

**ANALYST TEAM:**

Sintia Prihastanti
sintia.prihastanti@pkri.co.id

Fadhlán Muhtadi
fadhlán.muhtadi@pkri.co.id

6221- 27093505
 TIFA Building, 7th Floor, Suite 704
 Kuningan Barat No. 26 Jakarta
 12710

| Data | Unit | 11-Oct-24 | WoW % Chg | MoM % Chg | QoQ % Chg | YoY % Chg |
|--|---------------|-----------|-----------|-----------|-----------|-----------|
| EUR / IDR | IDR | 17,034 | 0.26% | 0.49% | -3.19% | 2.26% |
| USD / IDR | IDR | 15,575 | 0.61% | 1.17% | -3.80% | -0.73% |
| JPY / IDR | IDR | 104 | 0.34% | -3.43% | 2.43% | -0.71% |
| Malaysia Palm Oil Futures - Delivery Jan25 | MYR / Ton | 4,252 | -1.12% | 9.00% | 8.06% | 19.74% |
| Brent Oil WTI Futures - Delivery Jan25 | USD / Barrel | 79 | 1.51% | 12.01% | -6.89% | -7.19% |
| Gold Futures - Delivery Nov24 | USD / Troy Oz | 2,664 | 0.32% | 5.77% | 10.01% | 41.84% |
| Newcastle Coal Futures - Delivery Oct24 | USD / Ton | 147 | -1.01% | 5.54% | 9.68% | 4.41% |
| Nickel Futures | USD / Ton | 17,898 | -0.04% | 11.08% | 6.48% | -2.57% |
| Jakarta Composite Index | IDR | 7,521 | 0.33% | -3.10% | 3.02% | 8.49% |

Source : Investing.com, PKRI

| Yield Curve | 10Y Yield | | | 10Y-2Y Spread | | | 5Y CDS | | |
|-------------|-----------|----------|-----------|---------------|-----------|------------|-----------|----------|-----------|
| | 04-Oct-24 | 1 Mo Ago | 6 Mos Ago | 04-Oct-24 | 1 Mo Ago | 6 Mos Ago | 04-Oct-24 | 1 Mo Ago | 6 Mos Ago |
| IDR | 6.777% | 6.680% | 6.723% | 47.85 bps | 26.30 bps | 30.55 bps | 69.3 | 72.23 | 74.22 |
| USD | 4.082% | 3.656% | 4.580% | 9.90 bps | .60 bps | -36.80 bps | 37.3 | 32.4 | 35.1 |

Source : Worldgovernmentbonds.com, Investing.com, PKRI

Macroeconomy sector

- Based on Central Bureau of Statistics' (BPS) data, annual inflation declined to 1.84% in Sep24 (Aug24: 2.12%). The decline was mainly due to price declining in several sectors, such as groceries, food, beverages, and tobacco, and energy. On a monthly basis, the consumer price index (CPI) exhibited a deflation of 0.12% as of Sep24, marking the fifth consecutive month of deflation since May24.
- Based on Bank Indonesia's (BI) data, Indonesia's foreign exchange reserve position was at USD149.9 bn in Sep24 (-0.2% mom; Aug24: USD150.2 bn). However, Indonesia's foreign exchange reserves in Sep24 increased by 11.1% yoy, of which Indonesia's foreign exchange was recorded at USD134.9 bn as of Sep23.
- Based on BI's data, the depreciation of the rupiah due to the geopolitical escalation of conflicts in the Middle East has become a new challenge for Indonesia in maintaining its foreign exchange reserves in the future. In addition, the strength of Indonesia's foreign exchange reserves could also be affected by the payment of Indonesia's maturing global debt securities, which reached USD3.7 bn until the end of 2024.
- BI record showed that the decline in foreign exchange reserves due to the maturing of global government bonds began to emerge in Sep24. Following three consecutive months of growth with the highest record at USD150.2 bn in Aug24, foreign exchange reserves dipped slightly to USD149.9 bn in Sep24. However, this reserves remain robust, covering 6.4 months of imports and external government debt servicing-well above the international adequacy benchmark of approximately 3 months of imports.
- Based on data from the Minister of Finance's (MoF), the government's debt position slightly decreased to IDR8,461.93 tn as at end-Aug24 from IDR8,502.69 tn as at end-Jul24. However, it increased by 7.52% yoy from IDR7,870.35 tn as at end-Aug23. Thus, the ratio of government debt to gross domestic product (GDP) as of the end of Aug24 stood at 38.49%.
- The global minimum tax based on Global anti-Base Erosion Rules (GloBE) Pillar 2 and subject to Tax Rule (STTR) agreements will be implemented by the government of Indonesia (GoI) in 2025. A global minimum tax of 15% will be imposed on multinational companies with a gross turnover threshold of more than EUR750 mn per year. However, GoI until now still provides facilities in the form of a reduction in the Corporate Income Tax (PPh) rate so that the effective rate paid by companies is below 15%. The consensus on the minimum tax forced GoI to redesign its fiscal strategy, in order to secure capital flows without harming global agreements.
- Based on BI's consumer survey as of Oct24, Indonesia's Consumer Confidence Index (CCI) remained within the range of 123-127 with peak at 127.7 in Apr24 before declined slightly to 123.5 as of Sep24 (+1.47% yoy). Meanwhile, the proportion of consumer expenditure directed toward savings increased and reached its highest point of 17% in Mar24 before declined to 15.3% by Sep24.

