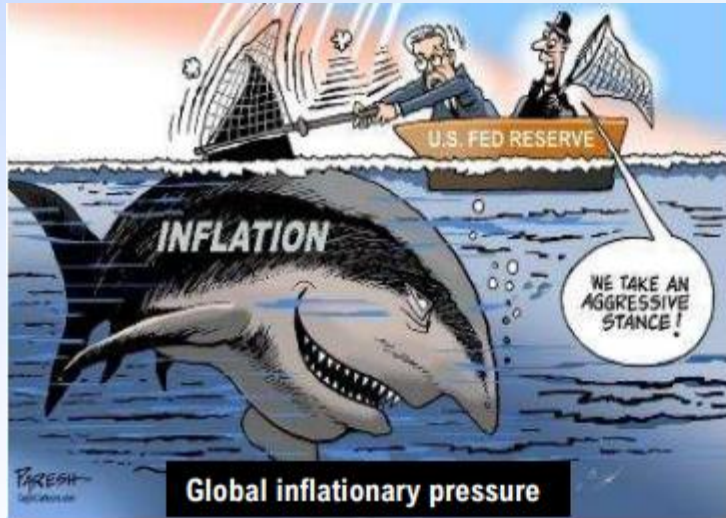


# Economic & Market Outlook 2024

Opportunity In Monetary Relaxation And Political Election

PT Reliance Sekuritas Indonesia Tbk • 2024

# Recent Economic Issues



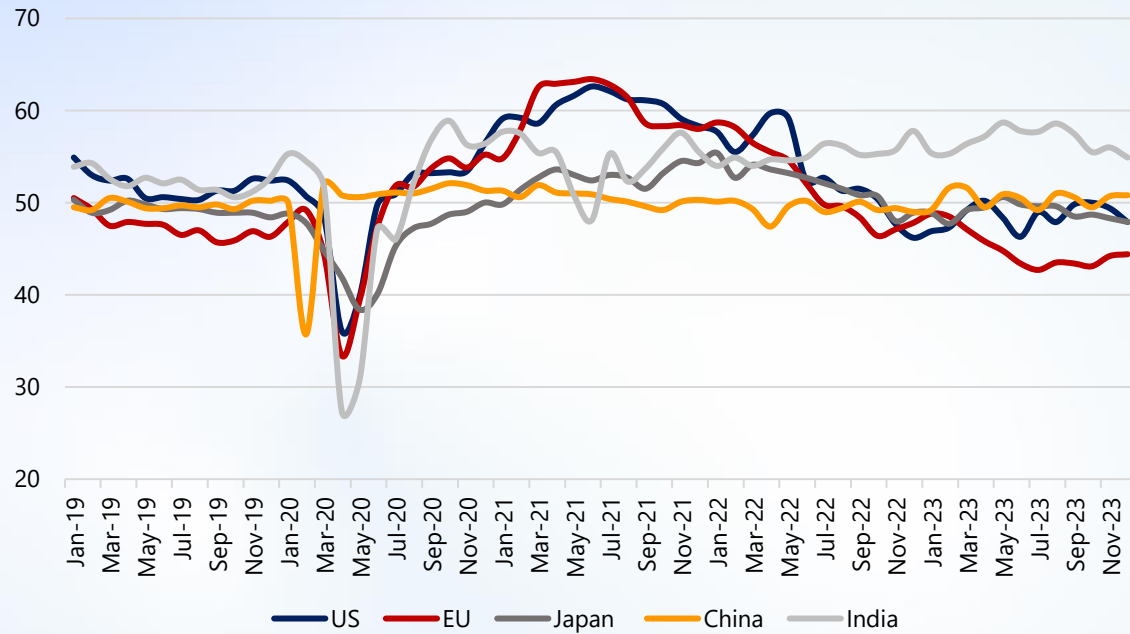
| Economic Projection (%) | 2020  | 2021 | 2022 | IMF (as of oct-23) |       | World Bank (as of Jun-23) |       |
|-------------------------|-------|------|------|--------------------|-------|---------------------------|-------|
|                         |       |      |      | 2023F              | 2024F | 2023F                     | 2024F |
| World                   | -3.1  | 6.0  | 3.5  | 3.0                | 2.9   | 2.1                       | 2.4   |
| US                      | -2.2  | 5.8  | 1.9  | 2.1                | 1.5   | 0.7                       | 1.2   |
| Euro Area               | -6.1  | 5.6  | 3.3  | 0.7                | 1.2   | 0.4                       | 1.3   |
| Japan                   | -4.3  | 2.1  | 1.0  | 2.0                | 1.0   | 0.8                       | 0.7   |
| China                   | 2.2   | 8.1  | 3.0  | 5.0                | 4.2   | 5.6                       | 4.6   |
| India                   | -5.8  | 9.1  | 7.2  | 6.3                | 6.3   | 6.3                       | 6.4   |
| Indonesia               | -2.07 | 3.7  | 5.3  | 5.0                | 5.0   | 4.9                       | 4.9   |
| Thailand                | -6.2  | 1.5  | 2.6  | 2.7                | 3.2   | 3.9                       | 3.6   |
| Vietnam                 | 2.91  | 2.6  | 8.0  | 4.7                | 5.8   | 6.0                       | 6.2   |
| Philippines             | -9.6  | 5.7  | 7.6  | 5.3                | 5.9   | 6.0                       | 5.9   |
| Malaysia                | -5.5  | 3.1  | 8.7  | 4.0                | 4.3   | 4.3                       | 4.2   |

- Global economic is expected to grow modestly in 2024F due to sustained high interest rates and geopolitical uncertain.

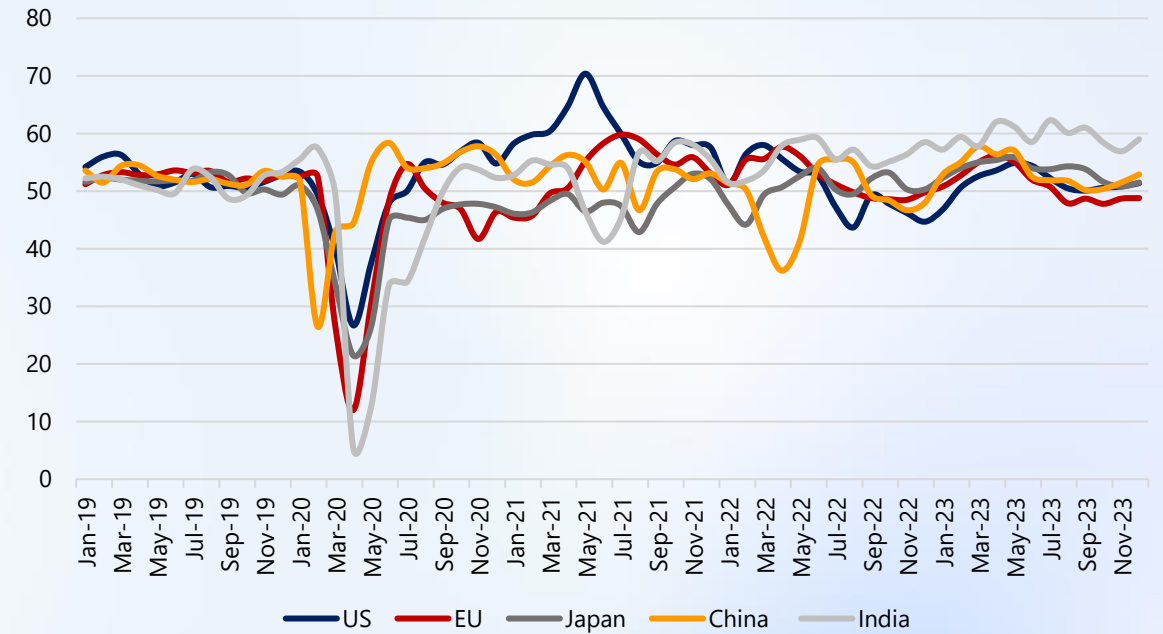
Source: Tradingeconomics, IMF, World Bank

