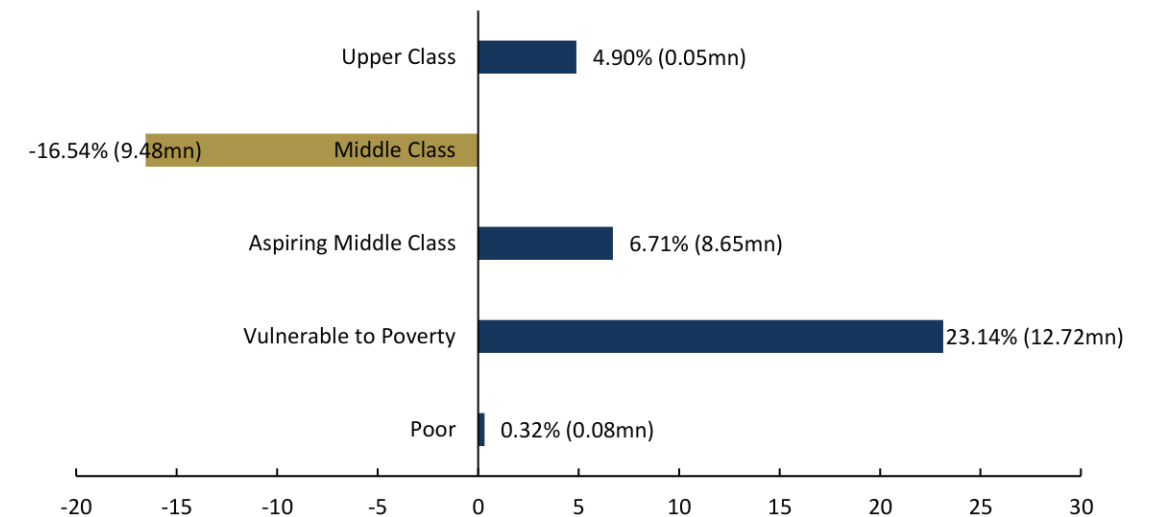


Shift In Spending Priorities for Middle Class

(%)



The Shrinking Middle Class, 2019-2024



Spending State Budget

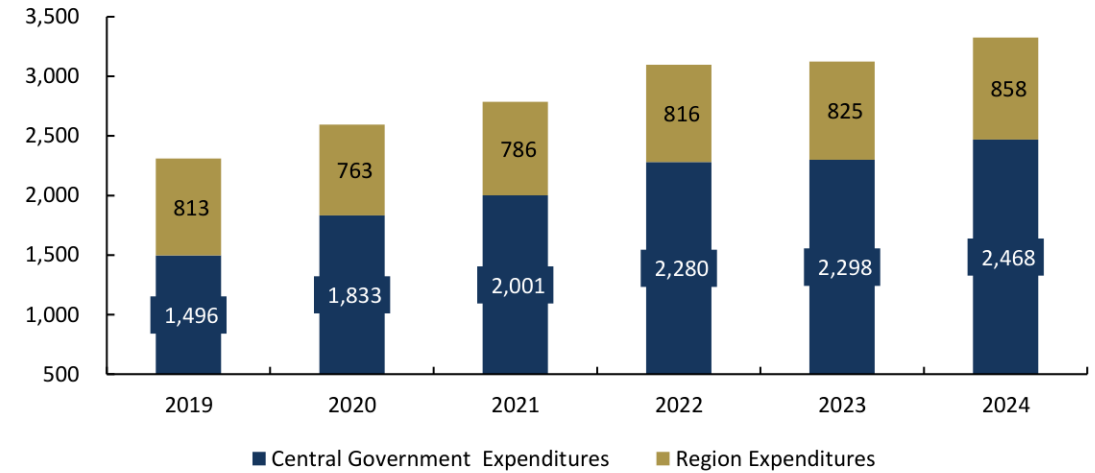
Budget of Central Government Expenditures by Function, 2019 - 24

(IDR Tn)

Description	2020	2021	2022	2023	2024
General Publix Services	475	526	627	663	828
Economic Affairs	406	511	400	631	644
Social Protection	226	260	252	241	270
Education	157	175	169	231	225
Public Order and Safety	163	167	177	176	193
Others	256	315	320	289	308
Total	1,683	1,955	1,945	2,230	2,468

Government Expenditures

(IDR Tn)



Social Assistance: SBY vs Jokowi Era

SBY's Era

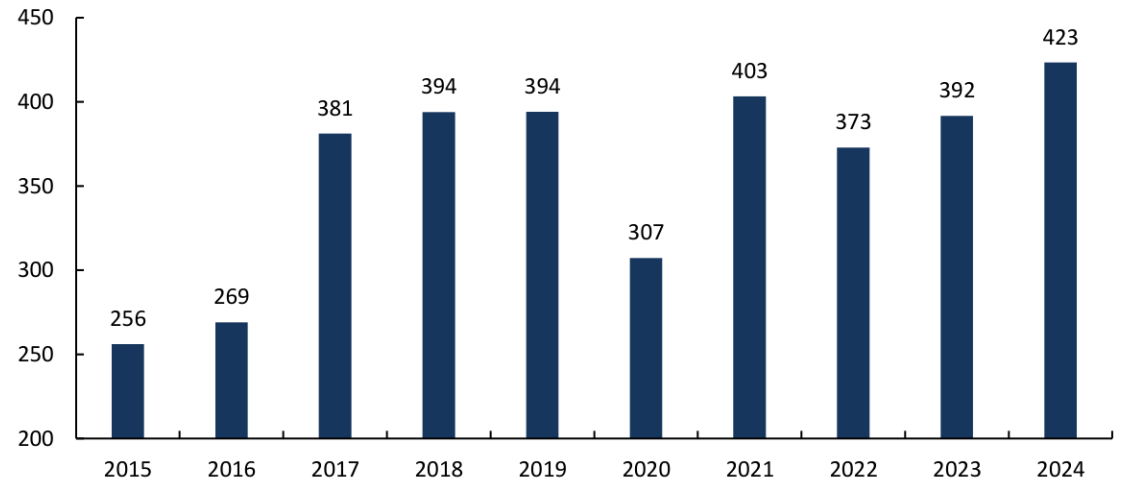
Year	IDR Tn	Year	IDR Tn
2005	17.1	2010	64.3
2006	36.9	2011	63.2
2007	51.2	2012	47.8
2008	66.2	2013	73.6
2009	79.0	2014	96.7
Total	250.7	Total	324.6

Jokowi's Era

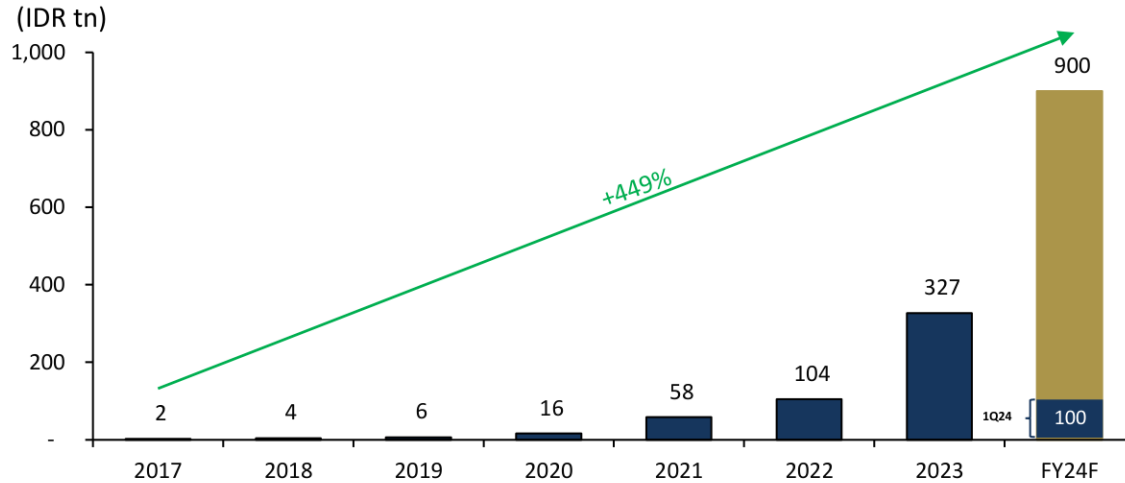
Year	IDR Tn	Year	IDR Tn
2015	249.7	2020	498.0
2016	261.2	2021	468.2
2017	275.7	2022	460.6
2018	353.9	2023	443.5
2019	308.4	2024	496.0
Total	1,724.6	Total	2,366.3

Infrastructure Spending

(IDR Tn)

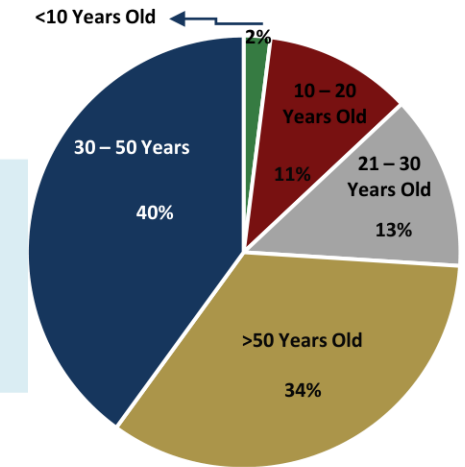


Online Gambling Transaction Values

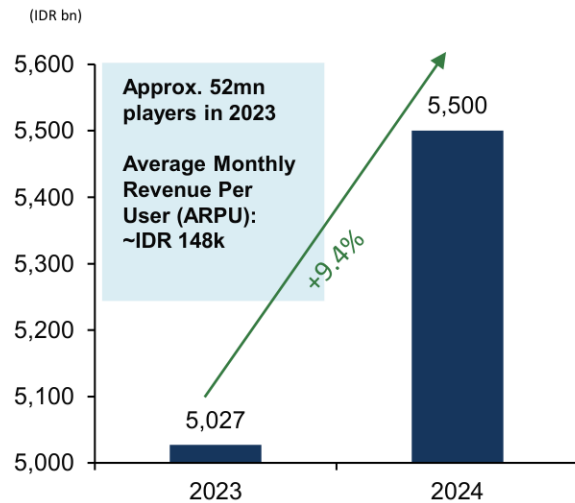


Profile of Online Gambling Players

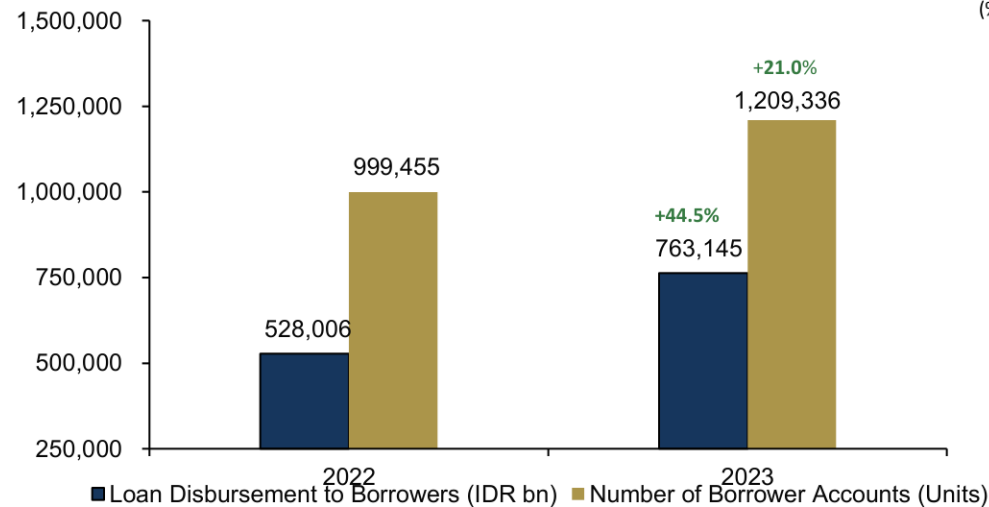
- 2.3 million online gambling players
- 80% from mid-low income bracket
- 89% from young and productive age groups



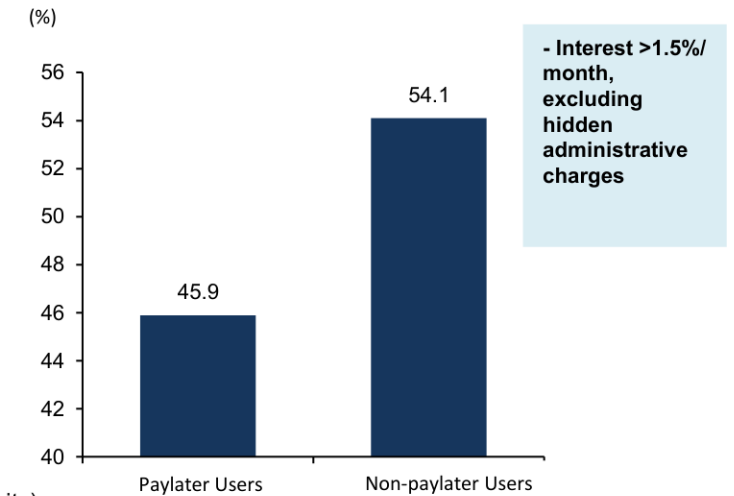
Revenues of Online Games



Peer-to-Peer Lending (Pinjol)



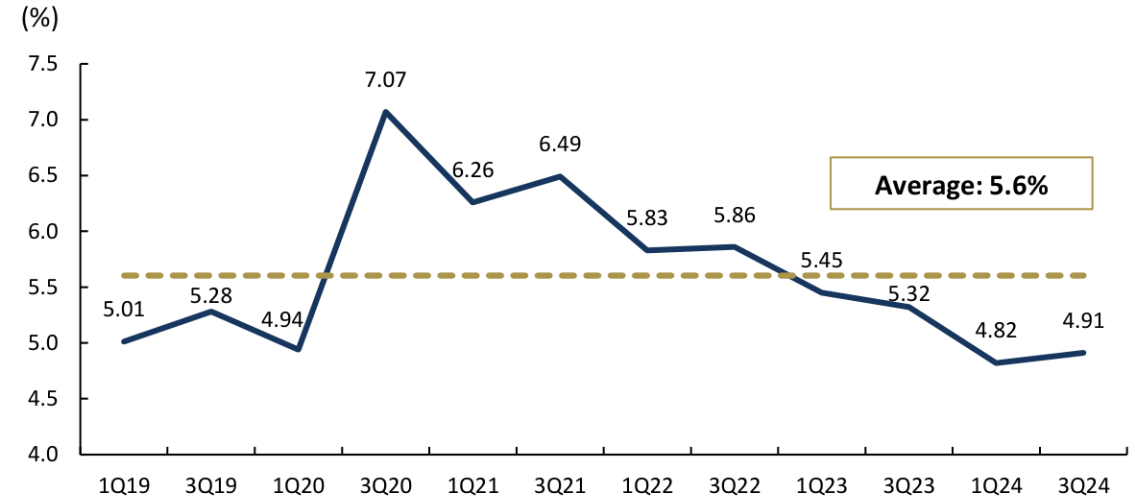
E-commerce Transactions Using Paylater



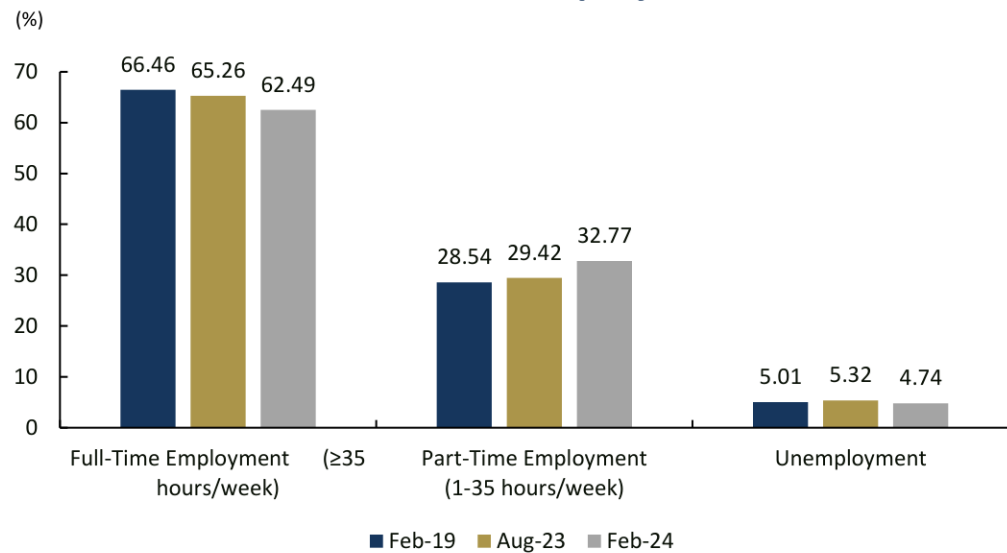
Employment in Indonesia

- The rise in part-time employment sugarcoats the seemingly improving unemployment rate; The ratio of full-time workers have decreased since the pre-pandemic era (from 66.46% to 62.49%).
- The proportion of informal workers among Indonesia’s employed has not recovered from pre-pandemic levels due to reduced access for formal jobs in Indonesia and more people relying on informal sector work (rising from 55.58% pre-COVID to 59.11% in 2023).
- However, the government’s free lunch program (Makan Siang Gratis) is predicted to increase the amount of formal work (cooks) in Indonesia.