- Based on World Bank's data, Indonesia's economy will maintain stable growth around 5% in 2024 and 2025. While Malaysia and Singapore are expected to experience a slight decline in economy growth to 4.5% in 2025 from 4.9% in 2024 and 2.5% in 2025 from 2.6% in 2024, respectively.
- Data from The World Bank as of Aug24, The economic growth projections for various Asian countries in 2024 and 2025 show various trend. Mongolia and Vietnam are expected to see strong economy growth to 6.5% yoy in 2025 from 5.3% yoy in 2024 and to 6.5% yoy from 6.1% yoy, respectively. Thailand's economy is also projected to grow by 3% yoy in 2025 from 2.4% yoy in 2024. Philippine will maintain robust economy growth at 6% yoy in 2025, which is slightly lower than 6.1% yoy in 2024. In contrast, China is expected to experience a slowdown to 4.3% yoy in 2024 from 4.8% yoy in 2025 and Laos to 3.7% yoy in 2025 from 4.1% in 2024.

Financial Sector

- Based on BI's data, Indonesia's banking sector has experienced a significant increase in liquidity over the last year. Total loans increased to IDR7,580 tn as at end-Aug24 (+11.40% yoy), which was supported by growth in third-party deposit (DPK) to IDR8,658 tn (+7.01% yoy). The Loan-to-Deposit Ratio (LDR) per Aug24 remained stable at 86.80% (+4.1% yoy).
- Based on Indonesia Financial Services Authority's (OJK) data, the capital adequacy ratio (CAR) of Sharia Commercial Banks (BUS) has been stable at around 25% since 2021, indicating strong capital resilience to support growth. BUS' return on assets (ROA) rose consistently to 2.02% on Jul24, signalling an increase in asset use efficiency. However, the ROA of sharia business units (UUS) decreased slightly to 1.67% in the same period. BUS' non-performing financing (NPF) has been declining steadily since 2020 and stood at 2.12% as at end- Jul 24, indicating improved risk management. Meanwhile, UUS showed an increase in NPF, but remained within a reasonable limit of 2.19%.
- Based on OJK's data, the loan disbursement from Indonesian banks to downstream related processing industry (including palm oil (CPO) processing and electronic manufacturing) has increased by 10.58% yoy as of Aug24 (Aug23: 5.27% yoy). This is in line with the government's aspiration to accelerate the processing industry that provides added value.
- Based on OJK's data, banks' loan disbursement to CPO processing, non-iron metal and electronic manufacturing accounted for around 17% of total credit disbursed for processing industry as of Aug24. However, the loan disbursement to these sectors remained relatively small and only counted for about 2.61% of total banks' credit disbursement.
- Based on company's financial data from Jun23 to Jun24, most of digital banks in Indonesia recorded loan growth. Total loan outstanding of PT Superbank Indonesia, PT Krom Bank Indonesia Tbk (BBSI), and PT Bank Hibank Indonesia grew significantly to IDR3.740 tn (+194.7% yoy), to IDR2.699 tn (+113.19% yoy), IDR8.800 tn (+85% yoy), respectively, which reflects a rapid expansion in digital banking business from a low base. Total loan outstanding of PT Bank Jago Tbk (JAGO), PT Bank Digital BCA, PT Bank Amar Indonesia Tbk (AMAR), and PT Bank Seabank Indonesia also grew notably to IDR15.67 tn (+40.14% yoy), to IDR5.340 tn (+36.12% yoy), to IDR2.806 tn(+25.26% yoy), and to IDR5.340 tn (+23.39% yoy), respectively. While, loan outstanding of PT Bank Raya Indonesia Tbk (RAYA) and PT Bank Allo Bank Indonesia Tbk (BBHI) grew modestly to IDR6.783 tn (+12.15% yoy) and IDR8.028tn (+7.97% yoy), respectively. However, PT Bank Neo Commerce Tbk (BBYB) was the only digital bank that record lower loan outstanding to IDR9.017 tn (-10.81% yoy).
- Based on OJK's data, the P2P lending industry managed to record an increase in profit compared to IDR656.80 bn as of Aug24 (+ 25.99% yoy). Meanwhile, outstanding P2P lending as of Aug24 amounted to IDR72.03 tn (+35.62% yoy).
- Based on OJK's data, health insurance premiums from life insurance increased to IDR19.36 tn as as of Aug24(+38.35% yoy). General insurance health premiums also increased to IDR6.61 tn (+27% yoy). Since 2022, the ratio of life and general insurance claims for the health sector has always been above 100%, making premium costs have to experience a significant increase.
- Based on OJK's data, the performance of insurance assets continues to improve. It continuously increased to IDR1,033.39 tn as at end-Dec21 (+13.92% yoy), to IDR1,090.82 tn as at end-Dec22 (+5.56% yoy), and to IDR1,111.30 tn as at end-Dec23 (+1.88% yoy). The insurance assets increased to in IDR1,132.49 tn as at end-Aug24 (+1.32% yoy; Aug23: IDR1,117.75 tn).
- Based on data from the MoF, 88.07% of government debt as of the end-of-Aug24 was in the form of government securities (SBN) amounting IDR7,452.56 tn. The latter consisted of domestic SBN of IDR6,063.41 tn and foreign exchange SBN of IDR1,389.14 tn. Meanwhile, 11.93% of total government debt was in form of loan amounting to IDR1,009.37 tn , which consisted of domestic loans of IDR39.63 tn and foreign loans of IDR969.74 tn.