# PMI Composite Of Major Economies

### Manufacturing PMI of Major Economies



### Services PMI of Major Economies



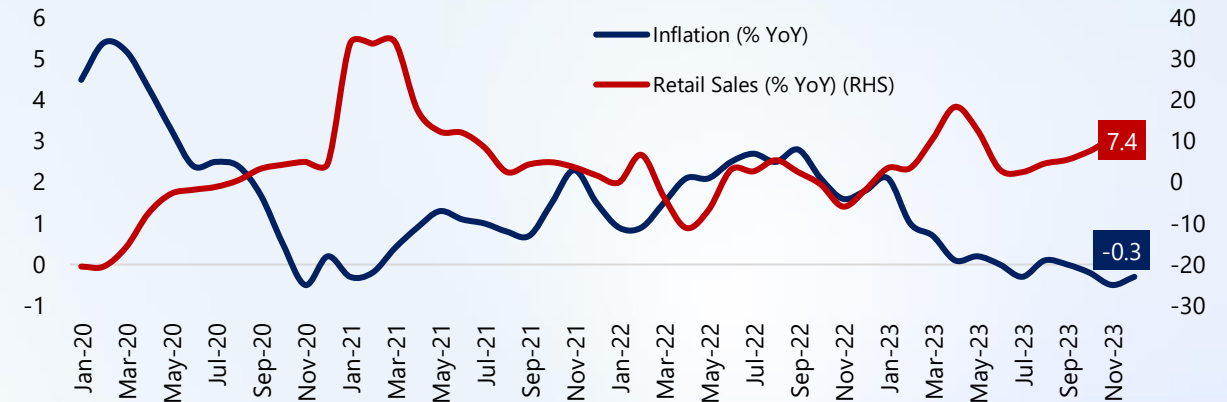
- Global Manufacturing PMI expected to accelerate boost by economic expansion especially from developing market while developed markets remains subdued.

# China's Economy: Challenging Recovery

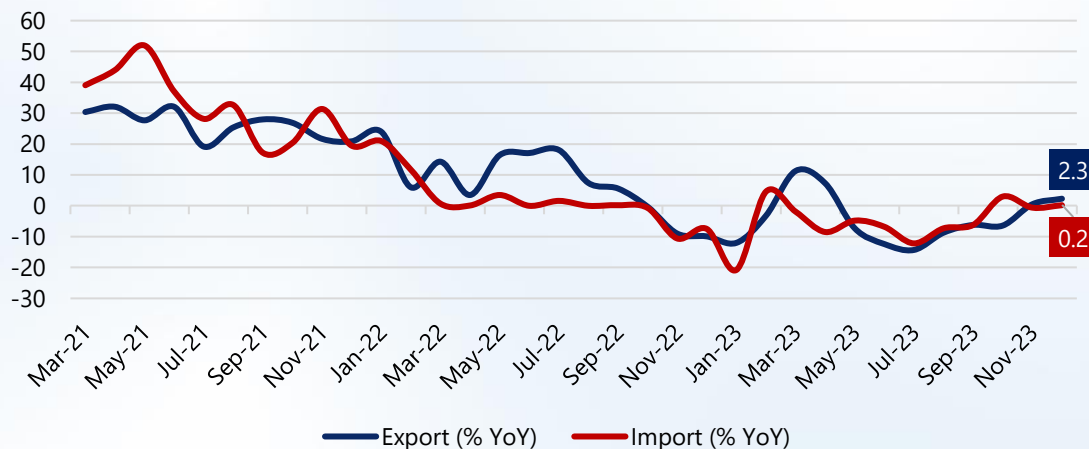
**China's GDP Growth**



**China Inflation and Retail Sales**



**China Export-Import**



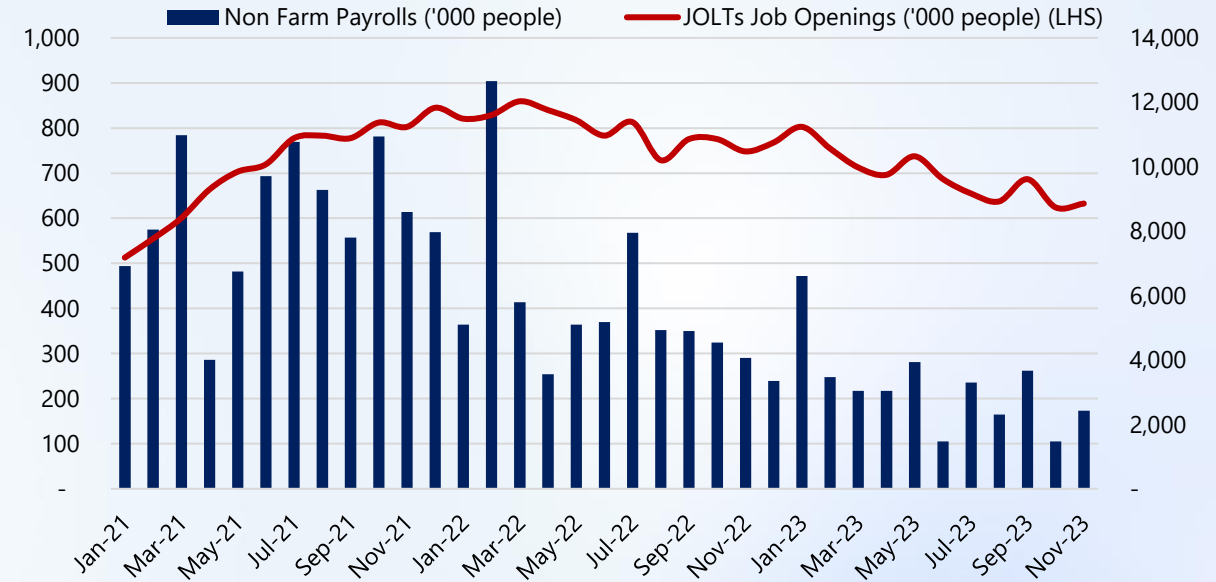
- China's economic growth 5.2% in FY2023, relatively in line with consensus. Industry and service increased while foreign trade experienced meager growth.
- Still under deflation pressure due to weak consumption. Retail sales shows improvement in Dec-23 boost by low-base effect and discount of car sales.
- China's economic recovery will depend on stimulus. The government expected to boost private sector and public infrastructure to expand domestic demand.