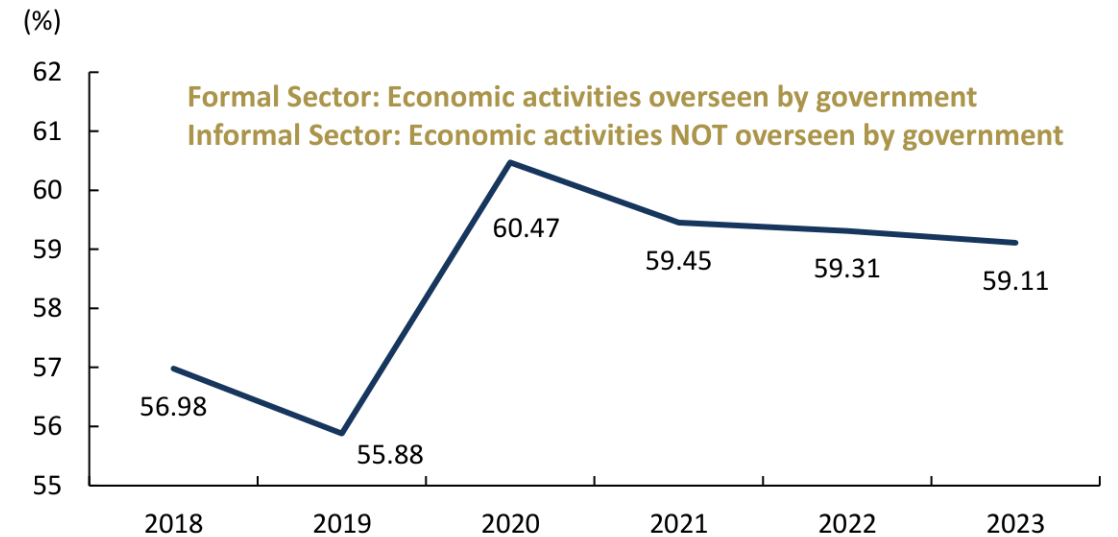
Unemployment Rate



Full-Time, Part-Time, and Unemployed as a % Labor Force

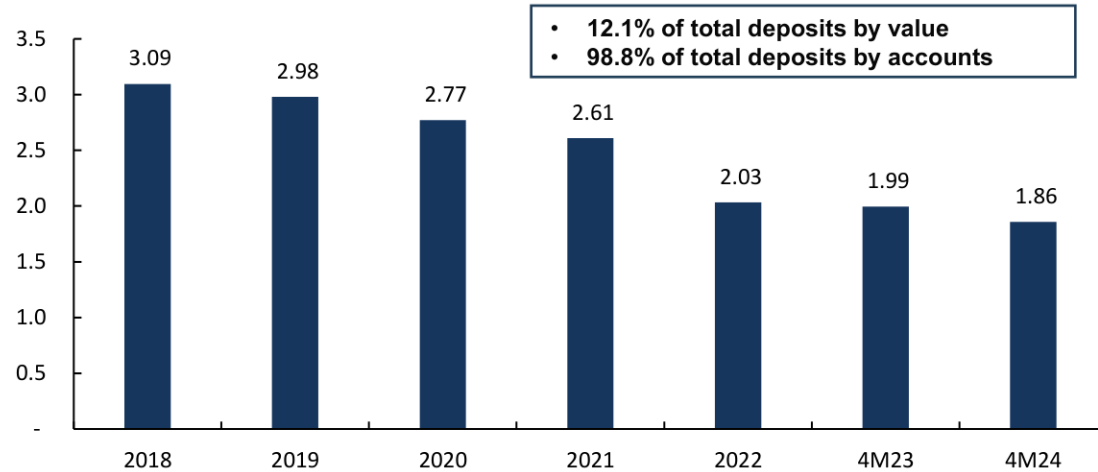


Percent of Informal Employment to Total Employment



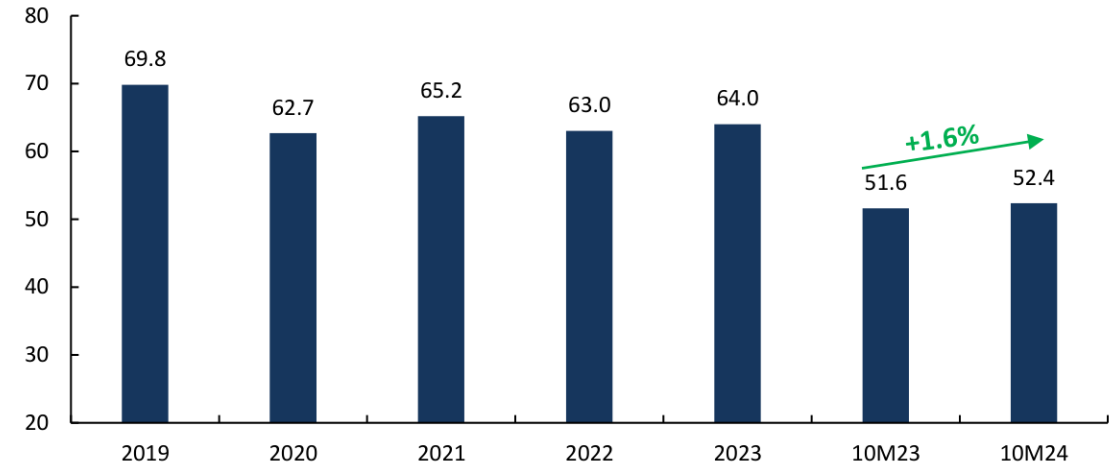
Average Deposit of <IDR100mn Accounts, 2018 - 4M24

(IDRmn/account)



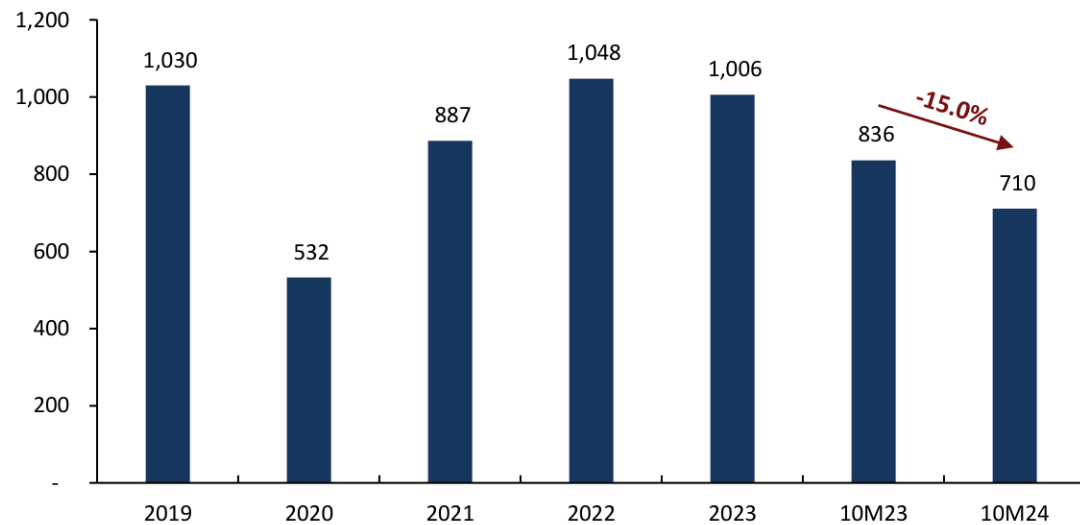
Domestic Cement Sales, 2018 – 10M24

(mn/tonnes)



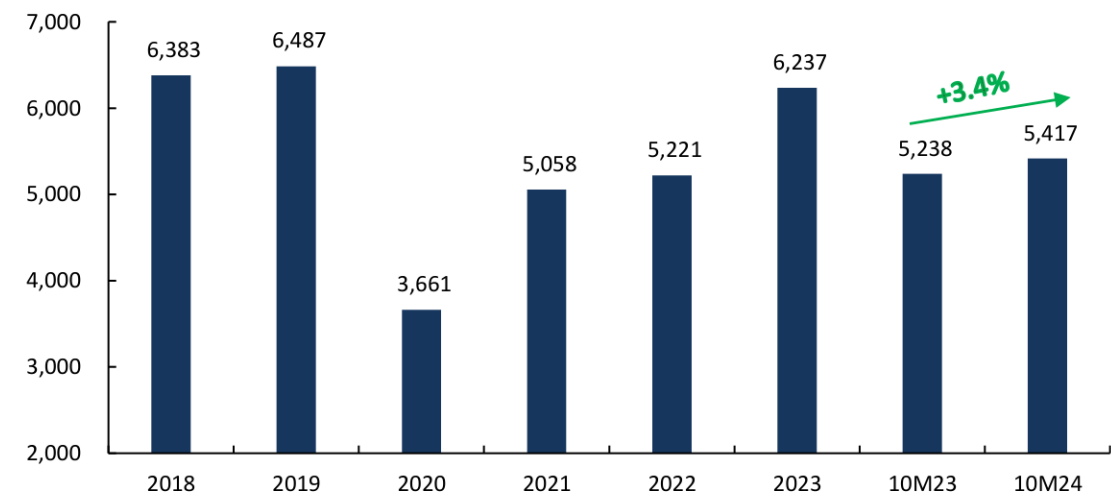
Domestic Car Sales, 2019 - 10M24

('000 units)



Domestic Motorcycle Sales, 2019 - 10M24

('000 units)



Potential Tax & Fee Increase

Tax	Old	New	Impact
VAT	11%	12%	Consumers
VAT on Self-Made Houses (KMS)	2.2%	2.4%	Middle up segment (≥ 200sqm)
VAT IPL	-	11%	Consumers
Plastic Packaging Tax	-	tba	Consumers
Sugar Tax on Beverages (MBDK)	-	tba	Consumers
MSME (UMKM) Tax	0.5%	1.0%	Micro/Small/Medium Enterprises

Fee Increases	Old	New	Impact
Pension Fund Contribution (JHT)	8.7%	tba	Employees (142 million workers)
Individual insurance policy	-	≥ 20%	Policy Holders (81.8 million people)
Third Party Liabilities Insurance	-	≥ 1%	Middle up segment (car owners)
Contribution to the People's Housing Savings Program (Tapera)	-	2.5%	Employees (≥ 20 years old, minimum wage)

SSI Calculation: TPL Costs to Installment Payment

Country	Car Price	Installment (5 years)	Insurance expense (monthly)	Increase in Payment (%)
Singapore	202,100	2,018	41.67	2%
European	16,000	222	25.00	11%
US	16,000	274	50.00	18%
India	354,000	6,460	174.50	3%
Malaysia	22,000	396	25.00	6%
Average				8%

1% Rise in VAT

Cost

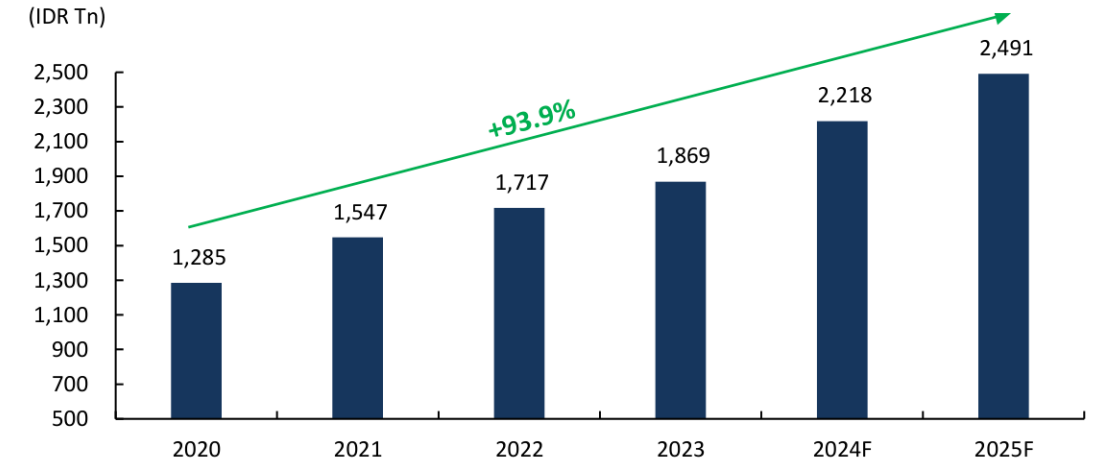
Variables	Impact
Consumption	-0.3%
GDP Growth	-0.02%
Inflation	1.5 - 2.0%

Benefit

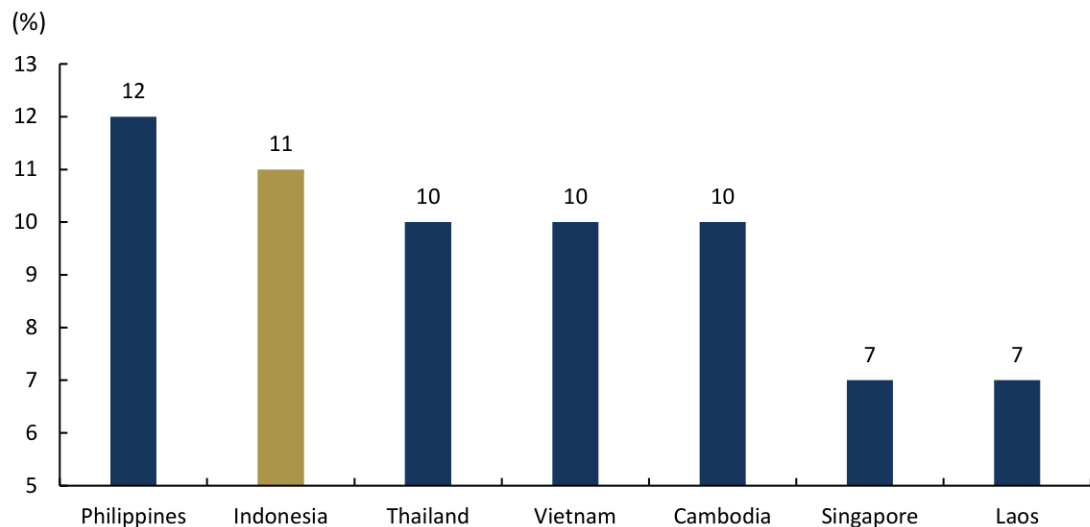
	2021	2022	2023	1H23	1H24
VAT	10.0%	11.0%	11.0%	11.0%	11.0%
VAT/ State Revenue	27.5%	26.1%	28.2%	25.3%	14.6%
Change		-1.4ppt	2.0ppt		-10.7ppt

Tax Revenue

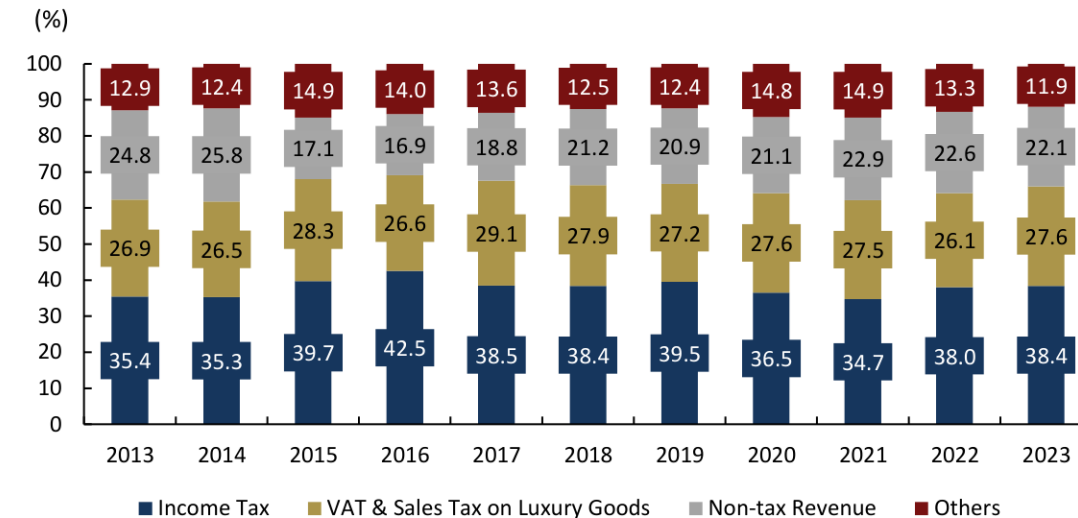
(IDR Tn)