Energy Sector

- The intensifying conflict between Israel and Iran has heightened concerns over potential Israeli strikes on Iran's oil infrastructure, has driven a significant rally in global oil prices over the past month. According to data from Investing as of 06Oct24, WTI crude prices surged by 9.91% mom, while Brent crude price increased by a 9.87% mom.
- Based on Ministry of Energy and Mineral Resources' (ESDM) report, the number of smelters in Indonesia has notably increased to 37 units in 2022 from only 10 units in 2015 and expected to reach 53 units by end of 2024. Moreover, this industry requires around 1,000 professionals annually, but only about 400 metallurgical engineering graduates are produced per year due to limited interest in the field. As a result, many smelters rely on foreign experts to bridge the gap.
- In 2023, Indonesia's upstream oil and gas investment showed a continued focus on exploration and development with a reduction in administrative spending. Exploration investments rose to USD0.9 bn in 2023 (+28.57% yoy), while development investments grew moderately to USD2.8 bn (+7.69% yoy). Production investments remained steady at USD9.4 bn (+16.04% yoy). However, administration spending saw a significant decline to USD0.6 bn (-33.33% yoy).
- Based on ESDM's research, 85% of downstream industry (especially nickel) has been dominated by foreign investors. Foreign banks with strong capital position is deemed to be more interested in the development of downstream industry in Indonesia compared to domestic banks,
- President Jokowi has confirmed that the copper cathode smelter of PT Freeport Indonesia (PTFI) in Manyar, Gresik, East Java, would start to full (100%) operation/production by Jan25 (slightly delayed from initial target in Dec24). The total investment to develop this smelter is around IDR56 tn. With full capacity, this smelter will produce 900,000 ton to 1 mn ton copper cathode per year.

Manufacturing Sector

- The lithium iron phosphate (LFP) cathode plant, located in the Kendal Industrial Estate (KIK), is a strategic asset for Indonesia's role in the global electric vehicle supply chain. A joint venture between PT. LBM Energi Baru Indonesia and the Indonesia Investment Authority (INA), with a total investment of USD350 mn, aims to export LFP battery cathode products to key markets (including the US, Europe, Japan, and South Korea) with projected annual revenues of USD1.2 bn. The plant's initial production capacity is set at 90,000 tons per year, with plans to expand to 120,000 tons per year in the second phase.

Property Sector

- GoI continues its efforts to attract foreign investment by expanding the Special Economic Zones (KEK) to cater to diverse industries, including education, technology, and healthcare. Recently, a new KEK was established through Government Regulation No. 39/2024, focusing on tourism and healthcare in Batam. Which is projected to attract substantial investments (such as: from Apollo Hospitals of India), with potential foreign exchange inflows of up to IDR500 bn. It is expected to stimulate job creation, with estimates suggesting up to 105,406 workers involved. Total investment in KEK areas as of 1H24 reached to IDR27.7 tn and generate 14,735 jobs. The investment value is projected to increase to IDR30.6 tn in 2025 creating 57,005 jobs.

Automotive Sector

- Based on Indonesia Automotive Industry Association's (Gaikindo) data, car sales in Indonesia declined to 72,667 unit as of Sep24 from 76,304 units as of Aug24. The sale in Sep24 was also lower than Sep23 with car sales of 79,919 units. Total car sales from PT Astra International Tbk (ASII) group only was 40,096 units as of Sep24 with market share of 55%, which was lower than 42,195 units as of Aug24 and 44,051 units as of Sep23.

Telecommunication Sector

- Based on data from Statista in Aug24, the number of internet users in Indonesia is projected to increased significantly to 221 mn people in 2024 from only 143.2 mn people in 2017. During this period, internet penetration has gradually increased to 79.5% in 2024 from 54.6% in 2017, which shows the expanding coverage of internet access across the country. This growth has been supported by continuous rise of population, which is projected to reach 278.6 mn people in 2024 from 262 mn people in 2017. This also reflects the increasing adoption of digital connectivity in accordance to Indonesia's growing population.

DISCLAIMER: This report or publication is based on relevant public resources (including: newspapers, websites and other business-related resources) that are believed to be reliable. PKRI does not conduct verification of the information obtained and is not responsible for the accuracy of the information referred to. PKRI has the full right to disseminate information written in its report. Reports issued by PKRI may not be used for purposes that are contrary to regulations or violate the law.