# US Labor Market Is Cooling Down

### Unemployment Rate (%)



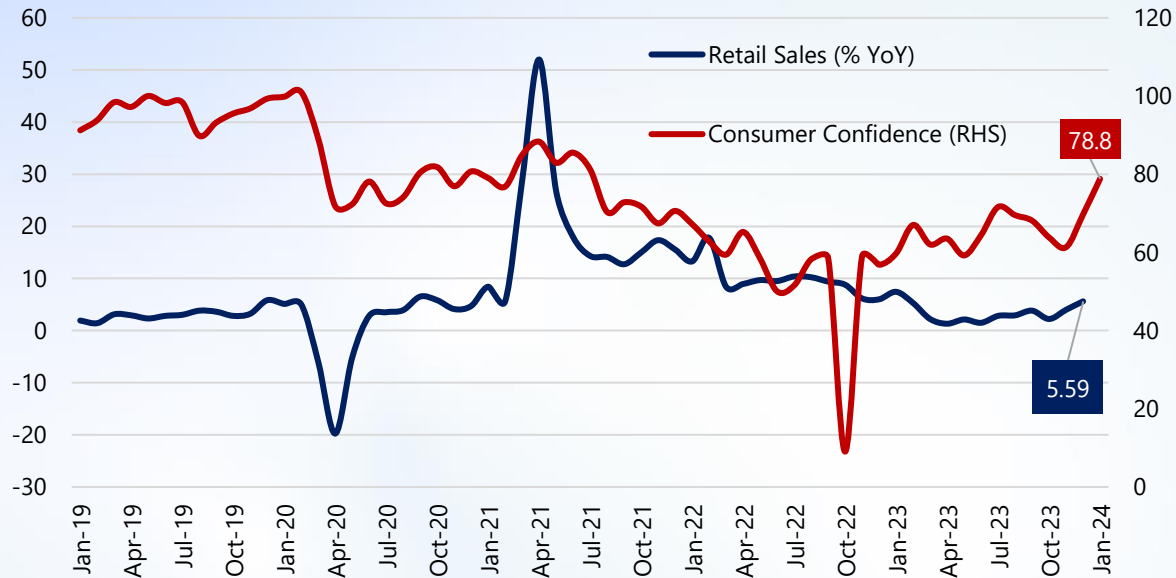
### US Labor Indicator



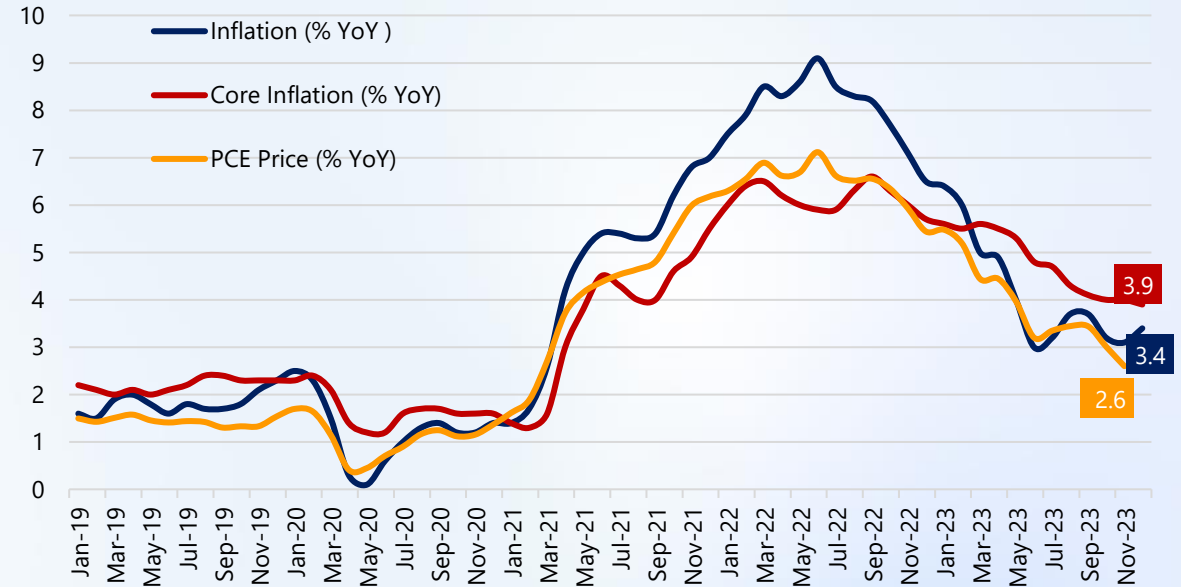
- Recent data of US labor market shows a decline trend from its highest level in 2022. Slowing growth of labor market mainly due to normalization of hiring amidst high interest rates holding back business expansion.
- We expect it will drive softer consumer spending and unemployment rate remain above 4% so that The Fed won't likely raises interest rate.