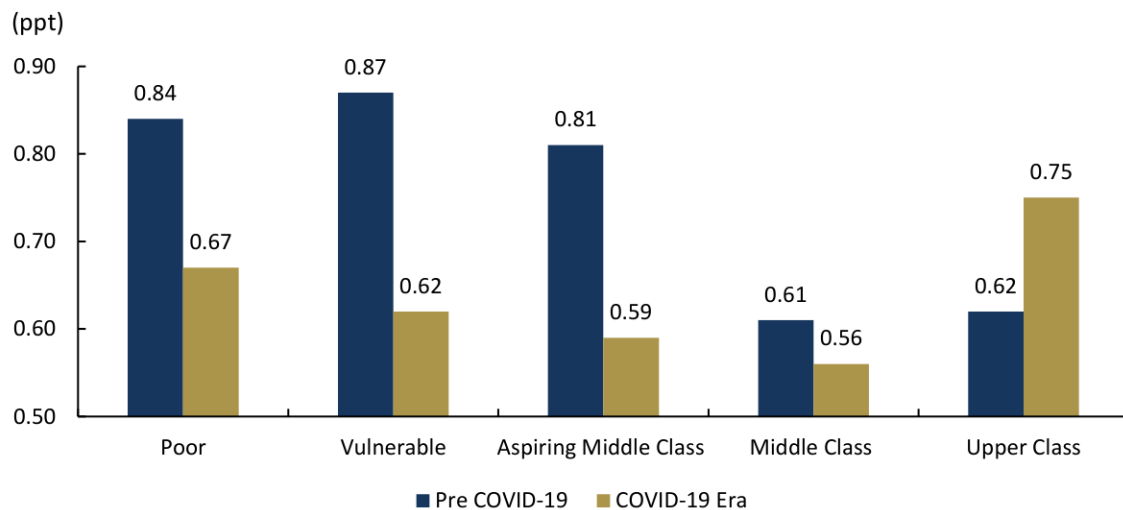
ASEAN VAT Rate Comparison, 2024



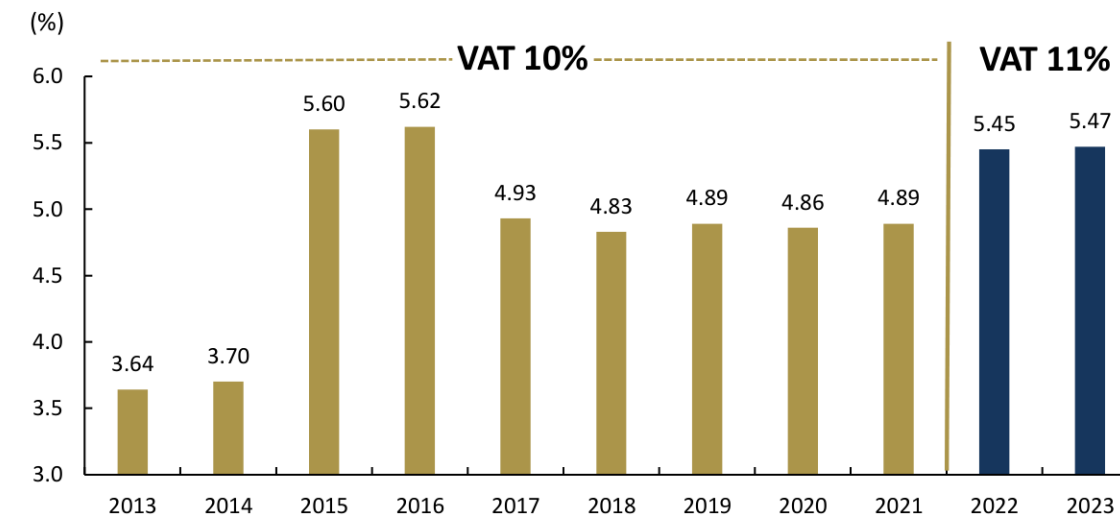
Tax Revenue Breakdown: VAT the Second Largest Contributor



1% Change in VAT Expenditure Share by Income Group



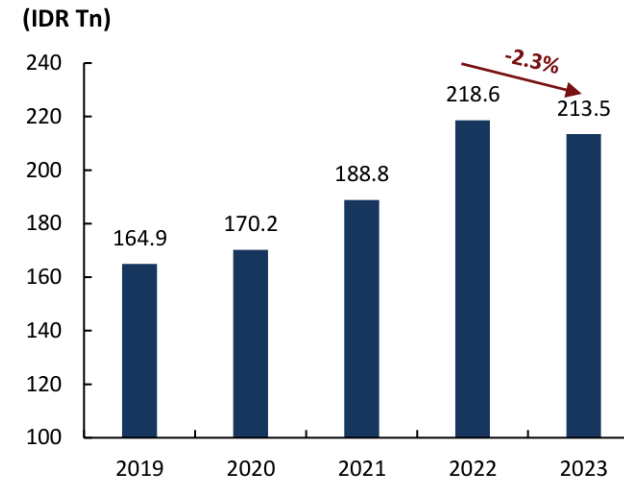
VAT Expenditure to Total Spending



The Rise in Downtrading for Indonesia's Consumers

- On the back of weak purchasing power, Indonesia's middle class consumers are downtrading. Testimony to this, is the drop in the government's receipt from cigarette excise tax by -2.3% YoY in 2023 to IDR 213.5 trillion. We believe smokers are moving to cheaper illegal cigarettes with an average price of IDR 12,000/ pack, more than half the price of legal (excise paying) cigarettes at IDR 30,000/ pack.
- Used car sales also increased from 41k units in 1H23 to 58k in 1H24, up 43% YoY, reflecting downtrading from new cars to used vehicles. In 2023, used car sales also jumped 42% YoY to 101k units.
- Furthermore, Indonesia's 2W market in 8M24 also increased slightly to 4.3 million units (+3.1% YoY), potentially translating to car buyers downtrading to motorcycle users.

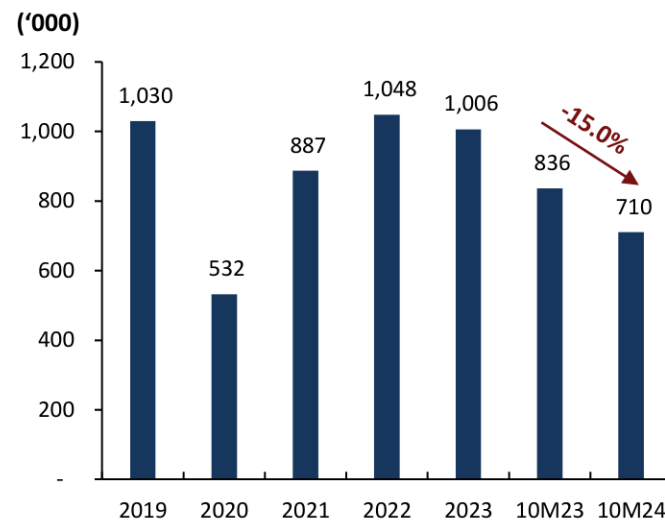
Excise Tax, 2019 – 23



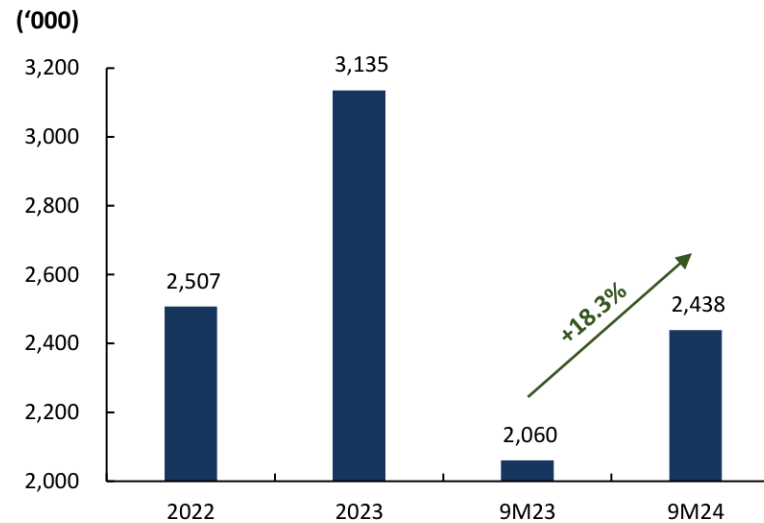
Illegal Cigarettes



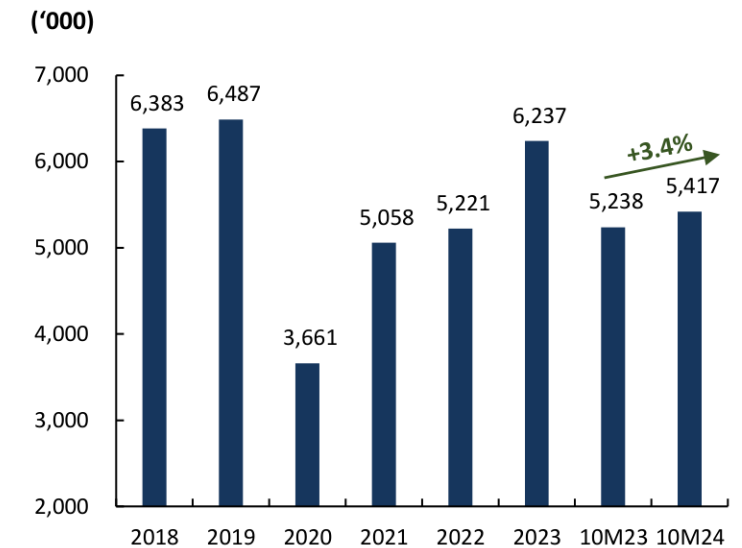
4W Sales, 2019 – 10M24



Used Car Sales, 2019 – 9M24



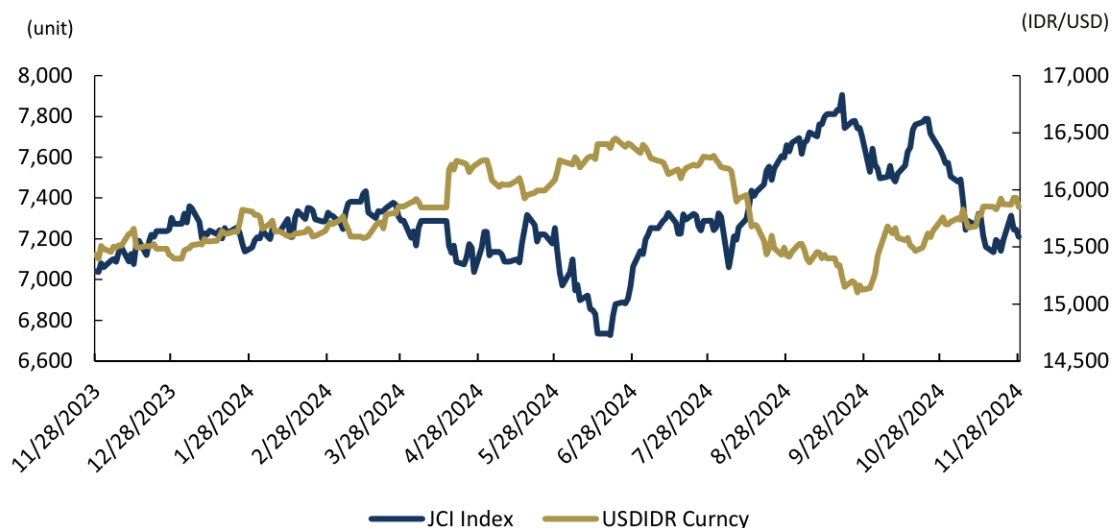
2W Sales, 2019 – 10M24



Movements of IDR and Other Currencies

South-East Asia	YTD	2023	2022	10Y CAGR	East Asia & Australasia	YTD	2023	2022	10Y CAGR	Developing Economies	YTD	2023	2022	10Y CAGR	Advanced Economies	YTD	2023	2022	10Y CAGR
MYR (Malaysia)	3.4	(4.1)	(5.4)	(2.4)	MNT (Mongolia)	0.6	0.0	(17.0)	(5.8)	INR (India)	(1.5)	(0.6)	(10.1)	(2.9)	GBP (UK)	(0.5)	5.4	(10.7)	(2.0)
KHR (Cambodia)	1.3	0.8	(1.1)	0.1	HKD (Hongkong)	0.4	(0.1)	(1.1)	(0.0)	RUB (Russia)	(2.5)	23.6	(1.1)	17.8	ISK (Iceland)	(0.8)	4.5	(1.1)	(0.7)
THB (Thailand)	(0.8)	1.4	(3.5)	(0.4)	CNH (China)	(2.0)	(2.8)	(3.5)	(1.5)	PLN (Polandia)	(3.5)	11.2	(3.5)	(1.4)	DEM (German)	(4.4)	3.1	(3.5)	(1.4)
SGD (Singapore)	(1.6)	1.5	0.7	(0.1)	AUD (Australia)	(4.7)	(0.0)	0.7	(2.3)	COP (Columbia)	(12.1)	25.9	0.7	(5.9)	EUR (France)	(4.4)	3.1	0.7	(1.4)
IDR (Indonesia)	(2.8)	1.1	(8.4)	(2.4)	TWD (Taiwan)	(5.6)	0.0	(8.4)	(0.3)	TRY (Turkey)	(14.8)	(36.6)	(8.4)	(23.6)	DKK (Denmark)	(4.4)	2.9	(8.4)	(1.4)
VND (Vietnam)	(4.2)	(2.6)	(3.4)	(1.7)	NZD (NZ)	(6.7)	(0.5)	(3.4)	(2.8)	MXN (Mexico)	(16.9)	14.9	(3.4)	(3.2)	CHF (Swiss)	(4.7)	9.9	(3.4)	1.2
PHP (Philippines)	(5.6)	0.6	(8.5)	(2.7)	JPY (Japan)	(6.9)	(7.0)	(8.5)	(2.3)	BRL (Brazil)	(18.1)	8.7	(8.5)	(7.7)	CAD (Canada)	(5.5)	2.3	(8.5)	(1.9)
LAK (Laos)	(6.2)	(15.7)	(35.4)	(9.5)	KRW (Korea)	(7.7)	(1.8)	(35.4)	(2.4)	ARS (Argentina)	(19.8)	(78.1)	(35.4)	(38.0)	NOK (Norway)	(8.3)	(3.6)	(35.4)	(3.9)
Average	(2.1)	(2.1)	(8.1)	(2.4)	Average	(4.1)	(1.5)	(9.6)	(2.2)	Average	(11.1)	(3.9)	(8.7)	(8.1)	Average	(4.1)	3.4	(8.8)	(1.4)

JCI Index vs IDR Currency 2023-YTD



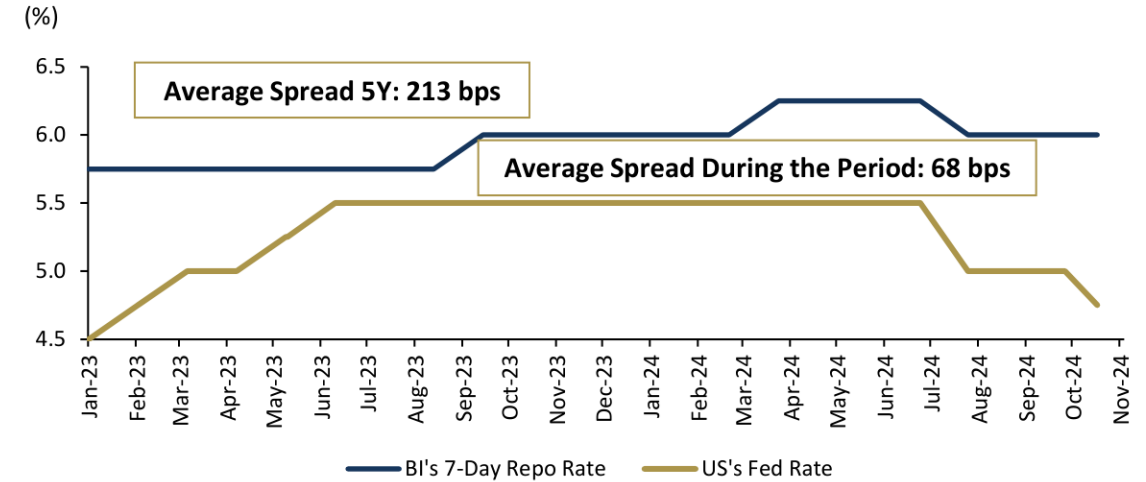
Consensus Forecasts on Regional Currencies

Country	Currency	Current rate per 1USD	YTD % Return	2023 End	2024F End		2025F End	
					Median	High	Median	High
Malaysia	MYR	4	3.4	5	4	5	4	5
Hong Kong	HKD	8	0.4	8	8	8	8	8
Thailand	THB	34	(0.8)	34	34	35	35	37
India	INR	84	(1.5)	83	84	85	84	87
Singapore	SGD	1.3	(1.6)	1.3	1.3	1.4	1.3	1.4
China	CNY	7	(2.0)	7	7	7	7	8
Indonesia	IDR	15,848	(2.8)	15,397	15,748	16,000	15,600	16,600
Vietnam	VND	25,345	(4.2)	24,269	25,200	25,500	25,200	25,450
Philippines	PHP	59	(5.6)	55	59	59	58	62
Taiwan	TWD	32.5	(5.6)	30.7	32.1	32.6	32.1	33.5
Korea	KRW	1,395.1	(7.7)	1,288	1,385	1,420	1,345	1,480