# Inflation expect to continue to decline

### US Retail Sales & Consumer Confidence

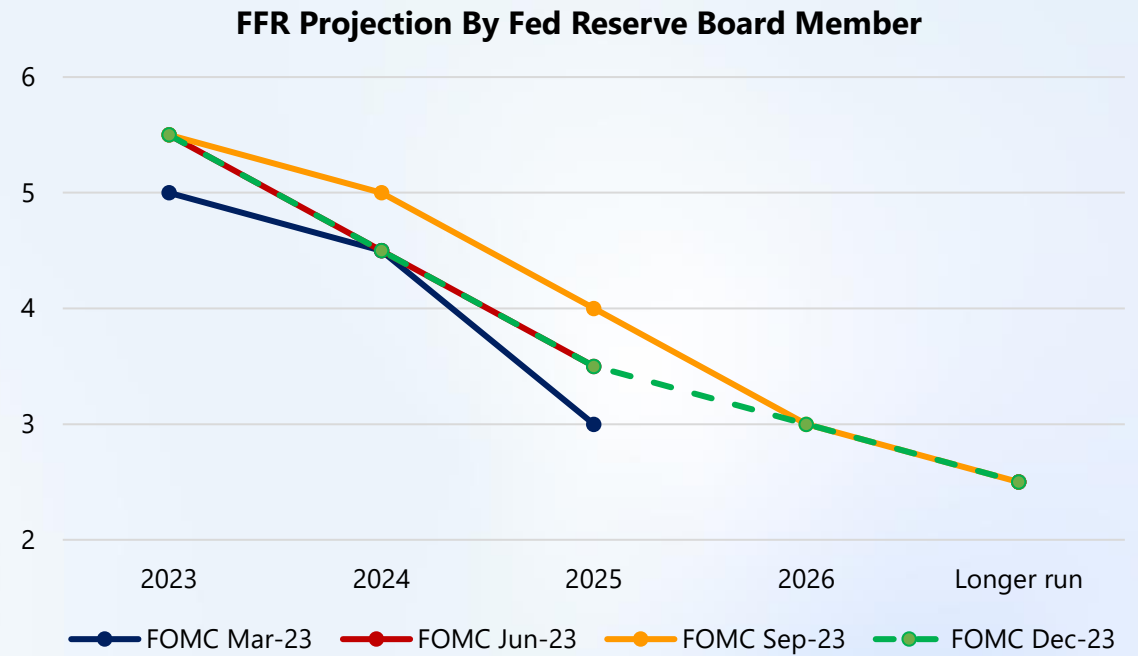
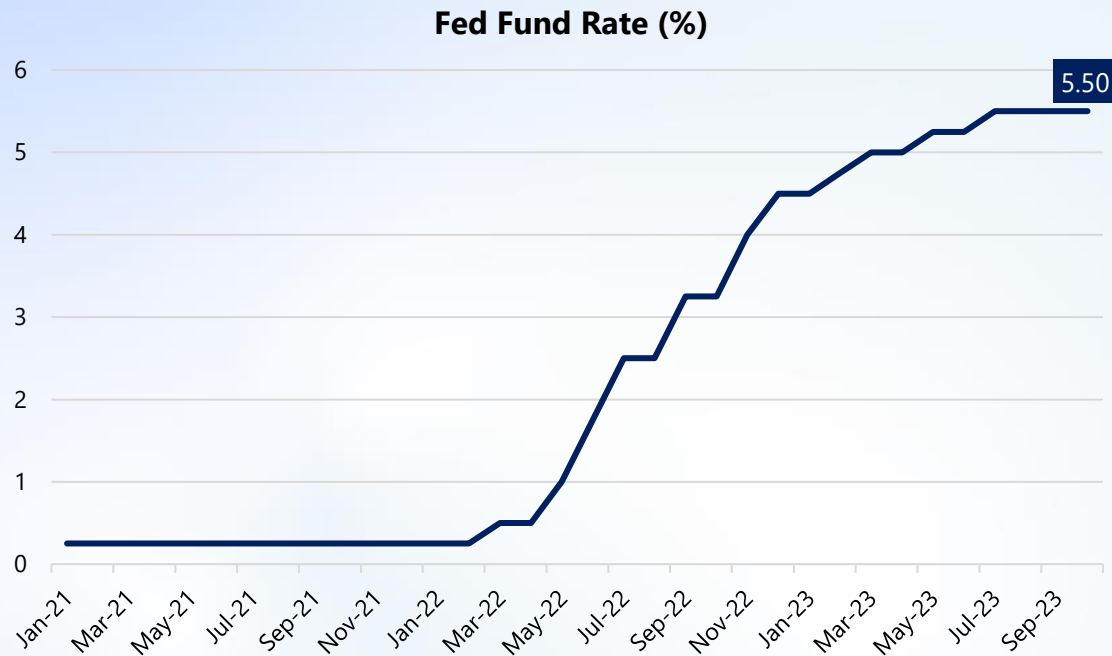


### US Consumer Price Index



- Consumer confidence increase with highest growth since Jul-21 driven by confidence in decreasing inflation.
- The Fed projects PCE inflation will decrease to 2.4% in 2024F and 2% for longer run.

# Fed Fund Rate Project

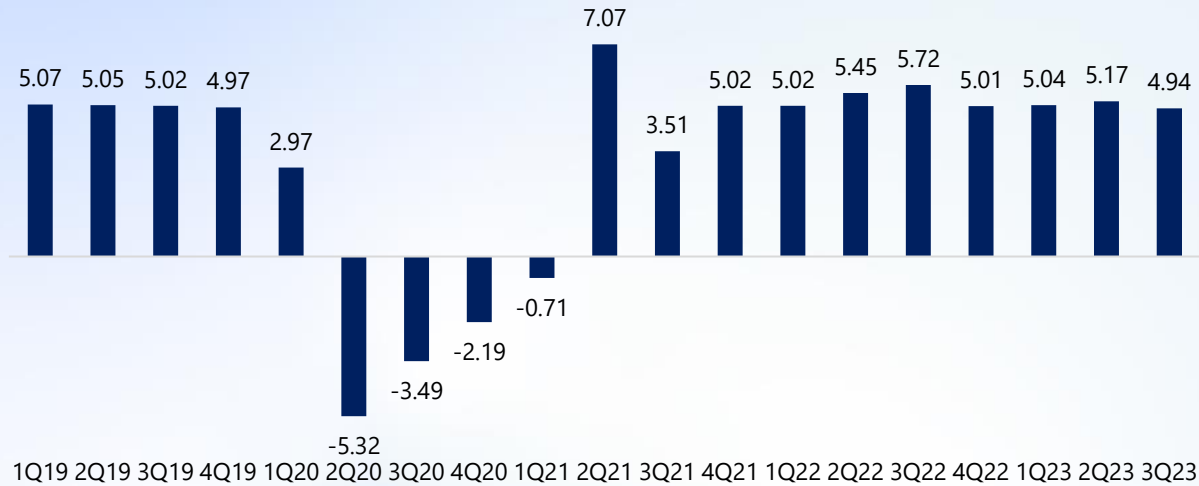


- Consensus expect The Fed is done rising interest rate, but will likely wait confirmation of inflation under their target before start to cut interest rate. Higher-for-longer will be main risk for the market.
- From FOMC Dec-23, median Federal Funds Rate at 4.6% in 2024F and 2.5% for longer run. Expecting The Fed rate cuts by 2H24.

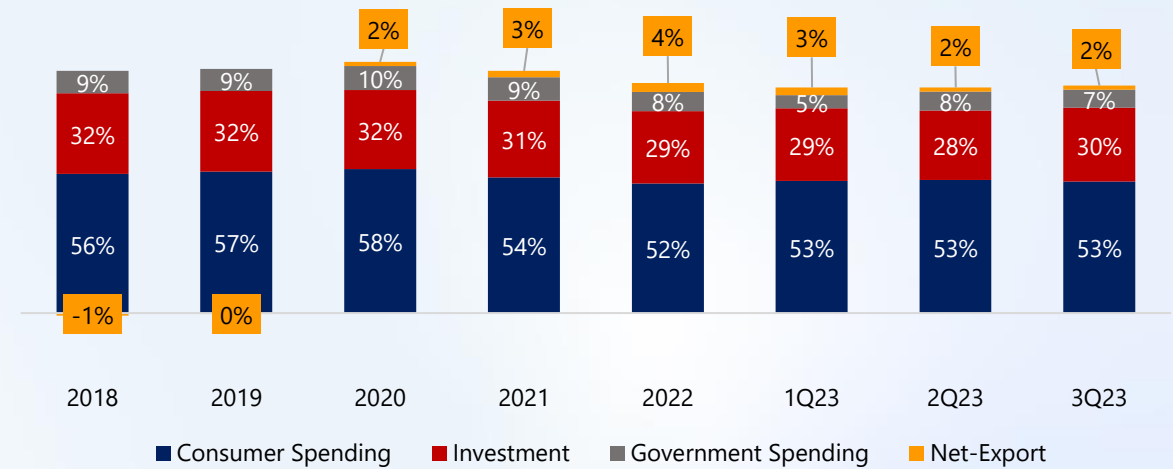


# Indonesia Economy Landscape

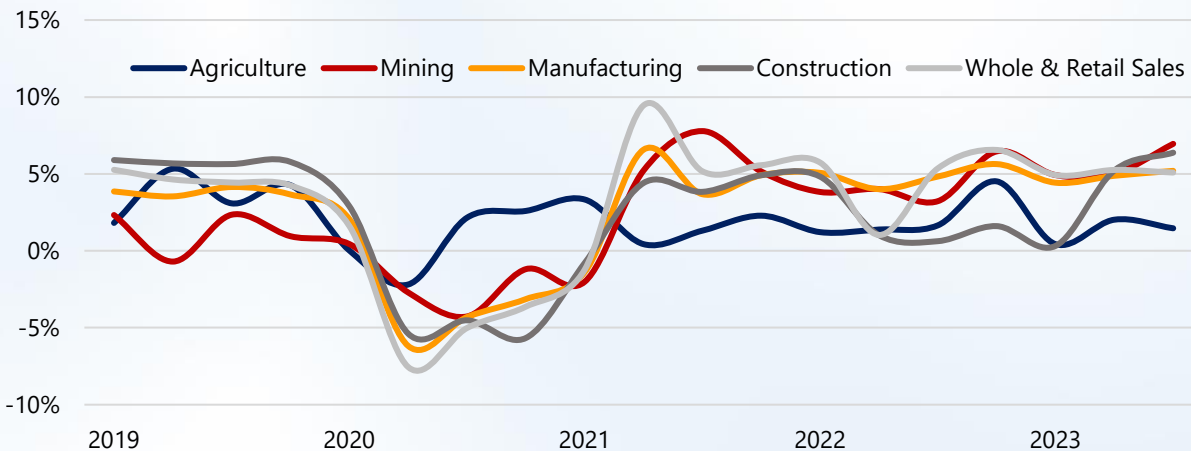
### Indonesia GDP Growth (% YoY)



### GDP Contribution By Expenditure



### GDP Growth By Major Industrial



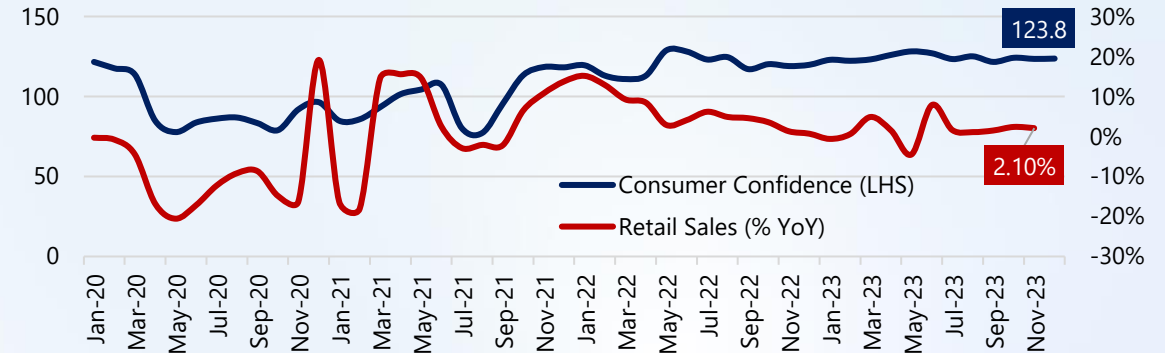
- Indonesia's GDP is expected to grow 4.9% - 5.2% in FY24F, supported by consumer and govt. spending while net-export and investment expect to grow modestly.

# Higher social aid and minimum wage to support consumption

**Indonesia Inflation (% YoY)**

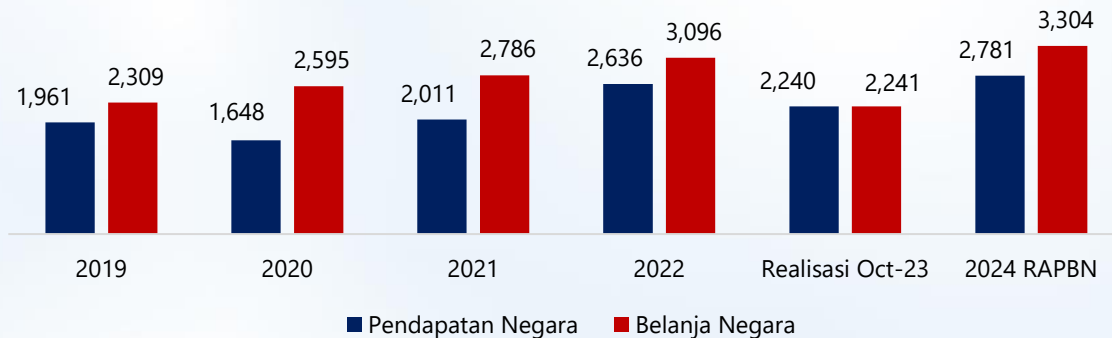


**Indonesia Retail Sales & Consumer Confidence**

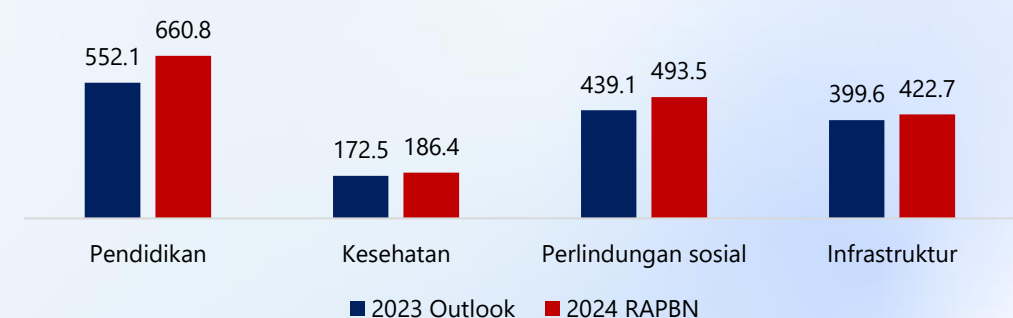


- Government relatively succeed to control food problem caused by El Nino, effect to inflation continues its downward trend. BI project inflation at 2,5±1% in FY24F.