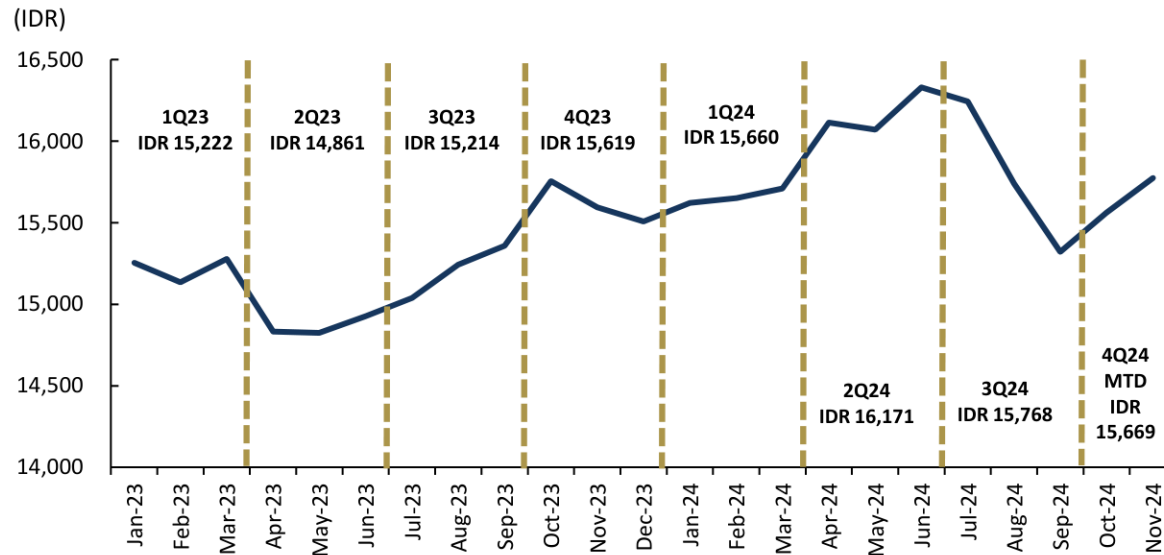
BI's 7-Day Repo Rate

- In its November 2024 meeting, Bank Indonesia (BI) prudently opted to maintain its benchmark interest rate at 6%, a move largely anticipated by the market given recent IDR volatility against the USD coupled with rising geopolitical tension. While there appeared to be a narrow window for a rate cut, given the ample FX reserves, the decision underscores BI's focus on ensuring the stability of the local currency, particularly on the back of ongoing global economic uncertainties stemming from developments in the United States and China.
- The IDR's 0.84% MoM depreciation resulted from global surge in demand for U.S. assets following Trump's victory that caused USD strengthening. Nevertheless, Indonesia's inflation dynamics remain favourable despite IDR weakness with annual inflation rate having decelerated to 1.71% in October 2024, down from 1.84% in September, marking the lowest level since October 2021. This signals effective inflation management, helped by the current elevated interest rate level. However, BI now has some room to navigate its benchmark rate without resorting to contractionary policy that could stifle future growth.
- BI also held the overnight deposit at 5.25% and lending facility rates at 6.75%, reinforcing its commitment to stable monetary environment. These measures are particularly critical as the central bank balances its monetary policy with external challenges, including volatile capital flows and shifting investor sentiment towards developed markets.
- This policy consistency highlights BI's preference in maintaining Indonesia's contained inflation outlook and guard against IDR unfavourable fluctuations in an effort to raise the country's economic fundamentals. However, the persistent strength of the USD and global risk-off sentiment present ongoing challenges for the IDR. Moving forward, BI is likely to remain vigilant, employing macro-prudential tools and forex market interventions to stabilize the currency and sustain investors' confidence.
- Looking ahead, given USD 151.2bn in recorded FX reserves and the 54th consecutive trade balance surplus, a potential rate cut remains on the table for BI in the next meeting, particularly if the Fed will lower its policy rate in December. However, both BI and the Fed may maintain their status quo throughout the year assuming more heated geopolitical and geoeconomic risks. That said, further rate cuts require careful assessments as we head into 2025, considering Indonesia's twin deficits are likely to widen due to increased budget spending and decreased exports, pressured by potential economic hard landings in both the US & China.

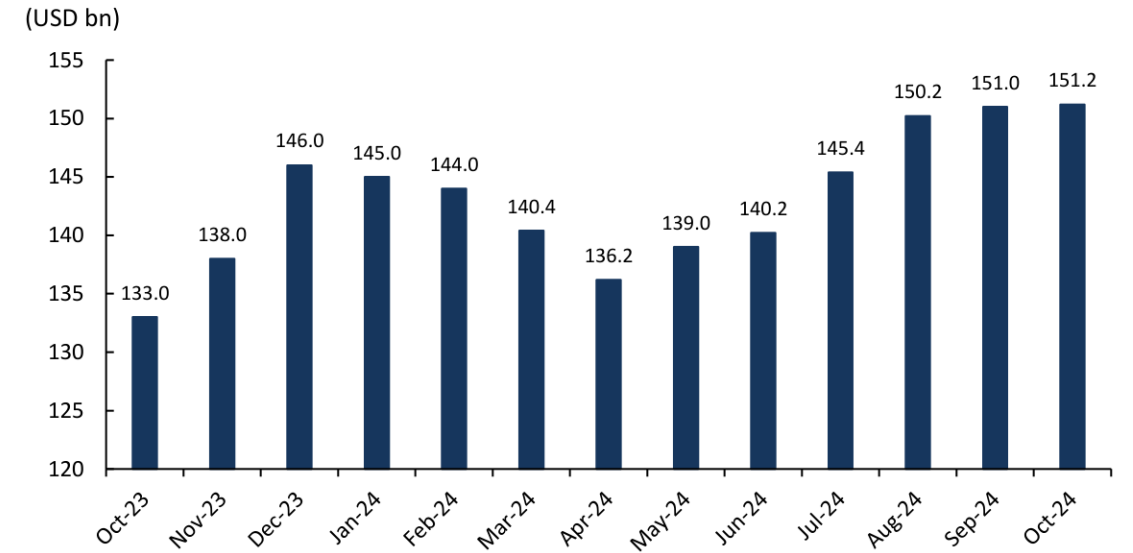
Fed Rate vs BI's Rate



Quarterly USD/IDR Rate 1Q23 – 4Q24 MTD



FX Reserves (M-o-M)

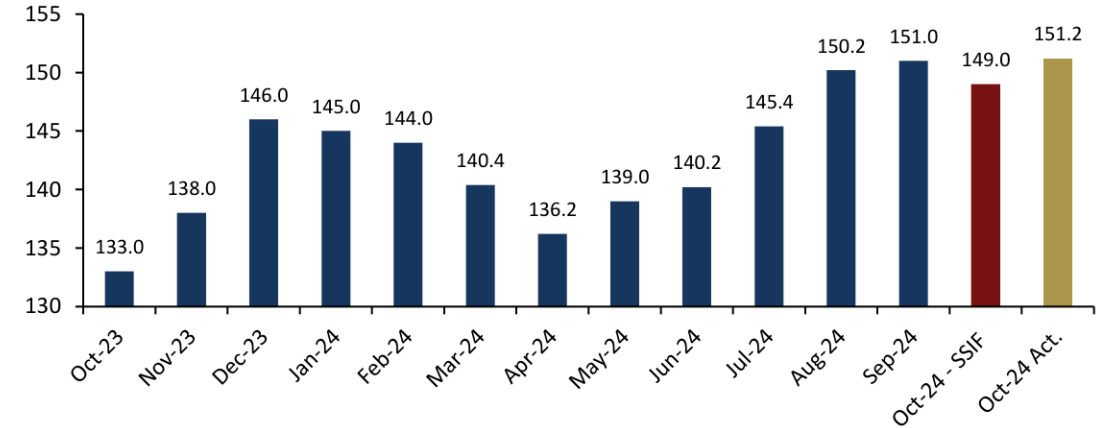


Indonesia Foreign Exchange Reserves

- In October 2024, Indonesia's foreign exchange reserves, primarily attributed to revenues from taxes and services, along with the government's foreign loan withdrawals rose to a historic peak of USD 151.2 billion, exceeding our projection of USD 149 billion, and marking an increase from USD 149.9 billion in September. This upward shift is much needed, particularly given the recent strength of the USD. This reserve level reflects Indonesia's robust external position, with funds capable of covering 6.6 months' worth of imports or, alternatively, 6.4 months when accounting for both imports and government foreign debt obligations.
- We believe this reserve level is adequate to uphold Indonesia's external sector resilience while safeguarding macroeconomic and financial stability, especially given the persistent downward pressure on the Rupiah. The surplus in reserves is an encouraging indicator, especially as it provides an additional buffer in the face of potential challenges in the global market landscape, such as shifts in capital flows, fluctuations in commodity prices, or currency volatility. This record reserve level thus not only serves as a financial safety net but also much warranted in order to imbue confidence among investors and stakeholders towards Indonesia's economic and financial stability.
- However, cautions must be undertaken since the recent September PMI data displayed four consecutive months of contraction (49.3 in July, 48.9 in August, and 49.2 in September and October), indicating potential restraints on exports, which could limit growth of international reserves, particularly on the non-borrowed front.
- Going forward, we expect this FX reserves position to provide BI with extra room to maintain its benchmark rate amid the recent geopolitical tensions that have applied pressure on the IDR's value.
- In our view, it is imperative that the IDR remains stable, a requirement for investors' confidence, in the lead up to the country's transition to a new administration which requires FDI in order to accelerate Indonesia's future GDP growth.

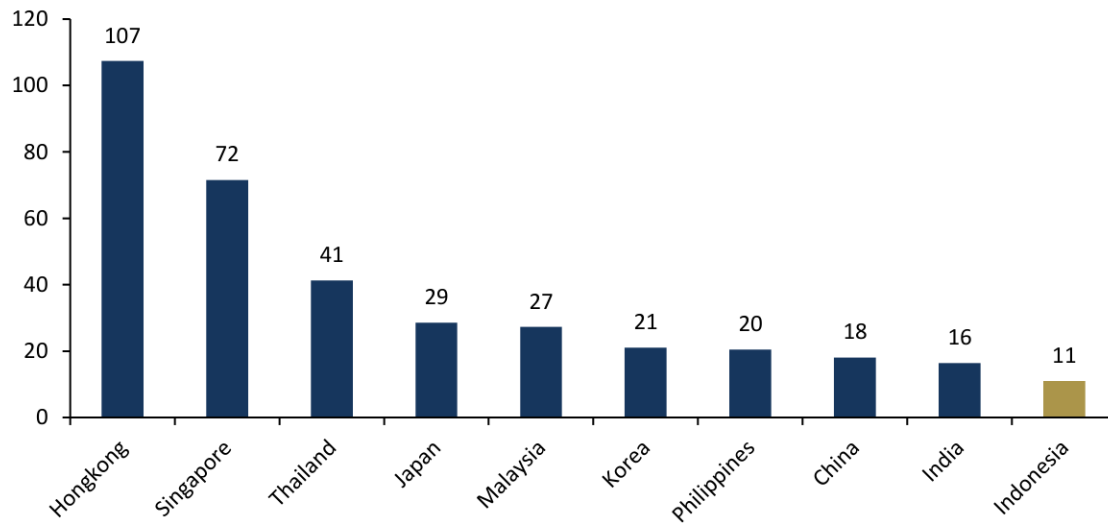
Indonesia Foreign Reserves, October 2023-24

(USD mn)



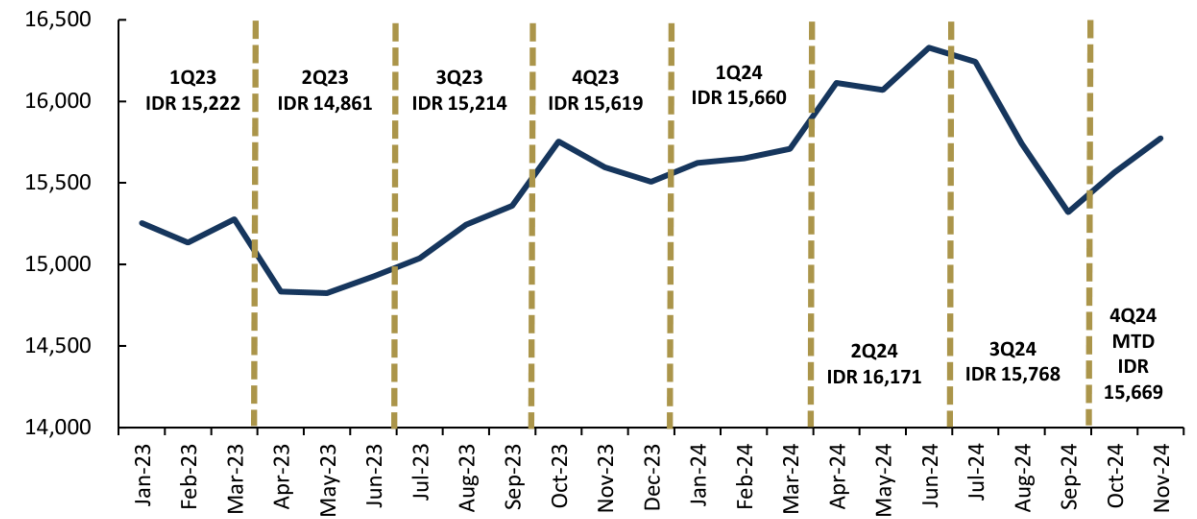
Regional FX Reserves to GDP, YTD

(%)



Quarterly USD/IDR Rate, 1Q23 – 4Q MTD

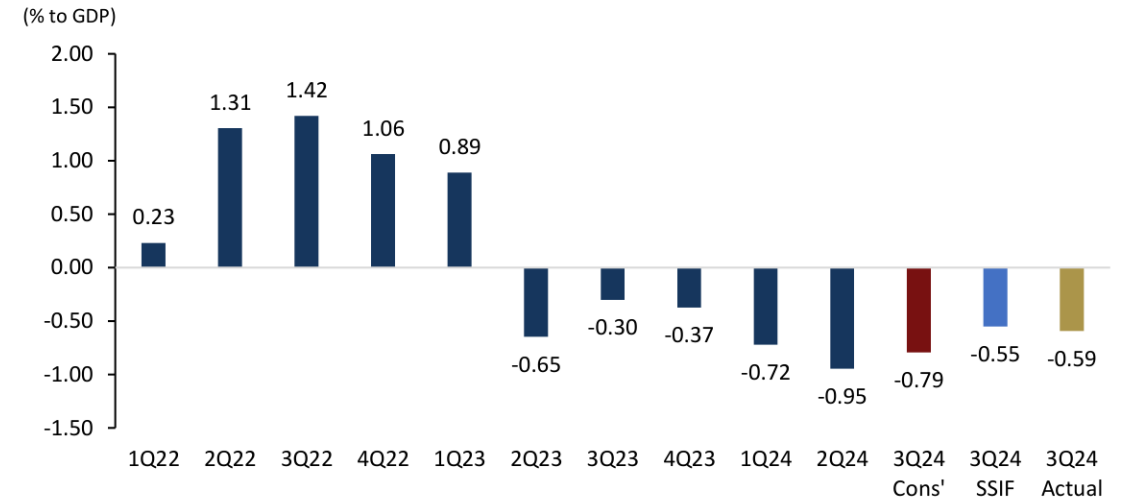
(IDR)