**APBN**

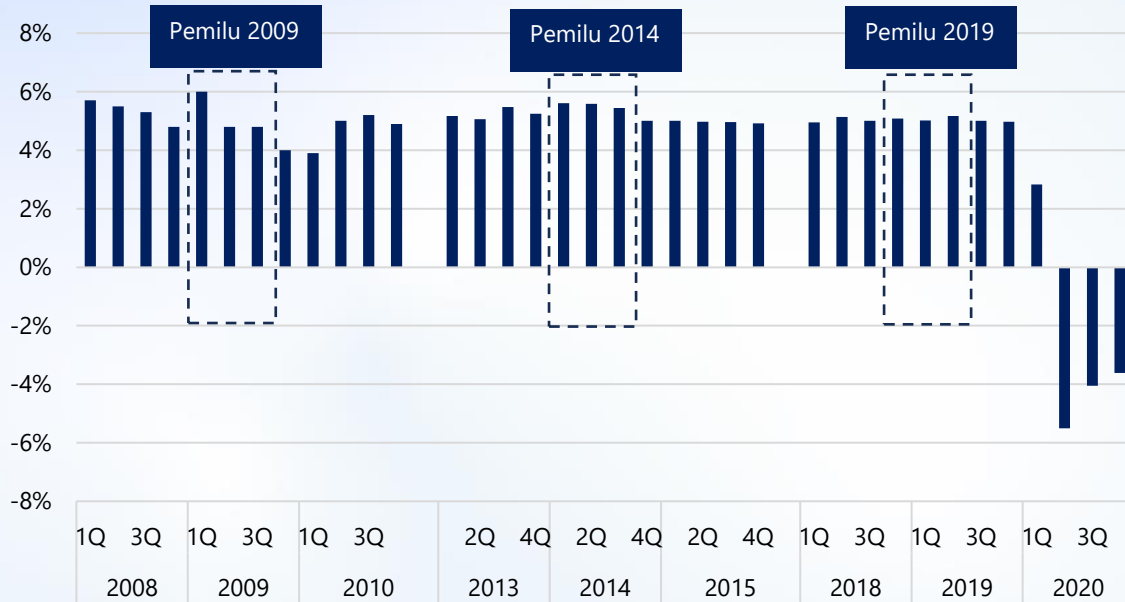


**Alokasi Anggaran**



- Govt. spending increase but with manageable financial deficit. Social aid and minimum wages increase 12.4% and 3.3%, respectively.

### Post Election Effect to Consumer Spending GDP

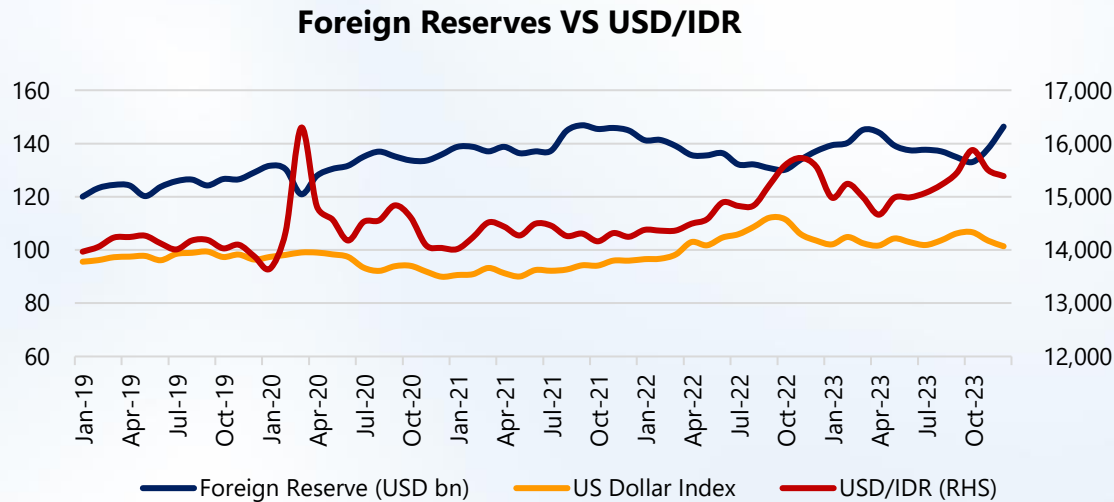
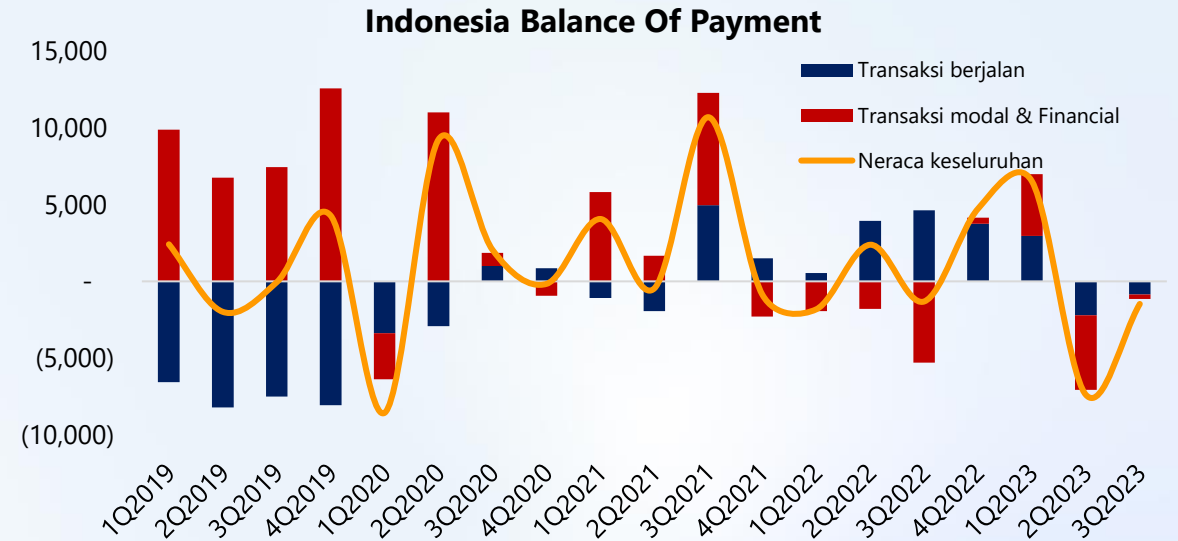
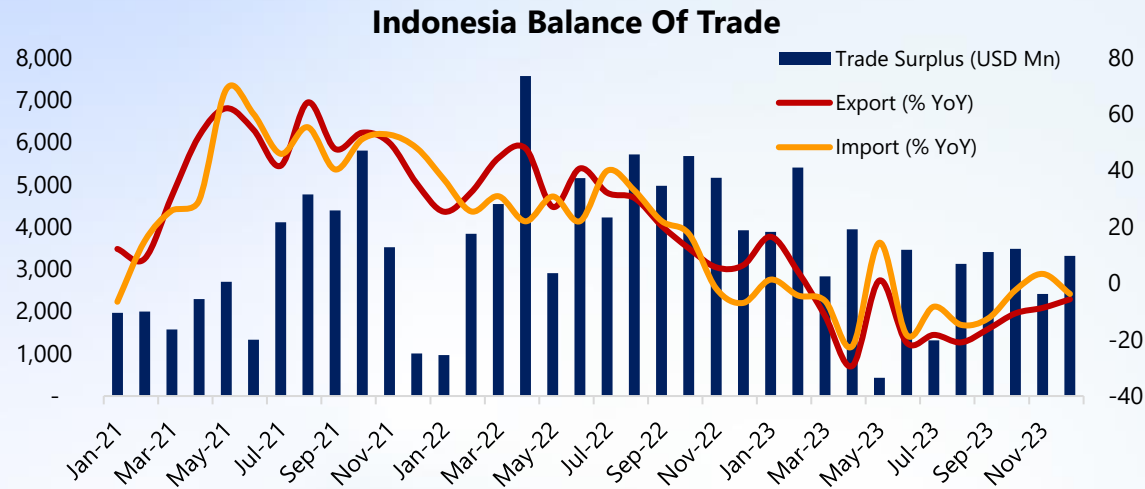


### Post Election Effect to Foreign Direct Investment



- Post election impact modestly on consumer spending GDP growth but FDI decrease amidst investor tend to hold back.