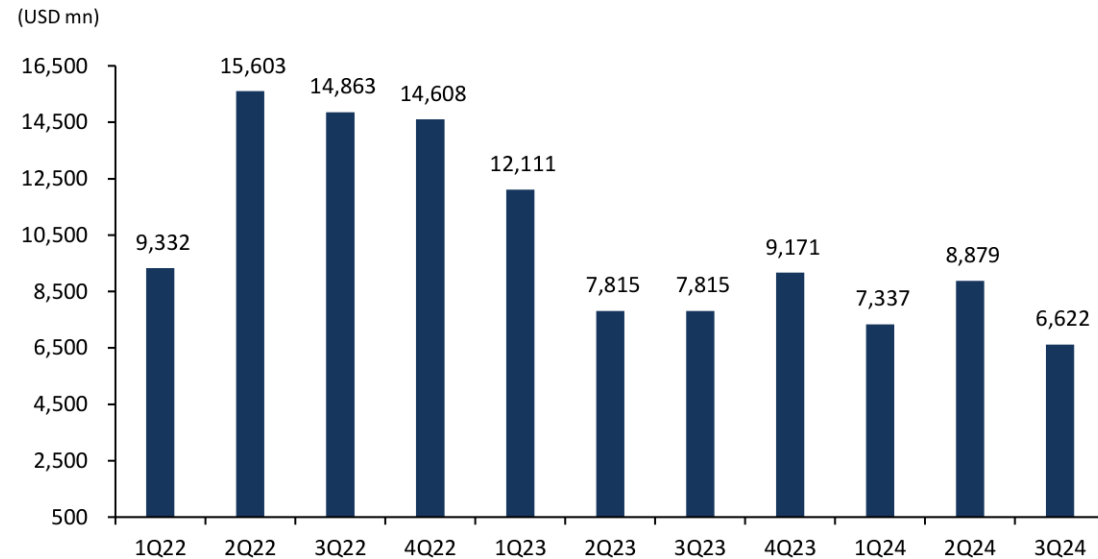
Current Account Balance 3Q24

- Indonesia's current account deficit (CAD) widened to USD 2.15bn in 3Q24 (0.59% of GDP) vs USD 1.16bn (0.30% of GDP) in 3Q23, marking the 6th consecutive quarter of deficit. This figure is in line with our projection of USD 2.05bn (0.55% of GDP) but misses the market consensus of USD 2.95bn. The worsening shortfall highlights Indonesia's ongoing economic adjustments amid softer domestic demand (3Q24 exports: USD 67.16bn; 3Q24 imports: USD 57.87bn), global trade headwinds, and higher income outflows. One of the primary drivers of the widening CAD is the narrowing trade surplus, which declined to USD 9.29bn from USD 10.16bn in 3Q23 on the back of YoY 3Q24 export growth of 5.8% and imports growth of 8.6% over the same period.
- The services account deficit also widened, rising to USD 4.15bn from USD 3.90bn in 3Q23. Higher spending on transportation, logistics, and outbound travel services contributed to this increase, as international mobility and business activities continued to recover post-pandemic. This trend is a double-edged sword indicating consumer preference for travels, but at the expense of having less to spend for other needs, and at the macro level exerting pressure on Indonesia's external balances.
- Additionally, the primary income deficit rose to USD 8.86bn from USD 8.67bn a year ago, driven by increased outflows in foreign investment income and debt servicing. While foreign direct investment remains vital to Indonesia's development, the associated outflows underscore the country's reliance on external funding, creating vulnerability on exchange rate fluctuations and global financial conditions.
- On a more positive note, the secondary income surplus increased to USD 1.58bn from USD 1.25bn in 3Q23, supported by robust remittance inflows. These inflows continue to play a crucial role in bolstering household consumption and offsetting some of the pressures from the services and trade deficits.
- Going forward, the widening CAD presents challenges to Indonesia's economic stability, particularly concerning the risk of currency depreciation. While the trade surplus offers some support, persistent deficits in services and primary income highlight the need for structural reforms to boost competitiveness in these areas. We expect CAD at 0.8% of GDP for this year before further worsening to 1.2% of GDP in 2025.

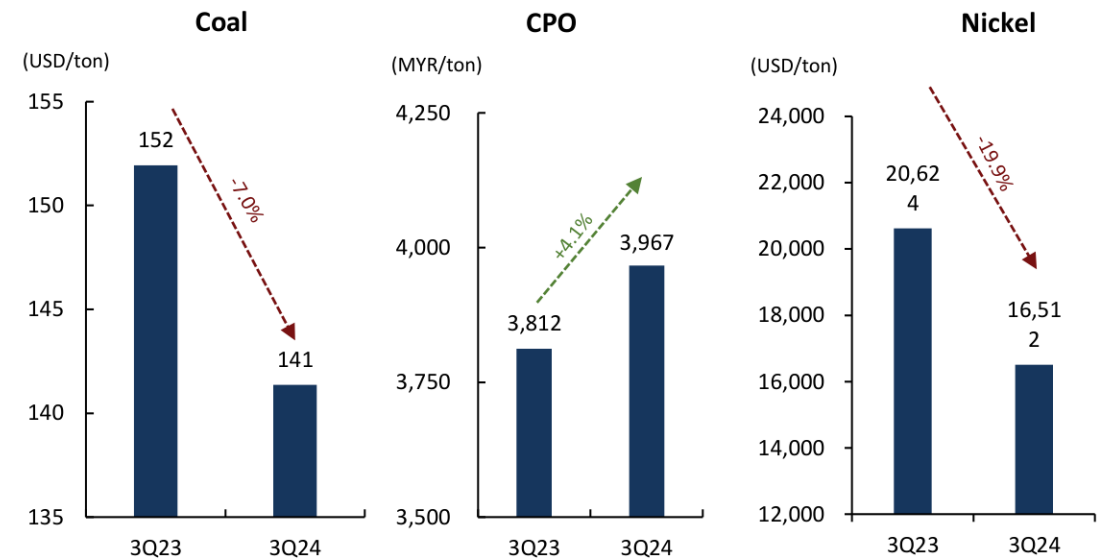
Current Account Balance, 1Q22 – 3Q24



Quarterly Trade Balance, 1Q22 – 3Q24

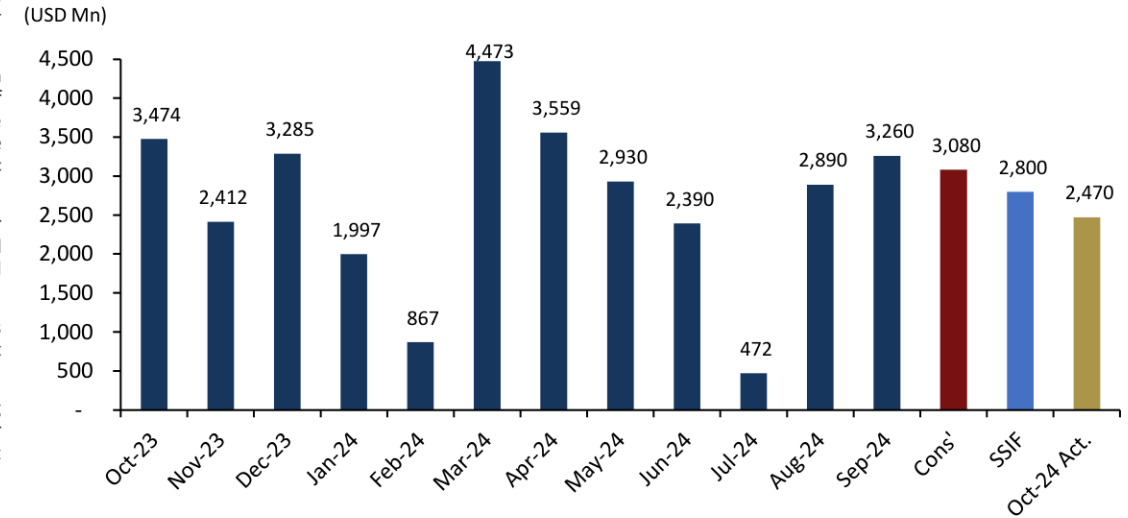


Various Average Commodity Prices, 3Q23 vs 3Q24



- In October 2024, Indonesia's trade balance experienced a shift as the surplus narrowed significantly to USD 2.47 billion, down from USD 3.47 billion in the same month the previous year. This figure not only fell short of market expectations, which had anticipated a surplus of USD 3.05 billion, as well as our forecast of USD 2.8 billion, but also marked the smallest trade surplus since June. The primary driver behind this shift was a notable surge in imports, which outpaced export growth and reshaped the country's trade dynamics.
- October's data reflect a robust increase in export activity, with shipments growing 10.25% year-over-year. This marked the seventh consecutive month of export growth and the fastest acceleration since January 2023, significantly outpacing market projections of 3.84% increase. Key drivers behind this uptick included heightened shipments to major trade partners, such as the United States, where exports jumped sharply 28.49%. India also showed strong demand, with 8.04% increase, alongside ASEAN countries at 18% and the European Union's 25.68%. This diversified demand underscores Indonesia's expanding footprint in global trade, with strategic partnerships across various regions buoying the country's export performance.
- However, imports rose at an even faster pace, surging 17.49% compared to October 2023's level. This increase was considerably higher than the anticipated 7.1% rise and represents a surge in domestic demand and investment activity. The sharp jump in imports could also signal a rise in raw materials and capital goods inflows, possibly reflecting efforts to bolster domestic industries or meet increased production requirements.
- The resulting trade balance in October, though positive, highlights the increasing pressures of rising import demand on Indonesia's external accounts. As imports outpace exports, the trade surplus may face further contractions in the near future, which could exert additional pressure on Indonesia's current account and potentially impact the rupiah's stability if these trends were to persist.
- Going forward, Indonesia's trade performance will hinge on global conditions, commodity prices, and domestic policy shifts. Balancing the fostering of local industry while maintaining trade relations with key partners will remain crucial. Amid global uncertainties, our ability to diversify exports and manage imports efficiently is vital for sustaining trade momentum. We foresee a possible halt in export growth given the persistent industrial contraction, as evidenced by four consecutive months of PMIs coming in below 50.

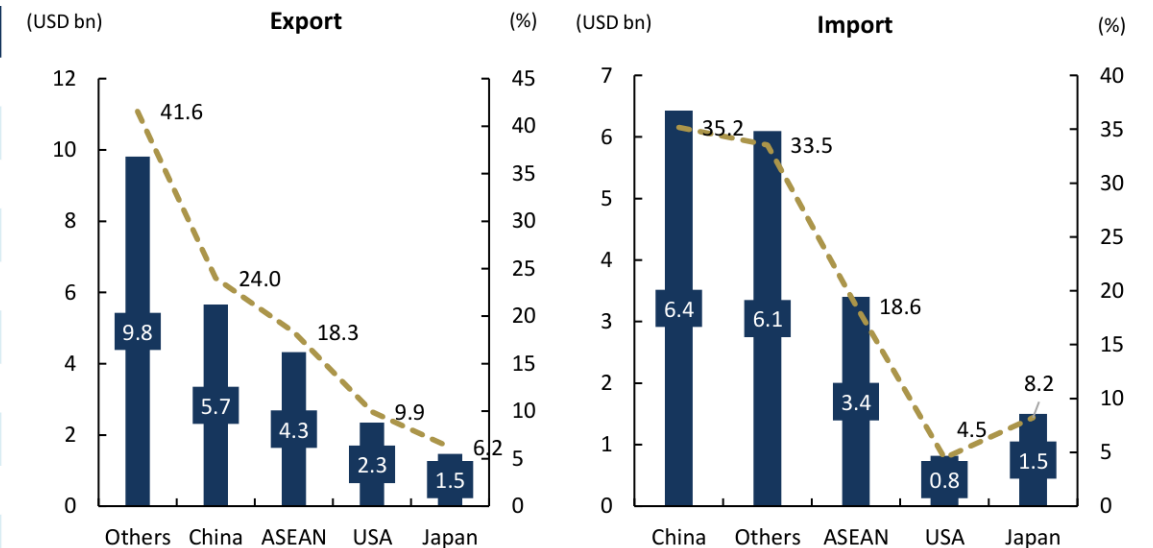
Indonesia Trade Balance



Export, Import Value (USD mn)

Description	Sep-24	Oct-24	Oct-23	% (MoM)	% (YoY)
Exports	22,056	24,414	22,145	10.7	10.2
Agriculture, Forestry, and Fisheries	564	664	373	17.6	78.1
Oil and Gas	1,151	1,345	1,370	16.9	-1.8
Mining and Others	3,886	3,970	4,288	2.2	-7.4
Manufacturing	16,454	18,435	16,113	12.0	14.4
Imports	18,825	21,938	18,673	16.5	17.5
Consumption Goods	1,853	2,039	1,818	10.0	12.2
Capital Goods	3,534	3,977	3,417	12.6	16.4
Intermediate Goods	13,438	15,922	13,438	18.5	18.5

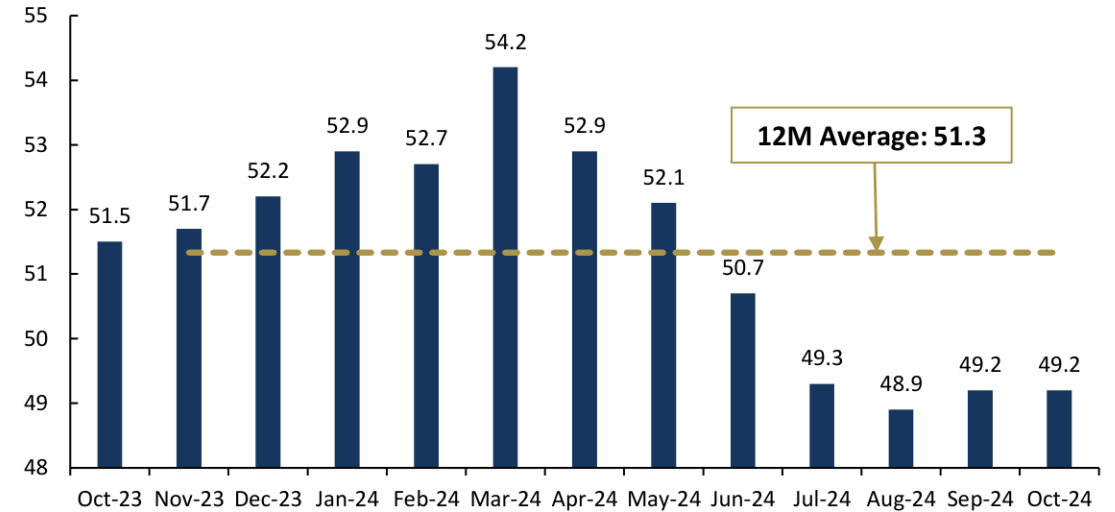
Export & Import Values of Non-Oil & Gas Goods, Oct-24



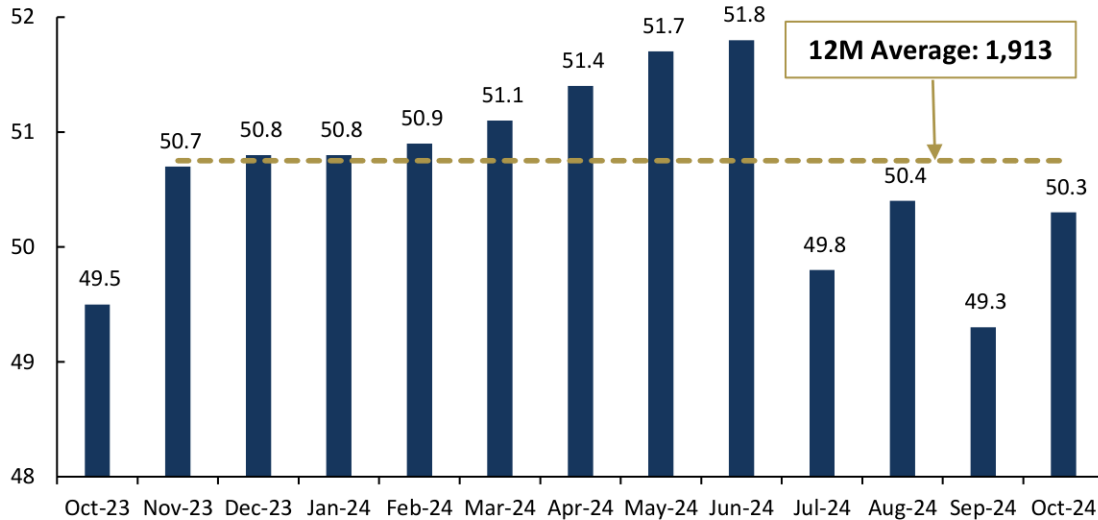
Indonesia Manufacturing PMI

- In line with our projection, the S&P Global Indonesia Manufacturing PMI for October 2024 held steady at 49.2 for the second month in a row, signaling prolonged contraction in Indonesia's manufacturing sector. This index level marks the fourth consecutive month of contraction, highlighting persistent challenges manufacturers face in increasingly subdued market environment. Both output and new orders fell, reflecting weakened demand and cautious approach within the market. These conditions align with generally sluggish economic landscape, as businesses grapple with both internal constraints and broader external pressures.
- Geopolitical tensions have significantly impacted Indonesia's export sector, leading to an eighth consecutive month of declining foreign sales. This trend highlights the challenges posed by volatile geopolitical dynamics, which have reduced foreign investment and dampened demand for Indonesian exports. Domestically, the employment landscape has also deteriorated, marking its third contraction in four months. This reduction in the workforce reflects industry responses to tempered demand, as businesses adjust operating capacity to align with current market realities.
- Backlogs of work continued to decrease, marking the fifth straight month of decline and the steepest drop since January 2021. This reflects reduced pressure on production, as incoming orders lag behind output levels. As a result, purchasing activities fell for the fourth month, with manufacturers scaling back on inputs due to lower production needs. On a positive note, vendor performance improved for the first time since May, likely due to better supply chain efficiency and increased input availability, driven by reduced overall demand.
- On the pricing front, input costs saw the most modest increase since August 2023, although the inflation rate remains notable. In response, some manufacturers raised their output prices. Still, these adjustments were marginal, highlighting an industry cautious about passing costs onto consumers amid soft demand. This cautious pricing approach is in line with the sector's subdued sentiment, as business confidence dropped to its lowest level in four months, signaling a decline in optimism about near-term recovery prospects and diverging further from historical norms.
- The October PMI report paints a challenging picture for Indonesia's manufacturing sector, where subdued demand, geopolitical pressures, and tempered business sentiment continue to exert downward pressure on growth. With limited growth prospects both domestically and internationally, we anticipate Indonesia's PMI to hover around 49-51 until the end of 4Q, aligning with our sub 5% economic growth projection of 4.95%.

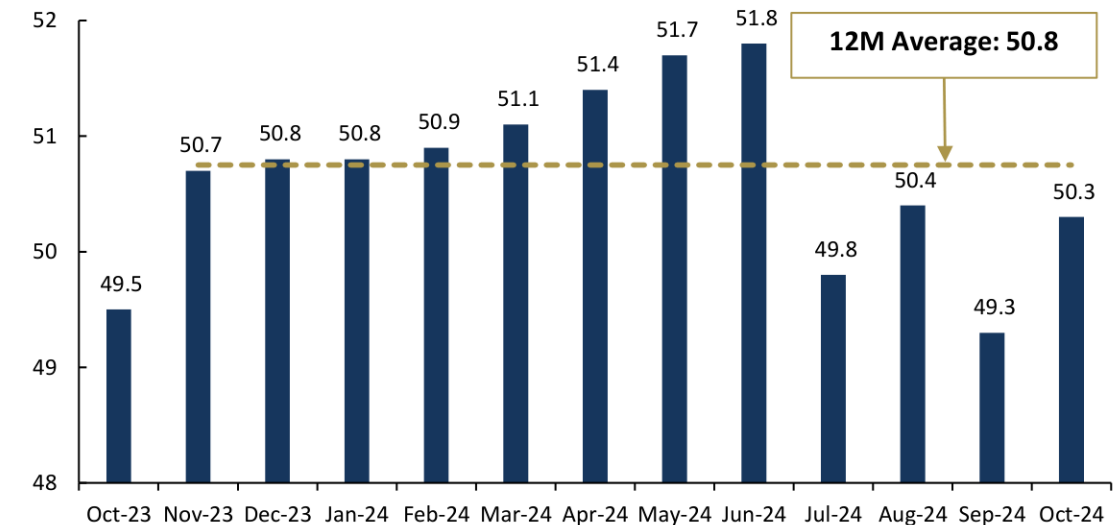
Indonesia Manufacturing PMI



Baltic Dry Index



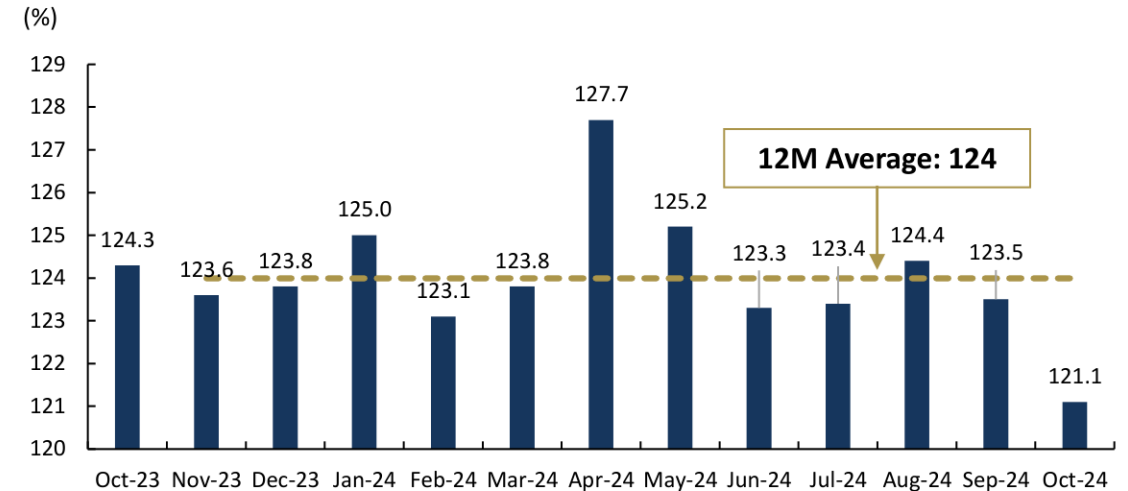
China Caixin Manufacturing PMI



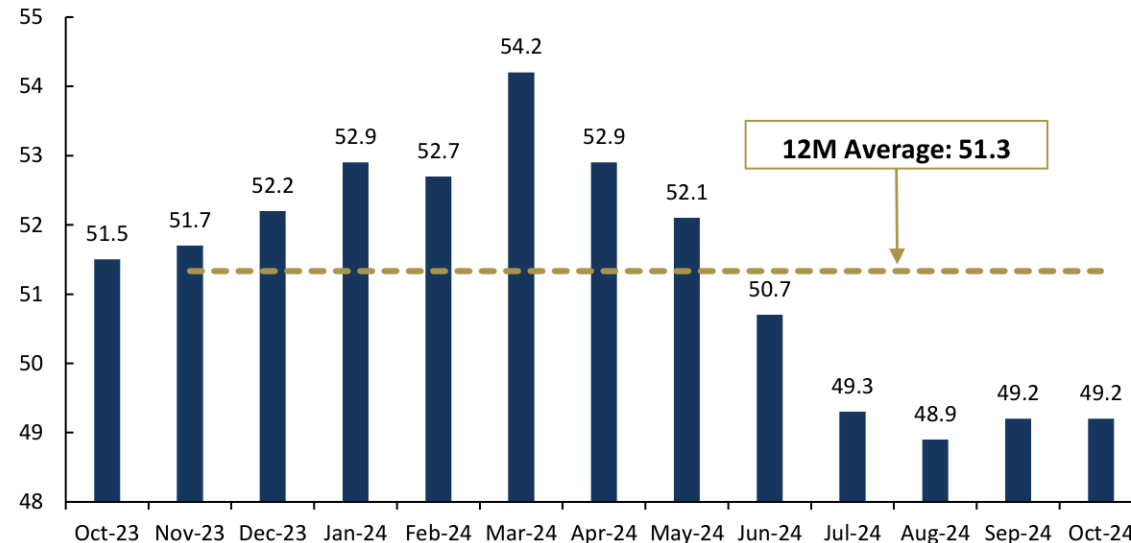
Indonesia Consumer Confidence Index

- Worse than our expectation, Indonesia's consumer confidence index dropped to 121.1 in October 2024, down from 123.5 in September. This decline marks the lowest reading since December 2022, reflecting a growing sense of economic caution among consumers. The decline spans almost all six sub-indices, suggesting that Indonesian households are increasingly concerned about the economy's immediate and future trajectory. Such a downturn in consumer confidence could impact spending on goods and services, with potential ripple effects across various sectors, including retail, hospitality, and consumer-oriented services.
- The most significant decline was seen in perceptions of current economic conditions, which fell 4 points to 109.9. This drop suggests that consumers are feeling the slowdown in economic activity. When confidence in present conditions diminishes, consumers are more likely to limit spending, especially on non-essential items. This cautious approach could suppress demand in industries particularly reliant on discretionary consumer spending, adversely affecting growth in retail sales and consumer services. With budgets feeling the strain, households may cut back on non-essential spending, which could dampen sectors like hospitality, retail, auto, media and leisure.
- Moreover, the future does not appear bright from the consumers' perspective, as the economic outlook sub-index also fell 1.8 points to 133.1. While this decline is less sharp than that in current conditions, it highlights consumers' wariness about potential headwinds in the coming months. This apprehension may stem from global economic uncertainties or regional political tensions that could impact job stability and household income growth. A more pessimistic view of the economy's trajectory could lead to increasingly conservative approach to spending and saving, further slowing economic momentum.
- Concerns over job availability are another critical factor influencing consumer confidence. The job availability index dropped slightly 0.7 points to 132.4, signaling mild uneasiness about employment prospects. Meanwhile, perceptions of job availability compared to six months ago declined 3.5 points to 104.7, a more significant shift that underscores growing uncertainty about labor market conditions.
- Interestingly, the only area that showed slight improvement was income expectations for the next six months, which rose 0.2 points to 138.4. This slight uptick hints at cautious optimism regarding future income growth, possibly as consumers anticipate economic stabilization or potential growth in specific industries.
- Indonesia is likely to see relatively unexciting index performance in the coming months, driven by lagging effects on consumption and constrained production capacity. These factors present potential obstacles to achieving the government's FY24 economic growth target of over 5% (SSI's projection: 4.9%), particularly if the IDR weakens again as fund flows ebb due to liquidity volatility and market capriciousness.

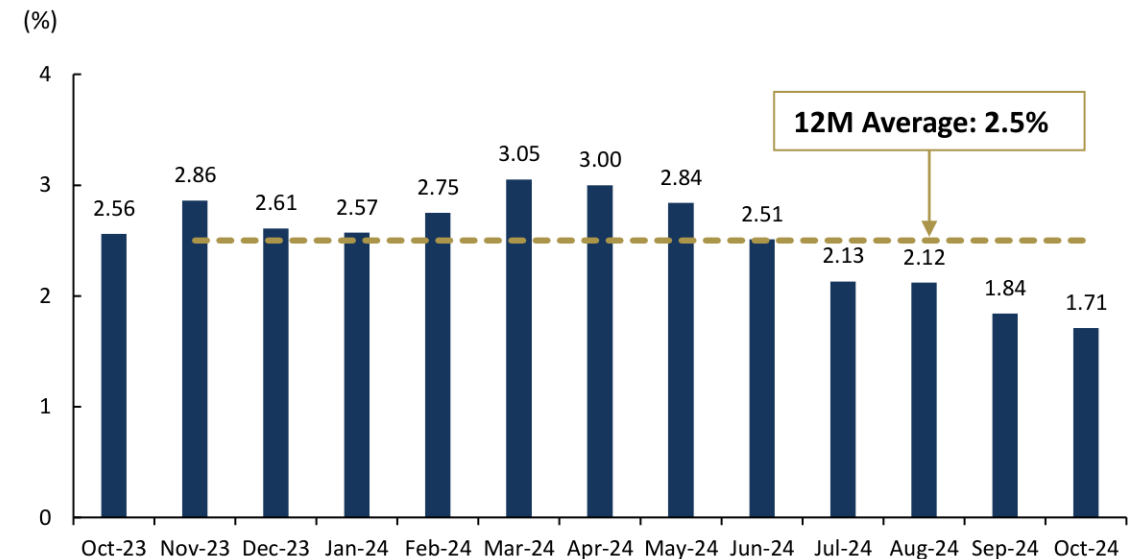
Indonesia Consumer Confidence Index



Indonesia Manufacturing PMI

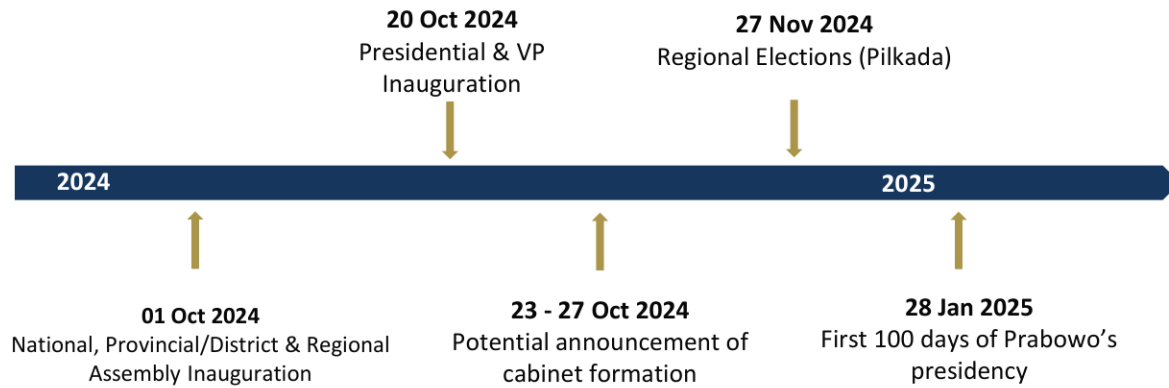


Indonesia Inflation Y-o-Y



Politics: Important Dates and Challenges

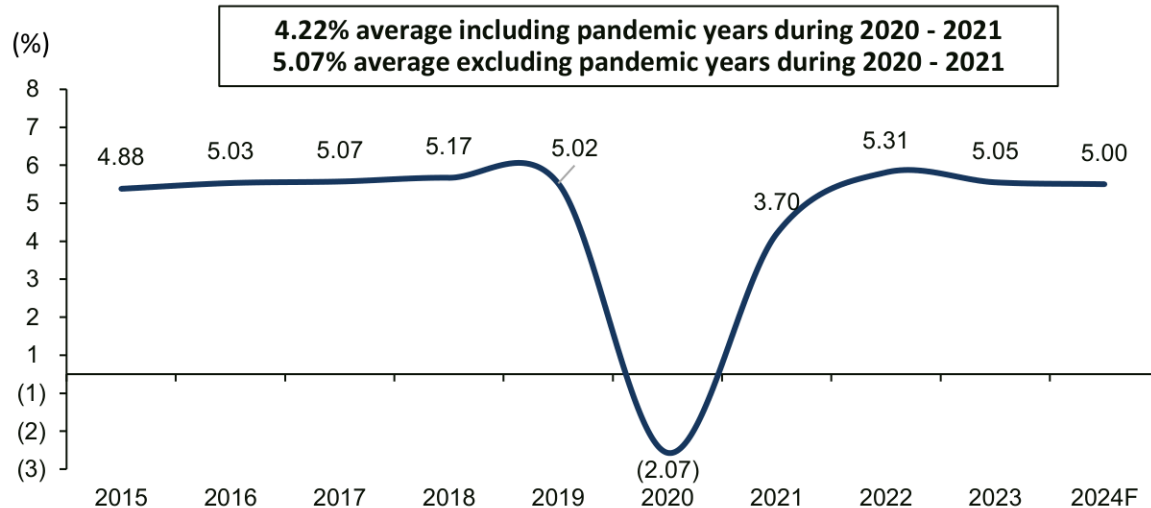
Political Events



Developing Prabowo's Power Base



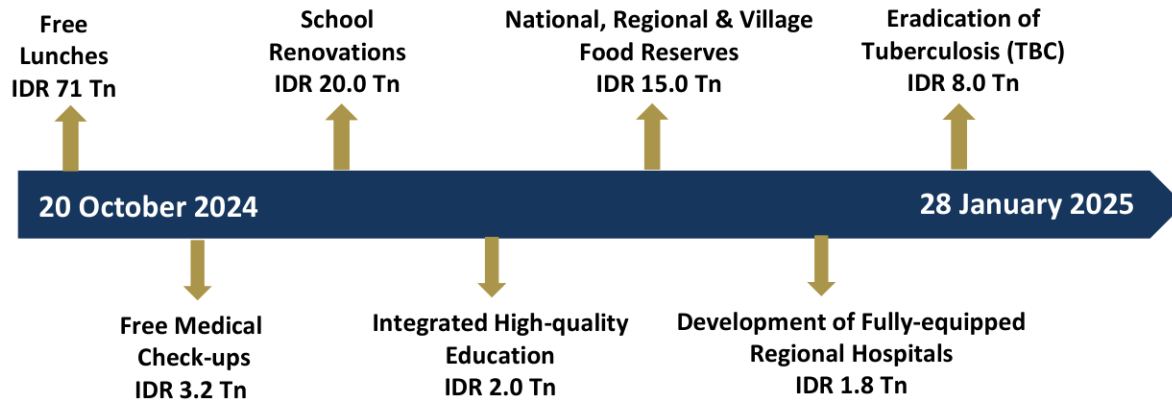
Indonesia GDP Growth 2015 -2024F



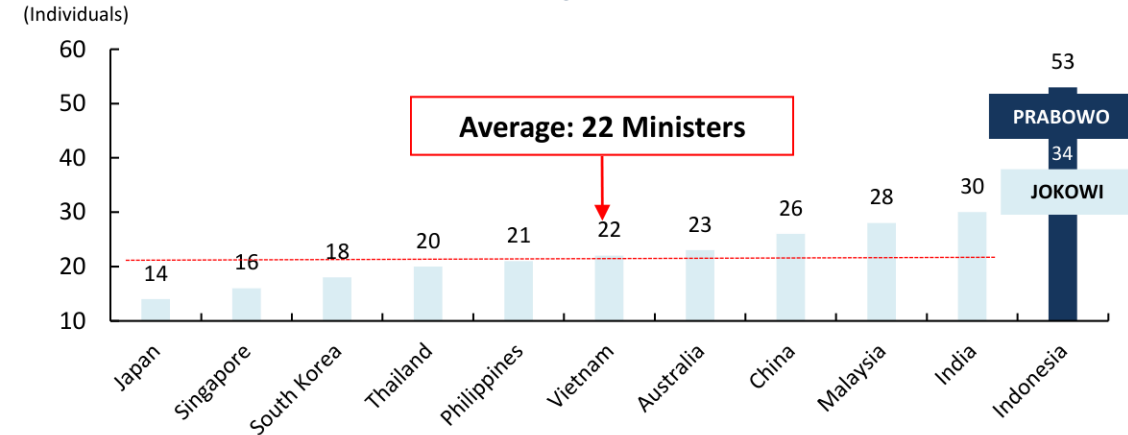
Corruption Index Indonesia, 2014 - 2023



7 Projects in the First 100 Days: IDR 121 Trillion Spending



Number of State Ministers in Major APAC Countries



Historical Cabinet Formation

Cabinet	Period	No. of Ministers	Cabinet	Period	No. of Ministers
Pembangunan I	1968-73	24	Reformasi	1998-99	37
Pembangunan II	1973-78	24	Persatuan Nasional	1999-2001	36
Pembangunan III	1978-83	32	Gotong Royong	2001-04	33
Pembangunan IV	1983-88	42	Indonesia Bersatu	2004-09	34
Pembangunan V	1988-93	44	Indonesia Bersatu II	2009-14	34
Pembangunan VI	1993-98	43	Kerja	2014-19	34
Pembangunan VII	1998-98	38	Indonesia Maju	2019-24	34