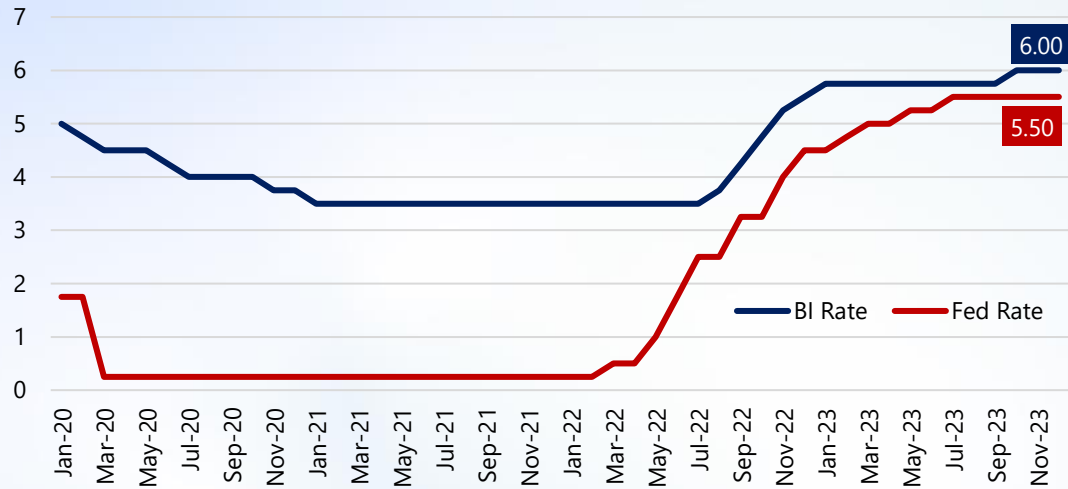
# Trade balance effect to rupiah



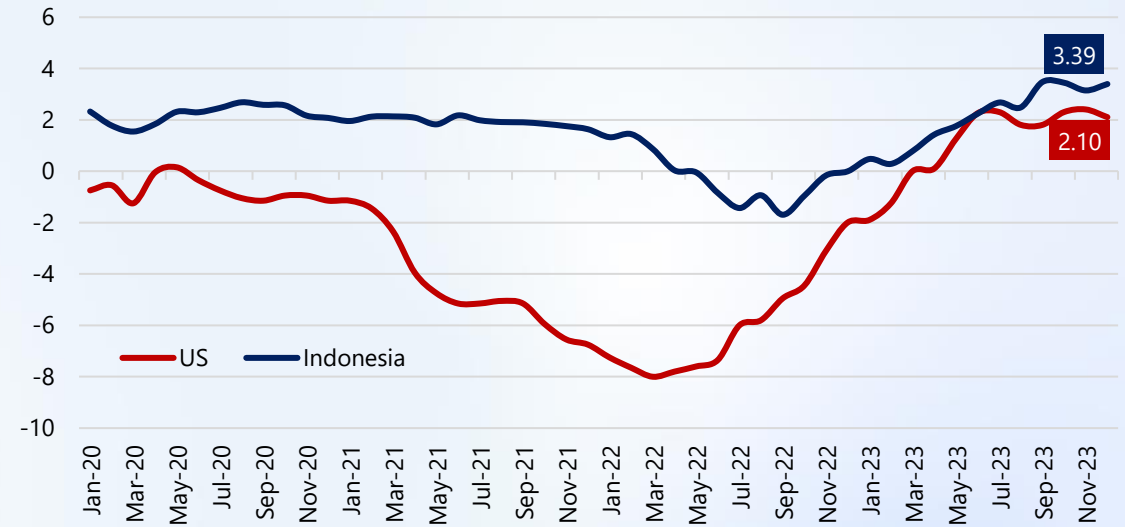
- Trade surplus expect to eased amid decrease in export.
- NPI recorded deficit to USD 1,46 Bn in 3Q23 driven by high volatility in financial transaction.
- Rupiah projected to be in the range of 15,000 -15,500.

# Attractive Rate Spread

### BI7DRR vs FFR



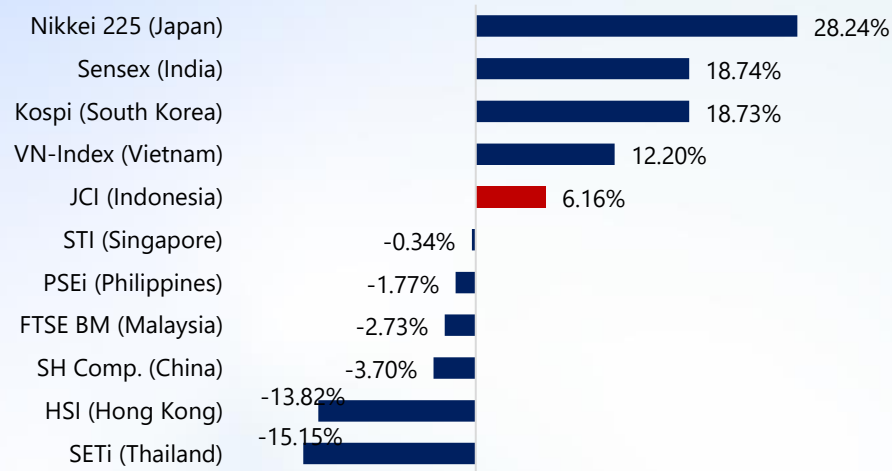
### Real Interest Rate



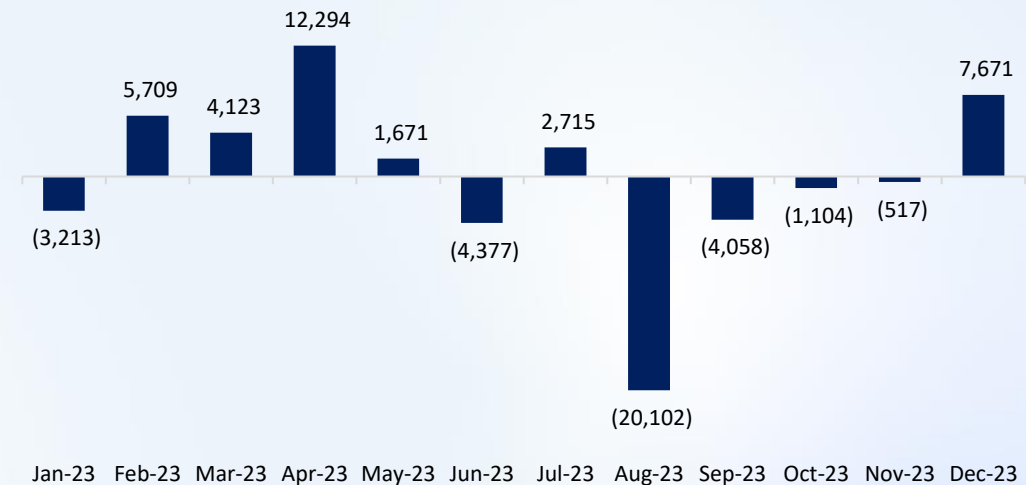
- Indonesia still offer a relatively attractive yield. In Dec-23 real interest rate recorded at 3,39% or higher than US.
- We expect foreign inflow to emerging market such as Indonesia as central bank potential to cut interest rate.