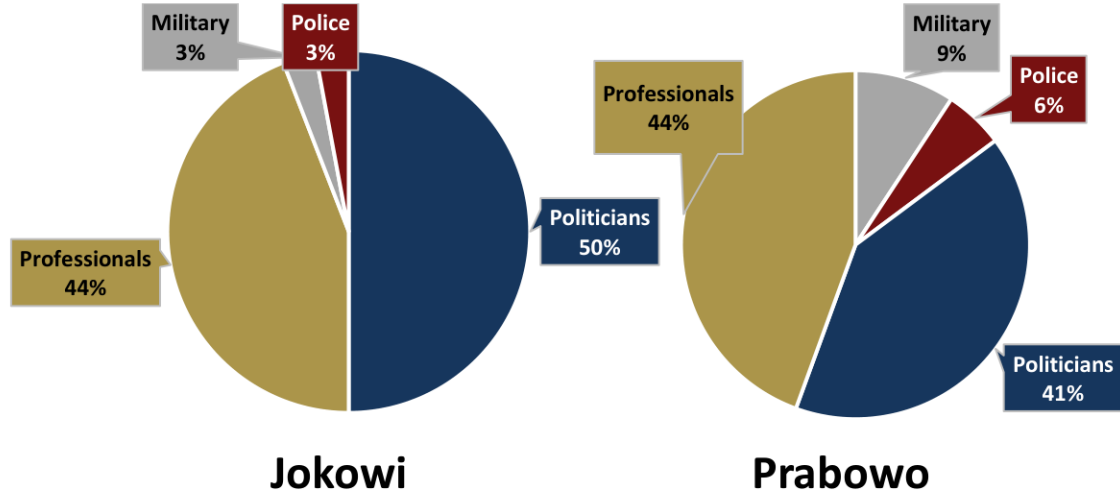
Coordinating Ministers

Jokowi's Era	Prabowo's Era
1. Political, Legal & Security Affairs	1. Political & Security Affairs
2. Economic Affairs	2. Law, Human Rights, Immigration & Corrections
3. Human Development & Culture	3. Economic Affairs
4. Maritime Affairs & Investment	4. Infrastructure & Development
	5. Food
	6. Human Development & Culture
	7. Community Welfare

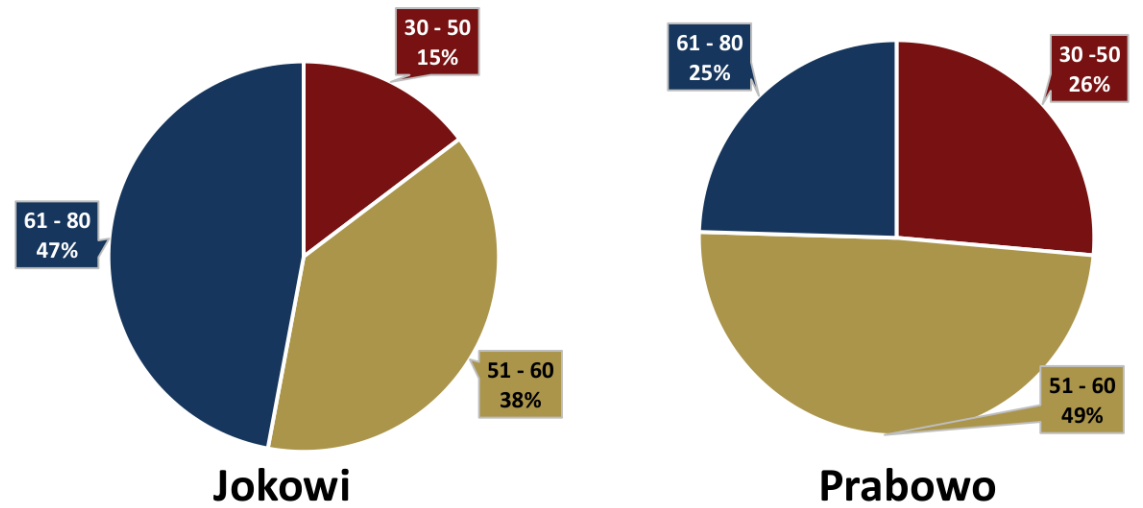
Profiles of the Ministers: 38% from Ex. Jokowi's Team



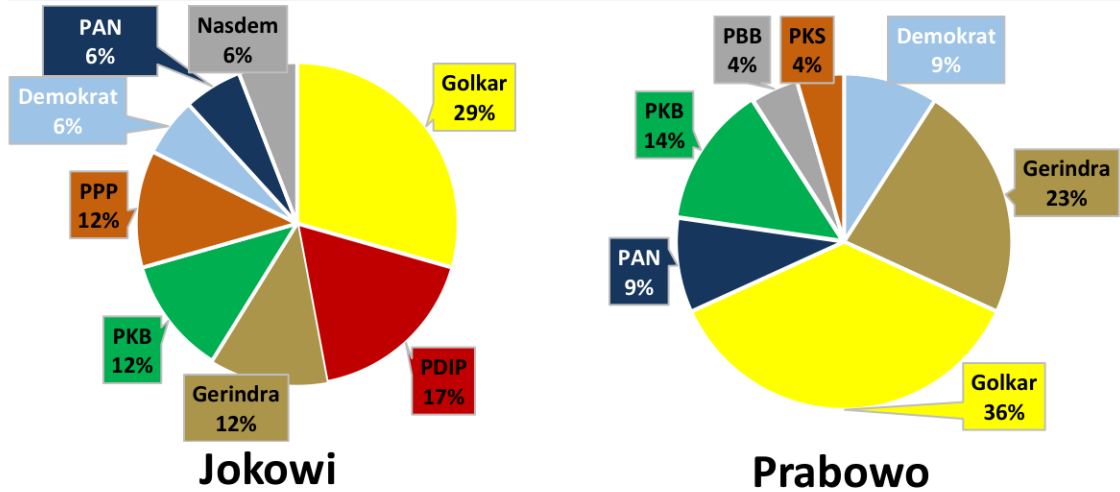
By Occupancy



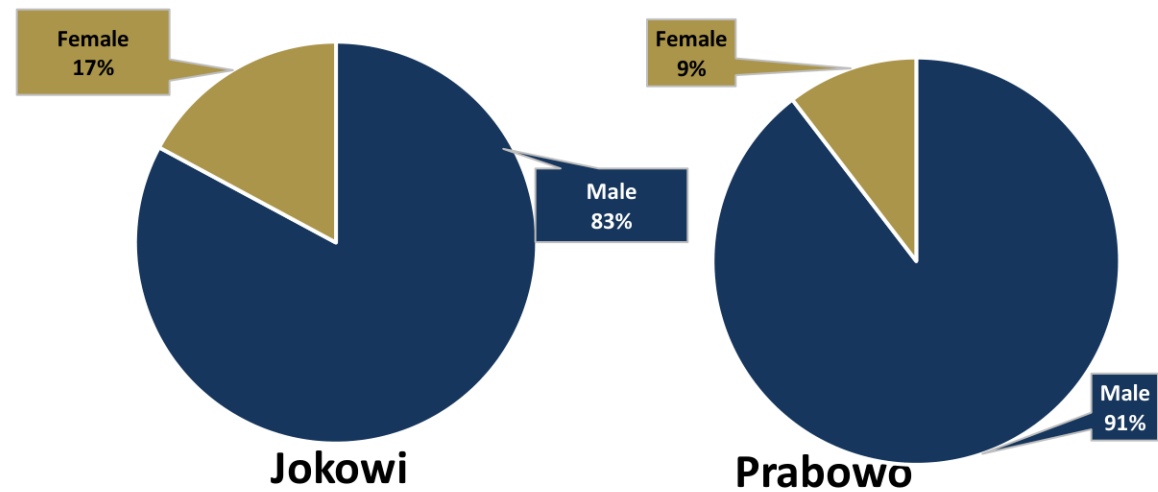
By Age



By Political Party



By Gender



Befitting for Most, from Youngest to Oldest – Part I



(34)

Dito Ariotedjo
(Golkar-Politician;
Ex. Jokowi's Team)
Youth and Sports Affairs



(45)

Hasan Nasbi
(Professional)
Presidential
Communication Office



(47)

Iftitah Suryanagara
(Professional)
Transmigration &
Acceleration of
Development of Eastern
Indonesia



(51)

Nusron Wahid
(Golkar – Politician)
Agrarian & Spatial
Planning



(35)

Teddy Indra Wijaya
(Military)
Cabinet Secretary



(46)

Agus H. Yudhoyono
(Demokrat – Politician;
Ex. Jokowi's Team)
Co. Infrastructure &
Development



(48)

Bahlil Lahadalia
(Golkar – Politician;
Ex. Jokowi's Team)
Energy & Mineral
Resources



(52)

Teuku Riefky Harsya
(Demokrat - Politician)
Creative Economy



(44)

**Maman
Abdurrahman**
(Golkar - Politician)
Small & Medium
Enterprises



(46)

Meutya Hafid
(Golkar - Politician)
Communications &
Digital



(48)

Yassierli
(Professional; Endorsed
by PKS)
Manpower



(53)

Fadli Zon
(Gerindra - Politician)
Culture



(45)

Prasetyo Hadi
(Gerindra – Politician)
State Secretary



(47)

Raja Juli Antoni
(PSI – Politician;
Ex. Jokowi's Team)
Forestry



(49)

Yandri Susanto
(PAN - Politician)
Villages & Development
of Disadvantaged Regions



(53)

Maruarar Sirait
(Gerindra - Politician)
Public Housing



(45)

Sugiono
(Gerindra – Politician)
Foreign Affairs



(47)

Wihaji
(Golkar – Politician)
Population & Family
Development



(51)

Abdul Kadir Karding
(PKB – Politician)
Immigrant Worker Safety



(53)

Hanif Faisol Nurofiq
(Professional)
Environment

Befitting for Most, from Youngest to Oldest – Part II



(53)

**Widiyanti Putri
Wardhana**
(Professional)
Tourism



(55)

Budi Arie Setiadi
(Professional)
Cooperatives



(56)

Budi Santoso
(Professional)
Trade



(59)

Rini Widyantini
(Professional; Ex. Jokowi's
Team)
Empowerment of State
Apparatus & Bureaucratic
Reform



(54)

Dudy Purwagandhi
(Professional)
Transportation



(55)

Natalius Pigai
(Professional)
Human Rights



(56)

Rosan Roeslani
(Professional;
Ex. Jokowi's Team)
Investment/ Head of
Investment



(60)

M. Herindra
(Military; Ex. Jokowi's
Team)
State Intelligence Agency



(54)

Erick Thohir
(Professional;
Ex Jokowi's Team)
State-Owned Enterprises



(55)

Arifah Choiri
(Professional)
Women's Empowerment
& Child Protection



(57)

Agus Andrianto
(Police)
Immigration &
Corrections



(60)

M. Tito Karnavian
(Police;
Ex. Jokowi's Team)
Home Affairs



(55)

**Supratman Andi
Agtas**
(Gerindra – Politician;
Ex. Jokowi's Team)
Law



(56)

Abdul Mu'ti
(Professional)
Primary & Secondary
Education



(58)

Muhaimin Iskandar
(PKB – Politician)
Co. Community Welfare



(60)

Saifullah Yusuf
(PKB – Politician)
Social Affairs



(55)

**Agus Gumiwang
Kartasmita**
(Golkar – Politician; Ex.
Jokowi's Team)
Industry



(56)

Andi Amran Sulaiman
(Professional;
Ex Jokowi's Team)
Agriculture



(59)

AM Putranto
(Military)
Chief of Presidential Staff



(60)

Budi Gunadi Sadikin
(Professional;
Ex Jokowi's Team)
Health

Befitting for Most, from Youngest to Oldest – Part III



(62)

Airlangga Hartanto
(Golkar – Politician;
Ex. Jokowi's Team)
Co. Economy



(65)

Budi Gunawan
(Police)
Co. Political & Security
Affairs



(70)

ST Burhanuddin
(Professional; Ex.
Jokowi's Team)
Attorney General



(62)

Zulkifli Hasan
(PAN – Politician;
Ex. Jokowi's Team)
Co. Food



(65)

Nasaruddin Umar
(Professional)
Religion



(71)

Sjafrie Sjamsoeddin
(Military)
Defense



(62)

Pratikno
(Professional;
Ex Jokowi's Team)
Co. Human Development
& Culture



(65)

Rachmat Pambudy
(Professional)
National Delopment
Planning/ Head of
Bappenas



(n.a)

Dody Hanggodo
(Professional)
Public Works



(62)

**Sakti Wahyu
Trenggono**
(Professional;
Ex Jokowi's Team)
Maritime Affairs &
Fisheries



(68)

**Satryo Soemantri
Brodjonegoro**
(Professional)
Higher Education, Science
& Technology



(62)

Sri Mulyani
(Professional;
Ex. Jokowi's Team)
Finance



(68)

Yusril Ihza Mahendra
(PBB – Politician)
Co. Law, Human Rights,
Immigration &
Corrections

Politic, Legal & Security Affairs



1. Political & Security (Coordinating)
2. Law, Human Rights, Immigration & Corrections (Coordinating)
3. Foreign Affairs
4. Home Affairs
5. Law
6. Human Rights
7. Immigration & Correction
8. Defense
9. State Secretary
10. Empowerment of State Apparatus & Bureaucratic Reform

Social Affairs & Public Welfare



1. Food (Coordinating)
2. Community Welfare (Coordinating)
3. Social
4. Health
5. Youth & Sports
6. Women's Empowerment & Child Protection
7. Protection of Indonesia Migrant Workers
8. Population & Family Development
9. Manpower

Economy & Investment



1. Economic Affairs (Coordinating)
2. Finance
3. Energy & Mineral Resources
4. Trade
5. Industry
6. Investment & Head of Investment Coordinating Board
7. State-Owned Enterprises
8. Micro, Small & Medium Enterprises
9. Cooperatives

Development & Infrastructure



1. Infrastructure & Development (Coordinating)
2. Human & Development Culture (Coordinating)
3. Transportation
4. Public Works
5. Public Housing
6. Villages & Development of Disadvantaged Regions
7. Agrarian & Spatial Planning, Head of National Land Agency
8. Transmigration & Acceleration of Development of Eastern Indonesia
9. National Development Planning/ Head of BAPPENAS

Environment & Natural Resources



1. Agriculture
2. Forestry
3. Environment
4. Marine Affairs & Fisheries

Education, Culture & Religion



1. Primary & Secondary Education
2. Higher Education, Science & Technology
3. Culture
4. Religion

Tourism & Creative Economy



1. Tourism
2. Kreatif Economy

Tourism & Creative Economy



1. Communications & Digital

Prabowo's New Ministries: Challenges &



Larger Government → Propensity to be inefficient due to overlapping responsibilities

Slow progress on the need for adjustment, inter-coordination and accountability

Increased costs with investors facing too many desks to obtain permissions

..... Benefits



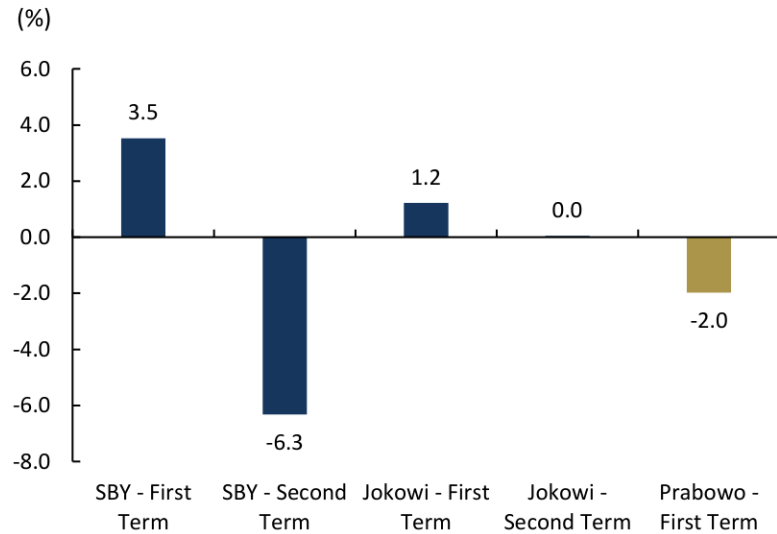
Political consensus making many political parties happy

Burden sharing to allow shared accountability

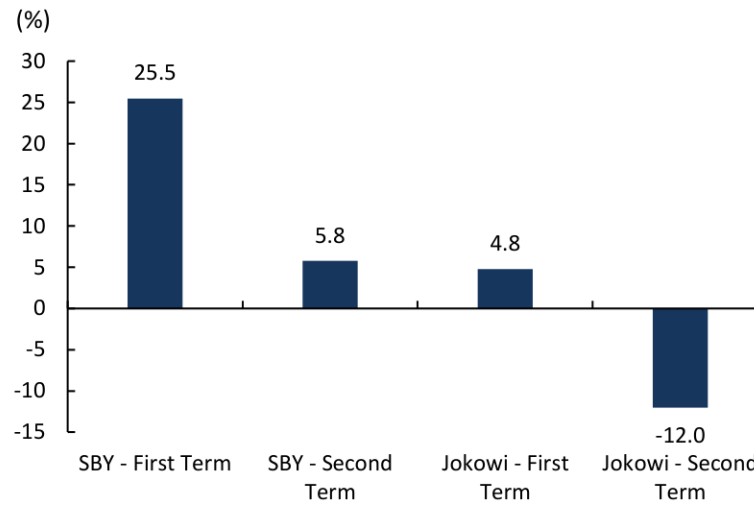
Specialization (extra focus)

JCI's Performance Post Presidential Inaugurations, 2004 - 2024

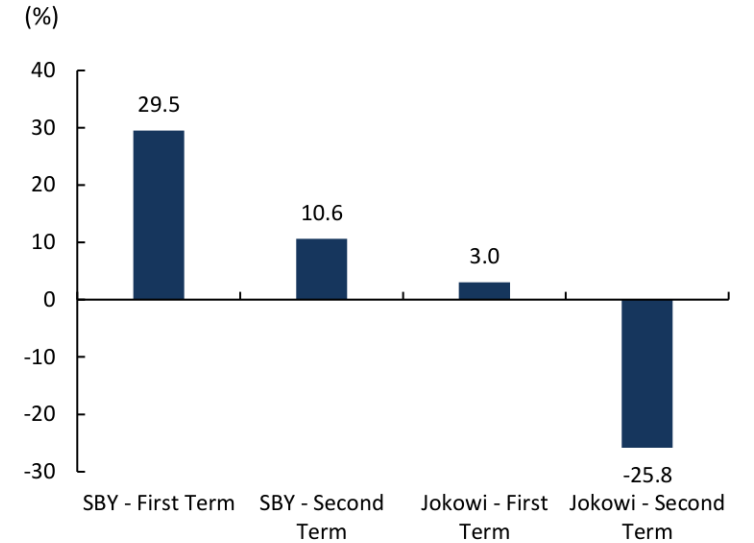
First Week



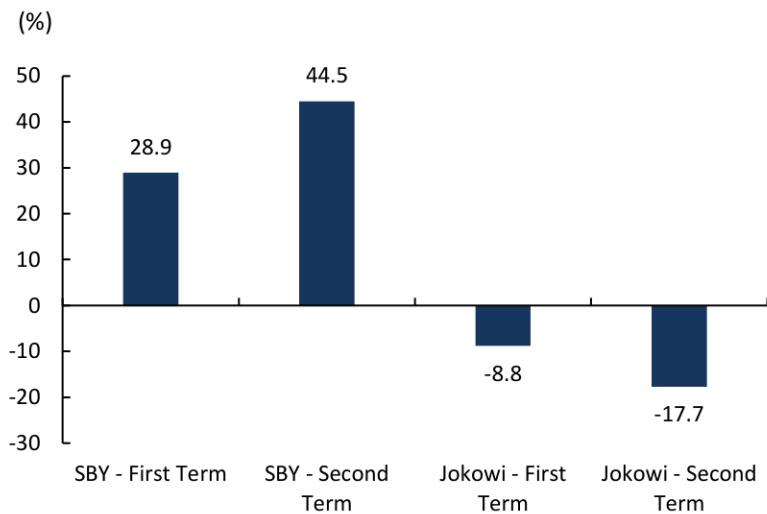
First 100 Days



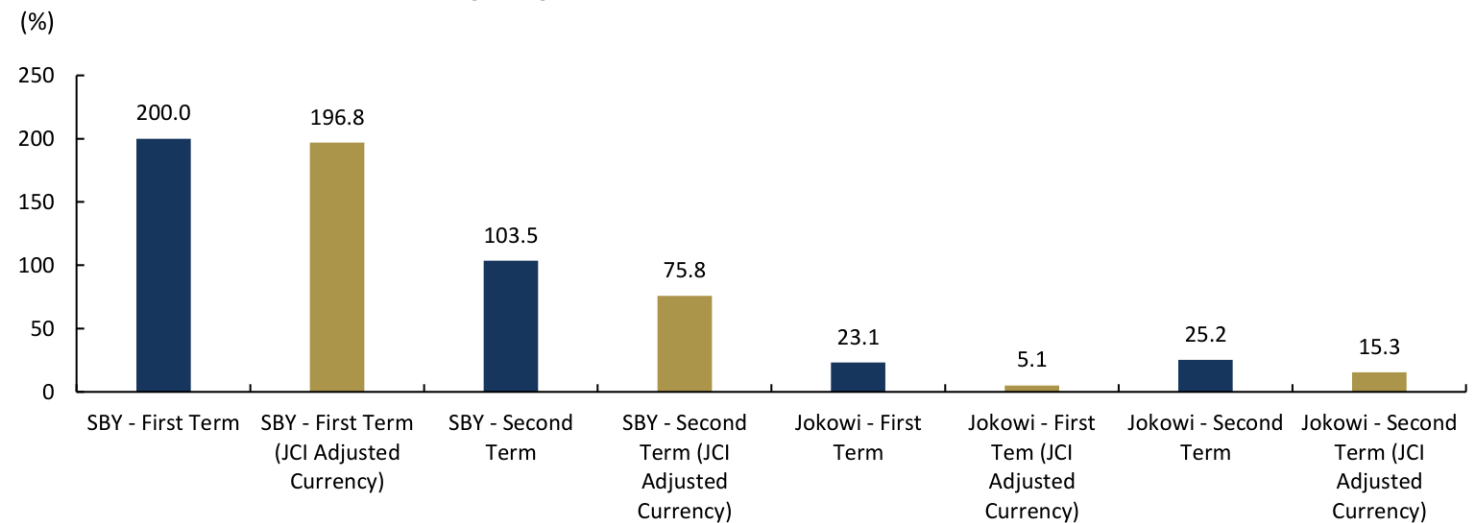
First 200 Days



1st Year



SBY vs Jokowi with Currency Adjusted



What's Next: Formation of Supreme Advisory Council Under Prabowo by end-2024

History, Duties and Functions

The Supreme Advisory Council:

- ❑ Established on 25 Sept 1945 under Article 16 Paragraph 2 of the 1945 Constitution (pre-amendment), with 11 initial members.
- ❑ However, under Law No. 19 of 2006, a parallel advisory council was formed the Presidential Advisory Council.
- ❑ Prabowo plans to re-introduce a new Supreme Advisory Council, potentially with Jokowi as chairman.



Based on to Law No. 19 / 2006, functions & duties of the Council:

- ❑ The 9 members of Presidential Advisory Council provide advice and recommendations to the President.
- ❑ Upon the President's request, this council can attend cabinet meetings and official domestic and international visits.

Making a powerful come back:
The Supreme Advisory Council



Chairman of the Supreme Advisory Council, 1945 - 2003

Name	Periode	Name	Periode
R. Margono Djojohadikusumo	Sept – Nov 1945	Wilopo	1968 - 1978
RAA Wiranatakusuma	1945 – 1948	Idham Chalid	1978 - 1983
Ario Soerjo	Apr – Nov 1948	Maraden Panggabeh	1983 - 1993
KPH Soetardjo Kartohadikoesoemo	1948 - 1950	Sudomo	1993 - 1998
Soekarno	1959 - 1966	Arnold Achmad Baramuli	1998 - 1999
RAA Wiranatakusuma	1967 - 1968	Achmad Tirtosudiro	1999 - 2003

Chairman of the Presidential Advisory Council, 2007 - Present



Ali Alatas
2007 - 2009



Emil Salim
2010 - 2014



Sri Adiningsih
2014 - 2019



Wiranto
2019 - present

Modern Refinements to the Widjojo-Ali System under Suharto

Context and Historical Background

Widjojo-Ali System:

- Established during Suharto's New Order regime
- Transformed Indonesia from an unstable economy to one of SEA's leading economies by the early 1990s
- Led to crony capitalism, causing long-term economic vulnerabilities



Soemitro Djojohadikoesoemo
Founding Father of Indonesian
Economic System



Widjojo Nitisastro
Head of Bappenas
(1967 – 1983)

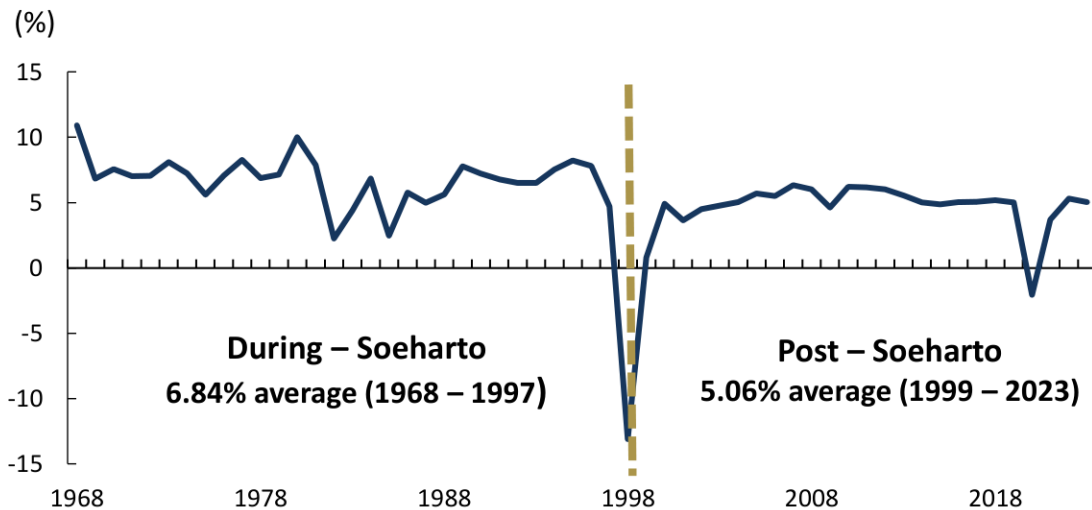


Ali Wardhana
Minister of Finance
(1983-1988)



Suharto
President of Indonesia
(1968-1998)

Indonesia GDP Trend Excluding Black Swan Events



Key Components of the Proposed Refinements

Key Components	Role in Suharto Era	Proposed Role
BPN	BPN focused on land and property registration	Expand BPN's responsibilities to include taxation (similar to the IRS) and customs, streamlining revenue collection and enforcement
Bappenas	Bappenas led centralized economic planning and development	Reinforce Bappenas' role in planning, with added responsibilities in budgeting and real-time monitoring, ensuring a cohesive economic strategy
Ministry of Finance (MoF)	MoF functions as the central authority for fiscal policies and budget execution	Refocus MoF to primarily serve as the Treasury Office, managing government finances, debt, and disbursements efficiently

Rationale for the Refinements

- Political Stability:** Increasing roles of the Military & Police
- Economic Stability:** Centralized control for consistent economic policy and execution
- Modernization:** Adapting proven systems from the past to the current economic and technological environment

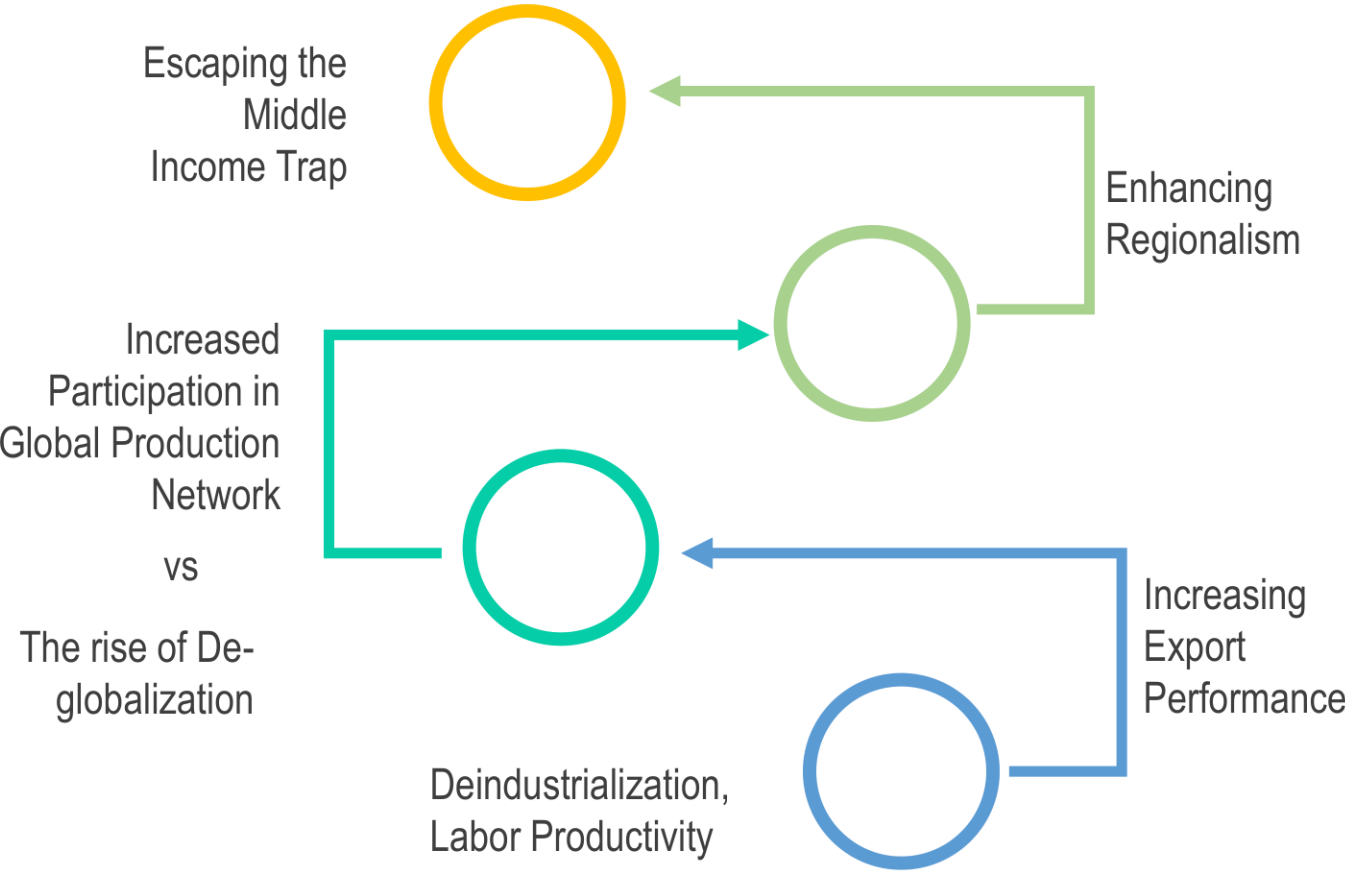


Macro Forecasts

Macro	2023	SSI's 2024F	State Budget 2024F	SSI's 2025F	State Budget 2025F
GDP (% YoY)	5.1	4.9	5.2	5.0	5.2
Inflation (% YoY)	2.6	1.8	2.8	3.0	2.5
Current Account Balance (% GDP)	-0.1	-0.7	n.a.	-1.2	n.a.
Fiscal Balance (% to GDP)	-1.7	-2.7	-2.3	-2.9	-2.5
BI7DRRR (%)	6.0	5.75	n.a.	5.5	n.a.
10Y. Government Bond Yield (%)	6.6	6.8	6.7	7.0	7.0
Exchange Rate (USD/IDR)	15,399	15,900	15,000	15,900	16,000

Source: SSI Research

Future Economic Challenges





Thank You

Your Lifelong
Investment Partner

SSI Research Team

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