# Outlook Positive on JCI

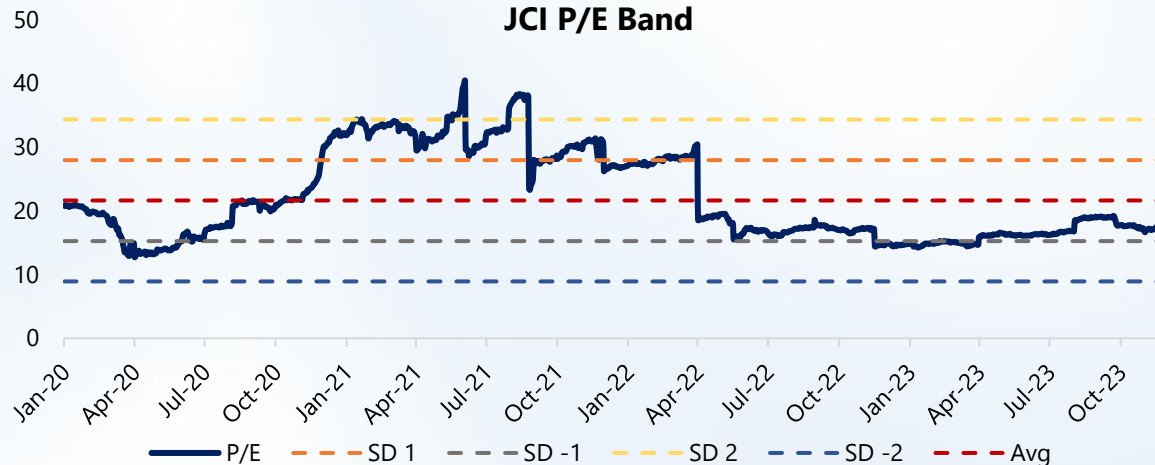
**Regional Index Performance (2023 YTD)**



**Foreign Net Value (IDR bn)**



**JCI P/E Band**



- We maintain a positive outlook on JCI with target of 7.810 for base scenario and 8.010 for bull scenario implying a PE at 15,23x. Our assumption is based on a higher index performance in election year and potential foreign inflow.



Effectiveness of social assistance



China's slower economic recovery



Lower expansion amidst election year



Geopolitical uncertainty

| Sector                     | Rating     | Catalyst / Outlook  |
|----------------------------|------------|---|
| Banking                    | Overweight | <ul style="list-style-type: none"> <li>i) Expect higher NIIM driven by solid loan growth</li> <li>ii) Lower cost of fund and cost efficiency</li> </ul>   |
| Telecommunications & Tower | Overweight | <ul style="list-style-type: none"> <li>i) Margin improvements after interest rate cuts</li> <li>ii) Higher traffic and data consumption</li> <li>iii) Business expansion to fiber optic, FMC and data center</li> </ul>   |
| Property                   | Overweight | <ul style="list-style-type: none"> <li>i) Interest rate cuts will boost higher demand</li> <li>ii) Govt. issues incentive of PPN DTP for periode Nov-23 to Dec-24</li> <li>iii) Expecting higher recurring income</li> </ul>  |
| Consumer Staples           | Overweight | <ul style="list-style-type: none"> <li>i) Expect better margin driven by normalization of soft commodities price</li> <li>ii) Resilient consumption and purchasing power boost by election year and higher social aid</li> </ul>  |
| Healthcare                 | Overweight | <ul style="list-style-type: none"> <li>i) Revenue is projected to increase driven by higher health budget</li> <li>ii) Margin improvement for pharmaceutical players amidst steady currency</li> <li>iii) Long-term opportunity of health omnibus law implementation</li> </ul> |
| Automotive                 | Neutral    | <ul style="list-style-type: none"> <li>i) Expect 4W sales will grow modestly</li> <li>ii) Risk of supply disruption after China restrict export of spare parts</li> <li>iii) Tax incentive for purchasing EV has ended</li> </ul>   |
| Coal                       | Neutral    | <ul style="list-style-type: none"> <li>i) Europe and America continue in renewable power transmission</li> <li>ii) Coal price expected to decrease boost by weak demand from China</li> <li>iii) Increased coal supply from Indonesia and Australia</li> </ul>                  |



| Top picks |        |             |          |            | 2024F   |         |
|-----------|--------|-------------|----------|------------|---------|---------|
| Ticker    | Rating | Price (IDR) | TP (IDR) | Upside (%) | P/E (x) | PBV (x) |
| BBCA      | Buy    | 9,625       | 12,800   | 32.99%     | 26.75   | 6.69    |
| BRIS      | Buy    | 2,090       | 2,600    | 24.40%     | 21.49   | 2.83    |
| TOWR      | Buy    | 955         | 1,125    | 17.80%     | 17.17   | 3.61    |
| MTEL      | Hold   | 675         | 765      | 13.33%     | 32.61   | 1.91    |
| TLKM      | Buy    | 3,980       | 4,800    | 20.60%     | 17.02   | 3.64    |
| ISAT      | Buy    | 9,700       | 11,300   | 16.49%     | 24.51   | 2.99    |
| CTRA      | Buy    | 1,245       | 1,600    | 28.51%     | 17.73   | 1.53    |
| BSDE      | Buy    | 1,045       | 1,250    | 19.62%     | 7.40    | 0.73    |
| MYOR      | Buy    | 2,380       | 3,000    | 26.05%     | 24.79   | 4.42    |
| ICBP      | Buy    | 11,400      | 14,500   | 27.19%     | 13.78   | 4.13    |
| MIKA      | Hold   | 2,540       | 2,900    | 14.17%     | 45.31   | 6.88    |
| KLBF      | Buy    | 1,555       | 1,900    | 22.19%     | 32.20   | 4.04    |
| ASII      | Buy    | 5,225       | 6,675    | 27.75%     | 9.05    | 1.00    |
| AUTO      | Hold   | 2,400       | 2,780    | 15.83%     | 7.66    | 1.00    |
| ITMG      | Hold   | 26,250      | 29,500   | 12.38%     | 3.97    | 1.50    |
| ADRO      | Buy    | 2,400       | 2,800    | 16.67%     | 3.57    | 1.00    |

# Thank You

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